



Central Okanagan Regional Hospital District

Audit planning report to the Board of Directors
for the year ended December 31, 2022

START



To the Board of Directors of Central Okanagan Regional Hospital District

We are pleased to provide you with this planning report to highlight and explain key issues which we believe to be relevant to the audit of Central Okanagan Regional Hospital District (the “Hospital District”) financial statements for the year ended December 31, 2022.

The enclosed planning report includes our approach to your audit, the significant risks we have identified and the terms of our engagement. At the year-end meeting, we will provide you with a copy of our draft audit opinion and discuss the nature, extent and results of our audit work. We will also report any significant internal control deficiencies identified during our audit and reconfirm our independence.

Our audit and therefore this report will not necessarily identify all matters that may be of interest to the Board of Directors in fulfilling its responsibilities. This report has been prepared solely for the use of the Board of Directors and should not be distributed without our prior consent. Consequently, we accept no responsibility to a third party that uses this communication.

We look forward to completing our draft audit report opinion and discussing our conclusions with you. In the meantime, please feel free to contact us if you have any questions or concerns.

Yours truly,

BDO Canada LLP
December 22, 2022



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Audit at a glance

LEAD
PARTNER
ON YOUR
AUDIT

Markus Schrott, CPA, CA

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START
DATE

November 8, 2022

END DATE

May 4, 2023

Your dedicated BDO audit team

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Engagement Partner

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Audit Staff

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Our independence



We have complied with relevant ethical requirements and are not aware of any relationships between Central Okanagan Regional Hospital District and our Firm that may reasonably be thought to bear on our independence.



Audit timeline



For the year ended December 31, 2022



BDO'S DIGITAL AUDIT SUITE

APT Next Gen

We use our APT Next Gen software and documentation tool to save time, streamline processes, and go paperless with your audit.

[LEARN MORE](#)

DISCOVER THE
DIGITAL DIFFERENCE





Auditor's responsibilities: financial statements

We are responsible for forming and expressing an opinion on the financial statements that have been prepared by management, with oversight by those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities. The scope of our work, as confirmed in our engagement letter attached as Appendix A to this letter, is set out below:

Year-End Audit Work

- ▶ Work with management towards the timely issuance of the financial statements.
- ▶ Provide timely and constructive management letters. This will include deficiencies in internal control identified during our audit.
- ▶ Present significant findings to the Board of Directors including key audit and accounting issues, any significant deficiencies in internal control and any other significant matters arising from our work.



We are required to obtain an understanding of the system of internal control in place in order to consider the adequacy of these controls as a basis for the preparation of the financial statements, to determine whether adequate accounting records have been maintained and to assess the adequacy of these controls and records as a basis upon which to design and undertake our audit testing.

We are required to report to you in writing about any significant deficiencies in internal control that we have identified during the audit.



Auditor's responsibilities: fraud

We are responsible for planning and performing the audit to obtain reasonable assurance that the financial statements are free of material misstatements, whether caused by error or fraud, by:

- ▶ Identifying and assessing the risks of material misstatement due to fraud;
- ▶ Obtaining sufficient and appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and
- ▶ Responding appropriately to fraud or suspected fraud identified during the audit.

The likelihood of not detecting a material misstatement resulting from fraud is higher than the likelihood of not detecting a material misstatement resulting from error because fraud may involve collusion as well as sophisticated and carefully organized schemes designed to conceal it.

Behind the audit report



Learn how we audit your financial statements

[SEE OUR PROCESS](#)



Auditor's responsibilities: fraud

Throughout our planning process, we performed risk assessment procedures and related activities to obtain an understanding of the entity and its environment, including the Hospital District's internal control, to obtain information for use in identifying the risks of material misstatement due to fraud and made inquiries of management regarding:

- ▶ Management's assessment of the risk that the financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments;
- ▶ Management's process for identifying and responding to the risks of fraud in the Hospital District, including any specific risks of fraud that management has identified or that have been brought to its attention, or classes of transactions, account balances, or disclosures for which a risk of fraud is likely to exist;
- ▶ Management's communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud in the Hospital District; and
- ▶ Management's communication, if any, to employees regarding its view on business practices and ethical behavior.

We are not currently aware of any fraud affecting the District. If you are aware of any instances of actual, suspected, or alleged fraud, please let us know.



Significant risks and planned responses

We have identified the following significant risks that require special audit consideration. These risks were identified based on our knowledge of the Hospital District, our past experience, and input from management and the Board of Directors. Please review these significant risks and let us know your thoughts on these or any other areas of concern.

Financial statement areas	Risks noted	Audit approach
Management Override of Internal Controls	Per CAS 240.32, irrespective of our assessment of the risk of management override of controls, audit procedures must be performed to address the risk.	Review of transactions recorded in various ledgers for unusual or non-recurring adjustments not addressed by other audit procedures.

Materiality

Misstatements are considered to be material if they could reasonably be expected to influence the decisions of users based on the financial statements.

Our materiality calculation is based on the Hospital District's preliminary results. If actual results change significantly, we will communicate those changes to the Board of Directors as part of our year-end communication.

We will communicate all corrected and uncorrected misstatements identified during our audit to the Board of Directors, other than those which we determine to be "clearly trivial."

We encourage management to correct any misstatements identified throughout the audit process.



How we audit financial statements: Our audit process

IDENTIFY AND ASSESS RISK

Focus on those areas of financial statements that contain potential material misstatements as a consequence of the risks you face

OBTAIN AUDIT EVIDENCE

Perform audit procedures while maintaining appropriate degree of professional skepticism, to conclude whether or not the financial statements are presented fairly

REPORT

Communicate our opinion and details of matters on which we are required to report



