



Notice of Meeting and Meeting Agenda Capital Regional Hospital District Board

Wednesday, January 11, 2023

1:05 PM

6th Floor Boardroom
625 Fisgard Street
Victoria, BC

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 THE AGENDA

3. ADOPTION OF MINUTES

3.1. [23-037](#) Minutes of the October 12, 2022 and November 16, 2022 Capital Regional Hospital District Board

Recommendation: That the minutes of the Capital Regional Hospital District Board meetings of October 12, 2022 and November 16, 2022 be adopted as circulated.

Attachments: [Minutes - October 12, 2022](#)
[Minutes - November 16, 2022](#)

4. REPORT OF THE CHAIR

5. PRESENTATIONS/DELEGATIONS

The public are welcome to attend CRD Board meetings in-person.

Delegations will have the option to participate electronically. Please complete the online application at www.crd.bc.ca/address no later than 4:30 pm two days before the meeting and staff will respond with details.

Alternatively, you may email your comments on an agenda item to the CRD Board at crdboard@crd.bc.ca.

5.1. Presentations

5.1.1. [23-045](#) Presentation: CRHD 2022 Audit Planning, Lenora Lee, Lead Audit Engagement Partner, KPMG (Verbal)

Recommendation: There is no recommendation. This report is for information only

6. ADMINISTRATION REPORTS

6.1. [23-011](#) Capital Regional Hospital District 2022 Audit Planning Discussion

Recommendation: That the Capital Regional Hospital District 2022 Audit Plan developed by KPMG be approved.
(NWA)

Attachments: [Staff Report: CRHD 2022 Audit Planning Discussion](#)
[Appendix A: KPMG CRHD 2022 Audit Planning Report](#)

7. REPORTS OF COMMITTEES

8. NOTICE(S) OF MOTION

9. NEW BUSINESS

10. ADJOURNMENT

Voting Key:

NWA - Non-weighted vote of all Directors

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

WA - Weighted vote of all Directors

WP - Weighted vote of participants (as listed)

Meeting Minutes

Capital Regional Hospital District Board

Wednesday, October 12, 2022

1:05 PM

6th Floor Boardroom
625 Fisgard Street
Victoria, BC

PRESENT:

Directors: D. Blackwell (Chair), R. Mersereau (Acting Chair), J. Bateman (for M. Tait) (EP), P. Brent, S. Brice, B. Desjardins (EP), L. Helps, M. Hicks, G. Holman, B. Isitt (EP), J. Loveday, C. McNeil-Smith, R. Martin, K. Murdoch, G. Orr, C. Plant, J. Ranns, D. Screech, L. Seaton, N. Taylor, K. Williams, R. Windsor, G. Young

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

EP - Electronic Participation

Regrets: Directors F. Haynes, M. Tait

The meeting was called to order at 1:08 pm.

1. TERRITORIAL ACKNOWLEDGEMENT

A Territorial Acknowledgement was provided in a preceding meeting.

2. APPROVAL OF THE AGENDA

MOVED by Director Plant, **SECONDED** by Director Mersereau,
That the agenda for the October 12, 2022 Session of the Capital Regional Hospital
District Board be approved.
CARRIED

3. ADOPTION OF MINUTES

- 3.1.** [22-602](#) Minutes of the August 10, 2022 and September 21, 2022 Capital Regional
Hospital District Board Meetings

MOVED by Director Plant, **SECONDED** by Director Mersereau,
That the minutes of the Capital Regional Hospital District Board meetings of
August 10, 2022 and September 21, 2022 be adopted as circulated.
CARRIED

4. REPORT OF THE CHAIR

I want to thank the Capital Regional Hospital District Board for electing me to the position of Chair, it has been a pleasure and I wish all of you who are running again good luck on your elections. For those of you who are sadly leaving us, we will miss you as well. Thank you and good luck everyone.

5. PRESENTATIONS/DELEGATIONS

There were no presentations.

5.1. Delegations

- 5.1.1. [22-618](#) Delegation - Kathy Gillis; Representing Stop the Summit Noise Community Group: Re: Agenda Item 6.2. Summit Noise Concerns - Update
- K. Gillis spoke to Item 6.2.

6. CONSENT AGENDA

**MOVED by Director Plant, SECONDED by Director Helps,
That consent agenda items 6.1. and 6.2. be approved.
CARRIED**

- 6.1. [22-528](#) Revenue Anticipation Borrowing Resolution for Current Capital Regional Hospital District Operating Expenditures

**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**

- 6.2. [22-579](#) Summit Noise Concerns - Update

**That the Chief Administrative Officer be authorized to implement the proposed remediation strategy, to include a maximum expenditure amount of \$200,000 for capital modifications to resolve noise concerns at the Summit.
CARRIED**

7. ADMINISTRATION REPORTS

- 7.1. [22-595](#) Amendment to the Capital Regional Hospital District 2022-2031 Ten Year Capital Plan

K. Lorette spoke to Item 7.1.

Discussion ensued regarding the acoustical testing.

**MOVED by Director Plant, SECONDED by Director Loveday,
That the Capital Regional Hospital District 2022-2031 Ten Year Capital Plan be amended and approved as submitted.
CARRIED**

8. REPORTS OF COMMITTEES

- 8.1. [22-577](#) Lady Minto Hospital Emergency Redevelopment - Approval of Amended Capital Bylaw

MOVED by Director Holman, **SECONDED** by Director Plant,

1. That the revised project budget be approved.

2. That the Lady Minto Hospital Emergency Redevelopment Bylaw be amended and approved as submitted.

CARRIED

MOVED by Director Holman, **SECONDED** by Director Loveday,

3. That Bylaw No. 414, "Capital Regional Hospital District Capital Bylaw No. 183, 2021, Amendment No. 1, 2022" be read a first, second and third time.

CARRIED

MOVED by Director Holman, **SECONDED** by Alternate Director Brent,

4. That Bylaw No. 414 be adopted.

CARRIED

9. BYLAWS

There were no bylaws for consideration.

