



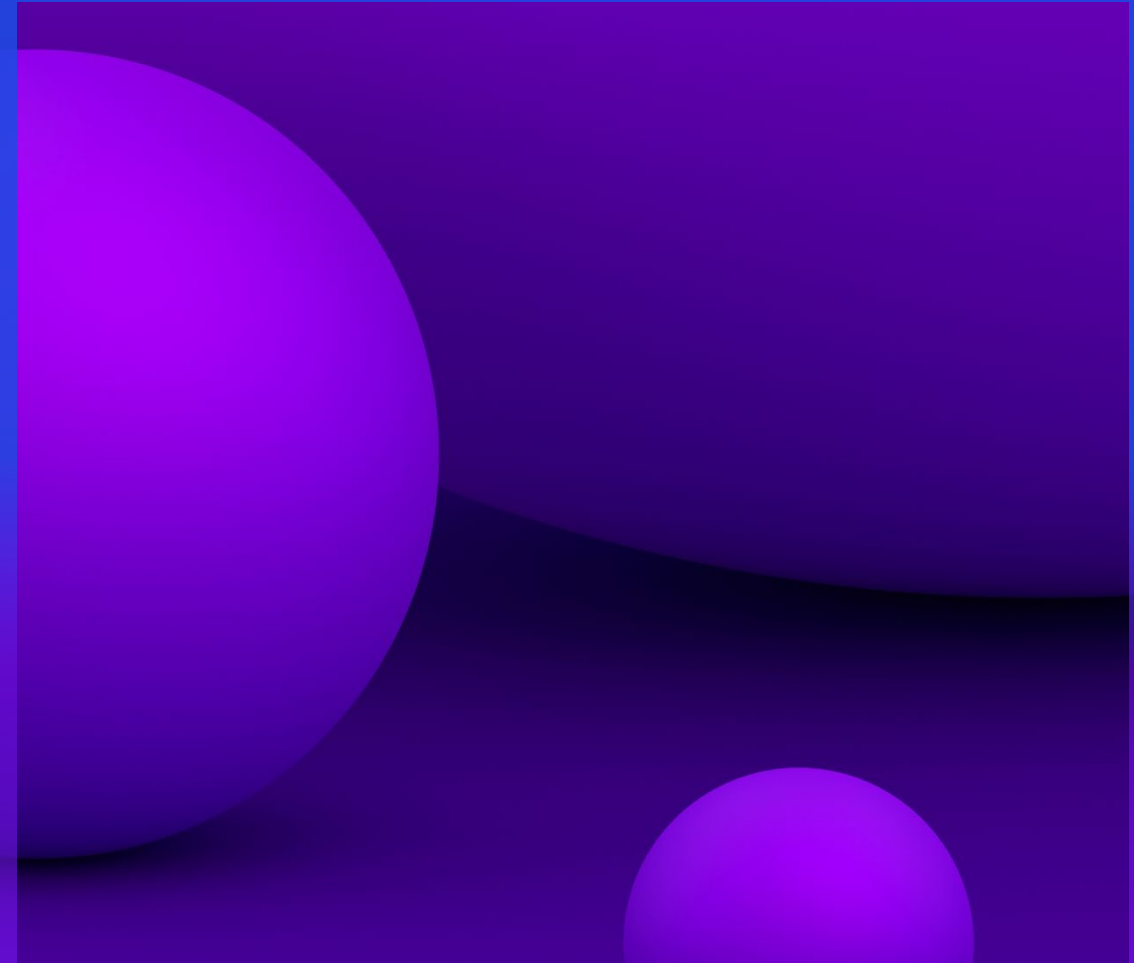
# The Corporation of the Town of Oakville

Audit Planning Report  
for the year ending  
December 31, 2024

*KPMG LLP*

Prepared as of October 7, 2024 for presentation on  
November 18, 2024

[kpmg.ca/audit](https://kpmg.ca/audit)



# KPMG contacts

## Key contacts in connection with this engagement



**Carlos Alvarez**

Audit Engagement Partner

905-523-2238

[carlosalvarez@kpmg.ca](mailto:carlosalvarez@kpmg.ca)



**Matthew Ciardelli**

Audit Senior Manager

905-972-2111

[mciardelli@kpmg.ca](mailto:mciardelli@kpmg.ca)



**Elihen Castro**

Audit Manager

905-687-4269

[elihencastro@kpmg.ca](mailto:elihencastro@kpmg.ca)



**Iqra Rafiq**

In-Charge Senior Accountant

705-669-2513

[iqrarafiq1@kpmg.ca](mailto:iqrarafiq1@kpmg.ca)



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## 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.

