

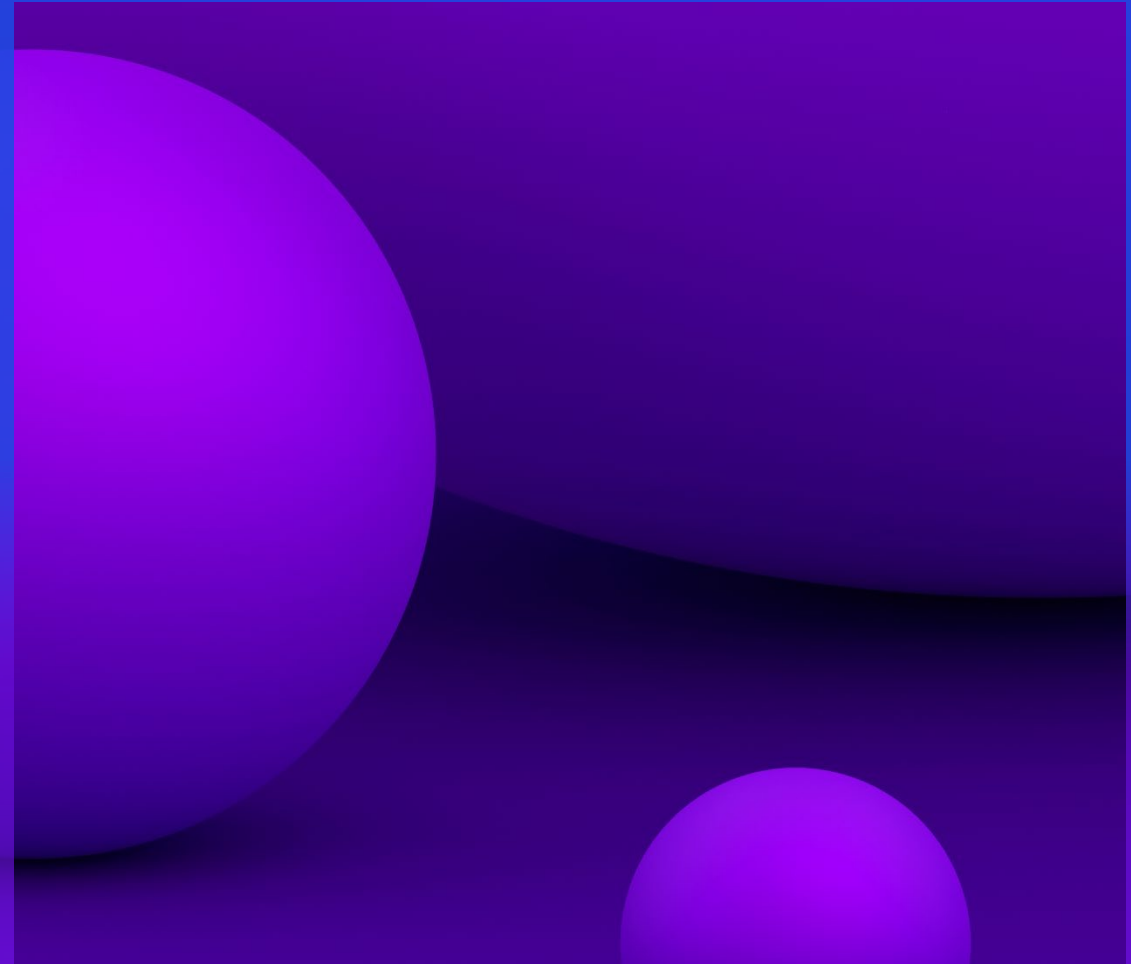


The Corporation of the Town of Oakville

**Audit Planning Report
for the year-ended December 31, 2023**

KPMG LLP

kpmg.ca/audit



KPMG contacts

Key contacts in connection with this engagement



Carlos Alvarez

Audit Engagement Partner

905-523-2238

carlosalvarez@kpmg.ca



Matthew Ciardelli

Audit Senior Manager

905-972-2111

mciardelli@kpmg.ca

Table of contents

Digital use information

This Audit Planning Report is also available as a “hyper-linked” PDF document.

If you are reading in electronic form (e.g. In “Adobe Reader” or “Board Books”), clicking on the home symbol on the top right corner will bring you back to this slide.



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

4

Highlights

5

Audit strategy

8

Audit strategy -
Group audit

9

Risk assessment

14

Key milestones and
deliverables

15

Independence

16

Appendices

The purpose of this report is to assist you, as a member of the Council, in your review of the plan for our audit of the financial statements. This report is intended solely for the information and use of Management and 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 report to Council has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.



Audit highlights



No matters to report



Matters to report – see link for details

Scope

Our audit of the consolidated financial statements (“financial statements”) of The Corporation of the Town of Oakville (“the Entity”) as of and for the period ended December 31, 2023 will be performed in accordance with Canadian generally accepted auditing standards and Public Sector Accounting Standards.

Audit strategy

Materiality \$14,100,000



Involvement of others



Updates to our prior year audit plan

- Audit of the impact of implementation of PS 3280 – Asset Retirement Obligations, including required disclosures

Audit strategy - group audit

- Refer to slide 8 for the scope of Entities which are subject to audit (we note no changes from prior period).