10. NOTICE(S) OF MOTION

There were no Notice(s) of Motion.

11. NEW BUSINESS

There was no new business.

12. MOTION TO CLOSE THE MEETING

- 12.1. [22-612](#) Motion to Close the Meeting

MOVED by Director Plant, **SECONDED** by Director Murdoch,

1. That the meeting be closed for Land Acquisition in accordance with Section 90(1)(e) of the Community Charter.

CARRIED

MOVED by Director Plant, **SECONDED** by Director Mersereau,

2. That such disclosures could reasonably be expected to harm the interests of the Regional District.

CARRIED

The Capital Regional Hospital District Board recessed at 1:16 pm and moved to the Closed Session at 3:15 pm.

13. RISE AND REPORT

The Capital Regional Hospital District Board rose from its closed session at 3:49 pm without report.

14. ADJOURNMENT

MOVED by Director Murdoch, SECONDED by Director Loveday,
That the October 12, 2022 Capital Regional Hospital District Board meeting be
adjourned at 3:50 pm.
CARRIED

CHAIR

CERTIFIED CORRECT:

CORPORATE OFFICER

Meeting Minutes

Capital Regional Hospital District Board

Wednesday, November 16, 2022

1:05 PM

6th Floor Boardroom
625 Fisgard Street
Victoria, BC

Special Meeting - Inaugural

PRESENT

DIRECTORS: K. Murdoch (Chair), C. McNeil-Smith (Acting Chair), M. Alto, K. Armour (for B. Desjardins), P. Brent, S. Brice, J. Brownoff, J. Caradonna, C. Coleman, Z. de Vries, S. Goodmanson, G. Holman, P. Jones, D. Kobayashi, M. Little, D. Murdock, C. Plant, L. Szpak, M. Tait, D. Thompson, S. Tobias, A. Wickheim, K. Williams, R. Windsor

STAFF: T. Robbins, Chief Administrative Officer; N. Chan, Chief Financial Officer; L. Hutcheson, General Manager, Parks and Environmental Services; K. Lorette, General Manager, Planning and Protective Services; K. Morley, General Manager, Corporate Services; I. Jesney, Acting General Manager, Integrated Water Services; M. Lagoa, Deputy Corporate Officer; S. Orr, Senior Committee Clerk (Recorder)

Guest: R. Bortolin; Stewart McDannold Stuart, Barristers & Solicitors

Regrets: Director B. Desjardins

1. CALL TO ORDER

The Chief Administrative Officer called the meeting to order at 1:28 pm.

2. TERRITORIAL ACKNOWLEDGEMENT

The Chief Administrative Officer provided a Territorial Acknowledgement in the preceding Capital Regional District Board meeting.

3. ELECTION OF THE CHAIR OF THE HOSPITAL DISTRICT BOARD

The Chief Administrative Officer called for nominations for the position of Chair of the Capital Regional Hospital District Board for 2023.

Director McNeil-Smith nominated Director Murdoch. Director Murdoch accepted the nomination.

The Chief Administrative Officer called for nominations a second time.

The Chief Administrative Officer called for nominations a third and final time.

Hearing no further nominations, the Chief Administrative Officer declared Director Murdoch Chair of the Capital Regional Hospital District Board by acclamation.

4. ELECTION OF THE ACTING CHAIR OF THE HOSPITAL DISTRICT BOARD

Chair Murdoch called for nominations of Acting Chair of the Capital Regional Hospital District Board for 2023.

Director Windsor nominated Director McNeil-Smith. Director McNeil-Smith accepted the nomination.

Chair Murdoch called for nominations a second time.

Director Wickheim nominated Director Little. Director Little accepted the nomination.

Chair Murdoch called for nominations a third and final time.

Hearing no further nominations, Chair Murdoch invited each nominee to address the Board.

Ballots were distributed by K. Morley and M. Lagoa, and collected by M. Lagoa.

The ballots were counted by K. Morley, M. Lagoa, and R. Bortolin, Solicitor.

Chair Murdoch declared Director Plant Chair of the Capital Regional District Board.

**MOVED by Director Brent, SECONDED by Director McNeil-Smith,
That the ballots be destroyed.
CARRIED**

5. RECESS FOR MEETING OF THE CAPITAL REGION HOUSING CORPORATION BOARD

MOVED by Director Brent, **SECONDED** by Director McNeil-Smith,
That the meeting be recessed for the meeting of the Capital Region Housing
Corporation Board.
CARRIED

The meeting recessed at 1:42 pm.
The meeting reconvened at 2:05 pm.

6. INAUGURAL ADDRESS OF THE CHAIR

For those of you that have been around this table already for some time, the Board is often dealing with capital acquisitions and supporting Island Health with their acquisitions process. There is a sense of urgency in health care. We can be part of that discussion moving forward with more advocacy work on our side to help move projects along. There is a role to play here, by working with Island Health and the Province we can find more support for longitudinal care and family care practice. I am excited and appreciative of the Boards trust in me to lead this board. There are a lot of areas where housing and health care overlap and working together we will achieve great things.

7. APPROVAL OF THE AGENDA

MOVED by Director Plant, **SECONDED** by Director McNeil-Smith,
That the agenda for the November 16, 2022 Session of the Capital Regional
Hospital District Board be approved.
CARRIED

8. PRESENTATIONS/DELEGATIONS

There were no presentations or delegations.

