

The Corporation of the Town of Oakville

Audit Findings Report
for the year ended
December 31, 2020

KPMG LLP

Prepared April 30, 2021
for presentation on May 25, 2021

kpmg.ca/audit



Table of contents

How do we deliver audit quality?	4
Executive summary	5
Changes from the audit plan	5
What's new in 2020	6
Audit risks and results	10
Significant accounting policies and practices	16
Uncorrected differences and corrected adjustments	17
Other matters	18
Appendices	19
Appendix 1: Other Required Communications	20
Appendix 2: Current Developments	21
Appendix 3: Technology in the audit	25
Appendix 4: Audit and Assurance Insights	26

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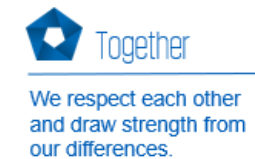
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Our refreshed Values

What we believe



How do we deliver audit quality?

Transparency report



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

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

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

We define **‘audit quality’** as being the outcome when:

- audits are **executed consistently**, in line with the requirements and intent of **applicable professional standards** within a strong **system of quality controls**; and
- all of our related activities are undertaken in an environment of the utmost level of **objectivity, independence, ethics, and integrity**.



Doing the right thing. Always.

Executive summary

Purpose of this report¹

The purpose of this Audit Findings Report is to assist you, as a member of Council, in your review of the results of our audit of the consolidated financial statements (“the financial statements”) of the Corporation of the Town of Oakville (“the Town”) as at and for the year ended December 31, 2020. This Audit Findings Report builds on the Audit Plan we presented to you.

Changes from the audit plan

There have been no significant changes regarding our audit from the Audit Planning Report previously presented to you.

Finalizing the audit

As of the date of this Report, we have completed the audit of the financial statements, apart from certain remaining procedures, which include:

- Completing our discussions with the you and obtaining evidence of the Council’s approval of the financial statements
- Receipt of the signed management representation letter (to be signed upon approval of the financial statements).

We will update the entire Council on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures. Our auditors’ report will be dated upon the completion of any remaining procedures.

Uncorrected differences

We did not identify differences that remain uncorrected.

Significant accounting policies and practices

There have been no initial selections of, or changes to, significant accounting policies and practices to bring to your attention.

Control deficiencies

We did not identify any control deficiencies that we determined to be significant deficiencies in internal control over financial reporting.

Independence

We confirm that we are independent of the Town in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. There are no services we provide to the Town or related parties which would infringe on our independence as auditors.

¹ This Audit Findings Report is intended solely for the information and use of Council and should not be used for any other purpose or any other party. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this Audit Findings Report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

What's new in 2020

COVID-19 pandemic

On November 16, 2020, we communicated revisions to our audit plan arising from the impacts of the COVID-19 pandemic. We adapted our audit to respond to the continued changes in your business, including the impacts on financial reporting and internal control over financial reporting.

Area of Impact	Key Observations
The Town's financial reporting impacts	<ul style="list-style-type: none"> — In areas of the financial statements where estimates involved significant judgements, we evaluated whether the method, assumptions and data used by management to derive the accounting estimates, and their related financial statement disclosures were still appropriate per the relevant financial reporting framework given the changed economic conditions and increased estimation uncertainty – See page 10 under Audit Risk and Results. — The areas of the financial statements most affected included: <ul style="list-style-type: none"> ○ Post employment benefit liability & WSIB liability
The Town's internal control over financial reporting	<ul style="list-style-type: none"> — Along with the Town's remote working environment, the financial reporting impacts above necessitated certain changes to the Company's internal control over financial reporting — We obtained an understanding and documented the Town's processes over significant financial reporting processes and any changes, if applicable, to the financial process as a result of working in a virtual work environment.
Materiality	<ul style="list-style-type: none"> — We considered impacts to financial reporting on both the determination and the re-assessment of materiality for the audit of the financial statements. — There was no change from the materiality presented to you as part of the Audit Plan. The Town's total revenues increased for the period ending December 31, 2020 compared to the prior year, therefore materiality remained at \$11,773,000 for the fiscal 2020 audit.
Risk Assessment	<ul style="list-style-type: none"> — We performed a more thorough risk assessment specifically targeted at the impacts of the COVID 19 pandemic, including an assessment of fraud risk factors (i.e., conditions or events that may be indicative of an incentive/pressure to commit fraud, opportunities to commit fraud, rationalizations of committing fraud).