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The purpose of this report is to assist you, as a member of 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 year ending December 31, 2024 will be performed in accordance with Canadian generally accepted auditing standards and public sector accounting standards.

[Approval of Services](#)

## Audit strategy

**Materiality \$14.1M**

- We have calculated initial materiality based on 2.75% of 2023’s actual total revenues. See slides 5 and 6 for details.

## Audit strategy - Group audit

**Updates to our audit plan**

- See slide 7 for additional details on upcoming accounting standards.

**Group Audit & involvement of other auditors**

- Refer to slide 8 for the scope of Entities which are subject to audit (we note no changes from prior period).
- All audits within the scope of our engagement are performed by our local office.

## Risk assessment

**Risk of management override of controls**

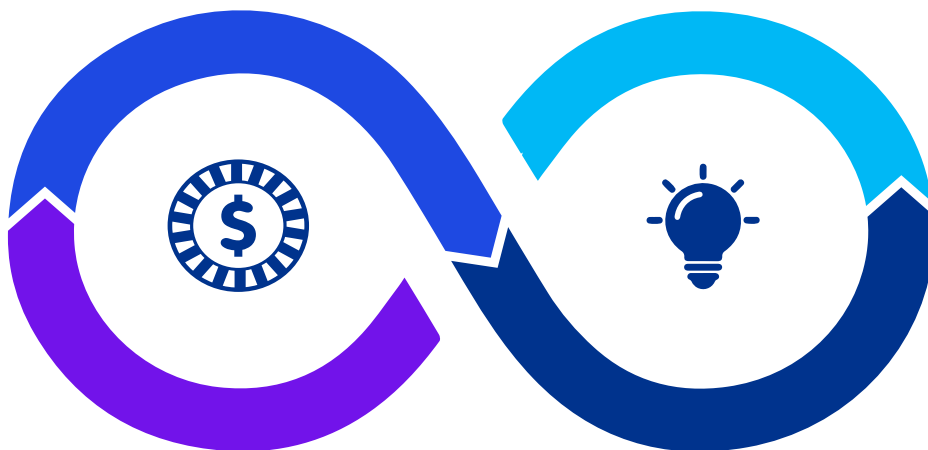
- Presumed fraud risk which must be addressed in each audit performed under Canadian Auditing Standards.

**Other significant risks****Presumed risk of fraudulent revenue recognition****Other risks of material misstatement**

- Revenue – developer charges and government grants
- Tangible Capital Assets and Asset Retirement Obligations
- Operating Expenditures including salaries and benefits
- Post-employment benefit liabilities



