

Notice of Meeting and Meeting Agenda Capital Regional Hospital District Board

Wednesday, January 8, 2025

12:05 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. [24-1367](#) Minutes of the October 30, 2024 and the minutes of the November 13, 2024 Capital Regional Hospital District Board Meetings

Recommendation: That the minutes of the Capital Regional Hospital District Board meetings of October 30, 2024 and November 13, 2024 be adopted as circulated.

Attachments: [Minutes - October 30, 2024](#)
[Minutes - November 13, 2024](#)

4. REPORT OF THE CHAIR

5. PRESENTATIONS/DELEGATIONS

5.1. Presentations

- 5.1.1. [24-1368](#) Presentation: CRHD 2024 Audit Planning, Lenora Lee, Lead Audit Engagement Partner, KPMG (Verbal)

5.2. 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.

6. CONSENT AGENDA

6.1. [24-1294](#) Capital Regional Hospital District 2024 Audit Planning Discussion

Recommendation: That the Capital Regional Hospital District 2024 Audit Plan developed by KPMG be approved.

Attachments: [Staff Report: CRHD 2024 Audit Planning Discussion](#)
[Appendix A: KPMG CRHD 2024 Audit Planning Report](#)

7. ADMINISTRATION REPORTS

8. REPORTS OF COMMITTEES

9. BYLAWS

10. NOTICE(S) OF MOTION

11. NEW BUSINESS

12. 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 30, 2024

1:00 PM

6th Floor Boardroom
625 Fisgard Street
Victoria, BC

Special Meeting - Provisional Budget

DIRECTORS: K. Murdoch (Chair), C. McNeil-Smith (Acting Chair), J. Bateman (for M. Tait), P. Brent, S. Brice, J. Brownoff (EP), J. Caradonna, C. Coleman, Z. de Vries, B. Desjardins, C. Harder (for S. Goodmanson), G. Holman, S. Kim (for M. Alto) (EP), D. Kobayashi, M. Little, D. Murdock (11:17 am) (EP), C. Plant, C. Stock (for P. Jones), L. Szpak, D. Thompson, S. Tobias, A. Wickheim, K. Williams, R. Windsor (EP)

STAFF: T. Robbins, Chief Administrative Officer; N. Chan, Chief Financial Officer; A. Fraser, General Manager, Integrated Water Services; K. Lorette, General Manager, Planning and Protective Services; K. Morley, General Manager, Corporate Services; R. Smith, Acting General Manager, Parks, Recreation and Environmental Services; M. Barnes, Senior Manager, Health and Capital Planning Strategies; D. Elliott, Senior Manager, Regional Housing; N. Elliott, Manager, Climate Action Programs; P. Klassen, Senior Manager, Regional and Strategic Planning; A. Linwood, Controller; F. Lopez, Manager, Strategic Planning; M. MacIntyre, Senior Manager, Regional Parks; C. Neilson, Senior Manager, Human Resources; A. Orr, Senior Manager, Communications; V. Somosan, Senior Manager Financial Services/Deputy CFO; B. Semmens, Manager, Financial Planning & Performance; M. Lagoa, Deputy Corporate Officer; S. Orr, Senior Committee Clerk (Recorder)

EP - Electronic Participation

Guest: D. Boychuk and B. Jacob, Directors, Island Health

Regrets: Directors M. Alto, S. Goodmanson, P. Jones, M. Tait

The meeting was called to order at 1:00 pm.

1. TERRITORIAL ACKNOWLEDGEMENT

Acting Chair McNeil-Smith provided the Territorial Acknowledgement.

2. APPROVAL OF THE AGENDA

MOVED by Director McNeil-Smith, **SECONDED** by Director Plant,
That the agenda for the October 30, 2024 Session of the Capital Regional Hospital District Board be approved.
CARRIED

3. PRESENTATIONS/DELEGATIONS

There were no presentations or delegations.

4. SPECIAL MEETING MATTERS

4.1. [24-1061](#) Capital Regional Hospital District 2025-2034 Ten Year Capital Plan

K. Lorette spoke to Item 4.1.

Director Murdock joined the meeting electronically at 1:17 pm.

Discussion ensued regarding:

- upgrades to the child and youth mental health stabilization unit
- rationale for deferral of long-term care projects for Salt Spring Island
- Oak Bay lodge re-development and future plans
- Saanich Peninsula Hospital upgrades
- projected growth in the next ten years
- rationale for projects removed from the capital plan

**MOVED by Director Szpak, SECONDED by Director Kobayashi,
That the Capital Regional Hospital District 2025-2034 Ten-Year Capital Plan be
approved as submitted.**

CARRIED

Opposed: Holman

4.2. [24-848](#) 2025 Capital Regional Hospital District Provisional Budget

N. Chan spoke to Item 4.2.

Discussion ensued regarding Island Health's 10 year forecast.

**MOVED by Director Plant, SECONDED by Director Caradonna,
That the 2025 Capital Regional Hospital District Provisional Budget be approved
as submitted.**

CARRIED

5. ADJOURNMENT

**MOVED by Director Plant, SECONDED by Director Coleman,
That the October 30, 2024 Capital Regional Hospital District Board meeting be
adjourned at 1:45 pm.**

CARRIED

CHAIR

CERTIFIED CORRECT:

CORPORATE OFFICER

Meeting Minutes

Capital Regional Hospital District Board

Wednesday, November 13, 2024

1:10 PM

6th Floor Boardroom
625 Fisgard Street
Victoria, BC

PRESENT

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

STAFF: T. Robbins, Chief Administrative Officer; N. Chan, Chief Financial Officer; A. Fraser, General Manager, Integrated Water Services; G. Harris, Acting General Manager, Parks, Recreation & Environmental Services; K. Lorette, General Manager, Planning and Protective Services; K. Morley, General Manager, Corporate Services; D. Elliott, Senior Manager, Regional Housing; C. Gilpin, Manager, Arts and Culture Support Service; P. Kickham, Manager, Environmental Regulations; C. Neilson, Senior Manager, Human Resources; T. Watkins, Senior Manager Environmental Resource Management; M. Lagoa, Deputy Corporate Officer; S. Orr, Senior Committee Clerk (Recorder)

EP - Electronic Participation

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

Regrets: Director C. Coleman

1. CALL TO ORDER

The Chief Administrative Officer called the meeting to order at 1:45 pm.