Area of Impact	Key Observations
Working remotely	<ul style="list-style-type: none"> — We used video conferencing via Microsoft Teams and the KPMG Clara Collaboration Site to collaborate in real-time, both amongst the audit team as well as with management. — We increased our professional skepticism when evaluating electronic evidence received and performed additional procedures to validate the authenticity and reliability of electronic information used as audit evidence.
Direction and Supervision of the audit	<ul style="list-style-type: none"> — The manager and partner were actively involved in determining the impact that the COVID-19 pandemic had on the audit (as discussed above), including the impact on the Town's financial reporting and changes in the Town's internal control over financial reporting. — Manager and partners implemented new supervision processes to deal with working in a remote environment, and our audit approach allowed us to manage the audit using meaningful milestones and frequent touch points.
Substantive Testing Response	<ul style="list-style-type: none"> — As a result of the significant changes to the entity's business during the year and the impacts of the pandemic on operations, we changed our approach for the audit of certain areas, such as Other Receivables from performing substantive analytical procedure to performing substantive test of details. This required more effort to obtain supporting documentation based on the nature of the approach.
Audit of The Oakville Municipal Development Corporation (MDC)	<ul style="list-style-type: none"> — This was the first year that KPMG audited the Oakville Municipal Development Corporation (MDC). The audit was successfully carried out in a virtual environment, similar to the Town. — We audited the fiscal years ending December 31, 2019 and 2020. We obtained an understanding and documented the significant financial reporting processes at the MDC and carried out standard audit procedures over the financial statements. — The MDC is accounted for within the Town's financial statements via the modified equity method, consistent with prior period.

New auditing standards

The following new auditing standards that are effective for the current year had an impact on our audit.

Standard	Key observations
CAS 540, Auditing Accounting Estimates and Related Disclosures	<ul style="list-style-type: none">— The new standard was applied on all estimates within the financial statements that had a risk of material misstatement due to estimation uncertainty and not just “key estimates”, “critical accounting estimates”, or “estimates with significant risk”.— The granularity and complexity of the new standard along with our interpretation of the application of that standard necessitated more planning and discussion and increased involvement of more senior members of the engagement team.— We performed more granular risk assessments based on the elements making up <u>each</u> accounting estimate such as the method, the assumptions used, the data used and the application of the method.— We considered the potential for management bias.— We assessed the degree of uncertainty, complexity, and subjectivity involved in making each accounting estimate to determine the level of audit response; the higher the level of response, the more persuasive the audit evidence was needed.— Based on our assessment, we determined that one area of estimation required additional work as a result of the new auditing standard - employee future benefit liabilities. See page 10 under Audit Risk and Results, which outline our approach to this area.

Audit risks and results

We highlight our significant findings in respect of the **Fraud Risk from management override of control**.

Significant Financial Reporting Risk	New or changed?	Key audit matter?
Fraud risk from management override of control	No	No, this is a presumed fraud risk which is mandatory to be considered and factored into each audit.

Our response

- Our audit approach incorporated the required procedures in professional standards to address this risk. These procedures include testing of journal entries and other adjustments and making inquiries of the appropriate individuals:
 - Whether they have been asked to record, or are aware of, unusual or otherwise inappropriate journal entries or adjustments without adequate support or explanation for the entries or adjustments;
 - Whether there have been any instances of overrides of controls through recording of journal entries or other adjustments;
 - Whether there have been any journal entries or other adjustments that have been initiated by management outside the normal course of business
- Based on the results of our procedure, we noted no instances of fraud or potential fraud arising from management override of controls.
- Additionally, in order to respond to this non-rebuttable fraud risk, we designed our audit with an element of unpredictability in mind, as required by our professional standards. To satisfy this requirement, we altered our approach to testing certain accounts when compared to prior audit engagements, and scoped in several new areas for testing using criteria that do not consider dollar value of the account or individual transactions. This added coverage to our audit approach and ensured we sampled a variety of both high and low dollar value transactions during our audit.