# 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.

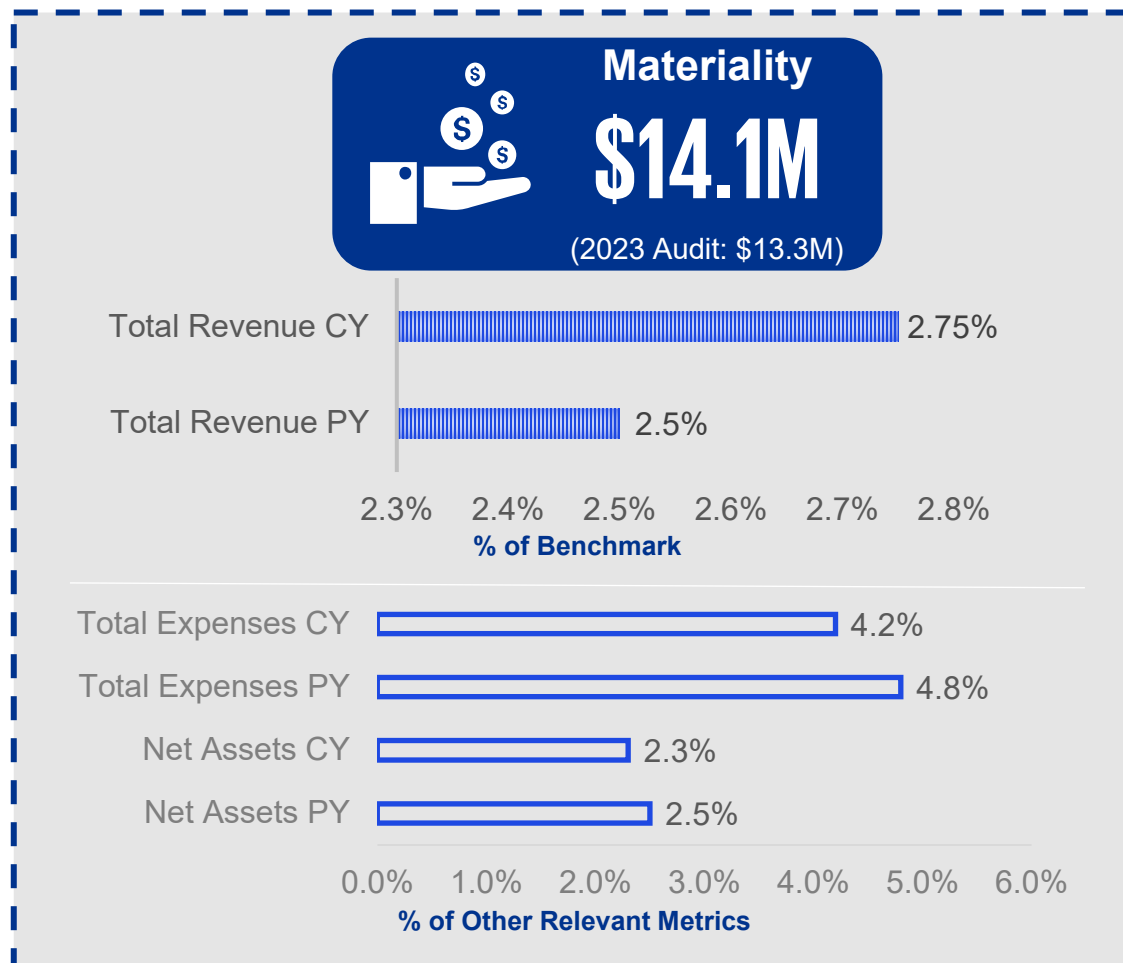
## Evaluate the effect of misstatements

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



Initial materiality has been calculated as 2.75% of Total Revenues. The benchmark and percentage used to calculate materiality are consistent with prior period and are based on 2023 actual results. We will re-assess materiality based on actual 2024 results and report any changes to initial materiality to you, if applicable.

**Chosen Benchmark: 2023 Total Revenue**

**\$515,717,000**

(Prior Year: \$578,908,000)

**Comparative Benchmark:  
2023 Total Expenses**

**\$332,522,000**

(Prior Year: \$313,974,000)

**Comparative Benchmark: 2023 Net Assets**

**\$611,945,000**

(Prior Year: \$553,205,000)

The audit misstatement posting threshold (AMPT) is initially set at \$705,000 (2023 - \$705,000). 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



**Newly effective accounting standards**  
(effective for fiscal periods beginning on or after April 1, 2023)



### PS 3400 – Revenue

Previous standards provided guidance for revenue recognition on primary revenue streams such as taxation revenue and government grants. The new standard provides general recognition guidance to provide consistency for other streams not previously covered by existing public sector standards.

### PSG-8 – Purchased Intangibles

This standard governs recognition of intangible assets which were acquired through an exchange transaction, namely an arm's length exchange between two willing parties (as opposed to inter-entity transfers, which are excluded).

### PS 3160 – Public Private Partnerships

Public private partnerships ("P3s") are an alternative procurement and finance model where public sector entities purchase infrastructure using a private sector partner.

We will discuss the upcoming standards with management and determine the impact to the Town's financial statements and accounting policies, if any. These are not expected to have a significant impact to the Town.



**Newly effective auditing standards**



No matters which are expected to have a significant impact on the audit. See Appendices for details.



# Group audit - Scoping

Breakdown by audit participants



Entity Name	Change in scope?	Full-Scope Standalone Audit
The Corporation of the Town of Oakville	Consistent with Prior Period	Yes
The Corporation of the Town of Oakville Trust Funds	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
Halton Digital Access Municipal Services 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	Provided 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, user fees, developer contributions, and government transfers		✓	Base
● Tangible capital assets		✓	Base
● Post-employment benefit liabilities		✓	Base
● Operating expenditures, including salaries and benefits		✓	Base
● Deferred revenue and obligatory reserves		✓	Elevated
● Investment in Oakville Enterprises Corporation		✓	Base

● ELEVATED RISK ● PRESUMED RISK OF MATERIAL MISSTATEMENT ● OTHER RISK OF MATERIAL MISSTATEMENT

## 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 which require management's judgment to compute,
- evaluating the business rationale of significant unusual transactions, and
- Incorporating an element of unpredictability into our audit plan