2. TERRITORIAL ACKNOWLEDGEMENT

A Territorial Acknowledgement was provided in the preceding 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 2025.

Director Windsor 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 2025.

Director Little nominated Director Goodmanson. Director Goodmanson accepted the nomination.

Chair Murdoch called for nominations a second time

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

Chair Murdoch called for nominations a third and final time.

Hearing no further nominations, the Chair 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 Goodmanson Acting Chair of the Capital Regional Hospital District Board.

**MOVED by Director Alto, SECONDED by Director Tobias,
That the ballots be destroyed.
CARRIED**

5. INAUGURAL ADDRESS OF THE CHAIR

This is an interesting time for the Hospital District Board. The Hospital Act, that governs this Board, is the legislation that uses a simple model where the local government collects a small amount of taxes that contribute toward the capital projects of health care. Two factors that are changing dramatically, and will likely impact this board, are the potential increase in capital cost of health care and our health authority's need for funding of projects that may fall outside of the scope of provincial funding. There is some work ahead and look forward to moving the needle on health care in the region.

6. APPROVAL OF THE AGENDA

**MOVED by Director Brice, SECONDED by Director Harder,
That the agenda for the November 13, 2024 Session of the Capital Regional
Hospital District Board be approved.
CARRIED**

7. ADOPTION OF MINUTES

- 7.1. [24-1158](#) Minutes of the June 12, 2024 Capital Regional Hospital District Board Meeting

**MOVED by Director Brice, SECONDED by Director Harder,
That the minutes of the Capital Regional Hospital District Board meeting of June
12, 2024 be adopted as circulated.
CARRIED**

8. PRESENTATIONS/DELEGATIONS

There were no presentations or delegations.

9. CONSENT AGENDA

There were no Consent Agenda items.

10. ADMINISTRATION REPORTS

There were no Administration Reports.

11. REPORTS OF COMMITTEES

- 11.1. [24-907](#) Revenue Anticipation Borrowing Resolution for Current Capital Regional Hospital District Operating Expenditures

N. Chan spoke to Item 11.1.

**MOVED by Director Caradonna, SECONDED by Director Goodmanson,
That the Revenue Anticipation Resolution be adopted to allow the temporary
borrowing of up to \$11 million for current Capital Regional Hospital District
operating expenditures.
CARRIED**

12. BYLAWS

There were no bylaws for consideration.

13. NOTICE(S) OF MOTION

There were no notices of motion.

14. NEW BUSINESS

There was no new business.

15. ADJOURNMENT

MOVED by Director Alto, **SECONDED** by Director Wickheim,
That the November 13, 2024 Capital Regional Hospital District Board meeting be
adjourned at 2:05 pm.
CARRIED

CHAIR

CERTIFIED CORRECT:

CORPORATE OFFICER

**REPORT TO CAPITAL REGIONAL HOSPITAL DISTRICT BOARD
MEETING OF WEDNESDAY, JANUARY 08, 2025**

SUBJECT **Capital Regional Hospital District 2024 Audit Planning Discussion**

ISSUE SUMMARY

This report provides information to the Capital Regional Hospital District (CRHD) Board on the 2024 Audit Plan and related work to be completed by KPMG for the 2024 year-end audit of the CRHD's financial statements.

BACKGROUND

Under Section 17 of the *Hospital District Act* the auditors of the Capital Regional District are also considered the auditors of the CRHD, as such KPMG will perform the upcoming financial audit.

Consistent with the approach from previous years, the auditors circulate the audit plan to the CRHD Board for information prior to the start of the audit. KPMG will present to the CRHD Board the 2024 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 CRHD Board with an overview of the audit strategy and approach that KPMG will use in addressing any significant risks. The audit plan is designed to identify and address key financial reporting risks, including fraud, by evaluating the existence, quality and effectiveness of management'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. KPMG will also obtain the CRHD Board's views on the risk of fraud for the CRHD.

KPMG will present to the CRHD Board an overview of the audit cycle, timetable and specific areas that the audit will focus on, providing the basis of audit materiality they deem necessary to evaluate any misstatements they identify during the audit.

CRHD adopted a new accounting standard, PS 3400 – *Revenue* effective January 1, 2024. This standard enhances existing accounting standards to provide additional guidance and clarity on accounting for revenue streams within its scope. There were no adjustments or changes to opening balances on adoption of the new standard.

ALTERNATIVES

Alternative 1

That the Capital Regional Hospital District 2024 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 continue year-end audit field work on March 3, 2025, which will take approximately one week (interim audits are conducted in late fall annually). The auditors will perform sample testing on many areas including invoices, journal entries, accounts receivables and accounts payables. In compliance with Canadian Public Sector Accounting Standards (PSAS), this testing will ensure that all aspects of financial transactions are being recorded and reported in the financial statements. Additionally, as part of the audit process, the auditors will provide 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 financial statements are fairly presented, in accordance with the PSAS. As part of the annual audit, KPMG provides an audit plan to the CRHD Board. The auditors will conduct their audit of the 2024 financial statements pursuant to this plan.

RECOMMENDATION

That the Capital Regional Hospital District 2024 Audit Plan developed by KPMG be approved.

