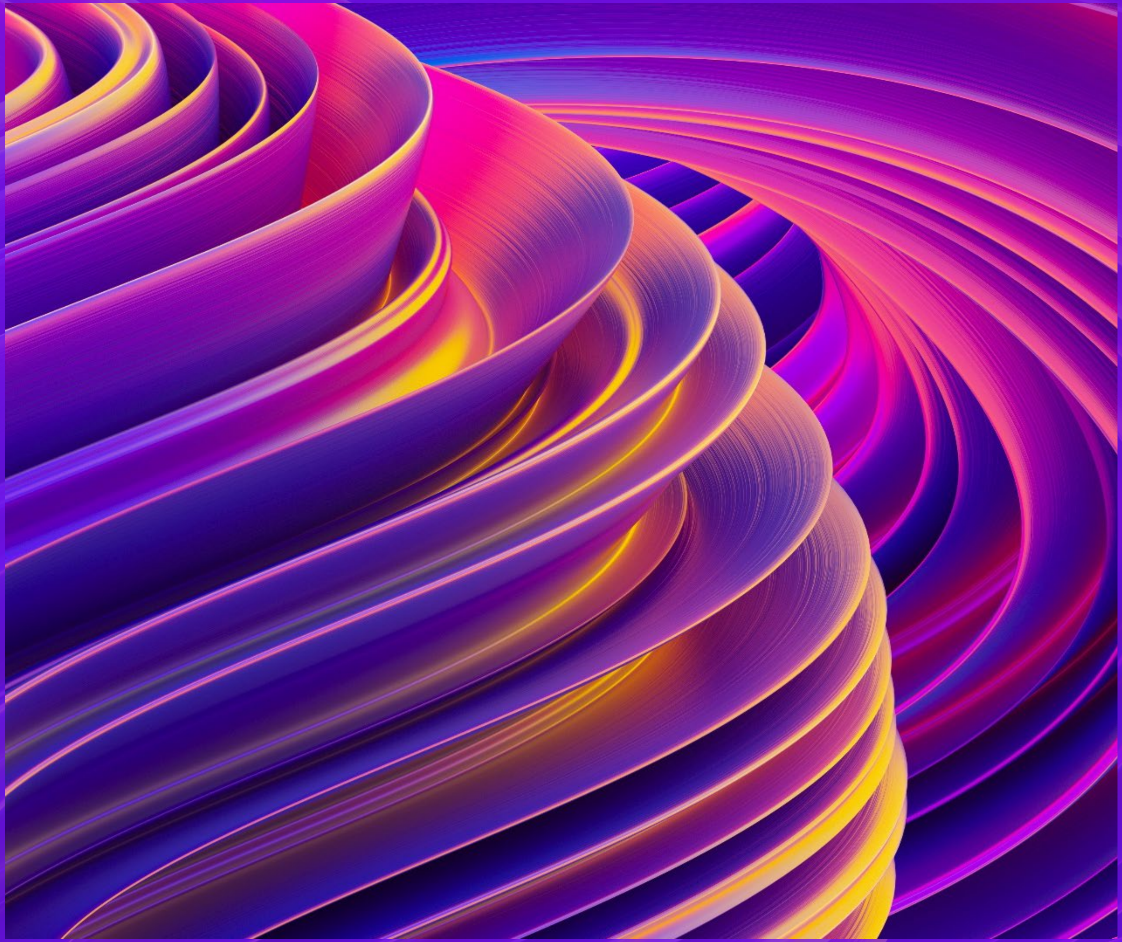
KPMG

The Oakville Public Library Board

Audit Findings Report for the year ended Dec 31, 2023

KPMG LLP



Prepared as of May 2, 2024 for presentation on May 16, 2024

kpmg.ca/audit

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Table of contents

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

Digital use information

This Audit Findings 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.

Audit highlights

No matters to report

Matters to report – see link for details

Status

We have completed the audit of the financial statements (“financial statements”), with the exception of certain remaining outstanding procedures, which are highlighted on the ‘Status’ slide of this report.