## Advanced technologies

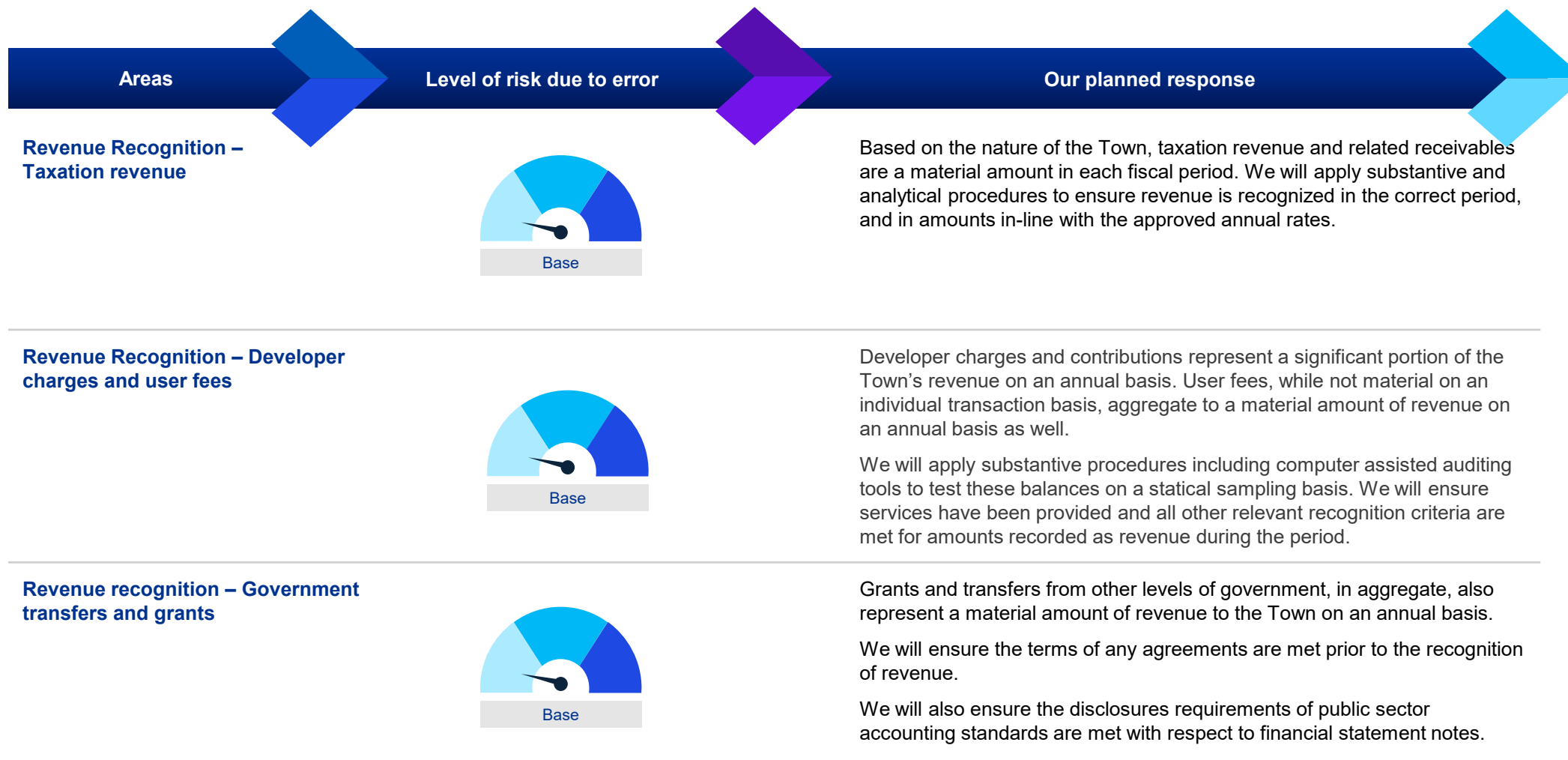
Our KPMG Clara Journal Entry Analysis Tool assists in the performance of detailed journal entry testing based on engagement-specific risk identification and circumstances. Our tool provides auto-generated journal entry population statistics and focusses our audit effort on journal entries that are riskier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



[Click to learn more](#)

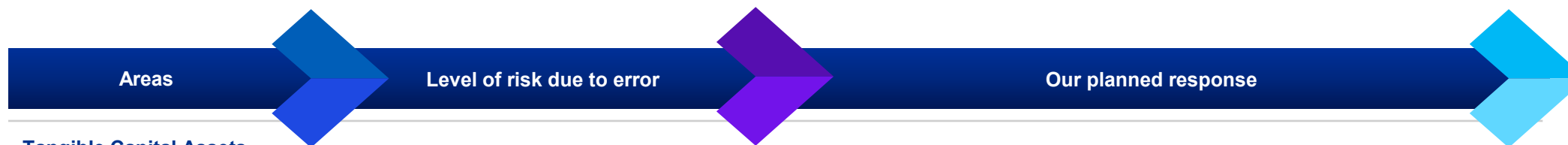


# Other risks of material misstatement

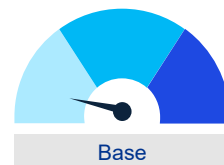




# Other risks of material misstatement



## Tangible Capital Assets, including asset retirement obligations



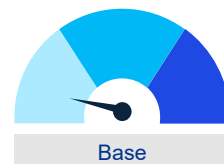
Tangible capital assets are always a material balance based on the nature of the entity.