Audit risks and results- Estimates

We highlight our significant findings in respect of **estimates** as identified in our discussion with you in the Audit Plan, as well as any additional significant financial reporting risks identified.

Asset/Liability	New or changed?	Significant Estimate?	Amount (\$'000s)
Post-employment benefit liabilities	No	Yes	\$32,637 (2019 - \$32,369)

Our response

- The Town provides certain employee benefits which will require funding in future periods. These benefits include long term disability, benefits under the Workplace Safety Insurance Board ("WSIB") Act and extended health and dental benefits for early retirees.
- The liability for these future benefits has been determined by actuarial valuation.
- A new valuation was required as of December 31, 2019. KPMG inquired with management and obtained an understanding of the process used to provide employee census data to the third-party actuary engaged by management to complete the new valuation. The results of this valuation will be supported by annual updates for the next fiscal period. We obtained an annual update for 2020 from the actuary in which the actuary noted they were not aware of any matters from the valuation date to the date of report that would have a material effect on the valuation.
- We received the results of the third-party actuary's report and performed procedures to assess the reasonability of the key assumptions used by the actuary in creating their report.
- We also performed substantive testing over the original census data provided by management to the actuary in fiscal 2019. As part of this procedure we determined that the data sent to the actuary was accurate and complete compared to the underlying employee records kept by the Town. Thus, we are satisfied the actuary's refresh of the valuation for fiscal 2020 may be relied upon.
As this liability represents a material amount to the financial statements and involves significant elements of estimation uncertainty by nature, we have determined that this is an area of estimation that falls within the scope of the new auditing standard for estimates with significant judgment (Canadian Auditing Standard 540).
- To satisfy the requirements of this new standard, we were required to compile more robust documentation on management's process, and the actuary's methodology in order to conclude. As management has involved an independent third party, we have concluded that while estimation uncertainty is present and management has significant ability to exercise judgment in selecting inputs to the estimate, the reliance on the third party actuary's report is the primary driver of management's input.
- Finally, we performed substantive testing including benchmarking to industry comparatives and sensitivity analysis of rates used by the actuary and determined that they were reasonable.

Audit risks and results

We highlight our significant findings in respect of **areas of focus** as identified in our discussion with you in the Audit Plan, as well as any additional areas of focus identified.

Area of focus	New or changed?	Significant Estimate?	Amount (\$'000s)
Tangible Capital Assets	No	No	\$1,829,705 (2019 -\$1,753,801)

Our response and significant findings

- We substantively tested (on a sample basis) the additions to tangible capital assets and noted that management has correctly capitalized the additions from work in progress to capital assets and developer contributions land acquisitions.
- We also substantively tested a sample of developer contributed assets and ensured that the revenue recognized or deferred was in-line with the treatment of the tangible capital assets and that timing of revenue recognition was appropriate for each item tested.
- No significant issues were noted as a result of these procedures.
We completed discussions with management and concluded there were no assets at this time which met the conditions to be classified as “assets held for sale.”
- We also confirmed there were no modifications to the Town’s policies with respect to useful life of tangible capital assets. As such, there are no changes to existing policies to disclosure in the financial statements for the current year.

Audit risks and results

We highlight our significant findings in respect of **areas of focus** as identified in our discussion with you in the Audit Plan, as well as any additional areas of focus identified.

Area of focus	New or changed?	Significant Estimate?	Amount (\$'000s)
Investments	No	No	\$427,352 (2019-\$386,878)

Our response and significant findings

- Investments continue to represent a material amount on the Town's statement of financial position, as such our audit has been designed to include standard procedures to agree amounts at both carrying and market value to third party evidence in order to support accuracy as at the year-end date.
- We did not identify any significant issues with respect to the investment balances as at year end.
We did not identify any significant signs of impairment on the investment portfolio, supporting the current valuation of the portfolio as shown in the financial statements is appropriate.
- Despite the global COVID-19 pandemic, market value was greater than total amortized cost as at year end and no significant impairments were identified. There are no indicators of impairment to report as at year-end December 31, 2020.