Significant changes

Significant changes since our audit plan

- There were no significant changes to our audit plan which was originally communicated to you in the audit planning report

Risks and results

Significant risks

- No matters to report

Uncorrected misstatements

Uncorrected misstatements

- We have not identified any audit misstatements which remain uncorrected within the financial statements.

Corrected misstatements

Corrected misstatements

- No matters to report

Control deficiencies

Significant deficiencies

- We have not identified any significant issues with respect to processes or controls which arise to the level of control deficiencies.

Status

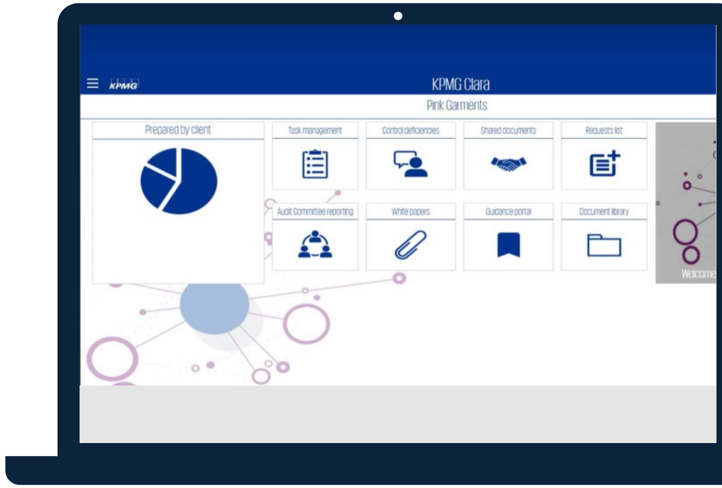
As of April 30, 2024 we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include amongst others:

- Completing our discussions with the Audit Committee
- Obtaining evidence of the Board of Director’s approval of the financial statements

We will update the Audit Committee, and not solely the Chair, on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures.

A draft of our auditor’s report is provided in Appendix: Draft Auditor’s Report, will be dated upon the completion of any remaining procedures.

KPMG Clara for Clients (KCfc)



Real-time collaboration and transparency

We leveraged **KCfc** to facilitate real-time collaboration with management and provide visual insights into the status of the audit!

On our audit we used KCfc to coordinate requests from management.

Learn more

Significant risks and results

We highlight our significant findings in respect of **significant risk.**

Presumption of risk of fraud arising from management override of controls

RISK OF
FRAUD

Significant risk	Estimate?	Key audit matter?
Under Canadian Auditing Standards (CAS) there are presumed fraud risks for 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.	No	No

Our response

- As described in our audit plan, our methodology is designed to respond to this non-rebuttable risk by default. Our audit plan involves elements of unpredictability to ensure management is not able to fully predict the focus of the audit, and involves retrospective review of estimates which involve management's judgement (for example payroll related and other accrued liabilities as at year-end).
- We also performed journal entry testing over the complete population of entries, using high risk criteria developed based on the Library's profile to select specific entries for testing. All entries tested were adequately authorized and executed, and had valid business rationale.
- We have no further matters to report on this topic and have not identified any instances of override of controls.

Significant risks and results

Investments and investment income

Significant findings

- Due to the low complexity of the investment portfolio, we completed substantive procedures by vouching to third party evidence of the year-end balances and annual movements during the period without issue.
- Based on the nature of the investments, we have not identified any potential indicators of impairment at this time.

Tangible capital assets

Significant findings

- We have substantially tested a sample of material additions and disposals to capital assets, vouching to third party support in each instance.
- We have recalculated management's amortization adjustments throughout the year and completed a roll-forward of the tangible capital assets schedule without issue.

Government grants

Significant findings

- We have agreed the operating grant between the Town of Oakville and the Library without issue by confirming the grant amount with Town management.
- We have obtained support for the annual renewals of recurring third party grants and noted no issues with the recognition of revenue related to previously deferred grants. We have no issues to report with respect to new grants which have had portions deferred in accordance with their underlying terms.