New Standard for Audit Quality



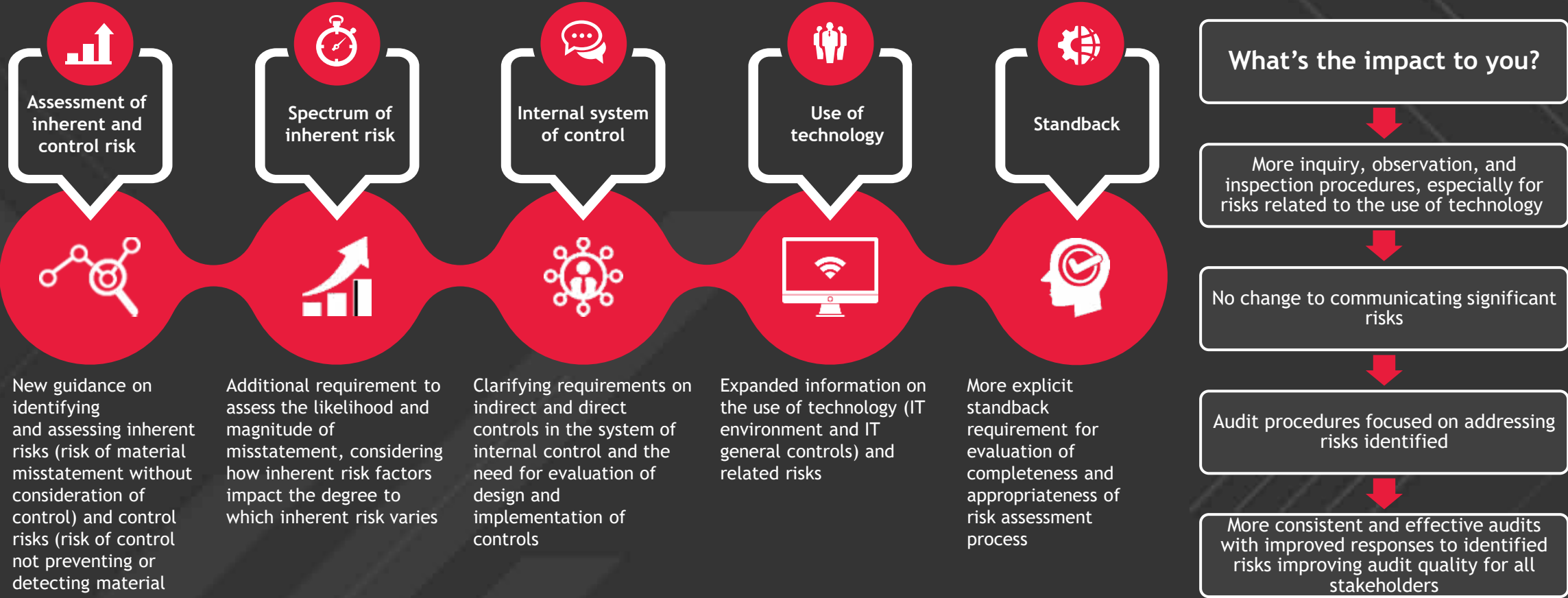
ISQM 1

The quality of an audit depends not only on the people conducting it—but also on the systems underpinning it. These new rules up the ante for your audit quality.

[SEE THE STANDARD](#)

Updates to our audit process

Canadian Auditing Standard 315, *Identifying and Assessing the Risks of Material Misstatement*, was significantly revised with a greater focus on more robust risk identification, assessment and response procedures. The standard is effective for periods beginning on or after December 15, 2021. Key enhancements include:





Our audit approach: Responsiveness in action

Our firm is deliberately structured to allow one partner to every six staff members. This means easy access to senior staff and the lead partner throughout your audit. It also helps our team gain a better understanding of your organization. Our audit process differs from the typical audit in our use of in-field reviews, subject to COVID-19 safety protocols. The benefit of these in-field reviews is that final decision-makers are on site ensuring issues are resolved and files closed quickly. We offer clients the full-service expertise of a national firm. Yet we maintain a local community focus. The comprehensive range of services we deliver is complemented by a deep industry knowledge gained from over 100 years of working within local communities.



Discover how we're accelerating audit quality



Audit Quality Report

We collected our core beliefs around audit quality, the very practical steps we take to sustain it, and the progress we have made to accelerate its quest.

[Follow our progress](#)

BDO’s digital audit suite

Our digital audit suite of technologies enables our engagement teams to conduct consistent risk-based audits, both domestically and internationally, with maximum efficiency and minimal disruption to our clients’ operations and people.



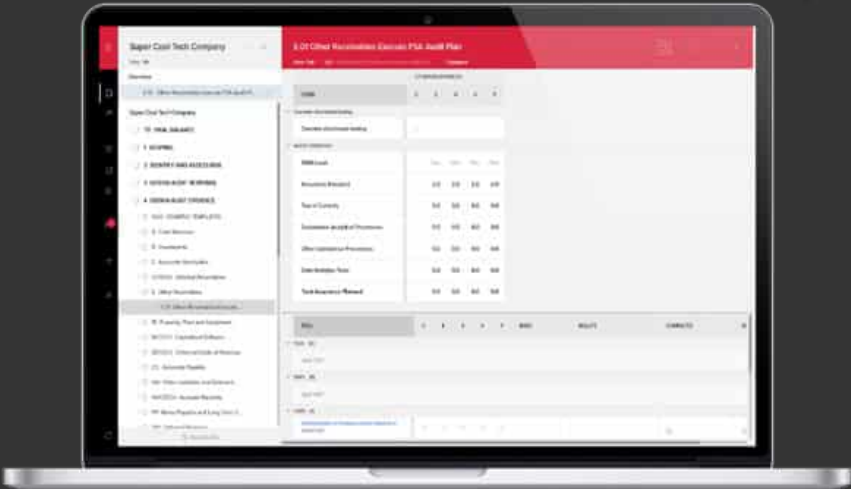
APT Next Gen

Our audit software and documentation tool, APT, is an integral part of our audit methodology. Our professionals engage APT to devise and perform appropriate, risk-based audit procedures and testing based on applicable Canadian Auditing Standards (CASs), as well as to factor in engagement and industry-specific objectives and circumstances.

APT enables us to deliver an audit that fits your organization—whether large or small; complex or basic.

This sophisticated tool also amplifies two key attributes of our audits: consistency and quality. The quality framework that we developed measures our audit performance with hard quality indicators and reflects our indispensable culture for quality. To see our audit quality and consistency in action, look no further than how our teams share best audit practices for continuous improvement.