Submitted by:	Varinia Somosan, CPA, CGA, Sr. Mgr., Financial Services / Deputy CFO
Concurrence:	Nelson Chan, MBA, FCPA, FCMA, Chief Financial Officer, GM Finance & IT
Concurrence:	Kevin Lorette, P. Eng., MBA, General Manager, Planning & Protective Services
Concurrence:	Ted Robbins, B. Sc., C. Tech., Chief Administrative Officer

ATTACHMENT

Appendix A: KPMG Capital Regional Hospital District 2024 Audit Planning Report



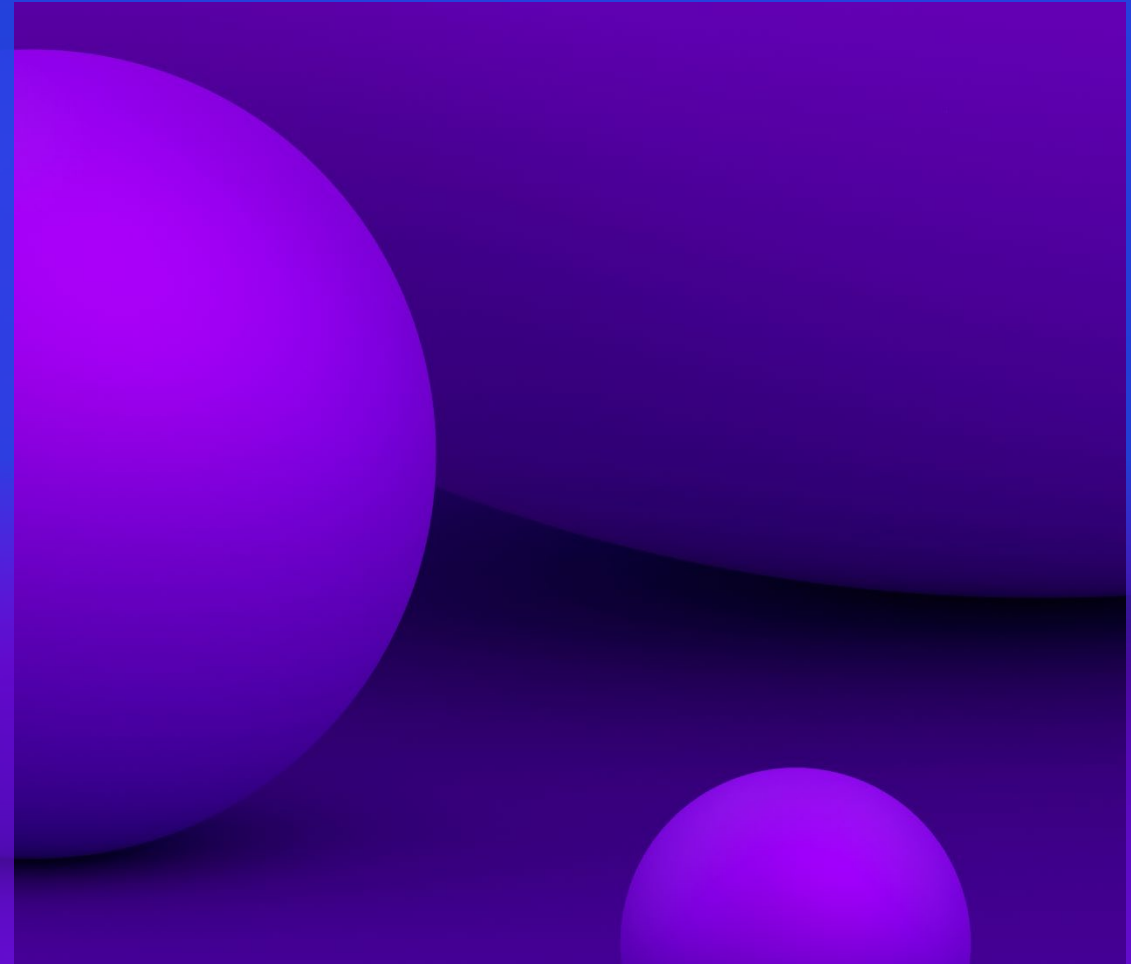
Capital Regional Hospital District

Audit Planning Report
for the year ended
December 31, 2024

KPMG LLP

Prepared for the Board of Directors meeting on January 8, 2025

kpmg.ca/audit



KPMG contacts

Key contacts in connection with this engagement

Lenora Lee

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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 slide.



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

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Highlights

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Audit strategy

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Risk assessment

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Key milestones and deliverables

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Appendices



Audit highlights



No matters to report



Matters to report – see link for details

Scope

Our audit of the financial statements (“financial statements”) of Capital Regional Hospital District (the “Entity” or “CRHD”) as of and for the year ended December 31, 2024, will be performed in accordance with Canadian generally accepted auditing standards.