Significant risks and results

Post-employment benefit liability

Significant findings

- In the prior year, a full valuation was performed by third party actuarial specialists. The results were extrapolated by the actuary to December 31, 2023 and used to estimate the benefit liability as at year-end.
- We have benchmarked several of the key assumptions disclosed by the actuary in their extrapolated report. These include discount rates, inflation rates, and the expected rates for potential future claims such as dental claims.
- We note that the methodology used by the actuary is consistent with that applied in the past, and with the methodology which would be considered normal and appropriate based on the purpose of the estimate.
- It is noted that the discount rate used by the actuary has decreased from 5.0% to 4.6% year to year, which is reasonable compared to benchmarks and expectations given the current pressures with respect to global interest rate environment.
- Financial statement disclosures have been updated to reflect these new assumptions and results.

Operating expenditures, including payroll and related accruals

Significant findings

- We have tested a sample of operating expenses and utilized substantive analytical procedures to obtain assurance over the relevant assertions with respect to these areas.
- Based on our results, we have not identified any material adjustments which were required with regards to year-end accruals for expenses, including payroll expenses. We did not identify any issues with respect to cut-off.

Corrected and uncorrected misstatements

Corrected and uncorrected misstatements include financial presentation and disclosure misstatements.

Impact of corrected and uncorrected misstatements – Not material to the financial statements

- Based on the results of our audit procedures and the execution of our audit based on our audit plan, we have not identified any material audit adjustments which we have proposed to management for correction.
- The threshold for posting audit misstatements was $17,600 (2022 - $16,150). As we have not identified any potential misstatements which exceed this threshold, there are no matters which we are required to bring to your attention with respect to audit misstatements.

Accounting policies and practices

Adoption of accounting standards

- In fiscal 2023, the Library is required to adopt the new ARO and Financial Instruments standards. Neither of these had a material impact to the financial statements.

Revised

No significant changes have been noted in fiscal 2023

Significant qualitative aspects

Based on our review as part of the audit, the qualitative aspects of the Company's accounting policies and practices appear adequate and appropriate for use. The financial statement disclosures are adequate and meet the requirements prescribed by the relevant reporting framework.

There have been no significant changes to disclosure requirements compared to the previous year other than mention of the adoption of new standards which did not have material impact to the Library.

Specific topics

We have highlighted the following that we would like to bring to your attention:

Matter	Finding
Implementation of PS 3280 Asset Retirement Obligations	KPMG notes that while all Public Sector entities were required to adopt PS 3280, based on its nature the Library did not identify any assets which carry such obligations upon retirement. As a result, there was no impact upon adoption and no change to the financial statements.
Implementation of PS 3450 Financial Instruments	All Public Sector entities were also required to adopt PS 3450, which dictates accounting and presentation of financial instruments including derivatives and portfolio investments. Based on the nature of the Library's financial instruments, the adoption of this standard did not result in material impact to the financial statements. The investments are not directly held by the Library and not quoted in the open market.

Appendices

Appendix: Draft auditor's report

Included in draft financial statement package

Appendix: Other required communications

Engagement terms

A copy of the engagement letter and any subsequent amendments has been provided to the Audit Committee.

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
- CPAB Audit Quality Insights Report: 2023 Interim Inspections Results

Appendix: Management representation letter(s)

To be provided to management following evidence of Committee and Board approval – available upon request.