We will ensure the schedule of assets correctly rolls from the prior year's ending position, and that any additions meet the criteria for capitalization and disposals are appropriately recorded.

We will recalculate annual amortization and ensure it is applied accurately in line with the entity's accounting policies.

We will also review the annual entries required to update the Asset Retirement Obligation, which are required on an annual basis following the adoption of this standard in fiscal 2023.

## Employee Post-Retirement Benefit Obligation (estimate)



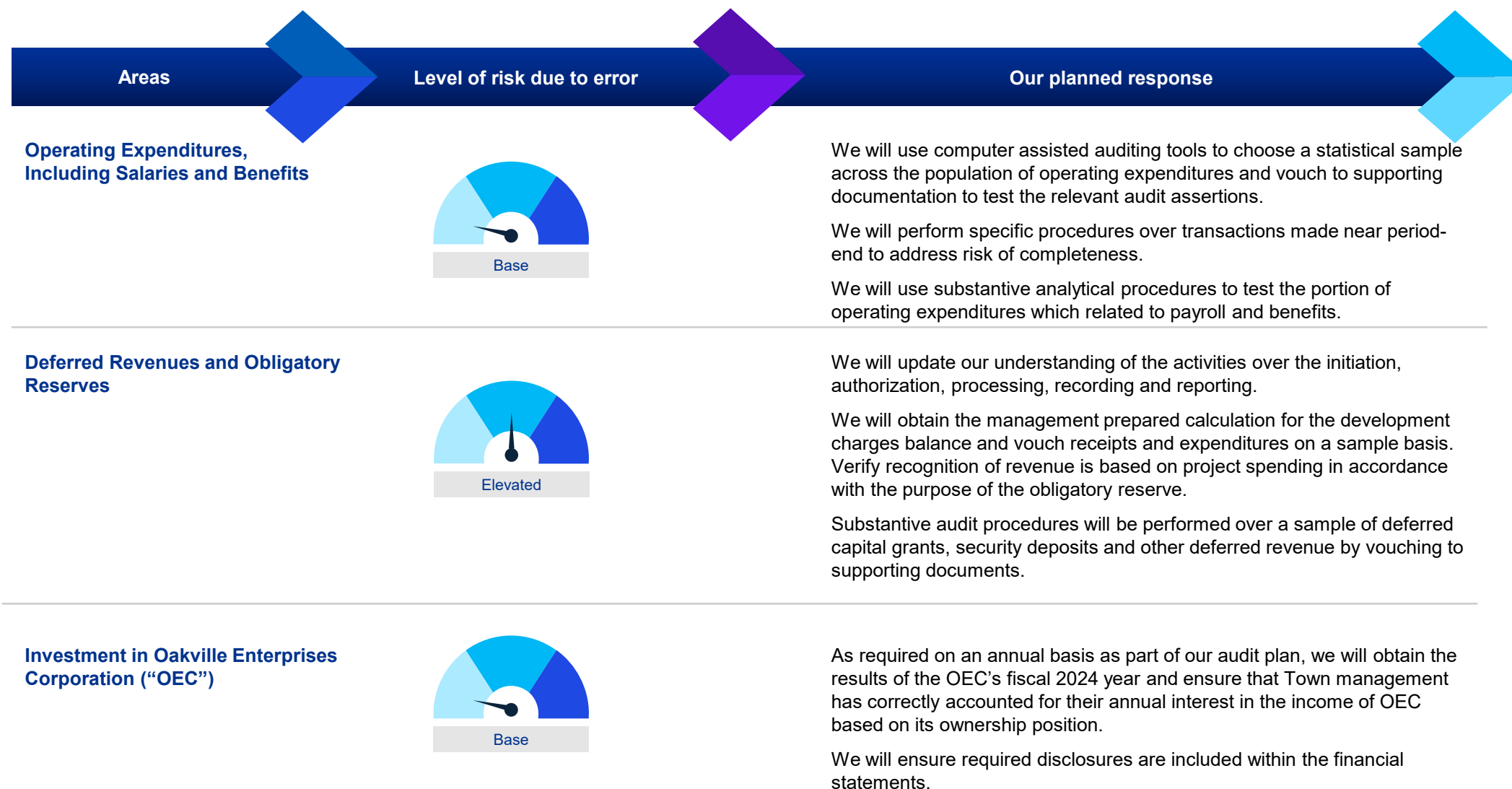
Post-employment benefit liabilities represent the present value of obligations to be settled at a future date. As such, this represents an area of estimation and management involves a third party Actuary to assist with computing the amount recorded on the financial statements.

