

The Corporation of the Town of Tecumseh

Audit Findings Report
for the year ended
December 31, 2021

KPMG LLP

December 13, 2022

kpmg.ca/audit



Table of contents

Audit Quality: How do we deliver audit quality?	2
Audit highlights	3
Materiality	4
Audit risks and results	5
Uncorrected and corrected audit misstatements	7
Control deficiencies	8
Financial statement presentation and disclosure	9
Significant accounting policies and practices	10
Appendices	11
Appendix 1: Other required communications	12
Appendix 2: Management representation letter	13
Appendix 3: Current developments	18
Appendix 4: Upcoming changes to auditing standards	22
Appendix 5: Audit and assurance insights	23
Appendix 6: Environmental, Social and Governance	24

Audit Quality: 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**.



Visit our [Resources](#) page for more information.

Doing the right thing. Always.

Audit highlights

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 as at and for the period ended December 31, 2021.

Status of the audit

As of December 13, 2022, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include amongst others:

- Completing our discussions with Council
- Obtaining evidence of Council's approval of the financial statements
- Receipt of legal letter responses

We will update Council on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures

Our auditors' report, a draft of which is provided alongside the draft financial statements, will be dated upon the completion of any remaining procedures.

Going concern

No matters to report.

Materiality

Materiality has been established by considering various metrics that are relevant to the users of the financial statements. Materiality has been determined based on total expenses from 2020. We have determined materiality to be \$710,000.

See page 4.

Significant risks and other significant matters

Refer to page 5 for our response and significant findings for the following significant risks and other significant matters:

- Fraud risk from revenue recognition and management override of controls
- Carrying value of tangible capital assets
- Valuation of employee future benefit obligations

Uncorrected audit misstatements

No matters to report.

Control deficiencies

We did not identify any control deficiencies that we determined to be significant deficiencies in internal control over financial reporting. A significant deficiency in internal control is a deficiency, or combination of deficiencies, in internal control that, in the auditor's professional judgment, is of sufficient importance to merit the attention of those charged with governance.

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.

¹ This report to Council 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 has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Materiality

Materiality is established to identify risks of material misstatements, to develop an appropriate audit response to such risks, and to evaluate the level at which we think misstatements will reasonably influence users of the financial statements. It considers both quantitative and qualitative factors.

To respond to aggregation risk, we design our procedures to detect misstatements at a lower level of materiality (e.g., performance materiality or, in the case of a group audit, component materiality).

Materiality determination	Comments	Amount
Materiality	Determined to plan and perform the audit and to evaluate the effects of identified misstatements on the audit and of any uncorrected misstatements on the consolidated financial statements. The corresponding amount for the prior year's audit was \$730,000.	\$710,000
Benchmark	Based on the prior year's total expenses. This benchmark is consistent with the prior year.	\$35,562,538
% of Benchmark	The corresponding percentage for the prior year's audit was 2%.	2%
Audit Misstatement Posting Threshold (AMPT)	Threshold used to accumulate misstatements identified during the audit. The corresponding amount for the previous year's audit was \$36,000.	\$34,000

Audit risks and results

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

Significant financial reporting risk	New or changed?	Estimate?
Risk of material misstatement due to fraud resulting from fraudulent revenue recognition	No	No
Risk of material misstatement due to fraud resulting from management override of controls	No	No

Our response

- We rebutted the risk of material misstatement due to fraud resulting from revenue recognition during the planning phase of our audit, as the Town's performance is not measured based on revenue or earnings.
- As the risk of material misstatement due to fraud resulting from management override of controls is not rebuttable, our audit methodology incorporated the required procedures in professional standards to address this risk. These procedures included testing of journal entries and other adjustments, performing a retrospective review of estimates and evaluating the business rationale of significant unusual transactions, as well as other procedures as considered appropriate by us.
- KPMG reviewed a sample of expense reports for the Mayor, Council and Senior Management. We reviewed the policies of the Town and ensured that the expense reports adhered to the policies and were appropriately authorized and supported.