Involvement of other KPMG member firms



Involvement of non-KPMG firms

Risk assessment



Risk of management override of controls



Other significant risks



Presumed risk of fraudulent revenue recognition

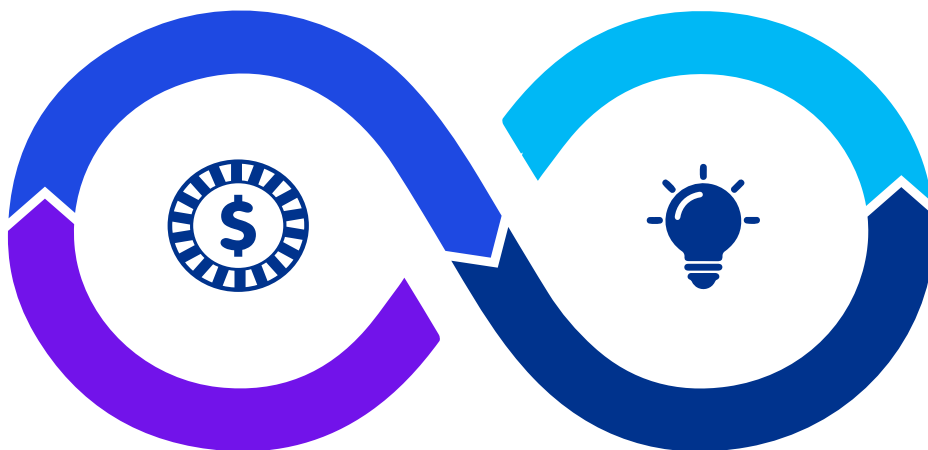


Other risks of material misstatement

- Implementation of PS 3280 – Asset Retirement Obligations
- Implementation of PS 3450 – Financial Instruments
- Tangible capital assets
- Post-employment benefit liabilities
- Revenue – developer charges and government grants
- Operating expenditure, including salaries and benefits



Materiality



We **initially determine materiality** at a level at which we consider that misstatements could reasonably be expected to influence the economic decisions of users. Determining materiality is a matter of **professional judgement**, considering both quantitative and qualitative factors, and is affected by our perception of the common financial information needs of users of the financial statements as a group. We do not consider the possible effect of misstatements on specific individual users, whose needs may vary widely.

We **reassess materiality** throughout the audit and revise materiality if we become aware of information that would have caused us to determine a different materiality level initially.

Plan and perform the audit

We **initially determine materiality** to provide a basis for:

- Determining the nature, timing and extent of risk assessment procedures;
- Identifying and assessing the risks of material misstatement; and
- Determining the nature, timing, and extent of further audit procedures.

We design our procedures to detect misstatements at a level less than materiality in individual accounts and disclosures, to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

