



**SUNSHINE COAST REGIONAL HOSPITAL DISTRICT
BOARD MEETING**



**HELD ELECTRONICALLY AND TRANSMITTED VIA THE
SUNSHINE COAST REGIONAL DISTRICT BOARDROOM,
1975 FIELD ROAD, SECHELT, B.C.
Thursday, October 27, 2022**

AGENDA

CALL TO ORDER 1:00 p.m.

AGENDA

1. Adoption of Agenda

MINUTES

2. Sunshine Coast Regional Hospital District Board Meeting
Minutes of July 28, 2022

Annex A
Pages 1-2

BUSINESS ARISING FROM MINUTES AND UNFINISHED BUSINESS

PRESENTATIONS and DELEGATIONS

REPORTS

3. Vancouver Coastal Health Cost Share Request
General Manager, Corporate Services / Chief Financial Officer
4. 2023 Provisional Budget
General Manager, Corporate Services / Chief Financial Officer
5. MNP LLP 2022 Audit Service Plan
General Manager, Corporate Services / Chief Financial Officer

Annex B
pp. 3-5

Annex C
pp. 6-12

Annex D
pp. 13-33

COMMUNICATIONS

MOTIONS

BYLAWS

NEW BUSINESS

IN CAMERA

ADJOURNMENT



SUNSHINE COAST REGIONAL HOSPITAL DISTRICT

July 28, 2022

MINUTES OF THE MEETING OF THE BOARD OF THE SUNSHINE COAST REGIONAL HOSPITAL DISTRICT MEETING HELD ELECTRONICALLY AND TRANSMITTED VIA THE BOARDROOM AT 1975 FIELD ROAD, SECHELT, B.C.

PRESENT:	Chair	District of Sechelt	D. Siegers
	Directors		
		Electoral Area A	L. Lee
		Electoral Area B	L. Pratt
		Electoral Area D	A. Tize
		Electoral Area E	D. McMahon
		Electoral Area F	M. Hiltz
		District of Sechelt	A. Toth (in part)
		Town of Gibsons	B. Beamish
ALSO PRESENT:	Chief Administrative Officer		D. McKinley
	GM, Corporate Services / Chief Financial Officer		T. Perreault
	Corporate Officer		S. Reid
	Administrative Assistant / Recorder		A. O'Brien
	Public		3
VCH:	Reg. Dir., Capital Asset Management and Planning J. Marais		

CALL TO ORDER 1:04 p.m.

AGENDA It was moved and seconded

19/22 THAT the agenda for the meeting be adopted as presented.

CARRIED

MINUTES

Minutes It was moved and seconded

20/22 THAT the Sunshine Coast Regional Hospital District Board Meeting Minutes of April 28, 2022 be adopted as presented.

CARRIED

PRESENTATIONS AND DELEGATIONS

Johan Marais, Regional Director, Capital Planning, Vancouver Coastal Health (VCH) provided an update of Fiscal Year 2023 to 2028 Capital Plan Update including Cost Share Request.

Presentation **It was moved and seconded**

21/22 THAT the presentation from Vancouver Coastal Health titled FY23-FY28+ Capital Plan Update and Cost Share Requests be received for information.

CARRIED

VCH Cost Share
Request

It was moved and seconded

22/22 THAT staff bring forward a report as part of 2023 Sunshine Coast Regional Hospital District Provisional Budget for funding options for Vancouver Coastal Health's cost share request of \$440,000 to replace delayed Vital #4 Power Distribution Centre (DV4-PDC) at the Sechelt Hospital, for the Board's consideration.

CARRIED

REPORTS

Minor Capital **It was moved and seconded**

23/22 THAT the Sechelt Hospital Minor Capital Equipment List Grant Policy be received for information.

CARRIED

ADJOURNMENT **It was moved and seconded**

24/22 THAT the Sunshine Coast Regional Hospital District Board meeting be adjourned.

CARRIED

The meeting adjourned at 1:42 p.m.

Certified correct _____
Secretary

Confirmed this _____ day of _____

Chair

SUNSHINE COAST REGIONAL HOSPITAL DISTRICT STAFF REPORT

TO: Sunshine Coast Regional Hospital District Board – October 27, 2022

AUTHOR: Tina Perreault, General Manager, Corporate Services / Chief Financial Officer

SUBJECT: VANCOUVER COASTAL HEALTH (VCH) COST SHARE REQUEST

RECOMMENDATION(S)

THAT the report titled Vancouver Coastal Health (VCH) Cost Share Request be received;

AND THAT the Sunshine Coast Regional Hospital District (SCRHD) fund VCH's 40% cost share request to replace delayed Vital #4 Power Distribution Centre (DV4-PDC) at the Sechelt Hospital totaling \$1,100,000 in the amount of \$440,000;

AND THAT the project be funded from the Reserve Fund;

AND FURTHER THAT the approved projects and associated funding be incorporated into the 2023 SCRHD Provisional Budget.

BACKGROUND

AT the July 28, 2022 Sunshine Coast Regional Hospital District (SCRHD) Board meeting, Vancouver Coastal Health (VCH) presented the annual capital update which included the following cost share request:

Project Name	Project Cost Estimate	Cost Share Request	Description
Replace Delayed Vital #4 Power Distribution Centre (DV4-PDC), Sechelt Hospital	\$1,100,000	\$440,000	<ul style="list-style-type: none"> The Power Distribution Centre (PDC) is original to the facility's 1961 Electrical infrastructure. Although it's functioning, this switch/fuse style infrastructure is different from all others in the facility and these switches are very difficult to operate. These fuses are non-standard and only used in this Power Distribution Centre As the original hospital was on 100% generator, it was therefore about 70/30 DV/V (delayed vital/vital). The operating suites are 100% vital but everywhere else in the hospital such as the Lab, Rehab, Pharmacy, Kitchen, Laundry, Admin, Staffing, Finance, Stores, Records/Admitting, FMO boilers/HVAC etc. are heavily reliant on power from this Power Distribution Centre General repairs to this particular Power Distribution Centre is difficult, and finding parts is a challenge This upgrade will require a power shutdown and the hospital will be on a generator during this temporary, planned outage. Coordination will be required due to the Clinical impact The implementation of this project will reduce the long term risk to the hospital due to end of life Power Distribution Centre
Total Project Cost Estimate	\$1,100,000	\$440,000	The cost share request represents 40% of the project cost estimate.

As such the SCRHD Board passed the following resolution:

VCH Cost Share

Request

It was moved and seconded

22/22

THAT staff bring forward a report as part of 2023 Sunshine Coast Regional Hospital District Provisional Budget for funding options for Vancouver Coastal Health's cost share request of \$440,000 to replace delayed Vital #4 Power Distribution Centre (DV4-PDC) at the Sechelt Hospital, for the Board's consideration.