9. SPECIAL MEETING MATTERS

9.1. [22-621](#) Victoria General Hospital High Acuity Unit - Approval of a Capital Bylaw

K. Lorette spoke to Item 9.1.

MOVED by Director Szpak, **SECONDED** by Director McNeil-Smith,
1) That Capital Regional Hospital District (CRHD) funding in the amount of
\$1,019,155 be approved for the Victoria General Hospital High Acuity Unit.
CARRIED

MOVED by Director Szpak, **SECONDED** by Director McNeil-Smith,
2) That CRHD Bylaw No. 413, "Capital Regional Hospital District Capital Bylaw No.
185, 2022" be introduced and read a first, second, and third time.
CARRIED

MOVED by Director Szpak, **SECONDED** by Director McNeil-Smith,
3) That CRHD Bylaw No. 413 be adopted.
CARRIED

10. ADJOURNMENT

MOVED by Director McNeil-Smith, **SECONDED** by Director Coleman,
That the November 16, 2022 Capital Regional Hospital District Board meeting be
adjourned at 2:13 pm.
CARRIED

CHAIR

CERTIFIED CORRECT:

CORPORATE OFFICER

**REPORT TO CAPITAL REGIONAL HOSPITAL DISTRICT BOARD
MEETING OF WEDNESDAY, JANUARY 11, 2023**

SUBJECT **Capital Regional Hospital District 2022 Audit Planning Discussion**

ISSUE SUMMARY

This report provides information to Capital Regional Hospital District Board (the Board) on the 2022 Audit Plan and related work to be completed by KPMG for the 2022 year-end audit of the Capital Regional Hospital District (CRHD).

BACKGROUND

Under Section 17 of the *Hospital District Act* the auditors of the CRD are also considered the auditors of the CRHD and under Section 377 of the *Local Government Act*, as such KPMG will perform the upcoming financial audit.

Consistent with the approach from previous years, the auditors circulate the audit plan to the Board for information prior to the start of the audit. KPMG will make a presentation to the Board to review the 2022 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 Board with an overview of the audit strategy and approach that KPMG will use in addressing any significant risks. The audit plan is designed to identify and address key financial reporting risks, including fraud, by evaluating the existence, quality and effectiveness of management's internal controls over financial reporting.

KPMG notes, in Appendix A, that they have not identified any areas of significant financial reporting risks. However, there is a presumed fraud risk around management override of controls. KPMG addresses this risk by performing testing of journal entries and other adjustments, performing a retrospective review of estimates and evaluating the business rationale of significant unusual transactions. Additionally, at the Board meeting, KPMG will obtain the Board's views on the risk of fraud for the CRHD.

KPMG will present to the Board an overview of the audit cycle, timetable and specific areas that the audit will focus on, including costs relating to the demolition of Oak Bay Lodge. 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 2022 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 on February 27, 2023, 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 the financial statements 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. 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 in May.

CONCLUSION

KPMG's primary objective of the Financial Statement audit is to present an opinion on the extent to which the CRHD's financial statements are fairly presented, in accordance with the Public Sector Accounting Standards. As part of the annual audit, KPMG provides an audit plan to the Board. The auditors will conduct their audit of the 2022 financial statements pursuant to this plan.

RECOMMENDATION

That the Capital Regional Hospital District 2022 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:	Ted Robbins, B. Sc., C. Tech., Chief Administrative Officer

ATTACHMENT(S)

Appendix A: KPMG CRHD 2022 Audit Planning Report



Capital Regional Hospital District

**Audit Planning Report
for the year ended
December 31, 2022**

KPMG LLP

Prepared for the Board of Directors' meeting on January 11, 2023



KPMG contacts

Key contacts in connection with this engagement

Lenora Lee

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This report to the Board of Directors is intended solely for the information and use of management, the Hospitals and Housing Committee and the Board of Directors and should not be used for any other purpose or any other party. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this report to the Hospitals and Housing Committee and Board of Directors has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Digital use information

This Audit Planning Report is also available as a “hyper-linked” PDF document.

If you are reading in electronic form (e.g. In “Adobe Reader” or “Board Books”), clicking on the home symbol on the top right corner will bring you back to this page.



Click on any item in the table of contents to navigate to that section.



Audit Quality: How do we deliver audit quality?

Quality essentially means doing the right thing and remains our highest priority. Our **Global Quality Framework** outlines how we deliver quality and how every partner and staff member contribute to its delivery.

'Perform quality engagements' sits at the core along with our commitment to continually monitor and remediate to fulfil on our quality drivers.

Our **quality value drivers** are the cornerstones to our approach underpinned by the **supporting drivers** and give clear direction to encourage the right behaviours in delivering audit quality.

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**.



Doing the right thing. Always.





Highlights

Scope of the audit

Our audit of the financial statements ("financial statements") of the Capital Regional Hospital District (the "Entity" or "CRHD") as of and for the year ended December 31, 2022, will be performed in accordance with Canadian generally accepted auditing standards (CASs).



Materiality



Materiality for planning purposes is set at \$800,000.

Audit plan updates



Risks and areas of audit focus remain the same as in prior years as discussed in this report.

Significant risks



We have not identified significant risks beyond those required by professional standards related to fraud risk due to management override of controls.

Required communications



We are committed to transparent and thorough reporting of issues to management and the Housing and Hospitals Committee. See Appendix: Other required communications.

Report highlights

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Key milestones and highlights

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Asset retirement obligations

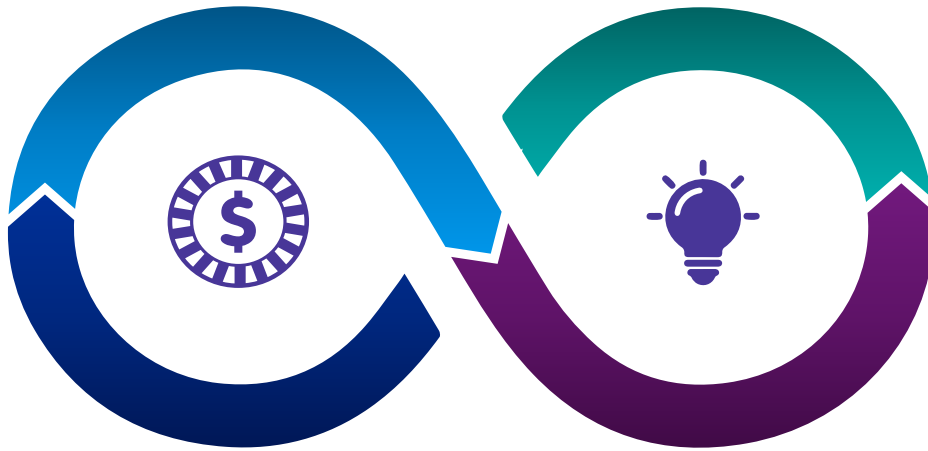
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Thought leadership and insights





Materiality



We **initially determine materiality** at a level at which we consider that misstatements could reasonably be expected to influence the economic decisions of users. Determining materiality is a matter of **professional judgement**, considering both quantitative and qualitative factors, and is affected by our perception of the common financial information needs of users of the financial statements as a group. We do not consider the possible effect of misstatements on specific individual users, whose needs may vary widely.