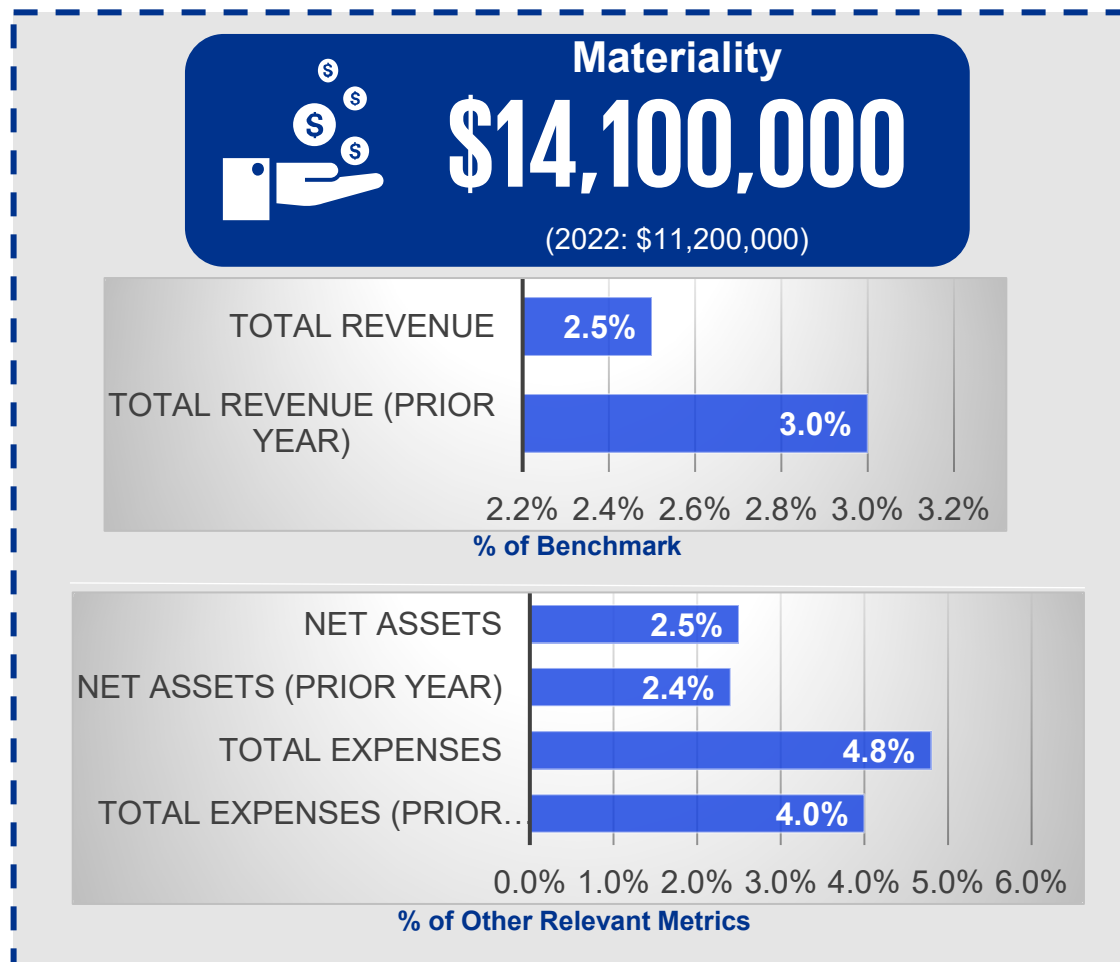
Evaluate the effect of misstatements

We also **use materiality** to evaluate the effect of:

- Identified misstatements on our audit; and
- Uncorrected misstatements, if any, on the financial statements and in forming our opinion.



Initial materiality



Chosen Benchmark: Total Revenue

\$565,570,000

(2022: \$375,707,000)

Comparative Benchmark: Total Expenses

\$294,177,000

(2022: \$282,979,000)

Comparative Benchmark: Net Assets

\$565,677,000

(2022: \$459,235,000)

The audit misstatement posting threshold (AMPT) is initially set at \$705,000 (2022 - \$560,000). We will profile all audit misstatements that exceed this threshold in our Audit Findings Report.



Updates to our prior year audit plan

Other significant changes



New Accounting Standard: PSAS 3280 – Asset Retirement Obligations



For the year-ended December 31, 2023, the Town will be required to implement PS 3280 – Asset Retirement Obligations. This replaces the previous standard which oversaw the accounting treatment of obligations expected to be settled at a future date, which was much smaller in scope than the new standards. Accordingly, this will be an area of audit focus.



New Accounting Standard: PSAS 3450 – Financial Instruments

The new standard requires Public Sector entities to estimate the expected future settlement and remediation costs of all fixed assets owned by the Entity. Common examples of costs that fall within scope are the removal of asbestos and other hazardous materials, and removal of leasehold improvements based on the terms of the underlying agreements.

There are multiple options with respect to the method of adoption, some of which involve restatement of prior period comparatives, and accompanying disclosures. We may engage specialist team members as needed in the first year of adoption.

Similarly, the Town will also be required to implement PS 3450 – Financial Instruments. This standard change will impact the method which financial instruments, including contracts with embedded derivatives and investments, are recorded (IE. cost vs. fair value).

As a result, there may be remeasurement gains or losses on adoption.



Newly effective auditing standards



No matters to bring to your attention.

Newly effective auditing standards





Group audit - Scoping

Entity Name	Change in Scope?	Full-Scope Standalone Audit?
The Corporation of the Town of Oakville	Consistent with Prior Period	Yes
Oakville Enterprises Corporation	Consistent with Prior Period	Yes
Oakville Public Library Board	Consistent with Prior Period	Yes
Oakville Municipal Development Corporation	Consistent with Prior Period	Yes
Oakville Galleries	Consistent with Prior Period	Yes
Bronte BIA	Consistent with Prior Period	Yes
Downtown BIA	Consistent with Prior Period	Yes
Kerr Street BIA	Consistent with Prior Period	Yes
Other - Special Reports for Funded Programs/Grants	Completed on an as-needed basis each year	Scope based on terms of relevant agreement



Risk assessment summary

Our planning begins with an assessment of risks of material misstatement in your financial statements.

We draw upon our understanding of the Entity and its environment (e.g. the industry, the wider economic environment in which the business operates, etc.), our understanding of the Entity's components of its system of internal control, including our business process understanding.

We use advanced technologies in performing our risk assessment procedures.

	Risk of fraud	Risk of error	Risk rating
● Management override of controls	✓		Presumed - Significant
● Improper revenue recognition		✓	Presumed - Rebutted
● Taxation revenue and developer contributions		✓	Base
● Tangible capital assets		✓	Base
● Post-employment benefit liabilities		✓	Base
● Investment in OEC		✓	Base
● Deferred revenue and obligatory reserves		✓	Elevated
● Implementation of PS 3280 – Asset Retirement Obligations & 3450 – Financial Instruments		✓	New for Fiscal 2023 - Elevated

Advanced technologies

Our **KPMG Clara Dynamic Risk Assessment** tool gives us a more sophisticated, forward-looking and multi-dimensional approach to assessing audit risk.

[▶ Learn more](#)

Our **KPMG Clara Business Process Mining** provides immediate visualization of how 100% of your transactions are processed to complement your process narratives & flow charts.