Audit strategy

Materiality \$900,000

Updates to our prior year audit plan

- Implementation of new accounting standards

Involvement of others

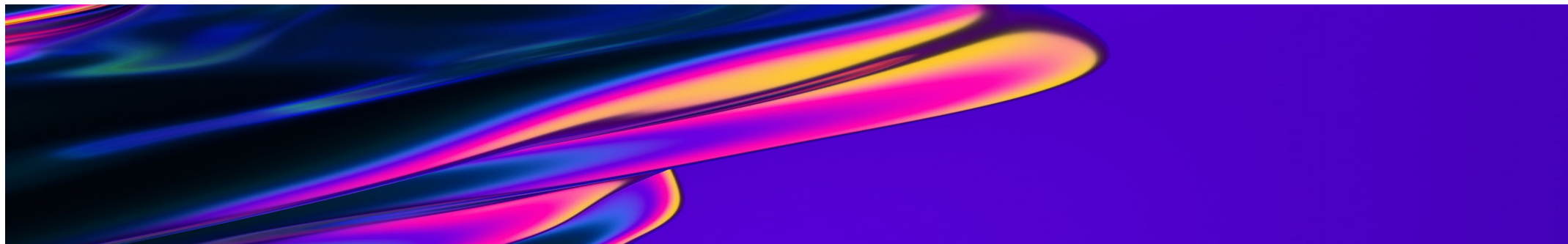
Required communications

Risk assessment

Risk of management override of controls

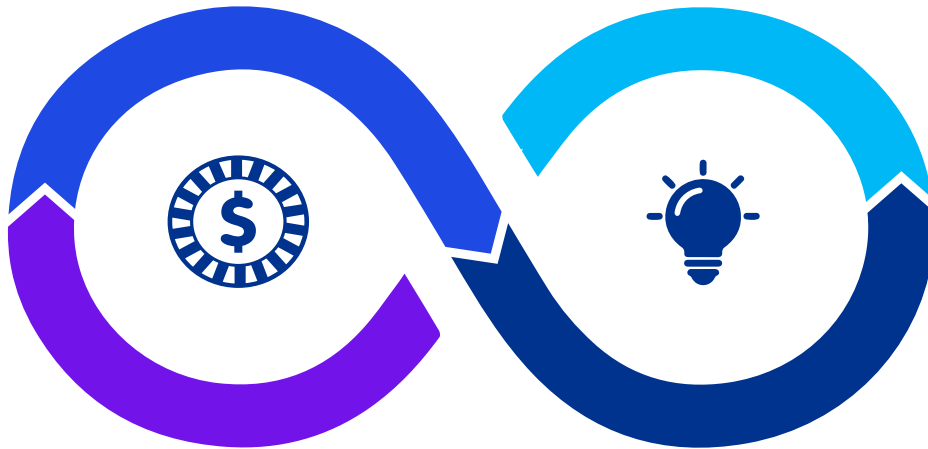
Other significant risks

Other risks of material misstatement





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 revenues

\$38.6 million

(2023: \$38.3 million)

% Benchmark

2.9%

(2023: 2.4%)

Audit Misstatement Posting Threshold

\$45,000

(2023: \$45,000)



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 Board.

Other significant changes



No significant changes noted



There are no significant changes noted.



Newly effective accounting standards



New accounting standards effective for the year ended December 31, 2024 include:

- *PS 3400, Revenues*

See Appendix 4 for further details.


Newly effective accounting standards 



Newly effective auditing standards



There are no new auditing standards effective for year ended December 31, 2024.

Newly effective auditing standards 



Audit approach

Our planning begins with an assessment of risks of material misstatement in your financial statements based on our understanding and risk assessment procedures. In assessing inherent risk, the auditor uses professional judgment in determining the significance of the combination of the likelihood and magnitude of a misstatement along a spectrum. We assess inherent risk at one of three levels: Base, Elevated, or Significant, depending on where it is on the spectrum.

Based on our assessment, we have identified the following areas of audit focus at other than base risk. Risk assessment is iterative in nature rather than something we perform only at the beginning of the audit. As we perform the audit, we will continue to consider our risk assessment throughout the audit.

		Risk of fraud	Risk of error	Risk rating
●	Management override of controls	✓		Significant

● ELEVATED RISK ● PRESUMED RISK OF MATERIAL MISSTATEMENT



Audit approach

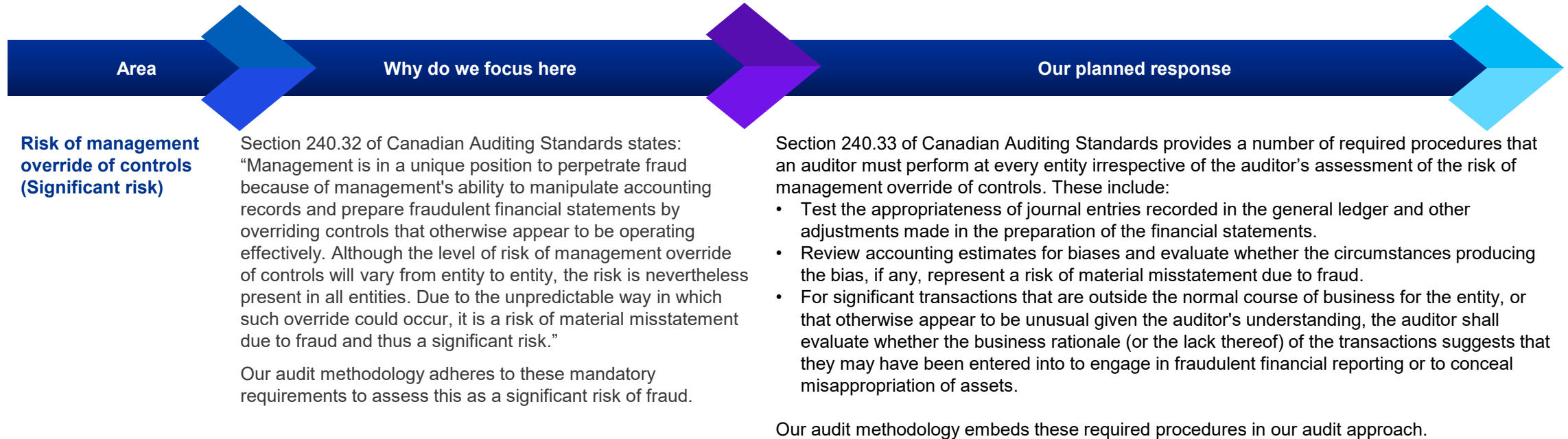
We highlight below examples of audit procedures we will perform to obtain an understanding of the organization and its internal controls to inform our risk assessment and design procedures to address where material errors could occur.