The purpose of this report is to provide options for VCH's new funding request.

DISCUSSION

Staff have confirmed with VCH that the 60% portion of the funding has been secured for the proposed projects and is seeking a 40% cost share with the SCRHD.

Funding for capital equipment purchases valued at more than \$150,000 are approved by the SCRHD Board on a case by case basis when a request is received from VCH. Funding is cost shared, with the SCRHD portion set at 40% per the terms of the Memorandum of Understanding (MOU) between VCH and Regional Hospital Districts.

Annual funding from taxation is set at \$275,000 and is held in reserve until such time as the funding is required. A summary of the projected 2023 reserve fund balance and budgeted funding commitments is included in the table below:

	Reserve Fund
Projected Balance at December 31, 2022	\$2,384,467
Annual Funding Contributions	<u>275,000</u>
Funds available for 2023	\$2,659,467
Less Budgeted Commitments:	
Minor equipment < \$150,000	
Motor Control Centre	(713,739)
Oxygen System Upgrade	(42,813)
Heat Exchangers	(30,779)
Window Replacement	<u>(228,136)</u>
Uncommitted Balance	\$1,644,000

The purpose of these reserve funds aligns with the proposed projects and associated cost share request from VCH. It is recommended that the 40% cost share request of \$440,000 be funded from the Reserve Fund. This would leave a balance of approximately \$1,204,000 remaining in the Fund at the end of 2023.

The SCRHD also has two other Funds for providing funding for capital requests toward the Hospital facilities on the Sunshine Coast. The Current Fund, which supports minor equipment purchases (under \$150,000) and is budgeted on an annual basis. There is also the Capital Fund which is the result of surplus funds remaining from the Sechelt Hospital expansion and renovation project. Funding for major capital projects is generally secured through long-term

borrowing with any surplus monies and interest earned held in a separate fund for use towards future major capital projects. The projected 2023 major capital fund balance available for use towards projects is anticipated to be \$1,174,612. There are no planned commitments or contributions to the fund in 2023 aside from investment earnings. Since these funds are for the purpose of major capital funding requests, these would not align with the current funding request.

Timeline for next steps or estimated completion date

Once the SCRHD Board has provided direction on VCH's cost share request, the 2023 Provisional Budget would be approved accordingly.

STRATEGIC PLAN AND RELATED POLICIES

Reporting and cost share requests follow the structure outlined in the Memorandum of Understanding between the Regional Hospital Districts and VCH.

CONCLUSION

Vancouver Coastal Health has made an additional funding request to the Sunshine Coast Regional Hospital District Board toward the replacement of the Delayed Vital #4 Power Distribution Centre (DV4-PDC) totaling \$1,100,000. The SCRHD's 40% cost share would be \$440,000.

The SCRHD currently has \$1,644,000 available in the Reserve Fund which aligns with the proposed projects and associated cost share request from VCH. It is recommended that the 40% cost share request of \$440,000 be funded from the Reserve Fund.

Once the SCRHD Board has provided direction on VCH's cost share request, the approved projects and associated funding will be included in the 2023 Provisional SCRHD Budget.

Reviewed by:			
Manager		Finance	
GM		Legislative	
CAO	X – D. McKinley	Other	

SUNSHINE COAST REGIONAL HOSPITAL DISTRICT STAFF REPORT

TO: Sunshine Coast Regional Hospital District Board – October 27, 2022

AUTHOR: Tina Perreault, General Manager, Corporate Services / Chief Financial Officer

SUBJECT: **2023 SCRHD PROVISIONAL BUDGET**

RECOMMENDATION(S)

THAT the report titled **2023 Provisional Budget** be received for information;

AND THAT the **2023 Sunshine Coast Regional Hospital District Provisional Budget (Attachment B-including the 2023 VCH Cost Share request)** be adopted as presented.

BACKGROUND

Per Section 23(1) of the *Hospital District Act*, the Regional Hospital District Board must prepare and adopt a Provisional Budget for the following calendar year, prior to December 31 each year.

The final budget must be adopted on or before March 31 in each year. Therefore, these figures will change after year end and new property assessments are completed.

Therefore, the purpose of this report is to present and approve the SCRHD's 2023 Provisional Budget for the SCRHD's Boards approval.

DISCUSSION

The Sunshine Coast Regional Hospital District (SCRHD) Board adopted Resolution 22/22 on July 28, 2022:

VCH Cost Share
Request

It was moved and seconded

22/22

THAT staff bring forward a report as part of 2023 Sunshine Coast Regional Hospital District Provisional Budget for funding options for Vancouver Coastal Health's cost share request of \$440,000 to replace delayed Vital #4 Power Distribution Centre (DV4-PDC) at the Sechelt Hospital, for the Board's consideration.

Included on this agenda is a staff report outlining the Cost Share Request that VCH has put forward. Two Draft Provisional Budgets have been prepared to show the budgetary implications of approving this cost share request and are attached for reference (Attachment A-Provisional Budget without Cost Share Request & Attachment B-Provisional Budget with Cost Share Request) as outlines in the subsequent staff report included in this agenda.

For 2023, the Provisional Budget includes a projected operating deficit of **\$509,903** without the cost share request and **\$949,903** with the cost share request. The deficit is due to planned capital expenditures exceeding planned revenues. This is not an actual deficit, but is a

requirement of how operating and capital expenditures are recorded per Public Sector Accounting Standards (PSAS).

The operating deficit is offset by other sources and uses of funds not classified as revenues and expenses such as debt principal repayments, transfers to/from reserve and prior year surpluses. These items are reflected in the transfers and other section of the budget and result in a balanced budget overall.

Details on individual budget line items are outlined below.

Revenue

Grants in Lieu of Taxes

Projected revenue has been reduced to \$105 for 2023 to reflect actual revenue received in 2022.

Tax Requisition and Estimated Tax Rate

The projected tax requisition for 2023 has decreased by \$17,006 to \$1,268,218 compared to \$1,285,224 in 2022. The table below summarizes the budgeted purpose for which tax requisition monies are collected:

2023 Provisional Budget Tax Requisition Summary	
Purpose	Amount
Administration and operating expenses, net of operating fund revenues	\$ 34,132
Principal and interest payments on long-term debt	839,086
Annual funding for minor equipment (< \$150,000)	120,000
Annual funding for capital equipment (> \$150,000)	275,000
Total Tax Requisition	\$ 1,268,218

The estimated residential tax rate (per \$100,000 of assessed value) based on the 2023 Provisional Budget is \$6.16, down from \$6.24 in 2022. This value will change as revised property assessments and final taxation is determined for the final 2023 Budget.