[▶ Learn more](#)

KPMG Clara Account Analysis allows us to analyze the flow of transactions through your business to drive a more meaningful risk assessment.

[▶ Learn more](#)

KPMG Clara AI allows us to layer AI into our auditing platform, allowing us to scan 100% of your data and pull all of the risky transactions and anomalies out for further analysis.

[▶ Learn more](#)



Significant risks



Management Override of Controls (non-rebuttable significant risk of material misstatement)

RISK OF



FRAUD

Why is it significant?

**Presumption
of the risk of fraud
resulting from
management
override of
controls**

Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk nevertheless is present in all entities.

Our planned response

As this presumed risk of material misstatement due to fraud is not rebuttable, our audit methodology incorporates the required procedures in professional standards to address this risk. These procedures include:

- testing of journal entries and other adjustments,
- performing a retrospective review of estimates
- evaluating the business rationale of significant unusual transactions.

Advanced technologies

Our KPMG Clara Journal Entry Analysis Tool assists in the performance of detailed journal entry testing based on engagement-specific risk identification and circumstances. Our tool provides auto-generated journal entry population statistics and focusses our audit effort on journal entries that are riskier in nature.



[Click to learn more](#)



New Risk Areas for Fiscal 2023



Implementation of PS 3280 – Asset Retirement Obligations & 3450 – Financial Instruments

RISK OF



ERROR

Risk Description

As required for all entities within the Public Sector, these new accounting standards must be implemented for the Town's fiscal 2023 year-end. ARO in particular is a significant standard change and requires the combined efforts of management and project managers and staff from the capital assets team.

The implementation involves compiling a complete list of all fixed assets owned or leased by the Town, and identifying possible future liabilities related to their retirement. These future costs must then be estimated and reflected at present value, giving rise to an asset retirement obligation on the statement of financial position. The scope of this standard increases on the previous Contaminated Sites Liabilities guidance, which was focused only on contamination and not the wider range of end-of-life costs applicable to the asset portfolio.

Estimate?

Yes

New or changed?

New

Relevant inherent risk factors affecting our risk assessment

As these are new standards, there is risk of error on its implementation in the initial year. Based on the method of adoption chosen by the Town, there may be additional risk with respect to required financial statement presentation and disclosure. We have initially selected the inherent risk to be elevated as opposed to base for these reasons.

Our audit approach

KPMG will perform substantive testing to ensure the list of fixed assets and financial instruments used for the estimates are complete. We will inquire with management and determine if the process and methodology are appropriate based on the objectives and requirements of the new standard. We will perform benchmarking and analysis of key inputs and audit the mathematical integrity of the calculation. We will review the financial statement presentation and disclosure of the adjustments required to implement the standards.

Advanced technologies

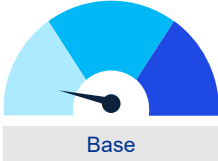
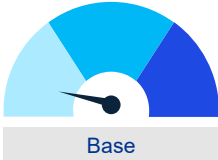
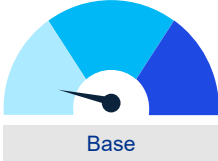
Our KPMG Clara DataSnipper is an automated vouching tool uses advanced Optical Character Recognition to automatically vouch unstructured data like invoices and contracts with a click of a button! This tool will be used throughout the audit allowing our teams to focus more attention on areas of higher risk.



[Click to learn more](#)