Procedures

- Obtain an understanding of the Entity and its environment (industry, economic environment, regulatory and legislative requirements).
- Identify key business processes (Treasury and Debt, Revenue, Purchases and Payments, Payroll) and where material errors in the financial statements could arise, including from error and fraud.
- Validate our understanding of key business processes by performing a walkthrough of each significant process to determine if the process operates as described.
- Obtain an understanding of the Entity's internal controls and risk assessment processes and evaluate their suitability based on the nature and complexity of the organization.
- Evaluate if a culture of honesty and ethical behaviour has been created and maintained.
- Evaluate if appropriate policies and procedures for communications and information systems are in place to support accurate and timely preparation of the financial statements.
- Documents inspected will include Code of Conduct, Reporting of Serious Misconduct Policy and Procedure, Quarterly financial reporting and management updates.



Significant risks





Significant risks (continued)

The following are inquiries that we are required to make to those charged with governance:



Inquiries regarding risk assessment, including fraud risks

- What is the Board's views about fraud risks, including management override of controls, in the Entity? And have you taken any actions to respond to any identified fraud risks?
- Is the Board aware of, or has the Board identified, any instances of actual, suspected, or alleged 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?
- How does the Board exercise oversight of the Entity's fraud risks and the establishment of controls to address fraud risks?



Inquiries regarding organization processes

- Is the Board aware of tips or complaints regarding the Entity's financial reporting (including those received through the Committee's internal whistleblower program, if such programs exist)? If so, what was the Board's responses to such tips and complaints?

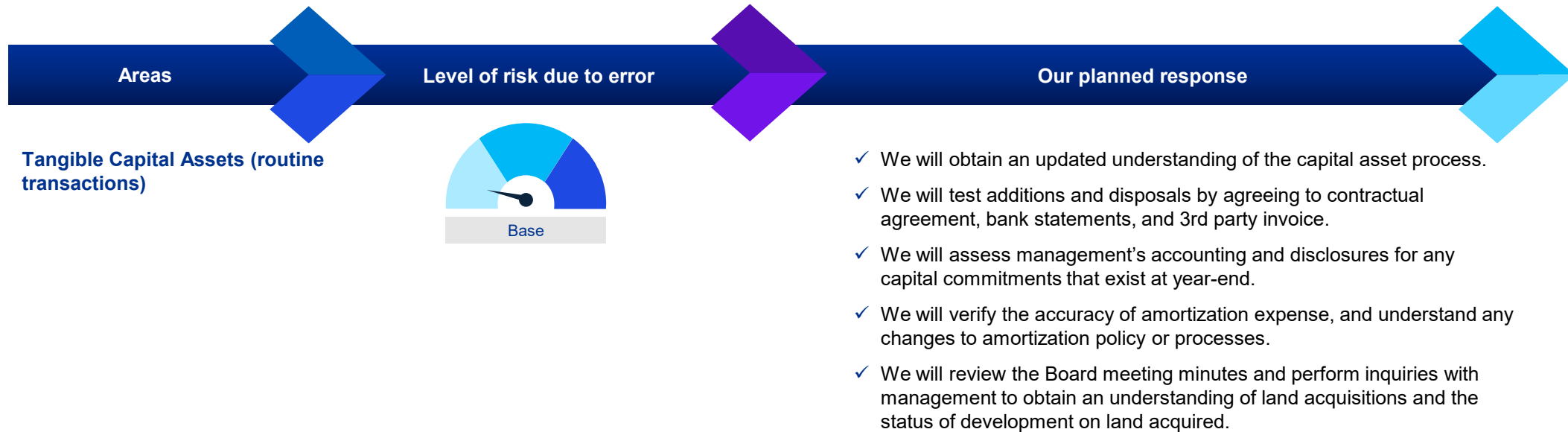


Inquires regarding related parties and significant unusual transactions

- Is the Board aware of any instances where the Entity entered into any significant unusual transactions?
- What is the Board's understanding of the Entity's relationships and transactions with related parties that are significant to the Entity?
- Is the Board concerned about those relationships or transactions with related parties? If so, the substance of those concerns?



Other risks of material misstatement





Other substantive audit procedures

In addition to the areas of focus previously described, we highlight below examples of audit procedures we will perform to obtain evidence over the existence, accuracy and completeness of the financial statements, including presentation and disclosure.

Substantive Audit Procedures

- Cash, investments and debt balances will be confirmed with the respective financial institutions.
- A sample of payments made after year end will be tested to determine if they were recorded in the appropriate fiscal year.
- Revenues and expenses will be tested by way of analytical procedures, developing an expectation based on prior year and budget, and comparing to actual.
- Grants to Island Health will be tested for accuracy by comparing to cash payment, approved bylaw and classification by nature and facility.



Concluding and Reporting

We highlight below examples of audit procedures we will perform to conclude on the reasonability of financial statements as a whole.

Concluding and Reporting Procedures

- Evaluate management bias in the preparation of financial statements, based on patterns in the selection and application of accounting policies and principles.
- Financial statement presentation and disclosure will be evaluated for compliance with accounting standards and comparability to industry leading practice, for example financial reporting award requirements of Government Finance Officers Association International.
- Legal exposure and estimates of contingency provisions will be evaluated against supporting documentation including direct confirmation with external legal counsel.
- Disclosures in the financial statement notes will be evaluated for completeness based on our knowledge of the Entity's ability to continue as a going concern, related party transactions, future contractual commitments and events occurring after year end.
- Deficiencies in internal control and other control observations will be discussed with management, and if significant, communicated to the Board through a separate communication entitled Management Letter.



Key milestones and deliverables



Appendices

1

Required communications

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Audit quality

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New auditing standards

4

New accounting standards

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Thought leadership and insights





Appendix 1: Required communications



Auditor's report

A copy of our draft auditor's report setting out the conclusion of our audit will be provided at the completion of the audit.

Engagement letter

The objectives of the audit, our responsibilities in carrying out our audit, as well as management's responsibilities, are set out in the engagement letter.



Audit findings report

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

Management representation letter

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.