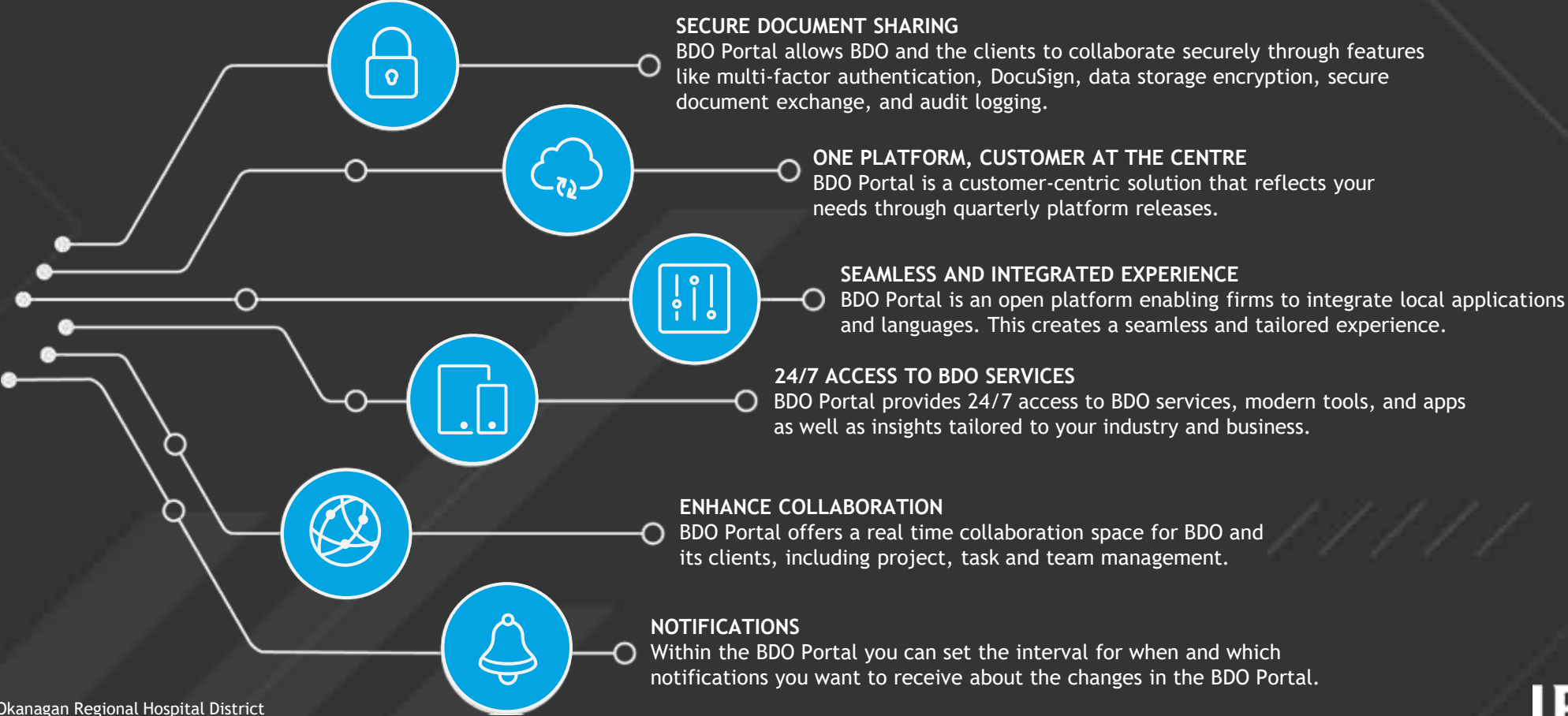
Through a strategic alliance with Microsoft and the introduction of new technology, this global, cloud-based application can now streamline and focus the audit process in even more ways for BDO professionals and their clients.





BDO Portal

BDO Portal transforms and enhances your digital experience with your BDO advisors. Available at any time, Portal enables you to access all services, tools, apps, and information and to collaborate with your advisors in a seamless way through a flexible, appealing, and secure environment.





Recommended resources

Key changes to financial reporting



When the rules of reporting change, you may need to fine-tune how to present financial statements and govern the organization.

**ACCESS OUR
KNOWLEDGE CENTRE**

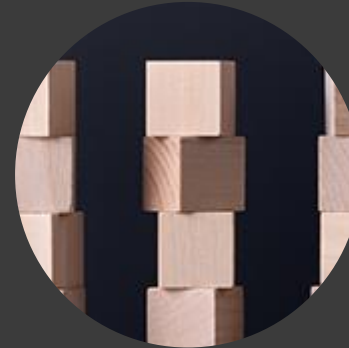
2022 Federal Budget



Understand the key elements of the 2022 Federal Budget and how it will impact you and your business

STAY ON TOP OF TAXES

7 powerful steps to financial audit readiness



Getting and staying prepared for an audit simplifies the process, cuts turnaround time, and improves your chances of overall success. Learn how you can be audit ready.

7 STEPS

Asset Retirement Obligations (ARO): A Practical Approach to Section PS 3280



This publication will walk through a practical approach to applying Section PS 3280 including: identification, recognition and measurement of an obligation, and the different options available to entities on transition.

READ ARTICLE

Spotlight on sustainability

Fast-moving world events are pushing sustainability up the agenda of Canadian organizations. Now organizational leaders, investors, and customers are responding on three fronts: environmental, social, and governance (ESG).

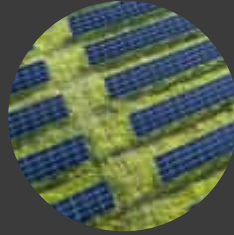
Regulators and issuers of standards are doing their part by supporting sustainability in the reporting ecosystem. Increasingly, organizations will need to go beyond the financials—and demonstrate sustainability with non-financial metrics.

5 reasons why businesses should care about ESG



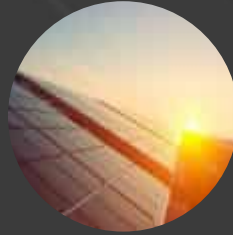
[SEE 5 REASONS](#)

How climate change became a business issue worth reporting



[READ ARTICLE](#)

10 Questions about sustainability reporting



[EXPLORE QUESTIONS](#)

Accounting for going green



[LEARN MORE](#)

Why CFOs should make sustainability a part of their financial reporting today



[BUILD BACK SUSTAINABLY](#)

Rethinking sustainability: the ESG roadmap



[SEE ROADMAP](#)

Appendices

- ▶ Appendix A: Engagement Letter
- ▶ Appendix B: Independence Letter

Appendix A: Engagement Letter

AMENDMENT NO 1 TO AGREEMENT #R21-652B – EXTERNAL AUDIT SERVICES (CORHD)

THIS AGREEMENT AMENDMENT NO. 1 is made as of the 7th day of December, 2022

BETWEEN:

CENTRAL OKANAGAN REGIONAL HOSPITAL DISTRICT
1450 KLO Road
Kelowna, BC. V1W 3Z4
(the “District”)

AND:

BDO CANADA LLP
400-1631 Dickson Ave
Kelowna, BC. V1Y 0B5
(the “Consultant”)

WHEREAS:

- A. The District and the Consultant entered into an agreement on the 28th day of October 2021, for the provision of external audit consulting services (Agreement # R21-652B).
- B. Pursuant to section 6.4 of the Agreement, the parties may agree for the Consultant to perform additional work on a Time-Based rate basis.
- C. The Consultant has advised, via a proposal dated December 5, 2022 that additional work is required in order to comply with Canadian Audit Standards.