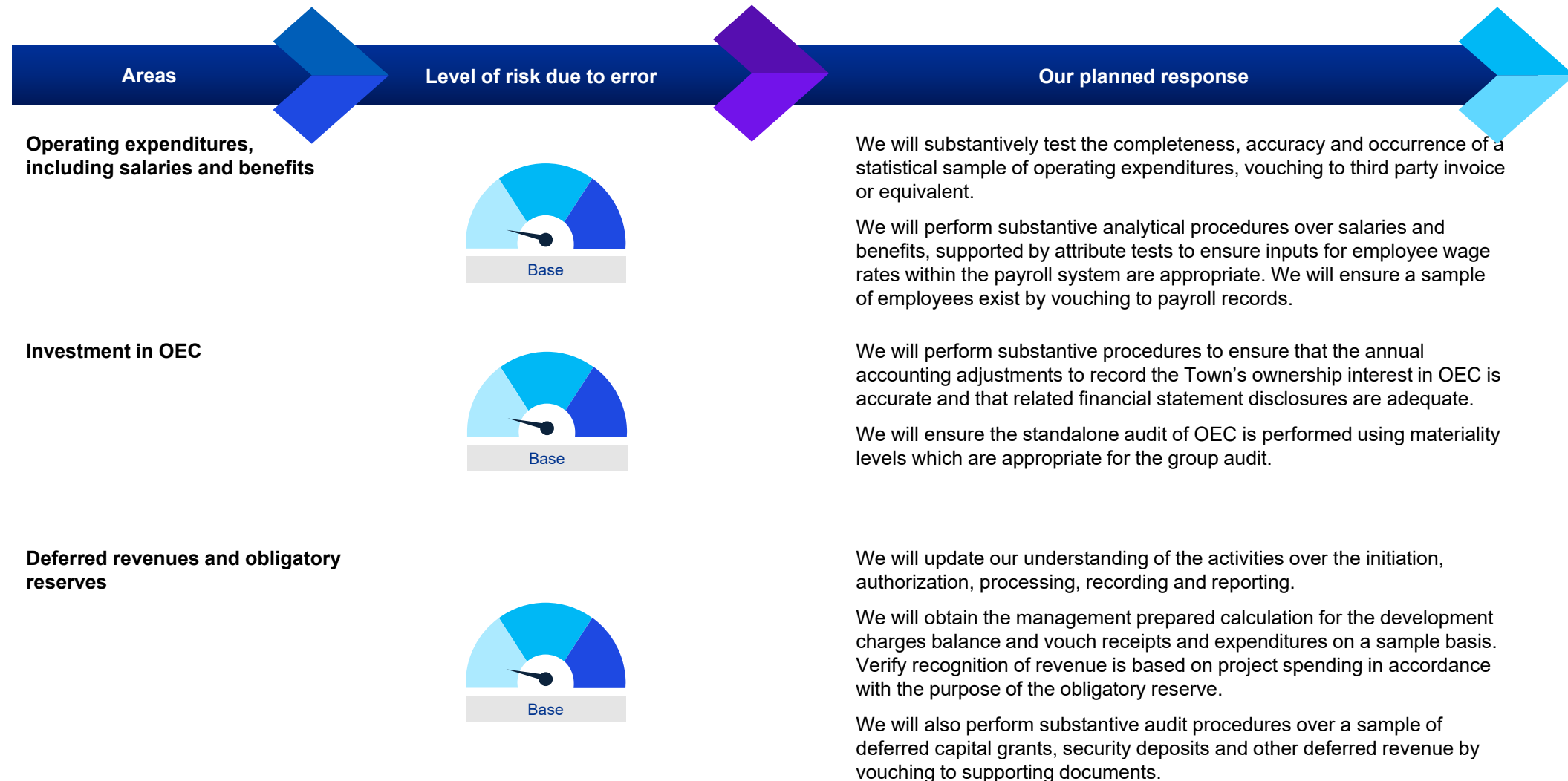


Other risks of material misstatement

Areas	Level of risk due to error	Our planned response
Revenue recognition – developer charges and government grants	 <p>Base</p>	<p>Revenue from developer charges represents a material balance each year and is subject to natural fluctuation based on market factors. There is risk of error based on the timing of cash receipt vs. the performance of development, which occurs over time.</p> <p>Funding from other levels of government also represents a material balance and may be subject to requirements which must be met before revenue can be recognized.</p> <p>We will substantively test both areas of revenue via statistical sampling and agreeing to third party evidence.</p>
Tangible capital assets	 <p>Base</p>	<p>Regardless of the new Asset Retirement Obligation standard, tangible capital assets will always represent an area of audit focus for a municipality or equivalent.</p> <p>We will ensure that material additions meet the requirements for capitalization and that they are accurately presented by testing a sample of additions, and transfers from work-in-progress assets.</p> <p>We will recalculate amortization expenses and ensure assets are being amortized appropriately over time based on the Town's policies.</p>
Employee post-retirement benefit obligation	 <p>Base</p>	<p>This represents an area which requires management's estimation and the use of a third party Actuary to assist with the computation of the annual estimate for accounting purposes.</p> <p>We will review the Actuary's report and challenge key assumptions to ensure they are appropriate for their intended purpose. We will vouch a sample of employee census data attributes to payroll records to ensure the Actuary was provided accurate data. We will review the presentation of the required financial statement disclosures.</p>



Other risks of material misstatement





Key milestones and deliverables

October 2023

Planning & Risk Assessment

- Debrief prior year with management
- Kick-off with management
- Planning and initial risk assessment procedures, including:
 - Involvement of others
 - Identification and assessment of risks of misstatements and planned audit response for certain processes
- Obtain and update an understanding of the Town and its environment
- Inquire of, management and others within the Town about risks of material misstatement

December 2023

Risk assessment & Interim work

- Evaluate the Town's components of internal control, other than the control activities component
- Complete group audit scoping
- Perform process walkthroughs for certain business processes
- Identify process risk points for certain business processes
- Complete interim data extraction and processing activities
- Complete initial risk assessment
- Communicate audit plan
- Identify IT applications and environments
- Evaluate D&I of controls for certain business processes (control activity component)

February 2024

Component audit field work

- Audits of the three Business Improvement Areas and Galleries
- Perform interim substantive audit procedures
- Perform site visits
- Provide update on audit progress

April – June 2024

Town Fieldwork & Reporting

The following will be performed for the audits of the Town, Municipal Development Corporation and Public Library Board throughout the noted time period:

- Complete year-end data extraction and processing activities
- Perform remaining substantive audit procedures
- Evaluate results of audit procedures, including control deficiencies and audit misstatements identified
- Review financial statement disclosures
- Present audit results to Council and perform required communications
- Issue audit report on financial statements
- Closing meeting with management
- Filing date: Issue audit reports on financial statements



Independence – New IESBA requirements

The International Ethics Standards Board for Accountants (IESBA) is an independent standard-setting board that develops, in the public interest, independence and ethics standards for professional accountants worldwide. IESBA has issued revisions to the non-assurance services (NAS) provisions of the IESBA Code of Ethics for Professional Accountants, effective for audits of financial statements for periods beginning on or after December 15, 2022.