Audit risks and results

We highlight our significant findings in respect of **areas of focus** as identified in our discussion with you in the Audit Plan, as well as any additional areas of focus identified.

Area of focus	New or changed?	Significant Estimate?	Key audit matter?
Accounts payable, accrued liabilities, and operating expenditures	No	No	No

Our response and significant findings

- As part of our audit approach, we perform standard procedures to obtain assurance over material payable balances as at year-end. This includes substantive testing and analytical procedures over the account's payable sub-ledger.
- No significant issues were identified as a result of the items tested.
- Accrued liabilities represent an area of management's judgment, which is required to form some of the estimates associated with accrued liabilities as at year-end. Such liabilities include payroll related accruals and accruals for items which have not yet been invoiced but have been incurred as liabilities prior to the year-end cut-off date.
- In response to the new auditing standards over estimates, we were required to consider the level of judgment and estimation management is required to exercise when calculating year-end accruals and similar liabilities.
- Based on our discussions and procedures, we concluded that the level of judgment and estimation management uses in the accrued liabilities balance is not significant as all material accruals are based on actual amounts (for example, year-end payroll and benefit accruals). As such, we did not determine this caption to fall within the scope of the new auditing standard.
- Our procedures include cut-off tests which are substantive in nature and sample material items accounted for near the year-end cut-off date. Each item selected was inspected and compared to supporting documentation to ensure it was recorded in the correct fiscal period.
- No significant issues were identified with respect to the items tested.

Audit risks and results

We highlight our significant findings in respect of **areas of focus** as identified in our discussion with you in the Audit Plan, as well as any additional areas of focus identified.

Area of focus	New or changed?	Significant Estimate?	Amount (\$'000s)
Contaminated Sites Liability	No	No	\$347 (2019-\$334)

Our response and significant findings

- We reviewed management's process for identifying potential sites and reviewed management's listing of contaminated sites and the analysis against the prescribed criteria to determine if a liability should be recorded.
- We discussed both previously identified potential sites as well as those which have been newly identified. It was discovered that no new sites were identified in 2020. We obtained an understanding of the rationale for flagging sites which may be associated with future remediation liabilities and assessed the reasonability of the remediation estimates prepared by management. We also obtained further understanding in 2020 in relation to the completeness of this liability, including processes for identifying sites.
- We obtained an understanding of management's methodology for estimating contaminated site liabilities and are satisfied that the approach used to quantify the potential liabilities is reasonable.
- We have concluded that management's approach to identifying, evaluation and determining the liability in accordance with the PSAB standard is appropriate and that the liability recorded in the current year is reasonable.

Audit risks and results

We highlight our significant findings in respect of **areas of focus** as identified in our discussion with you in the Audit Plan, as well as any additional areas of focus identified.

Area of focus	New or changed?	Significant Estimate?	Amount (\$'000s)
Other Receivables	Yes	No	\$44,369 (2019 - \$30,125)

Our response and significant findings

- In response to the significant increase in Other Receivables, we performed further substantive testing over this balance.
- We discussed with management drivers of this change and noted the increase is driven by Development Charges Long Term Loans and several large invoices with the Region of Halton, with the majority having been paid after year end.
- We noted that the Development Charges Long Term Loans were new in 2020 as a result of new legislation enacted to increase affordable housing in the Town. Currently the Town has agreements in place with two facilities as at December 31, 2020, in which their development charges have been deferred.
- We reviewed agreements with both entities and ensured the receivables were related to development charges and noted no issues to report.

Significant accounting policies and practices



Initial selections

There have been no significant accounting policies and practices that were selected and applied during the period.



Changes

There have been no changes to significant accounting policies and practices and the impact on the financial statements.



Future Implementation

There are no concerns regarding future implementation of accounting pronouncements issued but not yet effective to the Town's financial statements.

Uncorrected differences and corrected adjustments

Differences and adjustments include disclosure and presentation differences and adjustments.

Professional standards require that we request of management and the audit committee that all identified differences be corrected. We have already made this request of management.

Uncorrected differences

We did not identify differences that remain uncorrected.

Corrected adjustments

We did not identify any adjustments that were communicated to management and subsequently corrected in the financial statements.