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's approved protocols. At the completion of our audit, we will re-confirm our independence to the Board.

Internal control deficiencies

Significant control deficiencies identified during the audit will be communicated to management and the Board.



Appendix 2: How do we deliver audit quality?

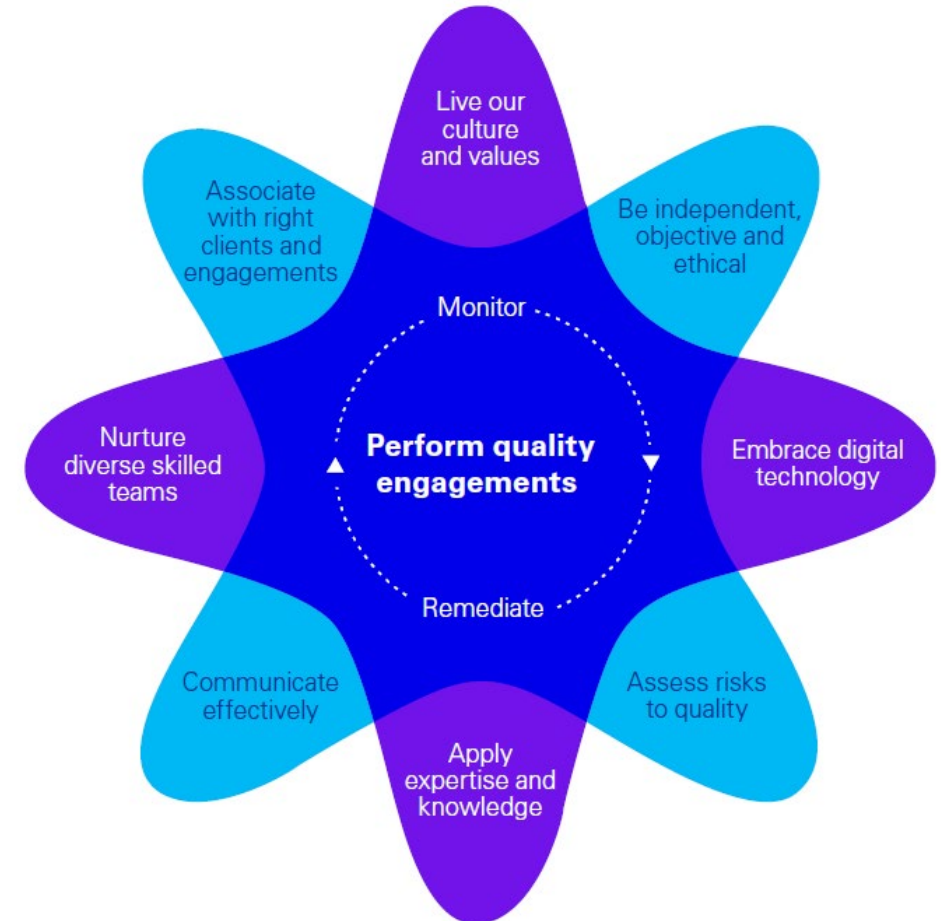
Quality essentially means doing the right thing and remains our highest priority. Our Global Quality Framework outlines how we deliver quality and how every partner and staff member contributes to its delivery.

The drivers outlined in the framework are the ten components of the KPMG System of Quality Management (SoQM). Aligned with ISQM 1/CSQM 1, our SoQM components also meet the requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA) and the relevant rules of professional conduct / code of ethics applicable to the practice of public accounting in Canada, which apply to professional services firms that perform audits of financial statements. Our Transparency Report includes our firm's Statement on the Effectiveness of our SoQM.

 [KPMG Canada Transparency Report](#)

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 management**; 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.



Appendix 3: Newly effective and upcoming changes to auditing standards

For more information on newly effective and upcoming changes to auditing standards - see Current Developments 

Effective for current year (periods beginning on or after December 15, 2023)

None that are applicable for the entity.

Effective for next year (periods beginning on or after December 15, 2024)

ISA 260/CAS 260

.....
Communications with those charged with governance

ISA 700/CAS 700

.....
Forming an opinion and reporting on the financial statements

Click here for information about CAS 260 and CAS 700 from CPA Canada:
[Amended CAS 260 and CAS 700](#)



Appendix 4: New 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 January 1, 2024.• 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 January 1, 2024 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.



Appendix 4: New 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 January 1, 2027 with early 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"> 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 January 1, 2027 to coincide with the adoption of the revised conceptual framework. Early adoption is permitted. The 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.



Appendix 4: New accounting standards (continued)

Standard	Summary and implications
Employee Future Benefit Obligations	<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>. An initial exposure draft was issued in 2021, and based on public feedback, a re-exposure draft focused on discount rates will be issued with a due date of January 20, 2025. The proposed changes will apply to fiscal years beginning on or after April 1, 2029. 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.



Appendix 5: Thought leadership and insights

2024 Canadian CEO Outlook

KPMG interviewed more than 800 business owners and C-suite leaders across Canada on a variety of topics ranging from their top-of-mind concerns to their acquisition plans, the risks and rewards of artificial intelligence (AI), productivity, the omnipresent threat of cybercrime, and the impact of aging demographics on the workforce.

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

Future of Risk

Enterprises are facing an array of reputational, environmental, regulatory and societal forces. To navigate this complex landscape, the C-suite should seek to embrace risk as an enabler of value and fundamentally transform their approach. KPMG's global survey of 400 executives reveals that their top priorities for the next few years are adapting to new risk types and adopting advanced analytics and AI. As organizations align risk management with strategic objectives, closer collaboration across the enterprise will be essential.

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Resilience Amid Complexity

In today's rapidly evolving and interconnected business landscape, organizations face unprecedented challenges and an increasingly complex and volatile risk landscape that can threaten their competitiveness and future survival. We share revealing real-world examples of how companies have overcome their challenges and emerged stronger as the rapid pace of change accelerates and look at the key components of KPMG's enterprise resilience framework and how it is helping these businesses build resilience and achieve their strategic objectives in an increasingly uncertain world.