Investment Income

Investment income has been budgeted to increase to \$60,500 in 2023, up from 2022. This reflects the projected actual interest earned and the change in interest rate conditions. Income earned on the investment of capital equipment reserve fund and major capital project fund monies are transferred into the respective funds for allocation to future projects. Income earned on the investment of operating funds, budgeted at \$8,490 for 2023, are used to offset taxation.

Other revenue – Municipal Finance Authority (MFA) actuarial

The MFA actuarial adjustment is associated with the interest earned on sinking fund monies held by the MFA for future debt retirement. The adjustment is applied against the principal balance remaining on the SCRHD's outstanding debt obligations so there is no cash inflow associated with this revenue. The actuarial adjustment for 2023 is anticipated to increase by \$34,803 to \$402,430 for 2023.

Expenses

Administration, Bank Charges and Other Expenditures

The Budgeted amount for administration is estimated at \$38,977 for 2023. This is a slight decrease from 2022 due to an anticipated 2022 surplus that will carry over. These funds are budgeted to cover the reimbursement of administrative costs expensed through Regional District Function 118 (SCRHD Administration). Administrative costs consist mainly of staff wages, Director remuneration and audit fees.

Other expenditures include bank fees of approximately \$250 annually and an annual grant of \$3,500 to the Sechelt Hospital Auxiliary Thrift Store to offset their landfill tipping fees. The Thrift Store may come forward for an increase for 2023.

Interest on Long Term Debt

Interest payments on long-term debt are fixed based on MFA amortization schedules. Interest payments for 2023 will total \$336,641.

Minor Equipment (< \$150,000)

Annual funding of \$120,000 is budgeted for minor equipment purchases valued at less than \$150,000. Vancouver Coastal Health (VCH) identifies and procures minor equipment purchases based on existing needs and priorities at the Sechelt Hospital and are reimbursed by the SCRHD upon submission of invoices. Any unused funding is carried forward for use in the following year. Prior to 2022 \$240,000 was budgeted for minor capital equipment and was changed as part of the 2022 final budget. This change was made as a result of an accumulation of unspent funds. As at October 12, 2022 there is \$726,321 in unspent funds. Therefore, it is recommended for 2023 that minor capital funding remain at \$120,000 which will amount to \$846,321 in available funding for VCH.

Estimated funding available in 2023 is \$846,321, inclusive of an \$726,321 carryforward based on unused funding from prior years as at October 12, 2022. Staff continue to communicate with VCH regarding the use of these funds. Should additional items from the minor equipment list become procured, a reduction to the carry-forward for the 2023 final budget can be expected.

Capital Equipment (>\$150,000)

Funding for capital equipment purchases valued at more than \$150,000 are approved by the SCRHD Board on a case by case basis when a request is received from VCH. Funding is cost shared, with the SCRHD portion set at 40% per the terms of the Memorandum of Understanding (MOU) between VCH and Regional Hospital Districts.

As previously presented, there is a new cost share request in the amount of \$440,000 from VCH which has been recommended for inclusion in the 2023 Provisional Budget. Both options have been presented for consideration.

Annual funding from taxation is set at \$275,000 and is held in reserve until such time as the funding is required. A summary of the projected 2023 reserve fund balance and budgeted funding commitments is included in the table below.

Cost Share Request Excluded:

Capital Equipment (>\$150,000) Reserve Fund Summary	
Projected 2023 Opening Balance	\$ 2,384,467
Annual Funding Contribution	275,000
Available for projects in 2023	2,659,467
Less funding commitments:	
Motor control center, transfer switch and generator	713,739
Heat Exchangers	30,779
Oxygen system upgrade	42,813
Window Replacement	228,136
Uncommitted balance	\$ 1,644,000

Cost Share Request Included:

Capital Equipment (>\$150,000) Reserve Fund Summary	
Projected 2023 Opening Balance	\$ 2,384,467
Annual Funding Contribution	275,000
Available for projects in 2023	2,659,467
Less funding commitments:	
Motor control center, transfer switch and generator	713,739
Heat Exchangers	30,779
Oxygen system upgrade	42,813
Window Replacement	228,136
Power Distribution Centre	440,000
Uncommitted balance	\$ 1,204,000

Major Capital Projects

Funding for major capital projects are also approved by the SCRHD Board on a case by case basis when a request is received from VCH. Funding is cost shared with the SCRHD portion set at 40% per the terms of the MOU.

Funding for major capital projects is generally secured through long-term borrowing with any surplus monies and interest earned held in a separate fund for use towards future major capital projects. The projected 2023 major capital fund balance available for use towards projects is anticipated to be \$1,174,612.

Transfers and Other

This category comprises other sources and uses of funds that are not classified as revenue or expenses per Public Sector Accounting Standards. These items reflect the allocation of financial equity required to offset the budgeted operating surplus or deficit and balance the budget to zero.

Repayment of long-term debt

Repayment of long-term debt is comprised of cash repayments and non-cash MFA actuarial adjustments. These amounts are fixed based on MFA amortization schedules and reflect the total repayment of long-term debt recorded on the financial statements.

For 2023, the budget value is comprised of a cash payment totaling \$502,445 and the non-cash MFA actuarial adjustment of \$402,430 for a total principal balance reduction of \$904,875.

Transfer (to)/from Capital Equipment Reserve and Major Capital Fund

Amounts budgeted to these lines consist of committed funding for projects to be transferred out of the funds as expenditures are incurred, net of annual funding, investment income and MFA debt reserve fund payouts for transfer into the fund.

Prior Year Budget Surplus/(Deficit)

This amount budgeted to this line is the projected 2022 operating fund surplus. The value included in the Provisional Budget is attributable to the projected carry forward of minor equipment funding.

Timeline for next steps or estimated completion date

The Provisional and Final Budgets must be adopted by December 31, 2022 and March 31, 2023 respectively. The Provisional Budget is being presented for approval on October 27, 2022 as it is the last regularly scheduled SCRHD meeting for 2022.

STRATEGIC PLAN AND RELATED POLICIES

Presenting the Provisional Budget provides transparency and is aligned with the MOU between the Regional Hospital Districts and VCH.

CONCLUSION

The Regional Hospital District Board must prepare and adopt a Provisional Budget for the following calendar year, prior to December 31 each year.

It is recommended that the 2023 Provisional Budget which includes the new VCH cost share request and adjustment to the minor capital funding be approved as presented in Attachment B. The final 2023 Budget will be amended for actuals prior to March 31, 2023.