We **reassess materiality** throughout the audit and revise materiality if we become aware of information that would have caused us to determine a different materiality level initially.

Plan and perform the audit

We **initially determine materiality** to provide a basis for:

- Determining the nature, timing and extent of risk assessment procedures;
- Identifying and assessing the risks of material misstatement; and
- Determining the nature, timing, and extent of further audit procedures.

We design our procedures to detect misstatements at a level less than materiality in individual accounts and disclosures, to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

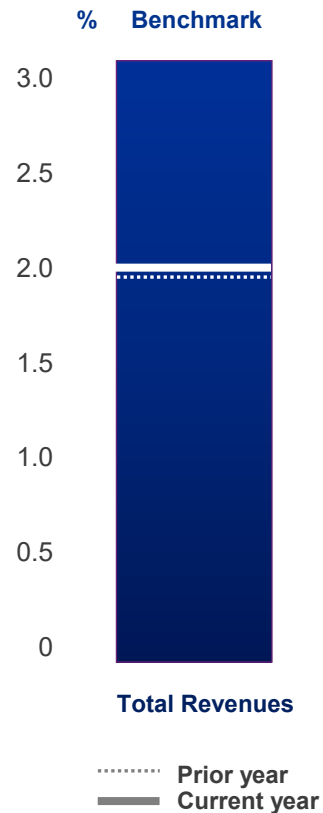
Evaluate the effect of misstatements

We also use materiality to evaluate the effect of:

- Identified misstatements on our audit; and
- Uncorrected misstatements, if any, on the financial statements and in forming our opinion.



Materiality



Prior Year Total Revenues (normalized for capital project contributions)

\$39.6 million

(2021: \$40.7 million)

No change in benchmark compared to prior year

% of Benchmark

2.02%

(2021: 1.97%)

The prescribed range is between 0.5% and 3.0% of the benchmark.

Audit Misstatement Posting Threshold

\$40,000

(2021: \$40,000)

Threshold used to accumulate misstatements identified during the audit.



Updates to our prior year audit plan

New significant risks



No significant risks noted



We have not identified significant risks of material misstatement, except for the presumed risk of management override of controls, which is required by professional standards. This assessment is consistent with previous years. Any changes to the audit plan will be communicated to Management and the Committee.



No new audit focus areas



During our preliminary risk assessment process, we did not identify any new audit focus areas. Any changes to the audit plan will be communicated to Management and the Committee.

Other significant changes



Newly effective audit standards



- CAS 315 (Revised) *Identifying and Assessing the Risks of Material Misstatement*
- See Appendix 2 for further information

Newly effective auditing standards



New accounting standards



- PSAS 3280 *Asset Retirement Obligations (ARO)*
- Effective for the year ending December 31, 2023

Newly effective accounting standards





Significant risks



Management Override of Controls

RISK OF



FRAUD

**Presumption
of the risk of fraud
resulting from
management
override of controls**

Why is it significant?

Management is 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. Although the level of risk of management override of controls will vary from entity to entity, the risk nevertheless is present in all entities.

Audit approach

As this presumed risk of material misstatement due to fraud 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
- evaluating the business rationale of significant unusual transactions.

**Fraud inquiries of
those charged with
governance**

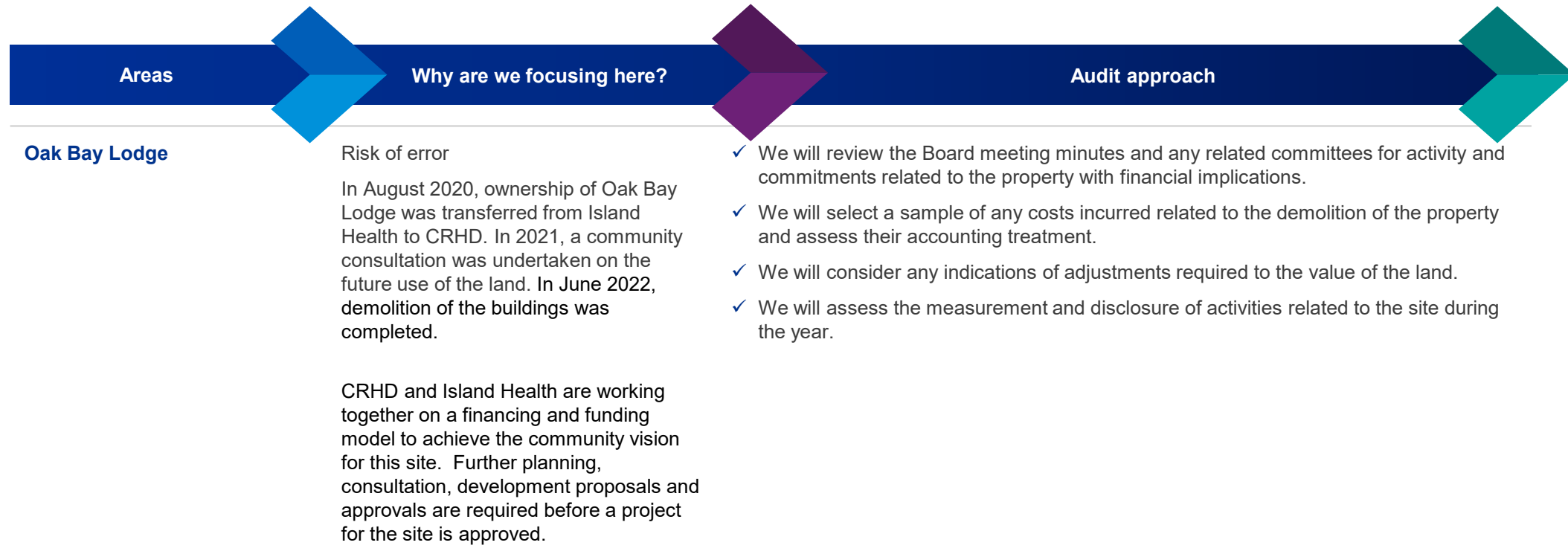
Inquiries required by professional standards

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 the authority and internal controls that management has established to mitigate these fraud risks?
- Has CRHD entered into any significant unusual transactions?