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

Future of Procurement

Procurement is at an exciting point where leaders have the opportunity to recast their functions as strategic powerhouses. In this global report we examine how these forces may affect procurement teams and discuss how procurement leaders can respond – and the capabilities they will need to thrive. Our insights are augmented by findings from the KPMG 2023 Global Procurement Survey, which captured the perspectives of 400 senior procurement professionals around the globe, representing a range of industries.

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Appendix 5: Thought leadership and insights

Artificial Intelligence in Financial Reporting and Audit

Artificial intelligence (AI) is transforming the financial reporting and auditing landscape, and is set to dramatically grow across organizations and industries. In our new report, KPMG surveyed 1,800 senior executives across 10 countries, including Canada, confirming the importance of AI in financial reporting and auditing. This report highlights how organizations expect their auditors to lead the AI transformation and drive the transformation of financial reporting. They see a key role for auditors in supporting the safe and responsible rollout of AI, including assurance and attestation over the governance and controls in place to mitigate risks.

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Control System Cybersecurity Annual Report 2024

Based on a survey of more than 630 industry members (13% from government organizations), this report reveals that while the increase in cyberattacks is concerning, organizations have become more proactive in their cybersecurity budgets, focused on prevention, and acknowledging the threat of supply chain attacks. Furthermore, the report highlights a pressing need for skilled cybersecurity professionals in the face of escalating cyber threats. Explore the full report to help gain a clearer understanding of the growing cyber threat landscape and learn how to overcome the roadblocks to progress.

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

Cybersecurity Considerations 2024: Government and Public Sector

In every industry, cybersecurity stands as a paramount concern for leaders. Yet, for government and public sector organizations, the game of digital defense takes on a whole new level of intensity. The reason? The sheer volume and sensitivity of data they manage, which can amplify the potential fallout from any breach. These agencies are the custodians of a vast array of personal and critical data, spanning from citizen welfare to public safety and national security. This article delves into the pivotal cybersecurity considerations for the government and public sector. It offers valuable perspectives on critical focus areas and provides actionable strategies for leaders and their security teams to fortify resilience, drive innovation, and uphold trust in an ever-changing environment.

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



Appendix 5: Thought leadership and insights

Why the Public Sector Must Take the Lead in Sustainability Reporting

As the world prepares for the implementation of sustainability reporting standards from the International Sustainability Board (ISSB), the need for public sector leadership is pronounced. While governments around the world have collaborated on vital policy and regulatory solutions, they have yet to provide sustainability reporting for their own government reporting entities. This presents a major obstacle to global sustainability ambitions, particularly considering the vast physical infrastructure, non-renewable resources, rare earth elements, water and natural assets controlled by governments around the world. .

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Fighting Modern Slavery in Canadian Supply Chain

The deadline for the first year of reporting under Canada's Fighting Forced Labour and Child Labour in Supply Chains Act (the Act) was May 31, 2024. Under the Act, eligible entities are required to publicly report on steps taken to reduce the risk of forced labour and child labour in their business and supply chain. KPMG in Canada reviewed 5,794 report submissions for the act to identify key takeaways.

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ESG for Cities Webinar Series

Cities and municipalities play a crucial role to drive climate action and resilience measures, acting as stewards for the communities they serve – including their constituents, and public, private and non-profit organizations. With the physical impacts of climate changes – including floods, wildfires and droughts – accelerating in terms of both increased frequency and severity, city and municipal leaders are increasingly considering how they can tackle the multifaceted challenge of achieving net zero greenhouse gas (GHG) emissions by 2050. KPMG in Canada's Public Sector and ESG practices completed a three-part national webinar series focusing on the journey to net zero – from strategic planning and stakeholder engagement to the implementation at the asset and operational level, and subsequent reporting obligations.

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



Appendix 5: Thought leadership and insights

Our latest thinking on the issues that matter most to Audit Committees, board of directors and management.

KPMG Audit & Assurance Insights

Curated research and insights for audit committees and boards.

Board Leadership Centre

Leading insights to help board members maximize boardroom opportunities

Current Developments

Series of quarterly publications for Canadian businesses including Spotlight on IFRS, Canadian Assurance & Related Services, Canadian Securities Matters, and US Outlook reports.

Audit Committee Guide – Canadian Edition

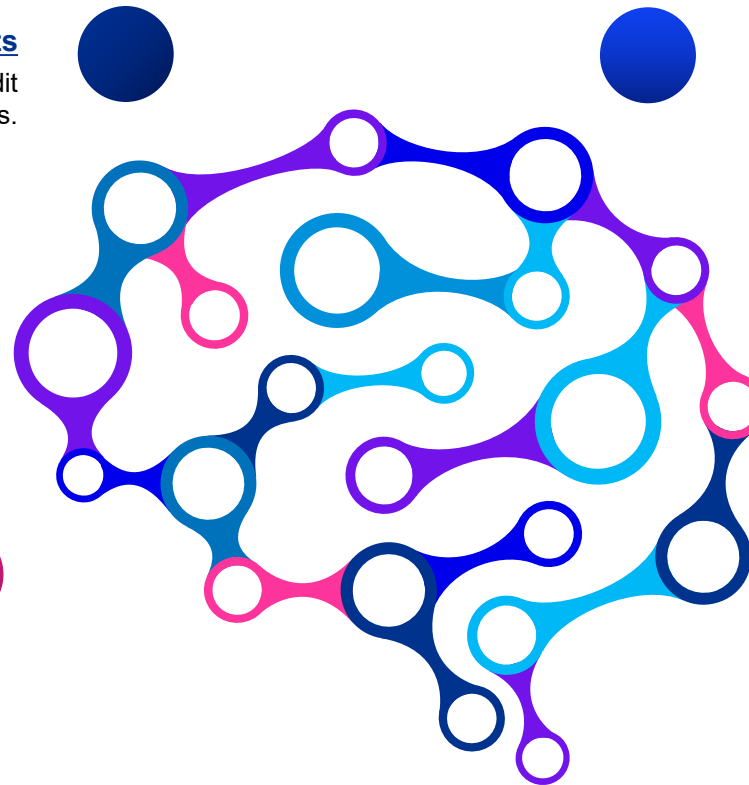
A practical guide providing insight into current challenges and leading practices shaping audit committee effectiveness in Canada.