Attachment A - Draft 2023 SCRHD Provisional Budget Without Cost Share Request

Attachment B - Draft 2023 SCRHD Provisional Budget With Cost Share Request

Reviewed by:			
Manager		Finance	
GM		Legislative	
CAO	X- D. McKinley	Other	

SUNSHINE COAST REGIONAL HOSPITAL DISTRICT

2023 Provisional Budget

	2022 - 2023			
	Budget 2023	Budget 2022	\$ Change	% Change
Revenue				
Grants in lieu of taxes	\$ 105	\$ 110	\$ (5.14)	-4.66%
Tax requisitions	\$ 1,268,218	\$ 1,285,224	(17,006)	-1.32%
Investment income	\$ 60,500	\$ 55,100	5,400	9.80%
Other revenue - MFA actuarial	\$ 402,430	\$ 367,627	34,803	9.47%
Other revenue - MFA debt reserve fund payout	\$ -	\$ -	-	0.00%
Total Revenue	\$ 1,731,253	\$ 1,708,061	\$ 23,191	1.36%
Expenses				
Administration	\$ 38,977	\$ 39,334	(357)	-0.91%
Bank charges	\$ 250	\$ 102	148	145.10%
Other Expenditures - Sechelt Hospital Auxillary Grant	\$ 3,500	\$ 3,500	-	0.00%
Interest on long term debt	\$ 336,641	\$ 336,641	-	0.00%
Minor equipment (<\$150,000)	\$ 846,321	\$ 837,240	9,081	1.08%
Capital equipment (>\$150,000)	\$ 1,015,467	\$ 1,017,365	(1,898)	-0.19%
Major capital projects	\$ -	\$ -	-	n/a
Total Expenses	\$ 2,241,156	\$ 2,234,182	\$ 6,974	0.31%
Operating Surplus/(Deficit)	\$ (509,903)	\$ (526,120)	\$ 16,217	
Transfers and other				
Repayment of long-term debt	\$ (904,874.67)	\$ (870,072)	(34,803)	4.00%
Transfers (to)/from capital equipment reserve fund	\$ 713,277	\$ 720,965	(7,688)	-1.07%
Transfers (to)/from major capital fund	\$ (24,820)	\$ (18,300)	(6,520)	35.63%
Prior year budget surplus/(deficit)	\$ 726,321	\$ 693,528	32,794	4.73%
Non-PSAB Budgeted Surplus/(Deficit)	\$ -	0	\$ (0)	n/a
Budgeted Residential Tax Rate (per \$100,000 of assessed value)	\$ 6.16	\$ 6.24	\$ (0.08)	-1.32%

SUNSHINE COAST REGIONAL HOSPITAL DISTRICT

2023 Provisional Budget

	2022 - 2023			
	Budget 2023	Budget 2022	\$ Change	% Change
Revenue				
Grants in lieu of taxes	\$ 105	\$ 110	\$ (5.14)	-4.66%
Tax requisitions	\$ 1,268,218	\$ 1,285,224	(17,006)	-1.32%
Investment income	\$ 60,500	\$ 55,100	5,400	9.80%
Other revenue - MFA actuarial	\$ 402,430	\$ 367,627	34,803	9.47%
Other revenue - MFA debt reserve fund payout	\$ -	\$ -	-	0.00%
Total Revenue	\$ 1,731,253	\$ 1,708,061	\$ 23,191	1.36%
Expenses				
Administration	\$ 38,977	\$ 39,334	(357)	-0.91%
Bank charges	\$ 250	\$ 102	148	145.10%
Other Expenditures - Sechelt Hospital Auxillary Grant	\$ 3,500	\$ 3,500	-	0.00%
Interest on long term debt	\$ 336,641	\$ 336,641	-	0.00%
Minor equipment (<\$150,000)	\$ 846,321	\$ 837,240	9,081	1.08%
Capital equipment (>\$150,000)	\$ 1,455,467	\$ 1,017,365	438,102	43.06%
Major capital projects	\$ -	\$ -	-	n/a
Total Expenses	\$ 2,681,156	\$ 2,234,182	\$ 446,974	20.01%
Operating Surplus/(Deficit)	\$ (949,903)	\$ (526,120)	\$ (423,783)	
Transfers and other				
Repayment of long-term debt	\$ (904,874.67)	\$ (870,072)	(34,803)	4.00%
Transfers (to)/from capital equipment reserve fund	\$ 1,153,277	\$ 720,965	432,312	59.96%
Transfers (to)/from major capital fund	\$ (24,820)	\$ (18,300)	(6,520)	35.63%
Prior year budget surplus/(deficit)	\$ 726,321	\$ 693,528	32,794	4.73%
Non-PSAB Budgeted Surplus/(Deficit)	\$ -	0	\$ (0)	n/a
Budgeted Residential Tax Rate (per \$100,000 of assessed value)	\$ 6.16	\$ 6.24	\$ (0.08)	-1.32%

SUNSHINE COAST REGIONAL HOSPITAL DISTRICT STAFF REPORT

TO: Sunshine Coast Regional Hospital District Board – October 27, 2022

AUTHOR: Tina Perreault, General Manager, Corporate Services / Chief Financial Officer

SUBJECT: MNP LLP 2022 AUDIT SERVICE PLAN

RECOMMENDATION

THAT the report titled MNP LLP 2022 Audit Service Plan be received for information;

AND THAT the Audit Service Plan from MNP LLP with respect to the Audit of the Financial Statements of the Sunshine Coast Regional Hospital District (SCRHD) for the year ended December 31, 2022 be approved as presented.

BACKGROUND

The purpose of MNP LLP's (MNP) 2022 Audit Service Plan is to communicate key issues, responsibilities and audit strategy which will be undertaken for the Sunshine Coast Regional Hospital District's (SCRHD) annual financial audit. The audit conducted by MNP is in accordance with Canadian Generally Accepted Auditing Standards (GAAS), which require the explicit communication of roles and responsibilities by both parties.

The SCRHD Board has the responsibility of providing oversight of the financial reporting process. As part of the two-way communication with the auditors the Board may highlight any areas of specific concerns or questions it may have for the auditors prior to the final audit.

The purpose of this report is to approve the Report and allow the SCRHD Board to relay any communication back to the Auditors.

DISCUSSION

MNP's Audit Service Plan, summarizing the plans and other matters pertinent to the 2022 audit for the SCRHD, which is attached for reference. SCRHD's engagement will include: Audit Risk Areas and Planned Responses; Changes in Accounting Standards potentially impacting the SCRHD.

The 2022 interim audit will be conducted in late November 2022 with the final audit scheduled for the March 2023. The draft financial statements and audit report is scheduled for presentation at the April 2023 SCRHD Board in preparation for the final adoption.

As part of the final Report to the Board from MNP LLP for the 2021 audit, there were no audit differences or significant audit findings reported for the SCRHD.