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

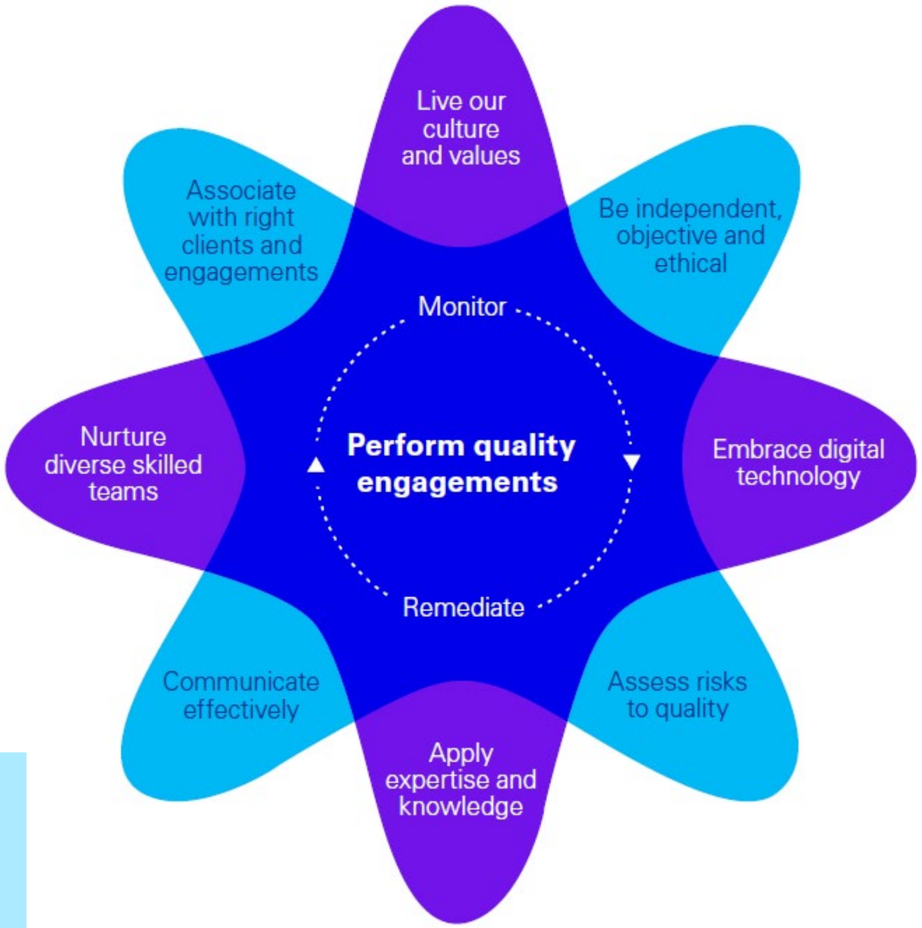
Quality essentially means doing the right thing and remains our highest priority. Our Global Quality Framework outlines how we deliver quality and how every partner and staff member contributes to its delivery.

The drivers outlined in the framework are the ten components of the KPMG System of Quality Management (SoQM). Aligned with ISQM 1/CSQM 1, our SoQM components also meet the requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA) and the relevant rules of professional conduct / code of ethics applicable to the practice of public accounting in Canada, which apply to professional services firms that perform audits of financial statements. Our Transparency Report includes our firm's Statement on the Effectiveness of our SoQM.

KPMG 2023 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.**



Doing the right thing. Always.

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: Audit and assurance insights

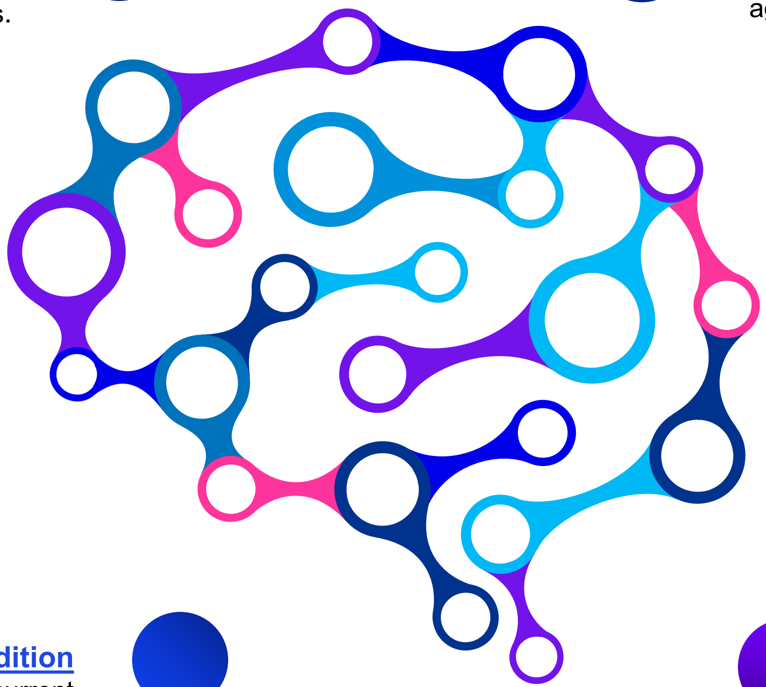
Our latest thinking on the issues that matter most to Audit Committees, board of directors and management.