Other matters

The following other matters do not represent control deficiencies nor audit misstatements, but have been brought to your attention for future consideration based on our observations during the audit.

Oakville Municipal Development Corporation

- The Oakville Municipal Development Corporation (“MDC”) is currently presented in the Town’s consolidated financial statements as a Government Business Entity (“GBE”) and consolidated using the modified equity method, consistent with prior period presentation.
- In the current year, the MDC had a net loss from operations and currently carries a small negative equity position on a standalone basis – this has caused the Town’s Investment in MDC asset to appear in a slight negative position in the consolidated financial statements.
- While immaterial at this stage, a negative position in an equity-method investment is indicative that continued presentation as a Government Business Entity that is capable of operating into the future without continued support from the Town may not be appropriate in the future.
- Should this be the case in future periods and the MDC no longer meet the criteria for presentation as a GBE, line by line consolidation would become required.
- We recommend that management of the Town and MDC remain aware and monitor operating results of the MDC as it begins to transact and exit the start-up phase.

Appendices

Content

Appendix 1: Other Required communications

Appendix 2: Current Developments

Appendix 3: Technology in the Audit

Appendix 4: Audit and Assurance Insights



Appendix 1: Other Required Communications

Report

The conclusion of our audit is set out in our draft auditors' report attached to the draft financial statements.

Representations of management

In accordance with professional standards, Management have been provided with a copy of the representation letter for the audit of the financial statements. This letter is to be signed by management and may be made available to you upon request.

Audit Quality in Canada

The reports available through the following links were published by the Canadian Public Accountability Board to inform audit committees and other stakeholders about the results of quality inspections conducted over the past year:

- [CPAB Audit Quality Insights Report: 2020 Interim Inspection Results](#)
- [CPAB Audit Quality Insights Report: 2019 Annual Inspections Results](#)

Visit our [Audit Quality Resources page](#) for more information including access to our [Transparency report](#)

Appendix 2: Current Developments

Public Sector Accounting Standards

Standard	Summary and implications
Impact of COVID-19	<ul style="list-style-type: none"> In response to the impact of COVID-19 on public sector entities, PSAB has approved deferral of all upcoming accounting standards by one year and will issue non-authoritative guidance on the effects of COVID-19. The dates noted below reflect the new revised dates.
Asset Retirement Obligations	<ul style="list-style-type: none"> The new standard is effective for fiscal years beginning on or after April 1, 2022. The effective date was deferred by one year due to COVID-19. This would be applicable to the Town's fiscal year starting on January 1, 2023. The new standard addresses the recognition, measurement, presentation and disclosure of legal obligations associated with retirement of tangible capital assets in productive use. Retirement costs will be recognized as an integral cost of owning and operating tangible capital assets. PSAB currently contains no specific guidance in this area. The ARO standard will require the public sector entity to record a liability related to future costs of any legal obligations to be incurred upon retirement of any controlled tangible capital assets ("TCA"). The amount of the initial liability will be added to the historical cost of the asset and amortized over its useful life. As a result of the new standard, the public sector entity will have to: <ul style="list-style-type: none"> Consider how the additional liability will impact net debt, as a new liability will be recognized with no corresponding increase in a financial asset; Carefully review legal agreements, senior government directives and legislation in relation to all controlled TCA to determine if any legal obligations exist with respect to asset retirements; Begin considering the potential effects on the organization as soon as possible to coordinate with resources outside the finance department to identify AROs and obtain information to estimate the value of potential AROs to avoid unexpected issues.
Revenue	<ul style="list-style-type: none"> The new standard is effective for fiscal years beginning on or after April 1, 2023. The effective date was deferred by one year due to COVID-19. This would be applicable to the Town's fiscal year starting on January 1, 2024. The new standard establishes a single framework to categorize revenues to enhance the consistency of revenue recognition and its measurement. The standard notes that in the case of revenues arising from an exchange transaction, a public sector entity must ensure the recognition of revenue aligns with the satisfaction of related performance obligations. The standard notes that unilateral revenues arise when no performance obligations are present, and recognition occurs when there is authority to record the revenue and an event has happened that gives the public sector entity the right to the revenue.