STRATEGIC PLAN AND RELATED POLICIES

The annual financial audit is a statutory requirement for the SCRHD Board.

CONCLUSION

The purpose of this report is to provide information to the SCRHD Board related to their fiduciary responsibilities for the financial oversight of the SCRHD.

It is recommended that MNP's "*Audit Service Plan*" be approved as presented or amended by the Board, subject to any additional items arising. The Board may at any time communicate items with MNP prior to the final audit.

Attachment:

A - MNP LLP - SCRHD 2022 Audit Service Plan to the Board of Directors

Reviewed by:			
Manager		Finance	
GM		Legislative	
CAO	X – D. McKinley	Other	



Sunshine Coast Regional Hospital District

2022 Audit Service Plan

Report to the Board of Directors

December 31, 2022

Cory Vanderhorst, CPA, CA
T: 250.734.4319
E: cory.vanderhorst@mnp.ca



Wherever business takes you

[MNP.ca](https://mnp.ca)

October 5, 2022

Members of the Board of Directors of Sunshine Coast Regional Hospital District

Dear Board of Directors:

We are pleased to present our Audit Service Plan for Sunshine Coast Regional Hospital District (the "Hospital District"). In this plan we describe MNP's audit approach, our engagement team, the scope of our audit and a timeline of anticipated deliverables. We are providing this Audit Service Plan to the Board of Directors on a confidential basis. It is intended solely for the use of the Board of Directors and is not intended for any other purpose. Accordingly, we disclaim any responsibility to any other party who may rely on this report.

Our audit will include an audit of the Hospital District's financial statements for the year ended December 31, 2022, prepared in accordance with Canadian public sector accounting standards. Our audit will be conducted in accordance with Canadian generally accepted auditing standards.

At MNP, our objective is to perform an efficient, high quality audit which focuses on those areas that are considered higher risk. We adhere to the highest level of integrity and professionalism. We are dedicated to maintaining open channels of communication throughout this engagement and will work with management to coordinate the effective performance of the engagement. Our goal is to exceed the Board of Directors's expectations and ensure you receive outstanding service.

Additional material provided along with this report includes our Engagement Letter. Our Engagement Letter is the formal written agreement of the terms of our audit engagement as negotiated with management and outlines our responsibilities under Canadian generally accepted auditing standards.

We look forward to discussing our Audit Service Plan with you and look forward to responding to any questions you may have.

Sincerely,



MNP LLP

Chartered Professional Accountants

MNP's Client Service Commitment

To make strategic business decisions with confidence, your stakeholders and the Board of Directors of the Hospital District need relevant, reliable and independently audited financial information. But that's not all. You need an audit team that can deliver insight beyond the numbers and enhance the Hospital District's strategic planning and implementation processes so you can embrace new opportunities while effectively managing risk. Our senior team members have extensive knowledge of municipalities from many years of experience. Our audit strategy is risk based, and considers the limitations and opportunities you encounter each day, allowing our recommendations to be implemented with greater ease. Committed to your success, MNP delivers meaningful, reliable financial information to not only help you fulfill your compliance obligations, but also to achieve your key strategic goals.

Our Audit Service Plan outlines the strategy we will follow to provide the Hospital District's Board of Directors with our Independent Auditor's Report on the December 31, 2022 financial statements.



Topics for Discussion

We are committed to providing superior client service by maintaining effective two-way communication. Topics for discussion include, but are not limited to:

- Changes to your business operations and developments in the financial reporting and regulatory environment
- Business plans and strategies
- Any other issues and/or concerns
- Documents comprising the annual report, and their timing of issuance
- Fraud, including how fraud could occur, the risk of fraud and misstatement, and any actual, suspected or alleged fraud
- The management oversight process
- Your specific needs and expectations

Key Changes and Developments

Based on our knowledge of the Hospital District and our discussions with management, we have noted the recent developments set out below. Our audit strategy has been developed considering these factors.

Other Key Issues and Developments		Summary
	New Reporting Developments	<ul style="list-style-type: none"> • PS 1201 Financial Statement Presentation (Amendments) • PS 3280 Asset Retirement Obligations (New) • PS 3400 Revenue (New) • PS 3450 Financial Instruments (Amendment)
	New Assurance Developments	<ul style="list-style-type: none"> • CAS 315 Identifying and Assessing the Risks of Material Misstatement (Amendment)

Detailed information on Key Changes and Developments are included as Appendix A.

Other Matters

CAS 315 Update

The Canadian Auditing Standards (CAS) has revised the auditing standard related to identifying and assessing risks of material misstatements.

The revised CAS 315 will be effective for our audit of the RHD's financial statements ending December 31, 2022.

Key changes include:

- Re-analyse financial statement risks by component parts: complexity, subjectivity, etc.;
- In depth understanding of the RHD's use of information technology (IT);
- Additional requirements around management's control environment

What does this mean for our audit?

There will be an increase in upfront planning time required from both management and our audit team to meet the revised requirements. Specifically:

1. Audit risk assessment currently considers fraud schemes and significant risks, and assertion-level evaluation of financial statement risk. The addition of inherent risk factors (complexity, subjectivity, change, uncertainty or susceptibility to misstatement due to management bias or other fraud factors) is more granular and will require both careful assessment at planning, and specific audit procedures in response.
2. We will require assistance from management and the RHD's information technology department to understand the RHD's use of IT. Based on this detailed understanding, our audit team will evaluate the risks arising from IT and the design and implementation of the IT general controls. Implications may include the involvement of an IT specialist and testing of the RHD's IT general controls and IT application controls. In addition to the IT environment, our audit team will be assessing key controls and the benefits of testing the operating effectiveness of these controls as it relates to the overall audit approach.
3. Even where we do not plan to rely on controls, additional requirements apply to understand components of management's entity-level control environment including oversight, culture, assignment of responsibility and how individuals are held accountable.

The new requirements noted above may result in the identification of deficiencies in the design and implementation of certain controls. We will then engage with management through the subsequent period to ensure our parallel assessment of efforts aimed at remediating control deficiencies.

Sample questions to consider asking management are:

1. Has the RHD evaluated controls over risk assessment, oversight, culture, assignment of authority/responsibility?
2. Has the RHD extended the evaluation of controls to the RHD's information technology system (e.g. changes to manage change or logical access IT general controls, implementation of new IT applications) and were any weaknesses identified?
3. Were there any challenges in applying the new requirements?

Further we encourage you to ask us questions to stay informed, here are a sample of questions to consider:

1. How has the revised CAS 315 influenced the risk assessment for the current year audit? Has the scope changed from the prior year?
2. How has the assessed risks of material misstatement related to the RHD's information technology systems affect the audit and how have you addressed those potential risks?