NOW THEREFORE, the District and the Consultant, through the issuance of this Agreement Amendment No 1, hereby agree the following:

1. Additional Work – Canadian Audit Standards 315

- 1.1. The Consultant agrees to perform the additional work and Services required to meet Canadian Audit Standards 315, as per the proposal dated December 5, 2022.
- 1.2. This additional work shall apply for the remainder of the Contract Term Services.
- 1.3. This additional work shall be performed on an ‘hours and rates’ (Time-Based) basis, based on the actual quantity of hours required (up to the Maximum Remuneration Amount).
- 1.4. The compensation for this additional work is detailed in section 2 of this amendment. The Consultant will not be entitled to any compensation above the ‘Maximum Remuneration Amount’ stated for Amendment No1 work, as detailed.

2. Revision to Section 6.2 of the Agreement:

Section 6.2 of the Agreement is amended as follows, in order to incorporate the additional work described in section 1 of this amendment:

DELETE: section 6.2 (Fixed Lump Sum Prices) in its entirety.

AND REPLACE WITH: the following:

AMENDMENT NO.1 TO AGREEMENT# R21-652B
EXTERNAL AUDIT SERVICES

6.2 Fixed Lump Sum Prices and Maximum Remuneration Amounts for Additional Work:

#	FINANCIAL YEAR & SERVICES ITEM	REMUNERATION AMOUNT
		CORHD
1	2021 – Interim & Year End Audit (Fixed Lump Sum Annual Price)	\$ 9,100.00
2	2022 – Interim & Year End Audit (Fixed Lump Sum Annual Price)	\$ 9,300.00
3	2022/3 Audit Year Additional Work - Canadian Audit Standards 315 (Time-Based, Maximum Remuneration Amount as per Agreement Amendment No.1)	\$ 1,250.00
4	2023 – Interim & Year End Audit (Fixed Lump Sum Annual Price)	\$ 9,500.00
5	2023/4 Audit Year Additional Work - Canadian Audit Standards 315 (Time-Based, Maximum Remuneration Amount as per Agreement Amendment No.1)	\$ 1,250.00
6	TOTAL 3-YEAR MAXIMUM REMUNERATION AMOUNT: (SUM OF ROWS 1 TO 5)	\$ 30,400.00
7	GST:	\$ 1,520.00

All other terms and conditions of the Agreement shall remain the same.

IN WITNESS WHEREOF this Agreement Amendment No.1 has been executed as of the day and year first
above written by and on behalf of the parties by their duly authorized officers:

**CENTRAL OKANAGAN REGIONAL HOSPITAL
DISTRICT:**

By its Authorized Signatory(ies)

Corie Griffiths

Corie Griffiths (Dec 12, 2022 17:04 PST)

Signature

Corie Griffiths

Name in Print

BDO CANADA LLP

By its Authorized Signatory(ies)

Markus Schrott

Markus Schrott (Dec 9, 2022 08:42 PST)

Signature

Markus Schrott

Name in Print











Amendment No1 R21-652B External Audit Services

Final Audit Report

2022-12-13

Created:	2022-12-08
By:	Andy Brennan (admin@interiorpurchasing.ca)
Status:	Signed
Transaction ID:	CBJCHBCAABAAj6OFHrQ-4dvnB-Kak7LLKnLx7b6QXWb9

"Amendment No1 R21-652B External Audit Services" History

-  Document created by Andy Brennan (admin@interiorpurchasing.ca)
2022-12-08 - 5:25:05 PM GMT- IP address: 205.250.176.211
-  Document emailed to mschrott@bdo.ca for signature
2022-12-08 - 5:26:52 PM GMT
-  Email viewed by mschrott@bdo.ca
2022-12-09 - 4:41:24 PM GMT- IP address: 154.5.113.60
-  Signer mschrott@bdo.ca entered name at signing as Markus Schrott
2022-12-09 - 4:42:11 PM GMT- IP address: 154.5.113.60
-  Document e-signed by Markus Schrott (mschrott@bdo.ca)
Signature Date: 2022-12-09 - 4:42:13 PM GMT - Time Source: server- IP address: 154.5.113.60
-  Document emailed to brian.reardon@rdco.com for signature
2022-12-09 - 4:42:14 PM GMT
-  Email viewed by brian.reardon@rdco.com
2022-12-09 - 5:05:43 PM GMT- IP address: 104.28.116.18
-  Signer brian.reardon@rdco.com entered name at signing as Corie Griffiths
2022-12-13 - 1:04:16 AM GMT- IP address: 184.67.211.202
-  Document e-signed by Corie Griffiths (brian.reardon@rdco.com)
Signature Date: 2022-12-13 - 1:04:18 AM GMT - Time Source: server- IP address: 184.67.211.202
-  Agreement completed.
2022-12-13 - 1:04:18 AM GMT

AGREEMENT FOR CONSULTING SERVICES – EXTERNAL AUDIT SERVICES (CORHD)

BETWEEN: **CENTRAL OKANAGAN REGIONAL HOSPITAL DISTRICT**
1450 KLO Road
Kelowna, BC. V1W 3Z4
(the “District”)

AND: **BDO CANADA LLP**
400-1631 Dickson Ave
Kelowna, BC. V1Y 0B5
(the “Consultant”)

GIVEN THAT the District wishes to engage the Consultant to provide certain services to the District and the Consultant wishes to contract with the District to provide such services to the District, THIS AGREEMENT is evidence that in consideration of the promises exchanged below, and other good and valuable consideration, (the receipt and sufficiency each party acknowledges), the District and the Consultant agree as follows:

1. Definitions

In this Agreement, in addition to the words defined above,

- (a) “Consultant’s Proposal” means the Consultant’s written proposal to the District for performance of the Services, dated September 24, 2021, a copy of which is attached.
- (b) “District Representative” means Lyle Smith – Director of Finance, or such other person as the District may appoint in writing.
- (c) “Governmental Approvals” means any licenses, permits, consents, authorizations, certificates, operating certificates and other approvals of any kind from any Governmental Authority that are required for or in connection with the performance of the Services.
- (d) “Governmental Authority” means any federal, provincial, local or other government or governmental agency, authority, board, bureau or commission.
- (e) “Personnel” means any individuals identified by name in the Consultant’s Proposal and any individuals employed or otherwise engaged by the Consultant to perform the Services with the prior consent of the District;
- (f) “RFP” means the Request for Proposals for the services issued by the District dated August 30, 2021.
- (g) “Services” means the services and work described in the RFP, including all acts, services and work necessary to achieve the objectives set out in the RFP, as it pertains to the District. The Services shall be conducted in accordance with the methodology described in ‘Appendix B – Team & Methodology’ contained within the Consultant’s Proposal.
- (h) “Specifications” means the specifications, scope of work and other requirements for the Services set out in the RFP.
- (i) “Standards” means any and all laws, enactments, bylaws, statutes, regulations, rules, orders, permits, licenses, codes, building codes, professional standards and specifications (including Canadian Standards Association standards) applicable to the provision of the

Services, as they are in force from time to time or in the latest current version, as the case may be.

