



## Staff Report

**DATE:** April 9, 2018

**FILE:** H-FI

**TO:** Chair and Directors  
Regional Hospital District Board

**FROM:** Russell Dyson  
Chief Administrative Officer

Supported by Russell Dyson  
Chief Administrative Officer

**R. DYSON**

**RE: Financial Statements and Auditor's Final  
Report to the Board for the Year Ended  
December 31, 2017**

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### **Purpose**

To present the 2017 financial statements of the Comox Strathcona Regional Hospital District (CSRHD) to the Board along with MNP LLP's report to the Board of Directors relating to the audit findings of the Comox Strathcona Regional Hospital District (CSRHD) for the year ended December 31, 2017.

### **Recommendation from the Chief Administrative Officer**

THAT the financial statements of the Comox Strathcona Regional Hospital District for the year ended December 31, 2017 be approved.

### **Executive Summary**

The 2017 financial statements of the Comox Strathcona Regional Hospital District are presented to the Board for approval. In compliance with Canadian auditing standards, the financial statements are being presented by management for Board approval prior to a finalized auditor's report being included.

MNP LLP has completed the audit of the Comox Strathcona Regional Hospital District for the year ended December 31, 2017 and has submitted the attached report to the Board (Appendix A). The auditor has advised in the report that they did not encounter any errors, irregularities, non-compliance matters, internal control deficiencies or material uncertainties. As well, the auditor did not encounter any significant items for improvement to bring to management's attention during the course of the 2017 audit.

Once the Board has approved the financial statements, the auditor's report will be signed for inclusion in the financial statements. The statements will then be finalized for distribution and posted on the CSRHD website.

Prepared by:

B. DUNLOP

Beth Dunlop, CPPB, CPA, CGA  
Corporate Financial Officer

**Policy Analysis**

Canadian auditing standards require that financial statements of an organization be approved by the Board of Directors prior to the inclusion of the signed auditor's report.

Chartered Professional Accountants Canada requires that audit firms communicate the results of the audit process to the Board of Directors as well as to management.

Attachments: Appendix A – "MNP LLP Report to the Board of Directors dated April 19, 2018"

**Comox-Strathcona Regional Hospital District**  
**Report to the Board of Directors**  
*For the Year Ending December 31, 2017*

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April 19, 2018

Members of the Board of Directors  
Comox-Strathcona Regional Hospital District

Dear Board of Directors:

We are pleased to submit to you this report for discussion of our audit of the financial statements of Comox-Strathcona Regional Hospital District (the "Hospital District") as at December 31, 2017 and for the year then ended. In this report we cover those significant matters which, in our opinion, you should be aware of as members of the Board of Directors.

## THE AUDIT

Our responsibility, as auditor of the Hospital District, is to report to the members on the fair presentation of the December 31, 2017 financial statements, in accordance with Canadian public sector accounting standards. To properly discharge this responsibility, we designed our audit process to assess the risk of material misstatement within the statements by examining and assessing the effectiveness of the Hospital District's controls and accounting systems, and the evidence supporting the amounts and disclosures in the statements, including the appropriateness of accounting principles and significant estimates made by management.

We have considered the Hospital District's internal controls as part of the financial statement audit. This included obtaining an understanding of the internal controls (regardless of whether we intended to rely on them for the purpose of our audit); evaluating the design of these controls; and determining whether they have been implemented. This understanding was sufficient to allow us to identify and assess the risks of material misstatement of the financial statements and to design and perform audit procedures. We have not determined whether relevant controls are operating effectively, as such, our understanding of internal controls should not be relied upon for any other purposes.

Our audit procedures, consisting of separate examination of each material year-end balance, key transaction, and other event considered significant to the financial statements, were concentrated in areas where risks were identified, and therefore, differences were most likely to arise.

Management has provided us with written representations, acknowledging, among other things, their responsibility for the implementation and maintenance of appropriate reporting systems and controls, including those designed to detect and prevent fraud, and to ensure the appropriateness of the amounts recorded in the accounting records, and the amounts and disclosures in the financial statements.

## AUDITOR INDEPENDENCE

We confirm to the Board of Directors that we are independent of the Hospital District. Our letter to the Board of Directors discussing our independence is attached to this report.

## AUDIT RESULTS

We have satisfactorily completed our audit and are prepared to sign our Auditors' Report after the Board of Directors's review and approval of the financial statements. A substantive approach was used in auditing the Hospital District's financial statements; thus, the Hospital District's controls were not relied upon.

**Final materiality calculated and used to assess the significance of misstatements or omissions identified during the audit and determine the level of audit testing performed was \$650,000.**

The Auditors' Report will provide an unqualified opinion to the members. Key matters noted during our audit are summarized in the table below.