Areas of focus





Key milestones and deliverables





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Other required
communications

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Newly effective auditing
standards

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Newly effective
accounting
standards

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Changes to
accounting
standards

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Thought leadership
and insights



Appendix 1: Other 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 Hospitals and Housing Committee.

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 Hospitals and Housing Committee.



Independence

Internal control deficiencies

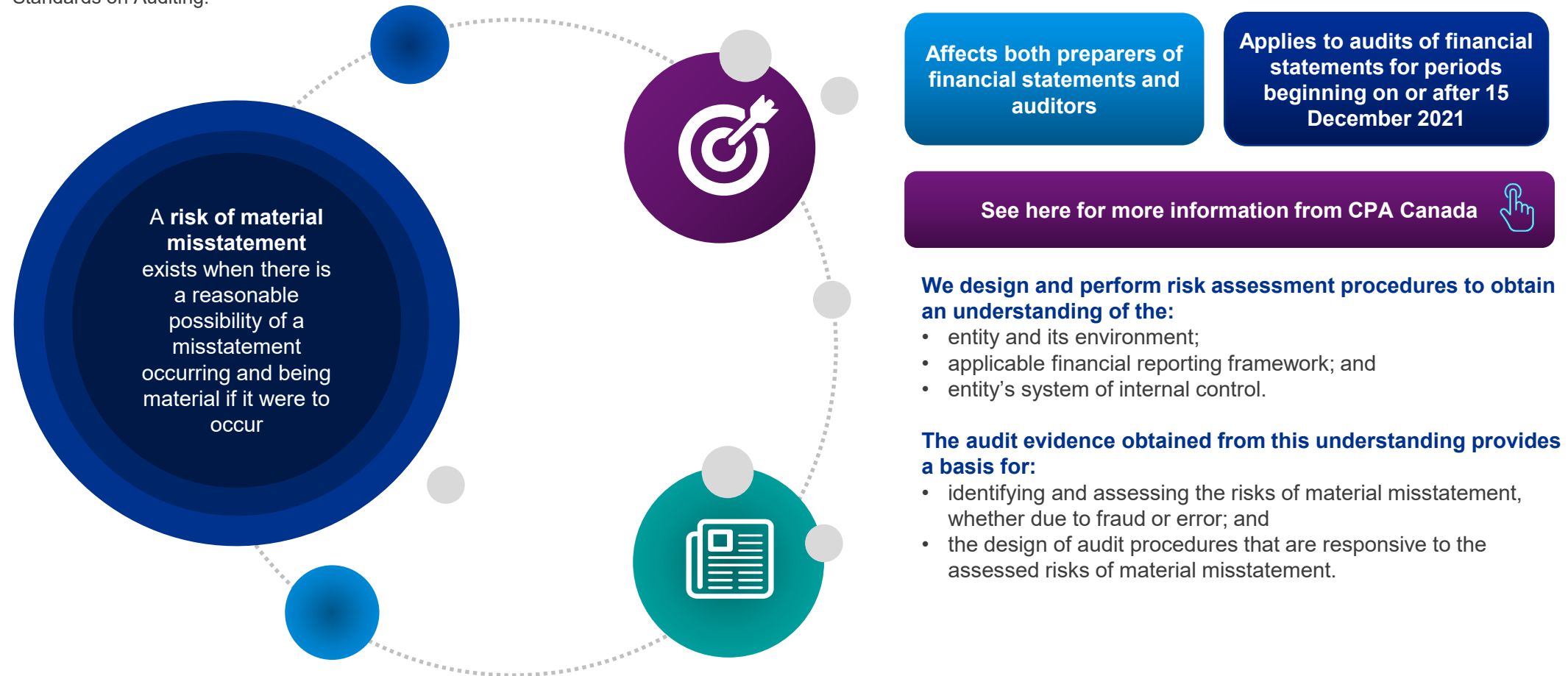
We are independent and have a robust and consistent system of quality control. We provide complete transparency on all services and follow the Committee's approved protocols. At the completion of our audit, we will re-confirm our independence to the Hospitals and Housing Committee.

Control deficiencies identified during the audit will be communicated to management and the Hospitals and Housing Committee.



Appendix 2: Newly effective auditing standards

CAS 315 (Revised) *Identifying and Assessing the Risks of Material Misstatement* has been revised, reorganized and modernized in response to challenges and issues with the previous standard. It aims to promote consistency in application, improve scalability, reduce complexity, support a more robust risk assessment and incorporate enhanced guidance material to respond to the evolving environment, including in relation to information technology. Conforming and consequential amendments have been made to other International Standards on Auditing.





Appendix 2: Newly effective auditing standards (continued)

Key change

Overall, a more robust risk identification and assessment process, including:

- New requirement to take into account how, and the degree to which, 'inherent risk factors' affect the susceptibility of relevant assertions to misstatement
- New concept of significant classes of transactions, account balances and disclosures and relevant assertions to help us to identify and assess the risks of material misstatement
- New requirement to separately assess inherent risk and control risk for each risk of material misstatement
- Revised definition of significant risk for those risks which are close to the upper end of the spectrum of inherent risk

Impact on the audit team

When assessing inherent risk for identified risks of material misstatement, we consider the degree to which inherent risk factors (such as complexity, subjectivity, uncertainty, change, susceptibility to management bias) affect the susceptibility of assertions to misstatement.