Standard	Summary and implications
Financial Instruments and Foreign Currency Translation	<ul style="list-style-type: none"> – The accounting standards, PS3450 <i>Financial Instruments</i>, PS2601 <i>Foreign Currency Translation</i>, PS1201 <i>Financial Statement Presentation</i> and PS3041 <i>Portfolio Investments</i> are effective for fiscal years commencing on or after April 1, 2022. The effective date was deferred by one year due to COVID-19. This would be applicable to the Town's fiscal year starting on January 1, 2023. – Equity instruments quoted in an active market and free-standing derivatives are to be carried at fair value. All other financial instruments, including bonds, can be carried at cost or fair value depending on the public sector entity's choice and this choice must be made on initial recognition of the financial instrument and is irrevocable. – Hedge accounting is not permitted. – A new statement, the Statement of Remeasurement Gains and Losses, will be included in the financial statements. Unrealized gains and losses incurred on fair value accounted financial instruments will be presented in this statement. Realized gains and losses will continue to be presented in the statement of operations. – In July 2020, PSAB approved federal government narrow-scope amendments to PS3450 <i>Financial Instruments</i> which will be included in the Handbook in the fall of 2020. Based on stakeholder feedback, PSAB is considering other narrow-scope amendments related to the presentation and foreign currency requirements in PS3450 <i>Financial Instruments</i>. The exposure drafts were released in summer 2020 with a 90-day comment period.
Employee Future Benefit Obligations	<ul style="list-style-type: none"> – PSAB has initiated a review of sections PS3250 <i>Retirement Benefits</i> and PS3255 <i>Post-Employment Benefits, Compensated Absences and Termination Benefits</i>. In July 2020, PSAB approved a revised project plan. – PSAB intends to use principles from International Public Sector Accounting Standard 39 <i>Employee Benefits</i> as a starting point to develop the Canadian standard. – Given the complexity of issues involved and potential implications of any changes that may arise from the review of the existing guidance, PSAB will implement a multi-release strategy for the new standards. The first standard will provide foundational guidance. Subsequent standards will provide additional guidance on current and emerging issues.

Standard	Summary and implications
Public Private Partnerships (“P3”)	<ul style="list-style-type: none"> PSAB has proposed new requirements for the recognition, measurement and classification of infrastructure procured through a public private partnership. PSAB is in the process of reviewing feedback provided by stakeholders on the exposure draft. The exposure draft proposes that recognition of infrastructure by the public sector entity would occur when it controls the purpose and use of the infrastructure, when it controls access and the price, if any, charged for use, and it controls any significant interest accumulated in the infrastructure when the P3 ends. The exposure draft proposes that the public sector entity recognize a liability when it needs to pay cash or non-cash consideration to the private sector partner for the infrastructure. The infrastructure would be valued at cost, which represents fair value at the date of recognition with a liability of the same amount if one exists. Cost would be measured in reference to the public private partnership process and agreement, or by discounting the expected cash flows by a discount rate that reflects the time value of money and risks specific to the project. The final standard was approved in December 2020 with an issuance date of April 1, 2021 and an effective date of April 1, 2023 or the Town's year ending December 31, 2024.
Concepts Underlying Financial Performance	<ul style="list-style-type: none"> PSAB is in the process of reviewing the conceptual framework that provides the core concepts and objectives underlying Canadian public sector accounting standards. PSAB has released four exposure drafts for the proposed conceptual framework and proposed revised reporting model, and their related consequential amendments. Comments on the exposure drafts are due in May 2021. PSAB is proposing a revised, ten-chapter conceptual framework intended to replace PS 1000 <i>Financial Statement Concepts</i> and PS 1100 <i>Financial Statement Objectives</i>. The revised conceptual framework would be defined and elaborate on the characteristics of public sector entities and their financial reporting objectives. Additional information would be provided about financial statement objectives, qualitative characteristics and elements. General recognition and measurement criteria, and presentation concepts would be introduced. In addition, PSAB is proposing: <ul style="list-style-type: none"> Relocation of the net debt indicator to its own statement and the statement of net financial assets/liabilities, with the calculation of net debt refined to ensure its original meaning is retained. Separating liabilities into financial liabilities and non-financial liabilities. Restructuring the statement of financial position to present non-financial assets before liabilities. Changes to common terminology used in the financial statements, including re-naming accumulated surplus (deficit) to net assets (liabilities). Removal of the statement of remeasurement gains (losses) with the information instead included on a new statement called the statement of changes in net assets (liabilities). This new statement would present the changes in each component of net assets (liabilities), including a new component called “accumulated other”. A new provision whereby an entity can use an amended budget in certain circumstances. Inclusion of disclosures related to risks and uncertainties that could affect the entity's financial position.