Key changes to the IESBA code of ethics



The revisions create new requirements for public interest entities (PIEs), which includes Canadian listed and non-listed reporting issuer audit clients.

Before accepting a NAS, the auditor is required to:

- Inform Those Charged with Governance of the firm's determination that the service is not prohibited and that the service will not create a threat to the firm's independence; and
- Provide information to enable the audit committee to make an informed assessment about the impact of the provision of each service on the firm's independence.

Our Independence Safeguarding Process



KPMG has a robust and comprehensive independence review process which is completed each year prior to the delivery of any services:

- We confirm that we are independent of the Town and that the scope of services, as outlined in our engagement letter, does not infringe on our independence as auditors.
- We note that our services are limited to assurance (audits of the Town and its related parties) and that we have not provided any other services (such as advisory or tax)
- We confirm that there are no relationships between key personnel that would impact our independence

Appendices

A

Required communications

B

Use of technology

C

Audit quality

D

New auditing standards

E

Insights

F

Environmental, social and governance (ESG)

G

Continuous evolution





Appendix: Other required communications



CPAB communication protocol

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: 2021 Annual Inspections Results](#)
- [CPAB Audit Quality Insights Report: 2022 Interim Inspections Results](#)
- [CPAB Audit Quality Insights Report: 2022 Annual Inspections Results](#)



KPMG Clara



Streamlined client experience

And deeper insights into your business, translating to a better audit experience.



Secure

A secure client portal provides centralized, efficient coordination with your audit team.



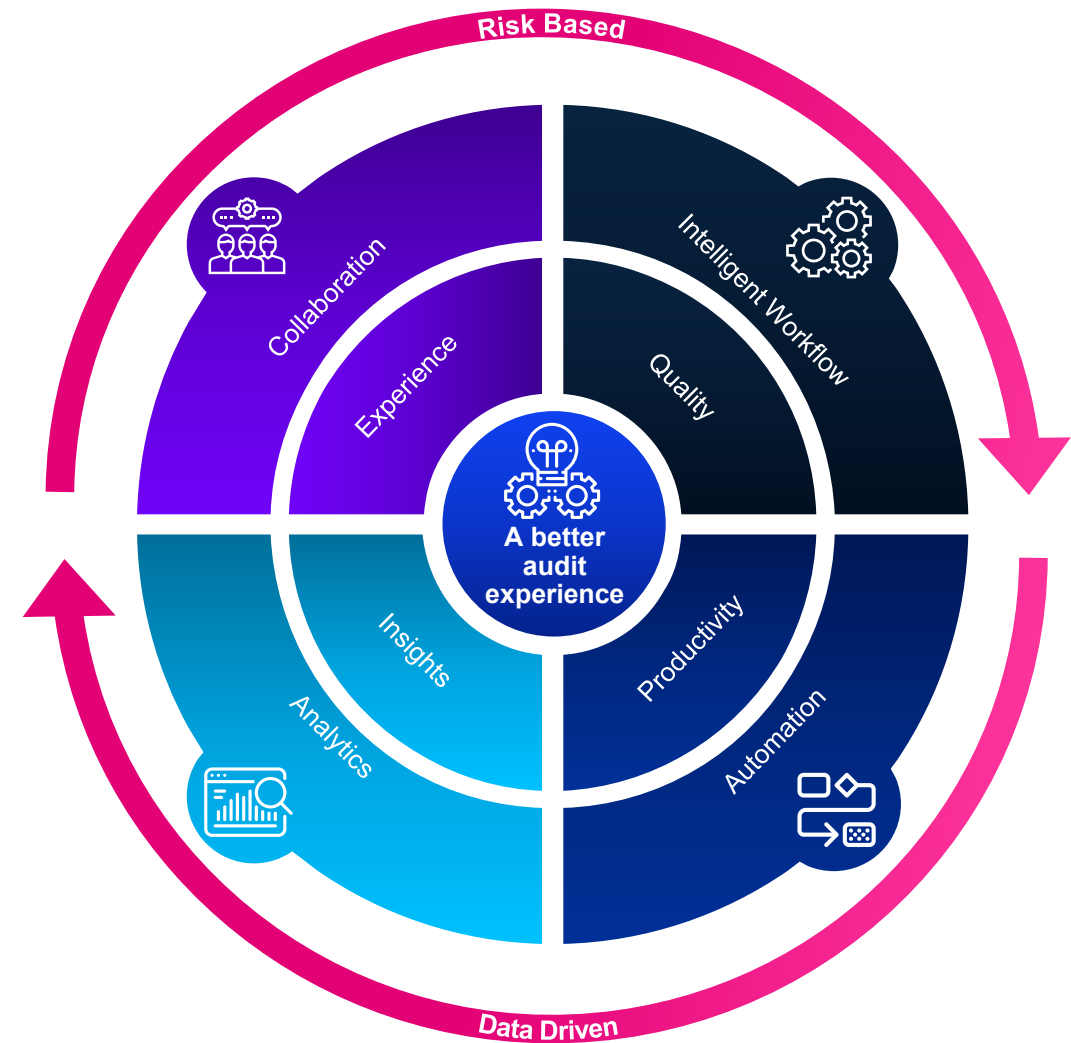
Intelligent workflow

An intelligent workflow guides audit teams through the audit.