We use the concept of the spectrum of inherent risk to assist us in making a judgement, based on the likelihood and magnitude of a possible misstatement, on a range from higher to lower, when assessing risks of material misstatement

The changes may affect our assessments of the risks of material misstatement and the design of our planned audit procedures to respond to identified risks of material misstatement.

If we do not plan to test the operating effectiveness of controls, the risk of material misstatement is the same as the assessment of inherent risk.

Impact on management

If the effect of this consideration is that our assessment of the risks of material misstatement is higher, then our audit approach may increase the number of controls tested and/or the extent of that testing, and/or our substantive procedures will be designed to be responsive to the higher risk.

We may perform different audit procedures and request different information compared to previous audits, as part of a more focused response to the effects identified inherent risk factors have on the assessed risks of material misstatement.



Appendix 2: Newly effective auditing standards (continued)

Key change	Impact on the audit team	Impact on management
<p>Overall, a more robust risk identification and assessment process, including evaluating whether the audit evidence obtained from risk assessment procedures provides an appropriate basis to identify and assess the risks of material misstatement</p>	<p>When making this evaluation, we consider all audit evidence obtained, whether corroborative or contradictory to management assertions. If we conclude the audit evidence obtained does not provide an appropriate basis, then we perform additional risk assessment procedures until audit evidence has been obtained to provide such a basis.</p>	<p>In certain circumstances, we may perform additional risk assessment procedures, which may include further inquiries of management, analytical procedures, inspection and/or observation.</p>
<p>Overall, a more robust risk identification and assessment process, including performing a 'stand back' at the end of the risk assessment process</p>	<p>We evaluate whether our determination that certain material classes of transactions, account balances or disclosures have no identified risks of material misstatement remains appropriate.</p>	<p>In certain circumstances, this evaluation may result in the identification of additional risks of material misstatement, which will require us to perform additional audit work to respond to these risks.</p>



Appendix 2: Newly effective auditing standards (continued)

Key change	Impact on the audit team	Impact on management
<p>Modernized to recognize the evolving environment, including in relation to IT</p>	<p>New requirement to understand the extent to which the business model integrates the use of IT.</p> <p>When obtaining an understanding of the IT environment, including IT applications and supporting IT infrastructure, it has been clarified that we also understand the IT processes and personnel involved in those processes relevant to the audit.</p> <p>Based on the identified controls we plan to evaluate, we are required to identify the:</p> <ul style="list-style-type: none"> IT applications and other aspects of the IT environment relevant to those controls related risks arising from the use of IT and the entity's general IT controls that address them. <p>Examples of risks that may arise from the use of IT include unauthorized access or program changes, inappropriate data changes, risks from the use of external or internal service providers for certain aspects of the entity's IT environment or cybersecurity risks.</p>	<p>We will expand our risk assessment procedures and are likely to engage more extensively with your IT and other relevant personnel when obtaining an understanding of the entity's use of IT, the IT environment and potential risks arising from IT. This might require increased involvement of IT audit professionals.</p> <p>Changes in the entity's use of IT and/or the IT environment may require increased audit effort to understand those changes and affect our assessment of the risks of material misstatement and audit response.</p> <p>Risks arising from the use of IT and our evaluation of general IT controls may affect our control risk assessments, and decisions about whether we test the operating effectiveness of controls for the purpose of placing reliance on them or obtain more audit evidence from substantive procedures. They may also affect our strategy for testing information that is produced by, or involves, the entity's IT applications.</p>
<p>Enhanced requirements relating to exercising professional skepticism</p>	<p>New requirement to design and perform risk assessment procedures in a manner that is not biased toward obtaining audit evidence that may be corroborative or toward excluding audit evidence that may be contradictory. Strengthened documentation requirements to demonstrate the exercise of professional scepticism.</p>	<p>We may make changes to the nature, timing and extent of our risk assessment procedures, such as our inquiries of management, the activities we observe or the accounting records we inspect.</p>



Appendix 2: Newly effective auditing standards (continued)

Key change

Clarification of which controls need to be identified for the purpose of evaluating the design and implementation of a control

Impact on the audit team

We will evaluate the design and implementation of controls that address risks of material misstatement at the assertion level as follows:

- Controls that address a significant risk.
- Controls over journal entries, including non-standard journal entries.
- Other controls we consider appropriate to evaluate to enable us to identify and assess risks of material misstatement and design our audit procedures

Impact on management

We may identify new or different controls that we plan to evaluate the design and implementation of, and possibly test the operating effectiveness to determine if we can place reliance on them.

We may also identify risks arising from IT relating to the controls we plan to evaluate, which may result in the identification of general IT controls that we also need to evaluate and possibly test whether they are operating effectively. This may require increased involvement of IT audit specialists.



Appendix 3: New accounting standards

PS 3280 Asset Retirement Obligations (“PS 3280”) is a new accounting standard effective for the City’s fiscal year ending December 31, 2023. This standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets by public sector entities. This significant new accounting standard has implications that have the potential to go beyond financial reporting.

Financial reporting implications

A liability for asset retirement costs will be recorded with a corresponding increase in the cost of tangible capital assets in productive use, resulting in a decrease (increase) to the net financial assets (net debt) reported in the Statement of Financial Position.

Asset retirement obligations associated with tangible capital assets that are not recognized or no longer in productive use are expensed.

Additional non-cash expenses for the amortization of tangible capital assets and accretion will be recognized annually.

The total cost of legally required retirement activities will be recognized earlier in a tangible capital asset’s life. There is no change to the total cost recorded over an asset’s life.

A rigorous process needs to be established to support updates to the ARO measurement on an annual basis post-initial implementation.

Asset management implications

The asset retirement date used to determine the asset retirement liability needs to be consistent with the useful life of the related tangible capital asset. As a result, public sector entities need to assess whether the useful lives of tangible capital assets continue to be accurate and consistent with asset management plans.

Many public sector entities are using the implementation of PS 3280 as an opportunity to develop or refine their asset management plans.