Subjects	December 31, 2017	December 31, 2016
<ul style="list-style-type: none"> <li>Material uncertainties related to events or conditions that may cast significant doubt on entity's ability to continue as a going concern</li> </ul>	None	None
<ul style="list-style-type: none"> <li>Illegal or fraudulent acts</li> </ul>	None noted	None noted
<ul style="list-style-type: none"> <li>Non-compliance with laws and regulations</li> </ul>	None	None
<ul style="list-style-type: none"> <li>Fraud by employees/management with key roles in control activities</li> </ul>	None noted	None noted
<ul style="list-style-type: none"> <li>Differences that may:                             <ul style="list-style-type: none"> <li>Have a material effect on comparative information and the current period financial statements</li> <li>Cause future statements to be materially misstated</li> <li>Indicate significant deficiencies in controls</li> </ul> </li> </ul>	None None None	None None None
<ul style="list-style-type: none"> <li>Irregularities having a material financial statement effect</li> </ul>	None	None
<ul style="list-style-type: none"> <li>Limitations placed on the scope of our audit</li> </ul>	None	None
<ul style="list-style-type: none"> <li>Significant transactions not in the ordinary course of business, or other unusual related party transactions</li> </ul>	None noted	None noted
<ul style="list-style-type: none"> <li>Unusual significant transactions given the entity and its environment</li> </ul>	None	None
<ul style="list-style-type: none"> <li>Non-monetary transactions</li> </ul>	None noted	None noted
<ul style="list-style-type: none"> <li>Transactions that increase risk</li> </ul>	None	None
<ul style="list-style-type: none"> <li>Concerns with management breach of corporate conduct</li> </ul>	None	None
<ul style="list-style-type: none"> <li>Conflicts of interest</li> </ul>	None	None
<ul style="list-style-type: none"> <li>Disagreements with management</li> </ul>	None	None
<ul style="list-style-type: none"> <li>Emphasis of matter or other matter paragraph included in the Auditors' Report</li> </ul>	None	None
<ul style="list-style-type: none"> <li>Matters influencing audit appointment</li> </ul>	None	None
<ul style="list-style-type: none"> <li>Difficulties encountered during the audit</li> </ul>	None	None
<ul style="list-style-type: none"> <li>Disagreements with management's accounting estimates</li> </ul>	None	None

Subjects	December 31, 2017	December 31, 2016
<ul style="list-style-type: none"> <li>Disagreements with management’s adoption of accounting policies or emphasis on the need for a particular accounting treatment</li> </ul>	None	None
<ul style="list-style-type: none"> <li>Significant deficiencies in the entity’s risk assessment process within the design and/or implementation of controls</li> </ul>	None	None
<ul style="list-style-type: none"> <li>Significant deficiencies in controls resulting from inappropriate response by management regarding implementing controls over significant risks</li> </ul>	None	None
<ul style="list-style-type: none"> <li>Matters giving rise to questions regarding the honesty and integrity of management</li> </ul>	None	None

All significant management estimates were reviewed and no material differences were noted. The methodologies and processes used by management were consistent with prior periods.

There were no unadjusted differences of any significance noted.

We would like to take this opportunity to formally acknowledge the excellent cooperation and assistance we received from the management and staff of the Comox Valley Regional District, who provide administration services to the Hospital District.

The matters raised in this and other reports that will flow from the audit are only those which have come to our attention arising from, or relevant to, our audit that we believe need to be brought to your attention. They are not a comprehensive record of all the matters arising and, in particular, we cannot be held responsible for reporting all risks in your business or all control weaknesses. This report has been prepared solely for your use and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared for, and is not intended for, any other purpose.

We appreciate having the opportunity to meet with you and respond to any questions you may have about our audit, and to discuss any other matters that may be of interest to you.

Sincerely,



**MNP LLP**  
**Chartered Professional Accountants**

/jvo

## Independence Communication

April 19, 2018

The Board of Directors  
Comox-Strathcona Regional Hospital District  
600 Comox Road  
Courtenay, BC V9N 3P6

Dear Board of Directors:

We have been engaged to audit the financial statements of Comox-Strathcona Regional Hospital District ("the Hospital District") as at December 31, 2017 and for the year then ended.

CAS 260 *Communication With Those Charged With Governance* requires that we communicate with you matters that are significant to our engagement. One such matter is relationships between the Hospital District and its related entities or persons in financial reporting oversight roles at the Hospital District and MNP LLP and any affiliates ("MNP") that, in our professional judgment, may reasonably be thought to bear on our independence. In determining which relationships to report, the Standard requires us to consider relevant rules and related interpretations prescribed by the appropriate professional accounting body and applicable legislation, covering such matters as:

- (a) Holding a financial interest, either directly or indirectly, in a client;
- (b) Holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client or a related entity;
- (c) Personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client or a related entity;
- (d) Economic dependence on a client; and
- (e) Provision of non-assurance services in addition to the audit engagement.

We are not aware of any relationship between the Hospital District and MNP that, in our professional judgment, may reasonably be thought to bear on our independence, which have occurred from January 1, 2017 to the date of this letter.

We hereby confirm that MNP is independent with respect to the Hospital District within the meaning of the Rules of Professional Conduct of the the Chartered Professional Accountants of British Columbia as of the date of this letter.

This report is intended solely for the use of the Board of Directors, management and others within the Hospital District and should not be used for any other purposes.

We look forward to discussing with you the matters addressed in this letter as well as other matters that may be of interest to you. We will be prepared to answer any questions you may have regarding our independence as well as other matters.

Sincerely,



**MNP LLP**  
**Chartered Professional Accountants**

/jvo