Increased precision

Advanced data analytics and automation facilitate a risk-based audit approach, increasing precision and reducing your burden.





Appendix: Audit quality: How do we deliver audit quality?

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

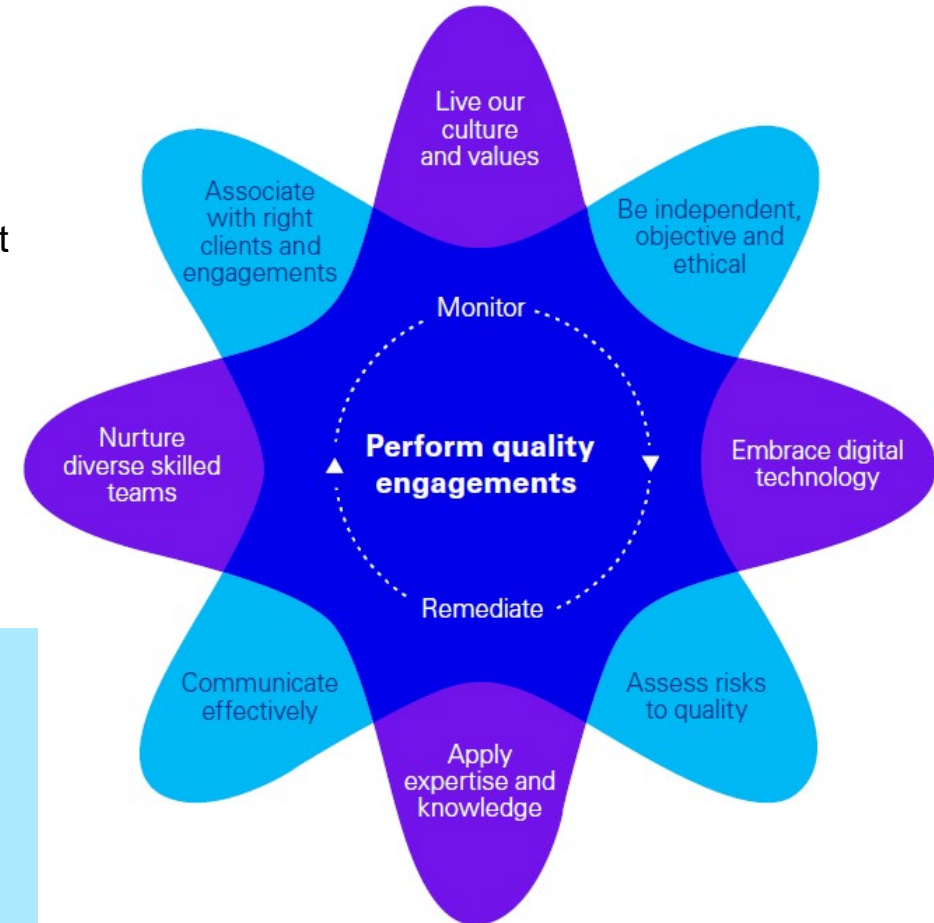
Perform quality engagement sits at the core along with our commitment to continually monitor and remediate to fulfil on our quality drivers.

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.

 [KPMG 2022 Audit Quality and Transparency Report](#)

We define 'audit quality' as being the outcome when:

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





Appendix: Newly effective and upcoming changes to auditing standards

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

Effective for periods beginning on or after December 15, 2022

ISA/CAS 220

.....
(Revised) Quality management for an audit of financial statements

ISQM1/CSQM1

.....
Quality management for firms that perform audits or reviews of financial statements or other assurance or related services engagements

ISQM2/CSQM2

.....
Engagement quality reviews

Effective for periods beginning on or after December 15, 2023

ISA 600/CAS 600

.....
Revised special considerations – Audits of group financial statements



Appendix: Insights to enhance your business

We have the unique opportunity as your auditors to perform a deeper dive to better understand your business processes that are relevant to financial reporting.

Lean in Audit

Lean in Audit™ is KPMG's award-winning methodology that offers a new way of looking at processes and engaging people within your finance function and organization through the audit.

By incorporating Lean process analysis techniques into our audit procedures, we can enhance our understanding of your business processes that are relevant to financial reporting and provide you with new and pragmatic insights to improve your processes and controls.

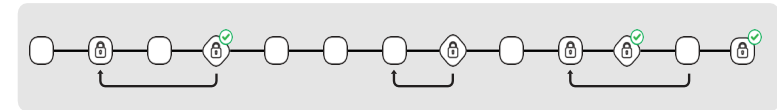
Clients like you have seen immediate benefits such as improved quality, reduced rework, shorter processing times and increased employee engagement.