Funding implications

PS 3280 does not provide guidance on how the asset retirement liability should be funded. Many public sector entities currently fund retirement costs as they are incurred at the end of the asset’s life. Public sector entities will need to assess whether this practice remains appropriate or if funding will be obtained over the life of the asset.

Budget implications

In addition to budgeting for costs associated with the initial implementation of PS 3280, public sector entities will need to consider if the non-cash accretion expense and additional amortization expense will be included in the annual budget.

Public sector entities operating under balanced budget legislation or similar guidelines will need to obtain guidance from the provincial government or governance bodies to determine the impact of PS 3280 on current requirements.

Capital planning implications

PS 3280 requires legal obligations associated with the retirement of tangible capital assets to be recorded when the assets are acquired, constructed, or developed. As a result, the cost of legally required retirement activities will need to be considered at the inception of a capital project to determine the financial viability and impact of the project.



Appendix 4: Changes in accounting standards

Standard	Summary and implications
Revenue	<ul style="list-style-type: none"> The new standard PS 3400 <i>Revenue</i> is effective for fiscal years beginning on or after April 1, 2023. The new standard establishes a single framework to categorize revenue to enhance the consistency of revenue recognition and its measurement. The standard notes that in the case of revenue 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 revenue arises 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.
Purchased Intangibles	<ul style="list-style-type: none"> The new Public Sector Guideline 8 <i>Purchased intangibles</i> is effective for fiscal years beginning on or after April 1, 2023 with earlier adoption permitted. The guideline allows public sector entities to recognize intangibles purchased through an exchange transaction. The definition of an asset, the general recognition criteria and GAAP hierarchy are used to account for purchased intangibles. Narrow scope amendments were made to PS 1000 <i>Financial statement concepts</i> to remove the prohibition to recognize purchased intangibles and to PS 1201 <i>Financial statement presentation</i> to remove the requirement to disclose purchased intangibles not recognized. The guideline can be applied retroactively or prospectively.
Public Private Partnerships	<ul style="list-style-type: none"> The new standard PS 3160 <i>Public private partnerships</i> is effective for fiscal years beginning on or after April 1, 2023. The standard includes new requirements for the recognition, measurement and classification of infrastructure procured through a public private partnership. The standard notes 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 public private partnership ends. The public sector entity recognizes 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, which represents fair value at the date of recognition with a liability of the same amount if one exists. Cost would be measured in reference to the public private partnership process and agreement, or by discounting the expected cash flows by a discount rate that reflects the time value of money and risks specific to the project. The standard can be applied retroactively or prospectively.



Appendix 4: Changes in accounting standards (continued)

Standard	Summary and implications
Concepts Underlying Financial Performance	<ul style="list-style-type: none"> The revised conceptual framework is effective for fiscal years beginning on or after April 1, 2026 with earlier adoption permitted. The framework provides the core concepts and objectives underlying Canadian public sector accounting standards. The ten chapter conceptual framework defines and elaborates on the characteristics of public sector entities and their financial reporting objectives. Additional information is provided about financial statement objectives, qualitative characteristics and elements. General recognition and measurement criteria, and presentation concepts are introduced.
Financial Statement Presentation	<ul style="list-style-type: none"> The proposed section PS 1202 <i>Financial statement presentation</i> will replace the current section PS 1201 <i>Financial statement presentation</i>. PS 1202 <i>Financial statement presentation</i> will apply to fiscal years beginning on or after April 1, 2026 to coincide with the adoption of the revised conceptual framework. Early adoption will be permitted. The proposed section includes the following: <ul style="list-style-type: none"> Relocation of the net debt indicator to its own statement called the statement of net financial assets/liabilities, with the calculation of net debt refined to ensure its original meaning is retained. Separating liabilities into financial liabilities and non-financial liabilities. Restructuring the statement of financial position to present total assets followed by total liabilities. Changes to common terminology used in the financial statements, including re-naming accumulated surplus (deficit) to net assets (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), including a new component called “accumulated other”. 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. The Public Sector Accounting Board is currently deliberating on feedback received on exposure drafts related to the reporting model.



Appendix 4: Changes in accounting standards (continued)

Standard	Summary and implications
Employee benefits	<ul style="list-style-type: none"> • The Public Sector Accounting Board has initiated a review of sections PS 3250 <i>Retirement benefits</i> and PS 3255 <i>Post-employment benefits, compensated absences and termination benefits</i>. • The intention is 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, the new standards will be implemented in a multi-release strategy. The first standard will provide foundational guidance. Subsequent standards will provide additional guidance on current and emerging issues. • The proposed section PS 3251 <i>Employee benefits</i> will replace the current sections PS 3250 <i>Retirement benefits</i> and PS 3255 <i>Post-employment benefits, compensated absences and termination benefits</i>. It will apply to fiscal years beginning on or after April 1, 2026. Early adoption will be permitted and guidance applied retroactively. • This proposed section would result in public sector entities recognizing the impact of revaluations of the net defined benefit liability (asset) immediately on the statement of financial position. Organizations would also assess the funding status of their post-employment benefit plans to determine the appropriate rate for discounting post-employment benefit obligations. • The Public Sector Accounting Board is in the process of evaluating comments received from stakeholders on the exposure draft.



Appendix 5: Thought leadership and insights (continued)

Thought leadership – Local government

The Future of Cities

The Future of Cities report unpacks our KPMG Global research and insights on the future of local government, providing an international viewpoint. The report traces the unprecedented journey ahead. Cities worldwide are now poised at a significant inflection point, as their leaders realize that long-held ‘one-size-fits-all’ approaches to planning and policies will likely no longer work to shape cities for a future that is truly healthy, sustainable, efficient and prosperous for all.

[Click here](#) to access KPMG’s portal.

The Future of Local Government

The Future of Local Government report provides a Canadian perspective for how local governments can meet the rapidly changing needs and expectations of their stakeholders – the citizens, partners and leaders across diverse cities and communities they serve.

[Click here](#) to access KPMG’s portal.