2. Consultant Services

The Consultant shall perform the Services and shall do so in accordance with the Specifications, all Standards and the terms of this Agreement.

The Consultant shall:

- (a) supply all labour, equipment, tools, supplies, material, and other services and things necessary to perform the Services in accordance with this Agreement;
- (b) obtain, maintain in good standing and comply with the terms of all Governmental Approvals;
- (c) perform promptly and safely all of its obligations under this Agreement;
- (d) be just and faithful in the performance of its obligations under this Agreement, in its dealings with the public and in its dealings with the District and the District Representative;
- (e) promptly pay amounts owing to the District under this Agreement when due; and
- (f) pay all costs and expenses whatsoever associated with performing the Services and its other obligations under this Agreement.

3. N/A

3. Term

This Agreement shall cover Services for three calendar / financial years (2021, 2022, and 2023), with the Term commencing on November 1, 2021 and expiring on completion of the Services which is to be no later than October 31, 2024. The Term may be extended by two further years at the District's sole option, and subject to mutual agreement between the parties on terms and pricing.

4. Consultant Personnel

The Consultant will perform the Services using only the Audit Partner and Audit Manager named in the Consultant's Proposal. During the Services, the Consultant shall not change the Audit Partner and Audit Manager named in the Consultant's Proposal except for circumstances that are beyond the reasonable control of the Consultant such as sickness or termination of employment. Any other change to Personnel shall require the prior written approval of the District Representative, and such approval may be withheld at the District's sole discretion.

5. Warranty as to Quality of Services

The Consultant represents and warrants to the District that the Consultant and the Personnel have the education, training, skill, experience and resources necessary to perform the Services in accordance with this Agreement and the Consultant acknowledges and agrees that the District has entered into this Agreement relying on the representations and warranties in this section.

6. Remuneration & Reimbursement

The District shall pay the Consultant for the performance of the Services, the Fixed Annual Lump Sum Prices in accordance with the following:

6.1 Pricing Basis:

Pricing in the table of section 6.22 below, is on the following basis:

- a. All Prices are in Canadian funds, are inclusive of all applicable duties and taxes including the PST, but not the GST which shall be itemized separately where indicated.
- b. Fixed Lump Sum Annual Prices are all-inclusive and include for all labour, materials, supplies, travel and expenses, disbursements, overheads, insurance, profit, and all other costs and fees necessary to deliver the Services.
- c. Prices shall be firm for the entire Contract Term.

6.2 Fixed Lump Sum Prices:

#	FINANCIAL YEAR & SERVICES ITEM	FIXED ANNUAL LUMP SUM PRICE
		CORHD
1	2021 – Interim & Year End Audit, Annual Price	\$ 9,100
2	2022 – Interim & Year End Audit, Annual Price	\$ 9,300
3	2023 – Interim & Year End Audit, Annual Price	\$ 9,500
4	TOTAL 3-YEAR CONTRACT PRICE: (SUM OF ROWS 1 TO 3)	\$ 27,900
5	GST:	\$ 1,395

6.3 Payment Terms:

The Fixed Lump Sum Annual Prices shown in section 6.2 shall be paid in two installments for each financial year, as follows:

- The first installment shall be 30% of the Annual Lump Sum Price and shall be invoiced following completion of all Services for the Interim Audit.
- The second installment shall be the remaining 70% of the Annual Lump Sum Price and shall be invoiced following completion of all Services for the Year-End Audit.

Invoices for Services performed in accordance with the Contract, shall be paid within 30 calendar days from the date of invoice receipt by the District.

6.4 Rates for Additional Work

Should the District require any additional work or services during the Term, the Consultant and the District shall mutually agree this Additional Work which shall be added to the Contract by way of a Contract Amendment. Remuneration for such Additional Work shall be based on the following Time-Based Rates, plus mutually agreed expenses/disbursements.

Time-Based Rates: Hourly Rates entered below shall be on the following basis:

- All rates exclude GST
- Hourly Rates include for labour, benefits, insurance, and all other overhead costs applicable to the team member position.

Type	Name	Hourly rates (\$)
Lead Engagement Partner	Markus Schrott	450
Quality Review Partner	Mario Piroddi	450
Indirect Tax Partner	Darren Taylor	450
Senior Audit Manager	Brennen Giroux	315
Audit Manager	Tiana Verigin	250
Advisory Resource	John Asher	425
Audit Senior	Alexx Kennedy	160
Audit Staff	Christina Russo	160
Audit Staff	Melissa Klassen	120

7. **Taxes**

The District shall be responsible for paying any goods and services taxes with respect to the provision of the services to the District.

8. **Invoices & Payment**

Invoices and Payment shall occur as detailed in section 6. In the event that the District disputes the amount of any invoice, the District shall provide written notice thereof to the Consultant within 30 days of receiving such invoice.

9. **Hold Back or Set Off**

Notwithstanding the invoicing process detailed in clause 8, the District may (i) hold back payment for invoiced items that the District has disputed in accordance with this agreement, or (ii) set off against any payment owing by the District to the Consultant any amount due or owing by the Consultant to the District under this Agreement. For purposes of this section 9, an amount will be considered "owed by the Consultant to the District" if (A) the Consultant and the District have agreed in writing that the Consultant is obligated to pay any such amount, or (B) an arbitrator or court of competent jurisdiction, as applicable, has made a final determination that the Consultant is liable to the District for such amount.

10. **District's Representative**

The District appoints the District Representative as the only person authorized by the District to communicate with the Consultant in respect of this Agreement. The District shall not be bound to the Consultant by communication from any person other than the District Representative or their delegate.

11. Indemnity

11.1 The Consultant shall indemnify, and save harmless, the District, and its elected and appointed officials, employees, Consultants and agents, from and against all claims, losses, damages, costs, expenses (including legal fees and disbursements), liabilities, actions and proceedings, suffered, made, incurred, sustained, brought, prosecuted, threatened to be brought or prosecuted in any manner caused by, based upon, occasioned by or attributable to: (1) the infringement of any third party intellectual property rights; or (2) bodily injury, personal injury and property damage attributable to the Consultant's performance of the Services; or (3) where such losses, costs, damages and expenses are found by a court of competent jurisdiction to have been due to the gross negligence of the Consultant.

The District shall indemnify and save harmless the Consultant, its partners and personnel, personnel and from and against all losses, costs (including legal fees), damages, expenses, claims, demands or liabilities arising out of or in consequence of: (1) a misrepresentation by a member, elected and appointed official, or representative of the District, regardless of whether such person was acting in your interest; (2) the services performed by the Consultant pursuant to this Agreement, unless, and to the extent that such losses, costs, damages and expenses are found by a court of competent jurisdiction to have been due to the gross negligence of the Consultant.