3. To what extent did you engage IT specialists to be involved in the audit of financial statements? If so, how were the specialists used, and did the use of specialists change in the current year?
4. How has your risk assessment of the internal control policies and procedures impacted the audit strategy for the current year?
5. Are there any areas where management could be of greater assistance to reduce the amount of time spent by you?
6. Were there any challenges in applying the new requirements to the audit?

Key Milestones

Based on the audit planning performed and areas of audit risks identified, the following timelines for key deliverables have been discussed and agreed upon with management:

Key Deliverable	Expected Date
Delivery of December 31, 2022 Audit Service Plan to the Board of Directors	October 2022
Interim procedures	November/December 2022
Year-end fieldwork procedures	March 2023
Draft year-end financial statements to be discussed with management	March 2023
Presentation of December 31, 2022 Audit Findings Report to the Board of Directors	April 2023
Presentation of Management Letter to the Board of Directors	April 2023
Issuance of Independent Auditor's Report	April 2023

Audit Materiality

Materiality is an important audit concept. It is used to assess the significance of misstatements or omissions that are identified during the audit and is used to determine the level of audit testing that is carried out. Specifically, a misstatement or the aggregate of all misstatements in financial statements as a whole (and, if applicable, for particular classes of transactions, account balances or disclosures) is considered to be material if it is probable that the decision of the party relying on the financial statements, who has reasonable understanding of business and economic activities, will be changed or influenced by such a misstatement or the aggregate of all misstatements.

The scope of our audit work is tailored to reflect the relative size of operations of the Hospital District and our assessment of the potential for material misstatements in the Hospital District's financial statements as a whole (and, if applicable, for particular classes of transactions, account balances or disclosures). In determining the scope, we emphasize relative audit risk and materiality, and consider a number of factors, including:

- The size, complexity, and growth of the Hospital District;
- Changes within the organization, management or accounting systems; and
- Concerns expressed by management.

The scope of our audit work is tailored to reflect the relative size of operations of the Hospital District and our assessment of the potential for material misstatements in the Hospital District's financial statements as a whole.

Judgment is applied separately to the determination of materiality in the audit of each set of financial statements (and, if applicable, for particular classes of transactions, account balances or disclosures) and is affected by our perception of the financial information needs of users of the financial statements. In this context, it is reasonable to assume that users understand that financial statements are prepared, presented and audited to levels of materiality; recognize uncertainties inherent in the measurement of amounts based on the use of estimates, judgment and consideration of future events; and make reasonable economic decisions based on the financial statements. The foregoing factors are taken into account in establishing the materiality level.

We propose to use \$70,000 as overall materiality for audit planning purposes.

Audit Team

In order to ensure effective communication between the Board of Directors and MNP, we outline below the key members of our audit team that will be responsible for the audit of the Hospital District and the role they will play:

Team Members	Contact Information
Cory Vanderhorst, CPA, CA, Engagement Partner	E: Cory.Vanderhorst@mnp.ca
Kristy Rowbotham, CPA, Engagement Manager	E: Kristy.Rowbotham@mnp.ca

In order to serve you better and meet our professional responsibilities, we may find it necessary to expand our audit team to include other professionals whose consultation will assist us to evaluate and resolve complex, difficult and/or contentious matters identified during the course of our audit.

Any changes to the audit team will be discussed with you to ensure a seamless process and that all concerned parties' needs are met.



Fees and Assumptions

DESCRIPTION	2022 ESTIMATE	2021 ACTUAL
Base audit fee as per our fee quote dated	\$ 5,300	\$ 5,000
Disbursements	\$ 265	\$ 250
Total	\$ 5,565	\$ 5,250

If any significant issues arise during the course of our audit work which indicate a possibility of increased procedures or a change in the audit timetable, these will be discussed with management by the engagement partner, so a mutually agreeable solution can be reached.

Appendix A – Key Changes and Developments

We would like to bring to your attention the following accounting and auditing developments, which may have some impact on your financial reporting.

Issues and Developments Summary

New Reporting Developments

PS 1201 Financial Statement Presentation (Amendments)

In April 2021, the Public Sector Accounting Board (PSAB) issued amendments to PS 1201 *Financial Statement Presentation*.

The narrow-scope amendments clarify the presentation of derivatives, specifically allowing public sector entities to present the remeasurement impact of derivatives separately on the statement of change in net debt. Other minor presentation clarifications have also been included such as allowing a new subtotal for the change in net debt excluding the impact of remeasurement gains and losses on the statement of change in net debt and allowing the inclusion of a footnote on the net debt indicator in the statement of financial position to refer to additional detail provided on the statement of change in net debt.

The amendments are effective in the same period PS 2601 *Foreign Currency Translation* and PS 3450 *Financial Instruments* are adopted. PS 2601 and PS 3450 are to be adopted together and are effective for annual financial statements relating to fiscal years beginning on or after April 1, 2022. Early application continues to be permitted.

PS 3280 Asset Retirement Obligations (New)

In August 2018, new PS 3280 *Asset Retirement Obligations* was included in the CPA Canada Public Sector Accounting Handbook (PSA HB). The new PS 3280 establishes standards on how to account for and report a liability for asset retirement obligations (ARO). As asset retirement obligations associated with landfills are included in the scope of new PS 3280, PS 3270 *Solid Waste Landfill Closure and Post-Closure Liability* will be withdrawn.

The main features of this standard are as follows:

- An ARO represents a legal obligation associated with the retirement of a tangible capital asset.
- Asset retirement costs increase the carrying amount of the related tangible capital asset and are expensed in a rational and systematic manner.
- When an asset is no longer in productive use, the associated asset retirement costs are expensed.
- Measurement of the ARO liability should result in the best estimate of the amount required to retire a tangible capital asset at the financial statement date.
- Subsequent measurement of the ARO liability results in either a change in the carrying amount of the related tangible capital asset or an expense. The accounting treatment depends on the nature of the remeasurement and whether the asset remains in productive use.
- The best method to estimate the liability is often a present value technique.

This standard was to be effective for fiscal years beginning on or after April 1, 2021. On June 25, 2020, the PSAB made the decision to defer the effective date by one year due to the impact of the COVID-19 pandemic. The new Section is now effective for annual financial statements relating to fiscal years beginning on or after April 1, 2022. Early application continues to be permitted.