The Future of Government

The Future of Government report considers all levels of government and provides additional perspective from the content in the Future of Local Government report. It discusses the opportunity for governments to consider a different vision of Canadian social systems and how they can adapt their operations to reflect the needs of a modern Canada.

[Click here](#) to access KPMG’s portal.

Cities Portal

KPMG in Canada provides insights and resources for municipalities on a variety of topics including achieving sustainable infrastructure, the new reality for government in Canada, drinking water supply and park access.

[Click here](#) to access KPMG’s portal.



Appendix 5: Thought leadership and insights (continued)

Thought leadership – Boards, Audit Committees and C-Suite

2022 CEO Outlook – Canadian Insights

With a potential recession on the horizon, Canadian CEOs are preparing for some rocky roads ahead. However, they remain optimistic about the growth of their businesses and believe any turbulence will be mild and short lived.

These are among the core themes in the latest KPMG CEO Outlook survey and small and medium-sized business poll.

[Click here](#) to access KPMG's portal.

Audit Committee Guide – Canadian Edition

The Audit Committee Guide – Canadian Edition from our Board Leadership Centre provides timely, relevant and trusted guidance to help both new and seasoned audit committee members stay informed.

[Click here](#) to access KPMG's portal.

Board Leadership Centre

KPMG in Canada Board Leadership Centre engages with directors, board members and business leaders to discuss timely and relevant boardroom challenges and deliver practical thought leadership on risk and strategy, talent and technology, globalization and regulatory issues, financial reporting and more.

[Click here](#) to access KPMG's portal.

20 Predictions for the Next 20 Years

This series looks at how new technologies could evolve and how these advances will change every facet of our lives, including the industries and sectors that drive them. We asked KPMG in Canada subject matter specialists, across industries and sectors, to tell us how they think the world will change in the next two decades. Specifically for local governments, the political and regulatory predictions may be especially relevant.

[Click here](#) to access KPMG's portal.



Appendix 5: Thought leadership and insights (continued)

What is ESG?

ESG is a framework to integrate environmental, social and governance risks and opportunities into an organization's strategy to build long term financial sustainability and create value. ESG includes a wide range of non-financial scoring categories, used by investors and other stakeholders to assess the impact of a company's products and business practices on sustainability and social causes.

Environmental

Our IMPACT on our planet

- Climate change
- Greenhouse gas (GHG) emissions
- Natural resource depletion
- Waste and pollution
- Deforestation
- Hazardous materials
- Biodiversity

Social

Our IMPACT in our communities

- Working conditions, including slavery and child labour
- Impact on local communities
- Conflict regions
- Health and safety
- Employee diversity, equity, and inclusion
- Product mis-selling
- Data protection

Governance

Our conduct

- Executive pay
- Bribery and corruption
- Political lobbying and donations
- Board diversity and structure
- Tax strategy
- Data breaches

ESG strategies can help entities deliver long-term value through effective engagement with all stakeholders – generating trust and a competitive advantage.



Appendix 5: Thought leadership and insights (continued)

Why is ESG important? A changing regulatory environment compounded by heightened expectations from stakeholder groups from investors to employees to customers has made ESG a business imperative that cannot be ignored.



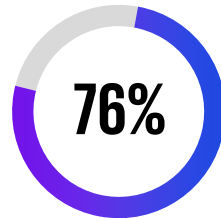
Rising C-suite, Board, and market attention on ESG.

Increased emphasis

on management of ESG-related policies and practices from **investors, employees, customers, and community at large.**



of CEOs surveyed said their response to the pandemic has caused their focus to shift to the **social** component of their ESG program.¹



of CEOs want to lock-in the sustainability and climate change gains they have made during the pandemic.²



We are prepared to use our proxy voting power to ensure companies are identifying material ESG issues and incorporating the implications into their long-term strategy.”

Cyrus Taraporevala, State Street Advisors in letter to SSgA board



By 2030 Microsoft will be carbon negative, and by 2050 Microsoft will remove from the environment all the carbon the company has emitted either directly or by electrical consumption since it was founded in 1975.”

Satya Nadella, Microsoft CEO



Increased focus

by investors on ESG disclosures when making investment decisions.



Investors want companies to be **transparent about their ESG policies** and managements and Board to be held accountable.

¹KPMG CEO Outlook pulse survey

²KPMG CEO Outlook 2020



Appendix 5: Thought leadership and insights (continued)

ESG on the board agenda

01

ESG and climate risk* are linked to access to funding

An entity's climate resiliency and ESG management is impacting access to funding. Government grants, for example, will be increasingly tied to ESG initiatives and performance.

*Climate risk is an element of ESG

02

E&S and climate risk factors are impacting business models

Business models are being impacted by ESG and climate transition requirements in the face of higher operating risks and costs, e.g. capex planning for low carbon technologies and solutions.

03

ESG is linked to the cost of capital

Developments such as BlackRock's communication to CEOs, S&Ps credit downgrade of several oil & gas companies, and rapid growth in ESG investment or divestment, has highlighted that climate is a near term financial and strategic risk for many companies. Cost of capital can be further impacted by ESG risk ratings from leading ratings agencies (S&P, Sustainalytics, MSCI).

04

Talent expectations and attraction

Stakeholder expectations of Boards now include diversity in gender and ethnicity as well as expertise in ESG or climate areas, e.g. human rights and emissions. Employees are increasingly seeking purpose from their work and looking to leadership and company values to reflect this. This complements a high student demand for sustainability, diversity and inclusion.

05

Regulatory requirements on ESG and climate risk disclosure

Failing to manage and disclose ESG and climate risks is beginning to carry litigation risk and link to executives' fiduciary duty. Both SEC and ISSB have proposed disclosure rules for climate risk and emissions. Now is the time for entities to address management and reporting gaps.

Sources: 10 Business Myths on Climate Change (2021) – [KPMG UK](#); ²
ESG: The board's perspective (2021) – KPMG India



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KPMG member firms around the world have 227,000 professionals, in 145 countries.