We will review the actuary's reports and methodology and ensure they are in line with public sector accounting standards, vouch key data inputs to HR records, and benchmark key assumptions against the industry comparatives.

We will rely on the unmodified actuary report when performing our procedures.



# Other risks of material misstatement





# Required inquiries of Council



## Inquiries regarding risk assessment, including fraud risks

- What are the Council's views about fraud risks, including management override of controls, in the Town? And have you taken any actions to respond to any identified fraud risks?
- Is the Council aware of, or has Council identified, any instances of actual, suspected, or alleged fraud, including misconduct or unethical behavior related to financial reporting or misappropriation of assets?
  - If so, have the instances been appropriately addressed and how have they been addressed?
- How does Council exercise oversight of the Town's fraud risks and the establishment of controls to address fraud risks?



## Inquiries regarding processes

- Is Council aware of tips or complaints regarding the Town's financial reporting (including those received through the Town's whistleblower program, if such programs exist)? If so, Council's responses to such tips and complaints?



## Inquires regarding related parties and significant unusual transactions

- Is Council aware of any instances where the Town entered into any significant unusual transactions?
- What is Council's understanding of the Town's relationships and transactions with related parties that are significant to the Town?
- Is Council concerned about those relationships or transactions with related parties? If so, the substance of those concerns?



# Key milestones and deliverables

## October 2024

### 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
- Computation of initial materiality

## Nov/Dec 2024

### Risk assessment & Interim work

- Presentation of Audit Plan
- 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)

## Feb/Mar 2025

### Component audit field work

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

## April – June 2025

### Town Fieldwork & Reporting

The following will be performed for the audits of the Town, Trust 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



# How do we deliver audit quality?

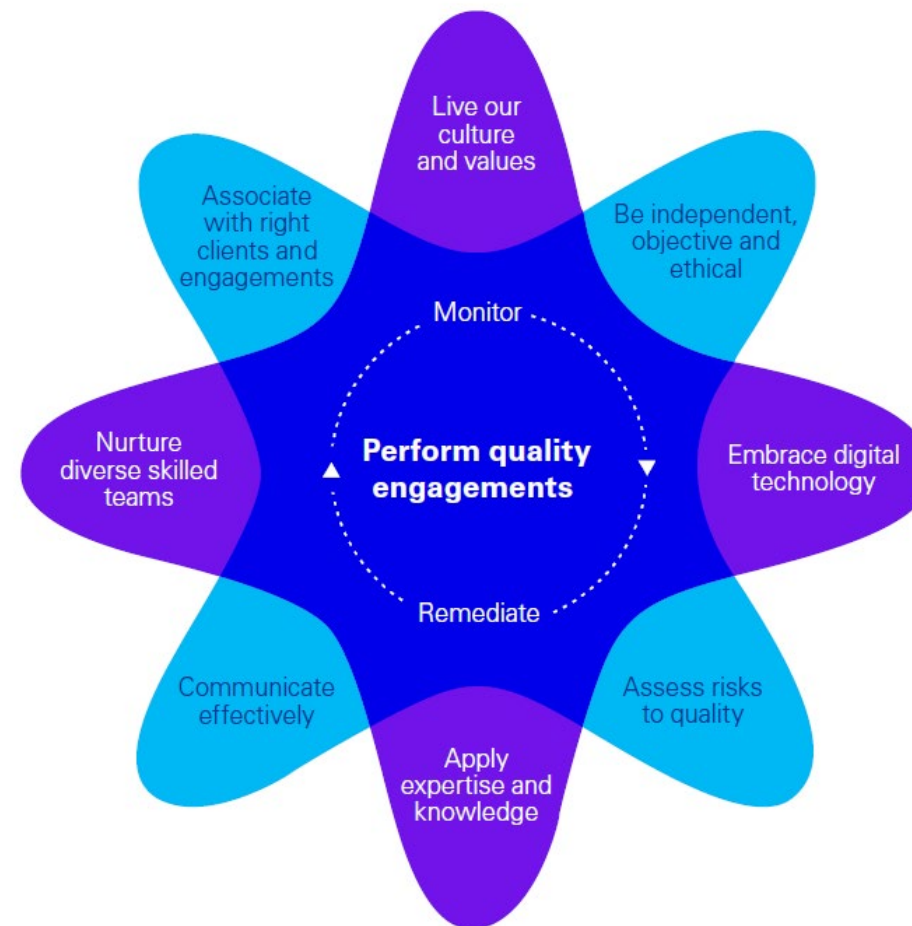
**Quality essentially means doing the right thing and remains our highest priority. Our Global Quality Framework outlines how we deliver quality and how every partner and staff member contributes to its delivery.**