11.2 In any dispute, action, claim, demand for losses or damages arising out of the Services performed by the Consultant pursuant to this Agreement, the Consultant shall only be liable for its proportionate share of the total liability based on degree of fault as determined by a court of competent jurisdiction.

The Consultant's liability shall be restricted to damages of a direct and compensatory nature and shall not include indirect, consequential, aggravated or punitive damages, or damages for loss of profits or expected tax savings, whether or not the likelihood of such loss or damages was contemplated.

The Consultant's total liability for any actions, damages, claims, fines, penalties, complaints, demands, suits, proceedings, liabilities, costs, expenses or losses in any way arising out of or relating to this Agreement or the Services performed hereunder shall not exceed an amount of \$280,000 (Two-Hundred and Eighty Thousand Dollars). The limitations of liability contained herein shall apply whether or not the actions, damages, claims, fines, penalties, complaints, demands, suits, proceedings, liabilities, costs or expenses asserted by the District are incurred by the District directly or as a result of a claim or demand against the District by a third-party.

12. WorksafeBC Compliance

- 12.1 The Consultant shall, at all times, in providing the Services and otherwise performing its obligations under this Agreement, comply with the *Workers Compensation Act* (British Columbia).
- 12.2 The Consultant must, for the duration of the Services, be registered as an 'Independent Business' with WorkSafeBC with a WorksafeBC Clearance Letter status showing the Consultant is "Active and in good standing". Additionally, the Consultant shall ensure WorksafeBC coverage is provided for the Consultant, all workers and any shareholders, directors, partners or other individuals employed or engaged in the performance of the Services and the Consultant shall ensure all its subconsultants obtain WorkSafeBC Coverage. If the Consultant is an individual or a partnership of individuals and does not have the benefit of mandatory workers compensation coverage under the Workers Compensation Act in British Columbia, the Consultant must apply for and maintain Personal Optional Protection under the Workers Compensation Act.
- 12.3 The Consultant agrees that it will at its own expense procure and carry or cause to be procured and carried and paid for, full WorkSafeBC coverage for itself and all workers, employees, servants and others engaged in or upon the Services and shall at all times comply with WorkSafeBC Legislation. The Consultant agrees that the District has the unfettered right to set off the amount of any unpaid premiums or assessments for such WorkSafeBC coverage against any monies owing by the District to the Consultant. The District will have the right to withhold payment under this Agreement until the WorkSafeBC premiums, assessments or penalties in respect of the Services have been paid in full.
- 12.4 The Consultant will indemnify, and hold harmless the District from and against all manner of Losses arising out of or in any way related to:
- a. Unpaid WorkSafeBC assessments of the Consultant or any other employer for whom the Consultant is responsible under this Agreement; and
 - b. the acts or omissions of any person engaged directly or indirectly by the Consultant in the performance of the Services, or for whom the Consultant is responsible at law and which acts or omissions are or are alleged by WorkSafeBC to constitute a breach of WorkSafeBC legislation.

This indemnity will survive the expiry or earlier termination of this Agreement.

13. Insurance Requirements

- 13.1 **Commercial General Liability:** the Consultant shall obtain and maintain during the currency of this Agreement commercial general liability insurance providing coverage for death, bodily injury, property loss and damage and all other losses arising out of or in connection with the provision of the Services in an amount not less than \$5,000,000 per occurrence, or in such a greater amount as may be required by the District Representative from time to time, acting reasonably.

The Consultant shall cause all policies of Commercial General Liability insurance required under this Agreement to be with insurance companies satisfactory to the District and to:

- (a) name the District as additional insured
- (b) include that the District is protected notwithstanding any act, neglect or misrepresentation by the Consultant which might otherwise result in the avoidance of a claim and that such policies are not affected or invalidated by any act, omission or negligence of any third party which is not within the knowledge or control of the insureds;
- (c) be issued by an insurance company entitled to carry on the business of insurance under the laws of British Columbia;
- (d) be primary and non-contributing with respect to any policies carried by the District and shall provide that any coverage carried by the District is in excess coverage;
- (e) not be cancelled or materially changed without the insurer providing the District with 30 days written notice stating when such cancellation or change is to be effective;
- (f) be maintained for a period of 12 months per occurrence;
- (g) not include a deductible greater than \$50,000.00 per occurrence;
- (h) include a cross liability clause; and
- (i) be on other terms acceptable to the District Representative, acting reasonably.

13.2 Automobile Liability: where any vehicles are owned, leased, rented, or used in the performance of this Agreement, Automobile Liability insurance in an amount not less than \$2,000,000 inclusive per occurrence must be provided for any such vehicle.

14. Professional Liability Insurance

The Consultant shall, at the Consultant's expense, establish and maintain a minimum of \$2,000,000 professional liability insurance, with a maximum deductible of \$100,000.

The Consultant accepts responsibility for the acts and omissions of all Sub-Consultants it may engage in rendering the Services.

The Consultant's professional liability insurance shall remain in force for the duration of the Services and for twelve (12) months after expiry of the Contract.

15. Insurance Certificates

The Consultant shall provide the District with certificates of insurance confirming the placement and maintenance of the insurance, promptly after a request to do so from time to time by the District.

16. District May Insure

If the Consultant fails to insure as required, the District may effect the insurance in the name and at the expense of the Consultant and the Consultant shall promptly repay the District all costs incurred by the District in doing so. For clarity, the District has no obligation to effect such insurance.

17. N/A

18. Termination for Default

Either party may terminate all or any part of, the Services by giving notice of termination to the other party, which is effective upon delivery of the notice, if:

- (a) the other party breaches this Agreement and such party has not cured the breach, within ten days after notice of the breach is given to the breaching party; or
- (b) in the case of the Consultant, if the Consultant becomes bankrupt or insolvent, a receiving order is made against the Consultant, an assignment is made for the benefit of its creditors, an order is made or resolution passed for the winding up or dissolution of the Consultant, or the Consultant takes the benefit of any enactment relating to bankrupt or insolvent debtors.

Without limiting any other right or remedy available to the District, if the District terminates part or all of the Services under this section, the District may arrange, upon such terms and conditions and in such manner as the District considers appropriate, acting reasonably, for performance of all or any part of the Services remaining to be completed, and the Consultant shall be liable (subject to the limitations of liability contained herein, including Section 11.2 hereof) to the District for any expenses reasonably and necessarily incurred by the District in engaging the services of another person to perform those Services (including the amount by which the fees, disbursements and other costs payable by the District exceed those that would have been payable to the Consultant for completion of the Services under this Agreement). The District may set off against, and withhold from amounts due to the Consultant, such amounts as the District estimates shall be required to cover the District's costs of correcting any breaches of the Consultant's obligations under this Agreement and to be incurred by the District to complete all or any part of the Services; provided that the District shall, upon completion of the Services or any corrections thereto, provide to the Consultant with written notice of such final amounts incurred and supporting documentation evidencing such costs, and the final calculation of set-offs applied to any fees outstanding in respect of the Consultants services completed prior to the effective date of termination. Any amount by which the outstanding fees exceed the third party costs to complete or correct the Services shall be paid to the Consultant.