Standard	Summary and implications
International Strategy	<ul style="list-style-type: none"> – PSAB has reviewed all proposed options for its international strategy, and in accordance with its due process, approved the option to adapt International Public Sector Accounting Standards when developing future standards. PSAB noted that the decision will apply to all projects beginning on or after April 1, 2021. – An exposure draft to modify the GAAP hierarchy was issued and public comments were accepted up to February 15, 2021.
Purchased Intangibles	<ul style="list-style-type: none"> – In October 2019, PSAB approved a proposal to allow public sector entities to recognize intangibles purchased through an exchange transaction. Practitioners are expected to use the definition of an asset, the general recognition criteria and the GAAP hierarchy to account for purchased intangibles. – PSAB has approved Public Sector Guideline 8 which allows recognition of intangibles purchased through an exchange transaction. Narrow-scope amendments were made to Section PS 1000 Financial statement concepts to remove prohibition on recognition of intangibles purchased through exchange transactions and PS 1201 Financial statement presentation to remove the requirement to disclose that purchased intangibles are not recognized. – The effective date is April 1, 2023 (Town's year ending December 31, 2024) with early adoption permitted. Application may be retroactive or prospective.

Appendix 3: Technology in the audit

As previously communicated in our Audit Planning Report, we have utilized technology to enhance the quality and effectiveness of the audit.

Technology	Areas of the audit where Advance Technology routines were used	Insights
KPMG Clara Client Collaboration	For receipt of client support	We have utilized this tool for requesting and receiving all the audit requests. This tool is web-based and would allow the finance team to upload responses to our specific requests via link on the web portal. This tool became very useful given the situation we found ourselves in under pandemic conditions.
Journal Entry Analysis	For journal entry testing	<p>We utilized our proprietary D&A tool, IDEA, to evaluate the completeness of the journal entry population through a roll-forward of all accounts, analyze journal entries and determine sub-populations for more focused and risk-based testing, and apply certain criteria to sub-populations to identify potential high-risk journal entries for further testing.</p> <p>We did not identify any issues in regard to the completeness of journal entries. Moreover, we are satisfied with the results of our testing of specific relevant journal entries</p>

Appendix 4: Audit and Assurance Insights

Our latest thinking on the issues that matter most to audit committees, Boards and Management.

Featured insight	Summary	Reference
Audit & Assurance Insights	Curated thought leadership, research and insights from subject matter experts across KPMG in Canada.	<u>Learn more</u>
The business implications of coronavirus (COVID 19)	Resources to help you understand your exposure to COVID-19, and more importantly, position your business to be resilient in the face of this and the next global threat.	<u>Learn more</u>
	Financial reporting and audit considerations: The impact of COVID-19 on financial reporting and audit processes.	<u>Learn more</u>
	KPMG Global IFRS Institute - COVID-19 financial reporting resource center.	<u>Learn more</u>
Accelerate 2020	Perspective on the key issues driving the audit committee agenda.	<u>Learn more</u>
Momentum	A quarterly Canadian newsletter which provides a snapshot of KPMG's latest thought leadership, audit and assurance insights and information on upcoming and past audit events – keeping management and board members abreast on current issues and emerging challenges within audit.	<u>Sign-up now</u>
Current Developments	Series of quarterly publications for Canadian businesses including Spotlight on IFRS, Canadian Securities & Auditing Matters and US Outlook reports.	<u>Learn more</u>
Board Leadership Centre	Leading insights to help board members maximize boardroom opportunities.	<u>Learn more</u>



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