PS 3400 Revenue (New)

In November 2018, new PS 3400 *Revenue* was included in the CPA Canada Public Sector Accounting Handbook (PSA HB). The new PS 3400 establishes standards on how to account for and report on revenue by distinguishing between revenue arising from transactions that include performance obligations and transactions that do not have performance obligations. The main features of this Section are as follows:

- Performance obligations are enforceable promises to provide specific goods or services to a specific payor.
- Performance obligations can be satisfied at a point in time or over a period of time.
- The new standard outlines five indicators to determine if the revenue would be recognized over a period of time.
- Revenue from a transaction with a performance obligation(s) is recognized when, or as, the entity has satisfied the performance obligation(s).
- Revenue from transactions with no performance obligation is recognized when a public sector entity has the authority to claim or retain an inflow of economic resources and a past event that gives rise to a claim of economic resources has occurred.

Further editorial changes have also been made to other standards as a result of the issuance of PS 3400.

This Section was to be effective for fiscal years beginning on or after April 1, 2022. On June 25, 2020, the PSAB made the decision to defer the effective date by one year due to the impact of the COVID-19 pandemic. The new Section is now effective for annual financial statements relating to fiscal years beginning on or after April 1, 2023. Early application continues to be permitted.

PS 3450 Financial Instruments (Amendment)

In April 2020, the Public Sector Accounting Board (PSAB) issued amendments to PS 3450 *Financial Instruments*. The main features of the amendments include:

Bond Repurchase Transactions

- Bond repurchase transactions are only to be treated as extinguishments when they are either:
 - Legally discharged;
 - An exchange of debt instruments with substantially different terms; or
 - A substantial modification of the terms of an existing financial liability or part of it.

Section Application

- Clarification that PS 3450 does not apply unless a contractual right or a contractual obligation underlies a receivable or payable. By definition, there must be a contract for there to be a financial instrument.
- Clarification for how to account for a transfer of collateral pursuant to a credit risk management mechanism in a derivative contract.
- Addition of application guidance explaining that derecognition of a financial asset does not occur if the transferor of a financial asset retains substantially all the risks and benefits of ownership.

Transitional Provisions

- Clarification that a controlling government should use carrying values of the financial assets and liabilities in the records of its government organizations when consolidating a government organization.
- For financial assets or financial liabilities in the cost or amortized cost category which have an associated unamortized discount, premium or transaction costs, the unamortized discount, premium or transaction costs should be included in the item's opening carrying value.
- For derivatives which may not have been recognized or may not have been measured at fair value prior to the adoption of PS 3450, any difference between the previous carrying value and fair value should be recognized in the opening balance of accumulated remeasurement gains and losses.

The amendments were to be effective for fiscal years beginning on or after April 1, 2021. On June 25, 2020, the PSAB made the decision to defer the effective date by one year due to the impact of the COVID-19 pandemic.

The new Section and amendments are now effective for annual financial statements relating to fiscal years beginning on or after April 1, 2022. Early application continues to be permitted.

New Assurance Developments

CAS 315 Identifying and Assessing the Risks of Material Misstatement (Amendment)

In May 2020, the Auditing and Assurance Standards Board (AASB) issued the revised CAS 315 *Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and its Environment*, to align with the International Auditing and Assurance Standards Board's (IAASB) changes to International Standards on Auditing (ISA) 315 (revised), with the same title.

The revised CAS 315 incorporates changes to establish more robust requirements and detailed guidance to assist auditors in performing appropriate risk assessment procedures corresponding with the size and nature of the entity. It also includes changes to enhance the application of professional skepticism in audits. The revised CAS 315 accomplishes the following:

- Distinguishes the nature and extent of work needed for indirect and direct controls in the system of internal control;
- Clarifies which controls need to be identified for evaluating the design of a control, and determining whether the control has been implemented;
- Highlights scalability of the standard by keeping the principles-based requirements focused on what needs to be done, and using separate headings in the application material to illustrate scaling based on the complexity of the situation;
- Clarifies the definition of "significant risk" and introduces the concept of spectrum of inherent risk to assist the auditor in making a judgment, based on the likelihood and magnitude of a possible misstatement, on a range from higher to lower, when assessing risks of material misstatement;
- Introduces the concept of inherent risk factors, including complexity, subjectivity, change, uncertainty or susceptibility to misstatement due to management bias or other fraud risk factors insofar as they affect inherent risk;
- Introduces the concepts of "significant classes of transactions, account balances and disclosures" and "relevant assertions" to assist with the identification and assessment of the risk of material misstatement;
- Separates the assessment of inherent and control risk;
- Enhances the auditor's considerations regarding the entity's use of information technology and how it affects the audit, and includes considerations for using automated tools and techniques in the application material;
- Introduces a requirement to "stand back" to evaluate the completeness of the significant classes of transactions, account balances and disclosures at the end of the risk assessment process;
- Uses more explicit language and enhances requirements and application material to reinforce the importance of exercising professional skepticism when performing risk assessment procedures; and
- Clarifies the threshold for identifying possible risks of material misstatement in CAS 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Canadian Auditing Standards*.

As a result of issuing the revised CAS 315, requirements for several other standards have been amended to better articulate the auditor's responsibilities regarding identifying and assessing the risks of material misstatement:

- CAS 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*
- CAS 330 *The Auditor's Responses to Assessed Risks*
- CAS 402 *Audit Considerations Relating to an Entity Using a Service Organization*
- CAS 540 *Auditing Accounting Estimates and Related Disclosures*

The revised CAS 315 and other conforming amendments to other standards are effective for audits of financial statements for periods beginning on or after December 15, 2021. Earlier application is permitted.

Appendix B – The Audit Process

Our Plan

Our audit process focuses on significant risks identified during the pre-planning and planning and risk assessment stage, ensuring that audit procedures are tailored to your specific circumstances and appropriately address those risks.

The Board of Directors is responsible for approval of the financial statements and Hospital District policies, and for monitoring management's performance. The Board of Directors should consider the potential for management override of controls or other inappropriate influences, such as earnings management, over the financial reporting process. The Board of Directors, together with management, is also responsible for the integrity of the accounting and financial reporting systems, including controls to prevent and detect fraud and misstatement, and to monitor compliance with relevant laws and regulations.

Effective discharge of these respective responsibilities is directed toward a common duty to provide appropriate and adequate financial accountability, and quality financial disclosure.

Key responsibilities of MNP and management are outlined in the Engagement Letter (see attached).

Our overall audit strategy is risk-based and controls-oriented. Assessment and identification of risk is performed continuously throughout the audit process. We focus on the risks that have a potential impact on the financial accounting systems and subsequent financial reporting.

Our overall audit strategy does not, and is not intended to involve the authentication of documents, nor are our team members trained or expected to be experts in such authentication. Unless we have reason to believe otherwise, we accept records and documents as genuine. The subsequent discovery of a material misstatement resulting from fraud does not, in and of itself, indicate a failure to comply with Canadian generally accepted auditing standards.