19. Records

19.1 Records: the Consultant shall:

- (a) keep proper accounts and records of its performance of the Services, including invoices, receipts and vouchers, which shall at all reasonable times be open to audit and inspection by the District, which may make copies and take extracts from the accounts and records;
- (b) keep reasonably detailed records of performance of the Services, which shall at all reasonable times be open to inspection by the District, which may make copies and take extracts from the records, except for the Consultant's proprietary information which includes its working papers;
- (c) afford facilities and access to accounts and records for audit and inspection by the District and shall furnish the District with such information as the District may from time to time require regarding those documents; and

- (d) preserve, and keep available for audit and inspection, all records described in this section for at least two years after completion of the Services, expiry of this Agreement or termination of this Agreement, whichever applies.

To the extent that the District makes copies of or takes extracts from the Consultant's records pursuant to this section, the District shall treat all such information as confidential and not permit its disclosure or use without the Consultant's prior written consent, except: where required by law; regulation or legal process; or where the information is generally known to the public other than as a result of a breach of this Agreement.

19.2 Privacy & Confidentiality: the consultant shall:

- (a) make reasonable security arrangements to protect records and other work generated during the Services from unauthorized access, collection, use, disclosure, alteration, or disposal.
- (b) treat as confidential all information, records or other work products generated, accessed or obtained by the Consultant or sub consultants (whether verbally, electronically, or otherwise) as a result of this Agreement, and not permit its disclosure or use without our prior written consent, except: where required by law, regulation or professional obligation; or where the information is generally known to the public other than as a result of a breach of this Agreement.
- (c) not permit any information, records or other work products generated, accessed or obtained by the Consultant or subconsultants as a result of this Agreement to be stored, either physically or electronically outside of the country of Canada.

20. Copyright & Intellectual Property

All the reports (including audit reports), written advice and working papers, files and internal materials created or developed by the Consultant pursuant to this Agreement remain property of the Consultant; provided that the Consultant irrevocably grants to the District the unrestricted license for the District to use and make copies of for the District's purposes and activities any work whatsoever generated by or on behalf of the Consultant in performing the Services in which copyright or intellectual property rights may exist, except for any of the Consultant's proprietary information including its working papers.

The District acknowledges that the Consultant's Services will not be planned or conducted in contemplation of or for the purpose or reliance by any party other than the District or its affiliates to whom the Consultant's reports are addressed. To the extent that the District discloses to any third parties any work generated by the Consultant here under, it does so on the basis that the receipt by any third parties of any such work (including the Consultant's advice, opinions, reports or other work product) is not intended to create any duty of care, professional relationship or any present or future liability between such third parties and the Consultant, and the Consultant expressly disclaims any liability of any nature or kind resulting from the disclosure to or

unauthorized reliance by any third party on the Consultant's advice, opinions, reports or other work product.

21. Agreement for Services

This is an agreement for the performance of services and the Consultant is engaged under this Agreement as an independent Consultant for the sole purpose of providing the Services. This Agreement does not create a joint venture or partnership. Neither the Consultant nor any of its employees or Consultants is engaged by the District as an agent of the District or has any authority to bind the District in any way whatsoever.

22. Withholding Taxes

The Consultant will be pay and remit, and otherwise be responsible for, all withholding taxes, income taxes, Canada Pension Plan contributions, employment insurance deductions and any other deductions required by the applicable provincial or federal statutes for the Consultant and any of its employees. The Consultant agrees to indemnify and hold harmless the District should the District be required to pay any remittances described above.

23. Assignment

The Consultant shall not assign this Agreement or the benefit hereof without the prior written consent of the District, at its sole discretion.

24. Time of the Essence

Time is of the essence of this Agreement.

25. Alternative Rights & Remedies

Exercise by a party to this Agreement of any right or remedy of that party, whether granted in or under this Agreement or at law or equity, does not limit or affect any other right or remedy of any kind, whatever its source, that the party may have against the other party and does not affect the right of the party exercising the right or remedy to exercise other rights or remedies against the other party.

26. Notice

Any notice, direction, demand, approval, certificate or waiver which may be or is required to be given under this Agreement shall be in writing and delivered personally or by courier or sent by fax or e-mail, addressed as follows:

- (a) To the District: Central Okanagan Regional Hospital District
1450 KLO Road, Kelowna, BC. V1W 3Z4
Attn: Lyle Smith – Director of Finance
E-mail Address: lyle.smith@rdco.com
- (b) To the Consultant: BDO Canada LLP
400-1631 Dickson Ave, Kelowna, BC
Attn: Markus Schrott

E-mail Address: mschrott@bdo.ca

or to such other address or e-mail address of which notice has been given as provided in this section.

Any notice, direction, demand, approval or waiver delivered is to be considered given on the next business day after it is dispatched for delivery. Any notice, direction, demand, approval or waiver sent by fax or e-mail is to be considered given on the day it is sent, if that day is a business day and if that day is not a business day, it is to be considered given on the next business day after the date it is sent. In this section, business day means a day other than a Saturday, Sunday or B.C. statutory holiday.

27. Interpretation & Governing Law

In this Agreement

- (a) reference to the singular includes a reference to the plural, and vice versa, unless the context requires otherwise;
- (b) reference to a particular numbered section or Schedule is a reference to the correspondingly numbered section or Schedule of this Agreement;
- (c) the word "enactment" has the meaning given to it in the *Interpretation Act* (British Columbia) on the reference date of this Agreement;
- (d) reference to any enactment is a reference to that enactment as amended, unless otherwise expressly provided;
- (e) reference to a month is a reference to a calendar month; and
- (f) section headings have been inserted for ease of reference only and are not to be used in interpreting this Agreement.

This Agreement is governed by, and is to be interpreted according to, the laws of British Columbia.

28. Binding on Successors

This Agreement enures to the benefit of and is binding upon the parties and their respective successors, trustees, administrators and receivers, despite any rule of law or equity to the contrary.

29. Entire Agreement

This Agreement is the entire agreement between the parties and it terminates and supersedes all previous communications, representations, warranties, covenants and agreements, whether verbal or written, between the parties with respect to the subject matter of this Agreement.

30. Waiver

Waiver of any default by either party shall be express and in writing to be effective, and a waiver of a particular default does not waive any other default.