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 Canada 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**.

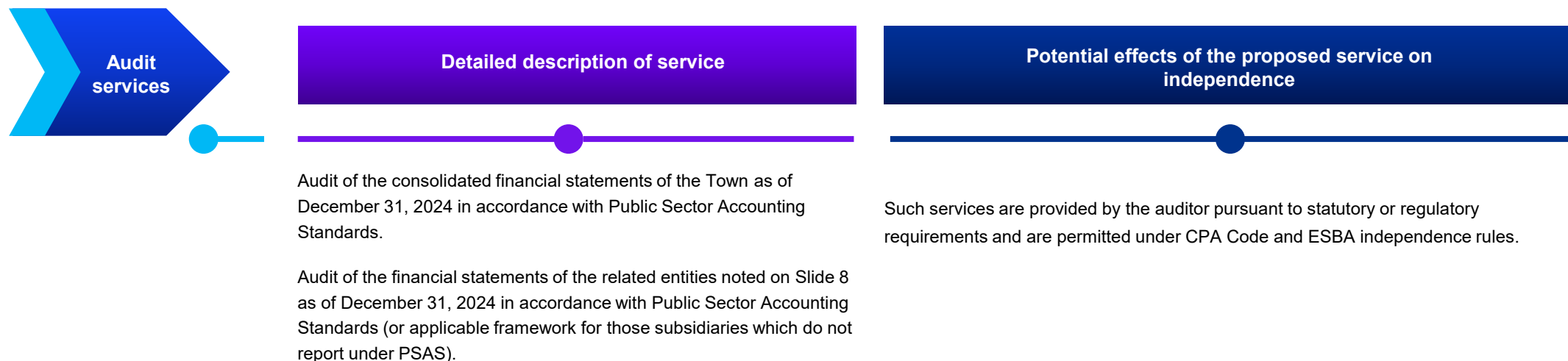


**Doing the right thing. Always.**





# Independence: Pre-approval of services



# Appendices

**A**

Regulatory  
communications

**B**

New auditing  
standards

**C**

Insights

**D**

Technology





# Appendix A: Regulatory 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: 2022 Interim Inspections Results](#)
- [CPAB Audit Quality Insights Report: 2022 Annual Inspections Results](#)
- [CPAB Audit Quality Insights Report: 2023 Interim Inspections Results](#)
- [CPAB Regulatory Oversight Report: 2023 Annual Inspections Results](#)



# Appendix B: 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, 2023

## ISA 600/CAS 600

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

Effective for periods beginning on or after December 15, 2024

## ISA 260/CAS 260

.....  
Communications with those charged with governance

## ISA 700/CAS 700

.....  
Forming an opinion and reporting on the financial statements



# Appendix C: Audit and assurance insights

Our latest thinking on the issues that matter most to Audit Committees, Councils and management. Of particular note are Lean process reviews, fraud prevention and cyber penetration testing, which are services currently sought after to help strengthen organizations.

## 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 Assurance & Related Services, Canadian Securities 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 2024

The key issues driving the audit committee agenda in 2024.

## Sustainability Reporting

Resource centre on implementing the new Canadian reporting standards

## IFRS Breaking News

A monthly Canadian newsletter that provides the latest insights on accounting, financial reporting and sustainability reporting.

## Government and Public Sector

We have a wealth of thought leadership to help public sector organizations grow and advance.





# Appendix C: Insights to enhance your organization

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.

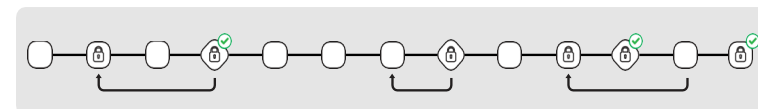
Clients like you have seen immediate benefits such as improved quality, reduced rework, shorter processing times and increased employee engagement.