Appendix B – The Audit Process

(continued from previous page)

Audit Procedures

To meet our responsibilities in accordance with Canadian generally accepted auditing standards, our audit examination includes:


- Obtaining an understanding of the entity and its environment, the applicable financial reporting framework and the entity's system of internal controls, in order to identify and assess the risk that the financial statements contain material misstatements due to fraud or misstatement;
- Assessing the design and implementation of and examining, on a test basis, the key controls over significant transaction streams and over the general organizational and computer environments;
- Assessing the systems used to ensure compliance with applicable legislative and related authorities pertaining to financial reporting, revenue raising, borrowing, and investing activities;
- Examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- Assessing the appropriateness and consistency of accounting principles used and their application;
- Assessing the significant estimates used by management; and,
- Assessing the entity's use of the going concern basis of accounting in the preparation of the financial statements.

As part of our planning process, we will also undertake to inform the Board of Directors of concerns relating to management's implementation and maintenance of controls, and the effects of any such concerns on the overall strategy and scope of the audit. These concerns might arise from the nature, extent and frequency of management's assessments of controls in place to detect fraud and misstatement, and of the risk that the financial statements may be misstated; from a failure by management to appropriately address significant deficiencies in controls identified in prior audits; and, from our evaluation of the Hospital District's control environment, and management's competence and integrity.

Appendix B – The Audit Process

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Overall Reliance

Control Reliance Level	Low/None	Moderate	High
Description	Where we cannot rely on controls because they are weak or absent, or where it is deemed to be more efficient to carry out a high level of direct substantive tests of details. Audit evidence is primarily obtained through detailed verification procedures and sufficient substantive tests of details.	Where there are some deficiencies in systems application or procedural controls, or where it is deemed to be inefficient to test systems application controls, but where we can test and rely on the management monitoring systems in place to detect and correct material misstatements in the financial reporting systems. Testing of controls is supplemented with a moderate level of substantive tests of details.	Where a high degree of control is in place in the areas of management monitoring controls AND systems application and procedural controls. Our audit work focuses on testing both management monitoring and systems application and procedural controls, and is supplemented with a low level of substantive tests of details.
Planned Reliance		—	—

For the December 31, 2022 audit, we are planning to place low reliance on the Hospital District's controls. This level of reliance is consistent with the prior year, and will involve mainly substantive tests of details.

The amount of substantive work will be reduced for cycles where there are controls in place that MNP can test and rely on.

Appendix B – The Audit Process

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As part of our audit work we will update our understanding of the entity and its environment, the applicable financial reporting framework and the entity's system of internal controls relevant to our audit of the principal transaction cycles, sufficient to identify and assess the risks of material misstatement of the financial statements resulting from fraud or misstatement. This will be accomplished through inquiries with management and others within the entity, analytical procedures and observation and inspection. Furthermore, we will consider whether effective controls have been established to adequately respond to the risks arising from the use of IT or manual systems and test the operation of those controls to an extent sufficient to enable us to reduce our substantive work. Our review of the Hospital District's controls will not be sufficient to express an opinion as to their effectiveness or efficiency.

Although we will provide the Board of Directors with any information about significant deficiencies in internal control that have come to our attention, we may not be aware of all the significant deficiencies in internal control that do, in fact, exist.



Appendix B – The Audit Process

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Inherent Limitations in the Auditing Process

An auditor cannot obtain absolute assurance that material misstatements in the financial statements will be detected due to factors such as the use of significant judgment regarding the gathering of evidence and the drawing of conclusions based on the audit evidence acquired; the use of testing of the data underlying the financial statements; inherent limitations of controls; and, the fact that much of the audit evidence available to the auditor is persuasive, rather than conclusive in nature.

Because of the nature of fraud, including attempts at concealment through collusion and forgery, an audit designed and executed in accordance with Canadian generally accepted auditing standards may not detect a material fraud. While effective controls reduce the likelihood that misstatements will occur and remain undetected, they do not eliminate that possibility. Therefore, the auditor cannot guarantee that fraud, misstatements and non-compliance with laws and regulations, if present, will be detected when conducting an audit in accordance with Canadian generally accepted auditing standards.

The likelihood of not detecting material misstatements resulting from management fraud is greater than for employee fraud, because management is in a position to manipulate records, present fraudulent information or override controls.

We will inform the appropriate level of management or the Board of Directors with respect to identified:

- Misstatements resulting from errors, other than clearly trivial misstatements;
- Fraud, or any information obtained that indicates that fraud may exist;
- Evidence obtained that indicates non-compliance or possible non-compliance with laws and regulations, other than that considered inconsequential;
- Significant deficiencies in the design or implementation of controls to prevent and detect fraud or misstatement; and
- Related party transactions that are not in the normal course of operations and that involve significant judgments made by management concerning measurement or disclosure.

Our concern as auditors is with material misstatements, and thus, we are not responsible for the detection of misstatements that are not material to the financial statements taken as a whole.

Appendix C – Auditor Independence

Auditor Independence

An essential aspect of all our services to the Hospital District is an independent viewpoint, which recognizes that our responsibilities are to the Board of Directors. While the concept of independence demands a questioning and objective attitude in conducting our audit, it also requires the absence of financial or other interests in the Hospital District. In accordance with our firm's policy, and the Code of Professional Conduct, which govern our profession, neither MNP nor any of its team members assigned to the engagement or any of its partners, are permitted to have any involvement in or relationship with the Hospital District that would impair independence or give that appearance. As auditors, we subscribe to the highest standards and are required to discuss the auditor's independence with the Board of Directors on an annual basis. Under the standard an auditor shall:

- Disclose to, the Board of Directors in writing, all relationships between the auditor and the Hospital District that in the auditor's professional judgment may reasonably be thought to bear on our independence;
- Discuss the auditor's independence with the Board of Directors.

During the course of the audit, we will communicate any significant new matters that come to our attention that, in our professional judgment, may reasonably be thought to bear on our independence.

MADE ^{IN} CANADA

And proud of it!

At MNP we're proud to be the national accounting, consulting and tax firm that is 100% Made in Canada.

Our history defines who we are and our approach to business. Being a Canadian firm has helped shape our values, our collaborative approach, and the way we work with our clients, engaging them every step of the way.

We have a unique perspective. Our decisions are made here – decisions that drive Canadian business and help us all achieve success — and we know the impact that our choices have on the cities and towns we call home.

Throughout our six decades of work, we've seen our communities are more than just a place we do business in. They're a place where our families live, play, and thrive, and we work to make them the best places they can be.

Being 100% Canadian is something we wear proudly. This country provides us with great opportunities, and we're here to help our clients seize the opportunities so we can create a brighter future for the generations to come.



Wherever business takes you

MNP.ca



Wherever business takes you

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