We look forward to working with you to incorporate this approach in your audit.

How it works

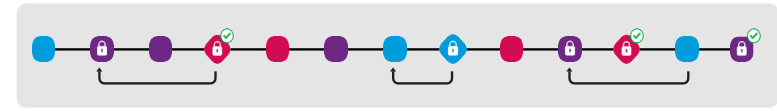
Standard Audit

Typical process and how it's audited



Lean in Audit™

Applying a Lean lens to perform walkthroughs and improve Audit quality while identifying opportunities to minimize risks and redundant steps



How Lean in Audit helps improve businesses processes


Make the process more streamlined and efficient for all




Value: what customers want (**maximize**)

Necessary: required activities (**minimize**)

Redundant: non-essential activities (**remove**)

 Process controls

 Key controls tested



Appendix: Audit and assurance insights

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

KPMG Audit & Assurance Insights

Curated research and insights for audit committees and boards.

Board Leadership Centre

Leading insights to help board members maximize boardroom opportunities

Current Developments

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

Audit Committee Guide – Canadian Edition

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

Accelerate 2023

The key issues driving the audit committee agenda in 2023.

Momentum

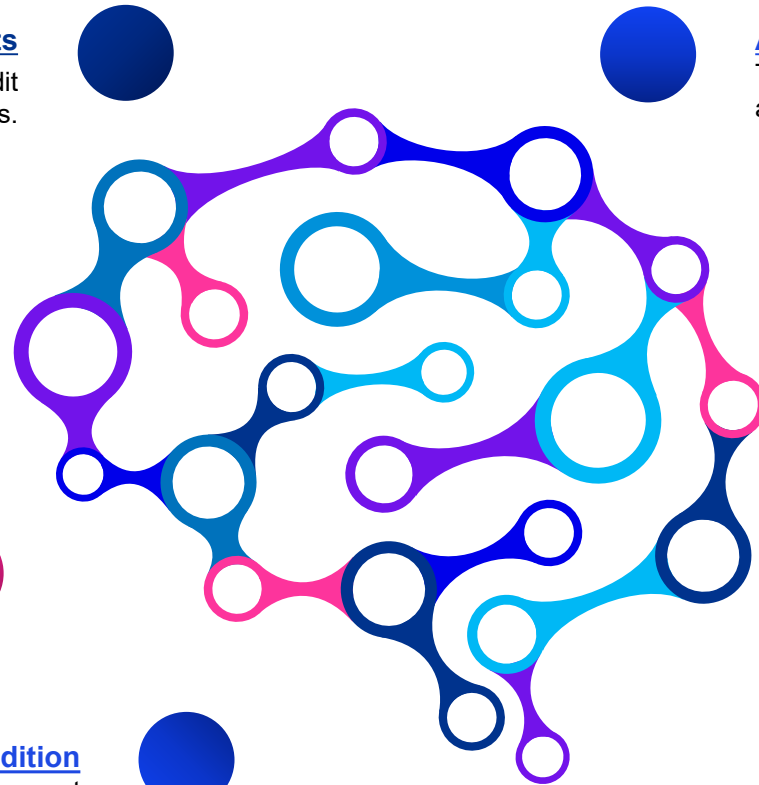
A quarterly newsletter with the latest thought-leadership from KPMG's subject matter leaders across Canada and valuable audit resources for clients.

KPMG Climate Change Financial Reporting Resource Centre

Our climate change resource center provides insights to help you identify the potential financial statement impacts to your business.

IFRS Breaking News

A monthly Canadian newsletter that provides the latest insights on international financial reporting standards and IASB activities.





Appendix: Climate risk in the financial statements

All entities are facing climate-related risks and opportunities – and are making strategic decisions in response. The impacts of climate-related risks in the financial statements are broad, potentially complex and will depend on industry-specific risks.

How might climate-related risks impact the financial statements?

01

Assets

Consider the useful lives and residual values of PP&E and intangible assets, cash flow projections used for impairment testing of non-financial assets, and the potential impacts on inventories.

02

Liabilities

Consider the recognition of environmental and decommissioning obligations, accounting for emissions or 'green' schemes, impact on employee-benefit arrangements, and restructuring provisions.

03

Borrowers

Consider the accounting for different forms of government assistance, potential for embedded derivatives in green bonds, lease of green technology, impacts of leasing polluting assets.

04

Lenders

Consider how climate-related risks impact operating and financing leases, the potential impact on expected credit losses, and whether green loans meet the solely payments of principal and interest (SPPI) criterion.

05

Disclosures

Consider the impact on the going concern assessment and related disclosures and whether the impacts of climate-related matters have been disclosed clearly.

See here for more information





Appendix: Continuous evolution

Our investment: \$5B

We are in the midst of a five-year investment to develop our people, digital capabilities, and advanced technology.

Responsive delivery model

Tailored to you to drive impactful outcomes around the quality and effectiveness of our audits.

Result: A better experience

Enhanced quality, reduced disruption, increased focus on areas of higher risk, and deeper insights into your business.





kpmg.ca

© 2023 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