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: ESG - Global regulatory reporting standards

Recent Activity

ISSB[1] and CSSB

- On March 13, 2024 the Canadian Sustainability Standards Board (CSSB) released proposals on its first two Canadian Sustainability Disclosure Standards (CSDS): Exposure Draft CSDS 1 (proposed general requirements standard) and Exposure Draft CSDS 2 (proposed climate standard).
- The proposed standards are aligned with the global baseline disclosure standards IFRS S1 and IFRS S2 with the exception of a Canadian-specific effective date for annual reporting periods beginning on or after January 1, 2025 and incremental transition relief.
- In June 2023, the International Sustainability Standards Board (ISSB) issued its first two IFRS Sustainability Disclosure Standards – IFRS S1 (general requirements standard) and IFRS S2 (climate standard).
- The ISSB standards are effective for annual periods beginning on or after January 1, 2024 – subject to local jurisdiction adoption.

Canadian regulators (CSA)

- In parallel with the CSSB's release of its proposals on March 13, 2024, the Canadian Securities Administrators (CSA) issued a statement noting that they will seek consultation on a revised climate-related disclosure rule following the finalization of CSDS 1 and 2.
- In October 2021, the CSA issued their original proposed rule, proposed National Instrument 51-107 *Disclosure of Climate-related Matters*.
- Bill S-211, Canada's new Act on fighting against forced labor and child labour will take effect on January 1, 2024. Canadian and foreign businesses impacted by the Act will be required to file a report on their efforts to prevent and reduce the risk of forced labour and child labour in their supply chain, by May 31st of each year.

US (SEC[2,3] and California[4])

- The SEC's final climate rule was issued on March 6, 2024.
- The final rule will generally apply to all SEC registrants; *including* foreign private issuers (Form 20-F filers); *excluding* Canadian issuers reporting under the Multijurisdictional Disclosure System (Form 40-F filers) and asset-backed issuers.
- The earliest compliance date is the fiscal year beginning in Calendar year 2025 for large accelerated filers.
- The SEC also issued its final rules on cybersecurity in July 2023 and expects to release proposed disclosure rules on human capital management in spring 2024 and corporate board diversity in fall 2024.
- On October 7, 2023, the California Governor signed two climate disclosure laws that will shape climate disclosure practices beyond the state's borders. The laws will apply to US businesses (including US subsidiaries of non-US companies) that meet specified revenue thresholds and do business in California. The Governor also signed the California voluntary carbon market disclosures bill.

EU[5,6]

- The European Financial Reporting Advisory Group (EFRAG) was mandated to develop European Sustainability Reporting Standards (ESRSs) setting out the detailed disclosure requirements under the Corporate Sustainability Reporting Directive (CSRD).
- On July 31, 2023, the European Commission published the final text of its first set of twelve ESRSs as delegated acts
- The ESRSs will become effective as early as 2024 reporting periods for some companies.
- There are potentially considerable ESG reporting implications for Canadian entities – as most EU-listed companies and large subsidiaries of Canadian companies with significant operations in the EU are in scope. Non-EU parent entities with substantial activity in the EU may also be in scope, with separate standards to be developed for these entities, with an effective date of 2028 reporting periods

1. Refer to our ISSB Resource Centre for resources on implementing the IFRS Sustainability Disclosure Standards
2. Refer to our Defining Issues publication for more information on the SEC's final climate rule
3. Refer to our Defining Issues publication for more information on the SEC's cybersecurity rules
4. Refer to our publication on California's introduction of climate disclosures and assurance requirements
5. Refer to our ESRS Resource Centre for resources on implementing the ESRSs
6. Refer to our publication on the impact of EU ESG reporting on non-EU companies

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

https://kpmg.com/ca/en/home.html