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

## How it works

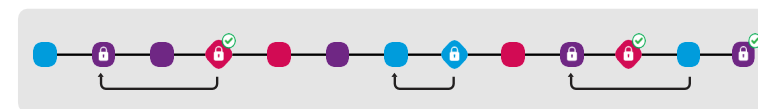
### Standard Audit

Typical process and how it's audited



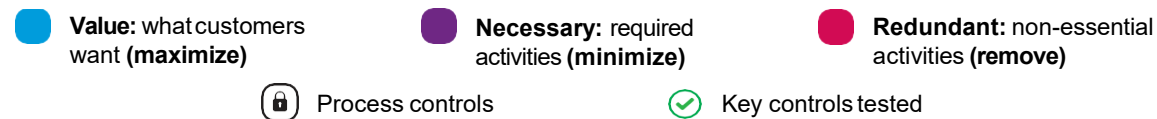
### Lean in Audit

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





# Appendix D: Our technology story



## 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.



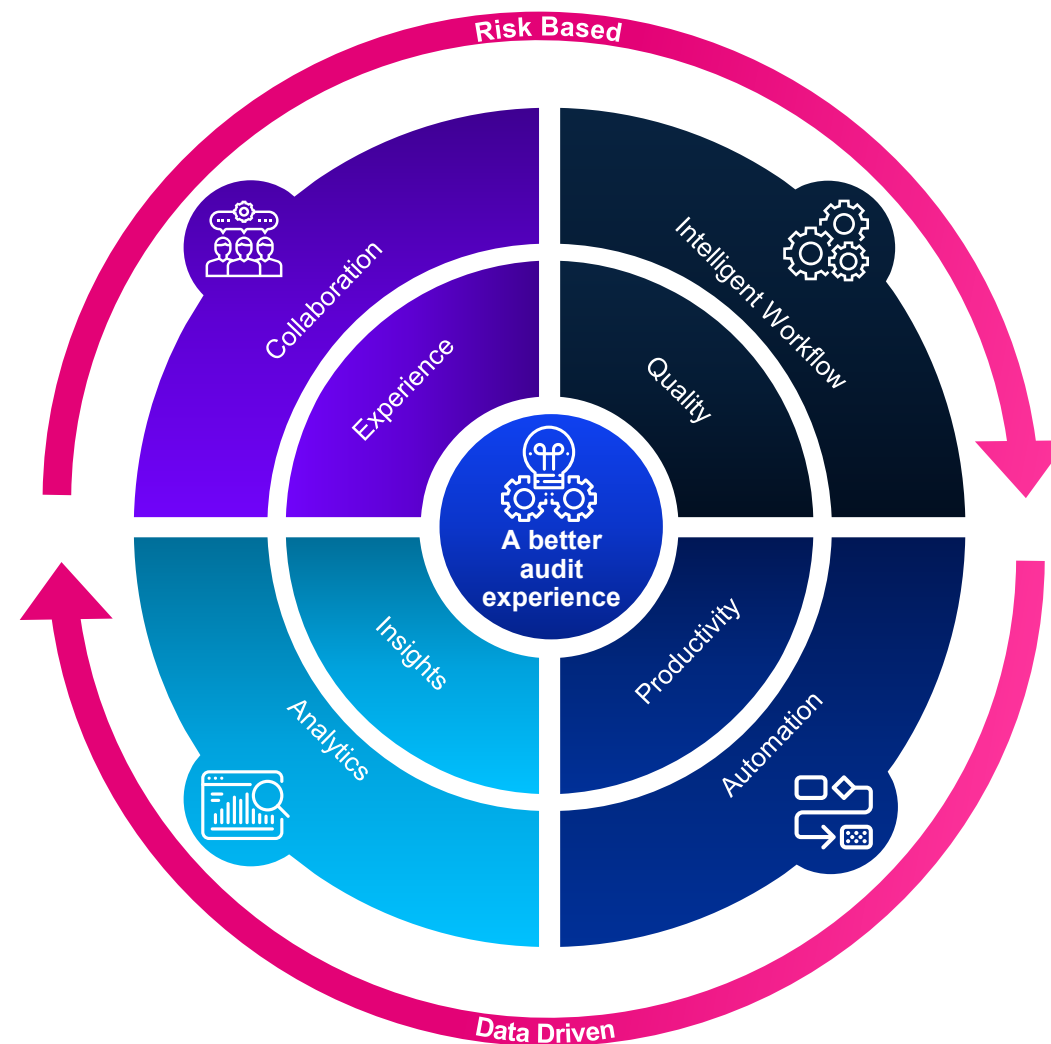
## Intelligent workflow

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 D: 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.







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