Sustainability Reporting

Resource centre on implementing the new Canadian reporting standards

IFRS Breaking News

A monthly Canadian newsletter that provides the latest insights on accounting, financial reporting and sustainability reporting.





Appendix 5: Thought leadership and insights



KPMG research shows that:

Eighty-seven percent of IT decision makers believe that technologies powered by AI should be subject to regulation.

- Of that group, 32 percent believe that regulation should come from a combination of both government and industry.
- Twenty-five percent believe that regulation should be the responsibility of an independent industry consortium.

Ninety-four percent of IT decision makers feel that firms need to focus more on corporate responsibility and ethics while developing AI solutions.

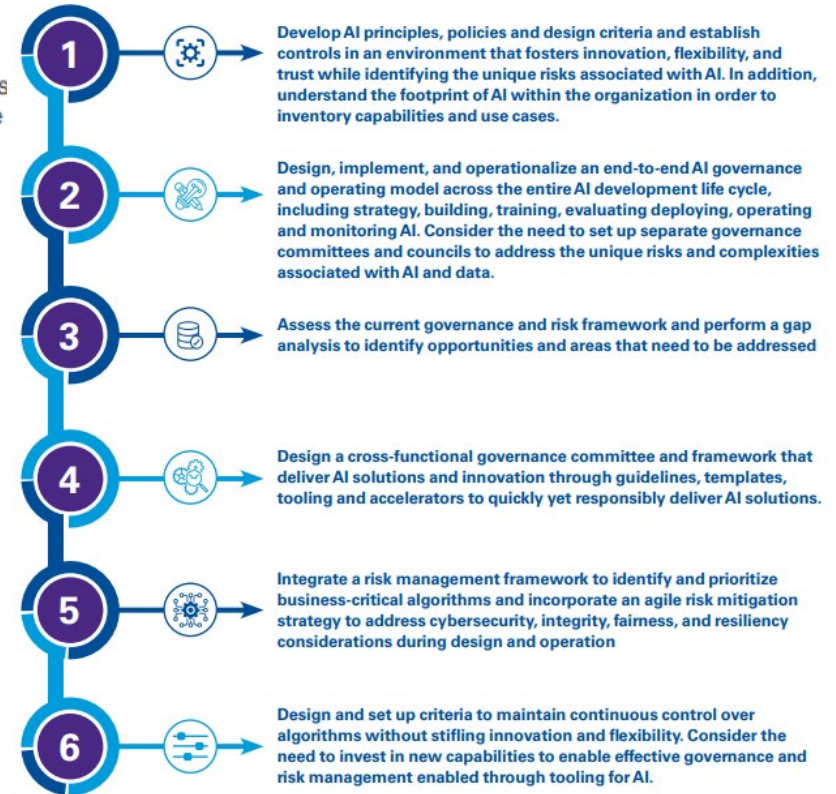
Source:

Per a study of 300 ITDMs from the UK and the US, conducted by Vanson Bourne on behalf of SnapLogic:

<https://www.businesswire.com/news/home/20190326005362/en/AI-Ethics-Deficit-%E2%80%94-94-Leaders-Call>

For AI solutions to be transformative, trust is imperative. This trust rests on four main anchors: integrity, explainability, fairness, and resilience. These four principles (enabled through governance) will help organizations drive greater trust, transparency, and accountability.

- 1. Integrity** — algorithm integrity and data validity including lineage and appropriateness of how data is used
- 2. Explainability** — transparency through understanding the algorithmic decision-making process in simple terms
- 3. Fairness** — ensuring AI systems are ethical, free from bias, free from prejudice and that protected attributes are not being used
- 4. Resilience** — technical robustness and compliance of your AI and its agility across platforms and resistance against bad actors



home.kpmg/ShapeofAIGovernance



Appendix 5: Thought leadership and insights

Current trends in internal audit

Organizations continually face a wide spectrum of risks beyond the already complex financial and regulatory compliance risks. Many organizations are recognizing the impact and benefit of internal audit activity that is agile, properly resourced, effectively managed, and aligned with strategic priorities, which can improve risk management and control processes and drive better efficiencies.

Examples of internal audits are noted below.

Cost reduction / efficiency planning

Review the governance arrangements for the monitoring and efficiency delivery of programs / services as required. This includes considering how efficiency requirements have been apportioned and communicated to support planning.

Fraud risk management

Internal Audit assesses whether a fraud risk management framework exists and whether fraud risk assessment is performed at these levels. Internal Audit reviews the overall governance surrounding this process and review the communication and reporting protocols in place.

Staff inclusion and diversity

Assess the strategy and plan in place for inclusion and diversity amongst staff, the governance of them and the measures in place to measure achievement of the goals. Training and awareness programs are offered to staff and faculty to provide understanding of roles and responsibilities and material is updated on a regular basis.

Asset management / maintenance

Review the processes and controls in place to ensure assets are adequately managed based on an appropriate schedule.

Well being (staff)

Review processes in place to develop and promote employee wellness programs and mental health strategies for staff. Areas of focus include overall program framework, communication to faculty and staff, feedback mechanisms and management's approach to assessing the suitability of the current wellness offerings version faculty and staff needs.



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