31. Independence

The District acknowledges that professional and regulatory standards require the Consultant to be independent, in both fact and appearance, with respect to the services. The consultant shall

communicate to the district any relationship that in the consultants professional judgment may reasonably be thought to bear on the consultants independence. The consultant may be required to terminate this agreement in the event that an actual or potential conflict of interest arises following the date hereof which would reasonably be expected to compromise or threaten the consultants independence.

Any discussions that the District or any party acting on its behalf has with personnel of the Consultant regarding employment could pose a threat to the Consultant's independence. The District's recruitment of an engagement team member from the current or prior year's Services may compromise the Consultant's independence and the Consultant's ability to render the agreed Services. Therefore the District agrees to inform the Consultant prior to any such discussions so that the Consultant may implement appropriate safeguards to maintain its independence.

32. Special Terms Regarding Auditors:

The following terms are taken from the Consultant's Proposal, and form an integral part of this Agreement. Where the terms "we" or "our" are used, both terms shall mean the 'Consultant'. Where the terms "you" or "your" are used, both terms shall mean the District.

a) Our Role as Auditors

We will conduct our audit(s) in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements prepared in accordance with Canadian public sector accounting standards are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. Our audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by you, as well as evaluating the overall financial statement presentation.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements, whether by fraud or error, may not be detected, even though the audit is properly planned and performed in accordance with Canadian generally accepted auditing standards.

In making our risk assessments, we consider internal controls relevant to your preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of your internal controls. However, we will communicate to you concerning any significant deficiencies in internal controls relevant to the audit of the financial statements that we have identified during the audit.

We will also communicate matters required by professional standards, to the extent that such matters come to our attention, to you, those charged with governance and/or the board of directors.

b) Reporting

Our audit will be conducted on the basis that the financial statements have been prepared in accordance with Canadian public sector accounting standards.

Our independent auditor's report will be substantially in the form set out in Canadian Auditing Standard (CAS) 700. The form and content of our report may need to be amended in the light of our audit findings. If we are unable to issue or decline to issue an audit report, we will discuss the reasons with you and seek to resolve any differences of view that may exist.

c) Role of Management and Those Charged with Governance:

You acknowledge and understand that you have responsibility for:

- (a) the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards. The audit of the financial statements does not relieve you of your responsibilities;
- (b) such internal controls as you determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- (c) providing us with:
 - access, in a timely manner, to all information of which you are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - additional information that we may request for the purpose of the audit;
 - unrestricted access to persons within the entity from whom we determine it is necessary to obtain audit evidence;
 - financial and non-financial information (other information) that will be included in document(s) containing financial statements and our audit report thereon prior to the date of our auditor's report. If it is not possible to provide all the other information prior to the date of our auditor's report, you are responsible for provision of such other information as soon as practicable; and
 - written confirmation concerning representations made to us in connection with the audit. If appropriate and adequate written representations are not provided to us, professional standards require that we disclaim an audit opinion.

d) Financial Statement Services

We will obtain your approval, if during the course of our engagement we:

- (a) prepare or change a journal entry; or
- (b) prepare or change an account code or a classification for a transaction.

e) **Additional Services**

We are available to provide a wide range of services beyond those outlined in this Agreement. To the extent that any additional services that we provide to you that are not provided under a separate written engagement agreement, the provisions of this Agreement will apply to the services.

As evidence of their agreement to be bound, the parties have executed this Agreement on the respective dates written below:

**CENTRAL OKANAGAN REGIONAL HOSPITAL
DISTRICT:**

by its authorized signatories:

Brian Reardon

Brian Reardon (Oct 28, 2021 08:38 PDT)

Signature:

Brian Reardon

Name:

Oct 28, 2021

Date:

BDO CANADA LLP:

by its authorized signatories:

Markus Schrott

Markus Schrott (Oct 28, 2021 08:34 PDT)

Signature:

Markus Schrott

Name:

Oct 28, 2021

Date:

SCHEDULE A: CONSULTANT'S PROPOSAL & SPECIFIC TERMS REGARDING AUDITORS

The Consultant's Proposal (attached hereto) comprises the following sections, all of which form a part of this Agreement, except where references exist to services or remuneration related to entities other than Central Okanagan Regional Hospital District which are hereby excluded from this Agreement:

- Appendix A – Pricing (6 pages)
- Appendix B – Team & Methodology (37 pages)
- Appendix D – Exceptions to Contract, including 'Schedule A – Specific Terms Regarding Auditors' (10 pages)
- Other Additional Information (7 pages)



Appendix B: Independence Letter



Tel: (250) 763 6700
Fax: (250) 763 4457
www.bdo.ca

BDO Canada LLP
1631 Dickson Avenue, Suite 400
Kelowna, British Columbia
V1Y 0B5

December 22, 2022

Members of the Board of Directors
Central Okanagan Regional Hospital District

Dear Members of the Board of Directors:

We have been engaged to audit the financial statements of Central Okanagan Regional Hospital District (the "Hospital District") for the year ended December 31, 2022.

Canadian generally accepted auditing standards require that we communicate at least annually with you regarding all relationships between the Hospital District and our Firm that, in our professional judgment, may reasonably be thought to bear on our independence.

In determining which relationships to report, the standards require us to consider independence rules and interpretations of the CPA profession and relevant legislation.

We have prepared the following comments to facilitate our discussion with you regarding independence matters arising since June 27, 2022, the date of our last letter.

We are aware of the following relationships between the Hospital District and us that, in our professional judgment, may reasonably be thought to have influenced our independence. The following relationships represent matters that have occurred from June 27, 2022 to December 22, 2022.

- We have provided assistance in the preparation of the financial statements, including adjusting journal entries and/or bookkeeping services. These services created a self-review threat to our independence since we subsequently expressed an opinion on whether the financial statements presented fairly, in all material respects, the financial position, results of operations and cash flows in accordance with Canadian public sector accounting standards.
- We, therefore, required that the following safeguards be put in place related to the above:
 - Management created the source data for all the accounting entries.
 - Management developed any underlying assumptions required with respect to the accounting treatment and measurement of the entries.
 - Management reviewed advice and comments provided and undertook their own analysis considering the Hospital District's circumstances and generally accepted accounting principles.
 - Management reviewed and approved all journal entries prepared by us, as well as changes to financial statement presentation and disclosure.
 - Someone other than the preparer reviewed the proposed journal entries and financial statements.



We hereby confirm that we are independent with respect to the Hospital District within the meaning of the Code of Professional Conduct of Chartered Professional Accountants of British Columbia as of December 22, 2022.

This letter is intended solely for the use of the Board of Directors, management and those charged with governance of the Hospital District and should not be used for any other purpose.

Yours truly,

Chartered Professional Accountants

/rd