Significant findings

- No issues noted.
- No exceptions were noted in our testing.
- All expenses were appropriately authorized, supported and in compliance with the Town's policies.

Audit risks and results (continued)

Area of focus	New or changed?	Estimate?	Carrying amount (\$'000s)
Carrying value of tangible capital assets and other non-financial assets	No	Yes	\$236,052
Valuation of employee future benefit obligations	No	Yes	\$11,991

Our response and findings

- Amortization is charged on a straight-line basis over the useful life of the assets.
 - The estimated useful lives of the tangible capital assets that the Town uses are consistent with industry standards.
 - KPMG performed substantive tests of details over additions to tangible capital assets as well as substantive analytical procedures over the current year amortization.
 - There have been no indications of valuation or impairment issues in relation to the total value of tangible capital assets and other non-financial assets recorded.
-
- Obligations related to employee future benefits are valued based on actuarial assumptions.
 - We have reviewed the assumptions provided by Management and found them to be reasonable.
 - We determined that the assumptions determined by the actuary are reasonable in nature.
 - Employee future benefits were adequately disclosed within the financial statements.

Uncorrected and corrected audit misstatements

Audit misstatements include presentation and disclosure misstatements, including omissions.

Uncorrected audit misstatements

We did not identify misstatements that remain uncorrected.

Corrected audit misstatements

We did not identify misstatements that were subsequently corrected by management.

Control deficiencies

Consideration of internal control over financial reporting

A significant deficiency in internal control over financial reporting is a deficiency, or combination of deficiencies, in internal control that, in the auditor's professional judgment, is of sufficient importance to merit the attention of those charged with governance.

In planning and performing our audit, we considered ICFR relevant to the Entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on ICFR.

Our understanding of internal control over financial reporting was for the limited purpose described above and was not designed to identify all control deficiencies that might be significant deficiencies. The matters being reported are limited to those deficiencies that we have identified during the audit that we have concluded are of sufficient importance to merit being reported to those charged with governance.

Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing, and extent of audit procedures performed, as well as other factors. Had we performed more extensive procedures on internal control over financial reporting, we might have identified more significant deficiencies to be reported or concluded that some of the reported significant deficiencies need not, in fact, have been reported.

Significant deficiencies in internal control over financial reporting

No issues were noted throughout our audit.

Financial statement presentation and disclosure

Misstatements, including omissions, if any, related to presentation and disclosure items are in the management representation letter.

We also highlight the following:

Financial statement presentation - form, arrangement, and content	Nothing to report.
Concerns regarding application of new accounting pronouncements	Nothing to report.
Significant qualitative aspects of financial statement presentation and disclosure	Nothing to report.

Significant accounting policies and practices



Initial selections

Nothing to report.



Changes

Nothing to report.



Future Implementation

See Appendix 3 for detailed discussion over upcoming standards, including:

- **Asset Retirement Obligations** (PS 3280 *Asset Retirement Obligations*)
 - **Revenues** (PS 3400 *Revenue*)
 - **Financial instruments and foreign currency translation** (PS3450 *Financial Instruments*, PS2601 *Foreign Currency Translation*, PS1201 *Financial Statement Presentation* and PS3041 *Portfolio Investments*)
 - **Employee Future Benefits** (PS3250 *Retirement Benefits* and PS3255 *Post-Employment Benefits, Compensated Absences and Termination Benefits*)
-

Appendices

Content

Appendix 1: Other required communications

Appendix 2: Management representation letter(s)

Appendix 3: Current developments

Appendix 4: Upcoming changes to auditing standards

Appendix 5: Audit and assurance insights

Appendix 6: Environmental, Social and Governance



Appendix 1: Other required communications

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: 2021 Interim Inspections Results](#)
- [CPAB Audit Quality Insights Report: 2020 Annual Inspections Results](#)

Appendix 2: Management representation letter

KPMG LLP
618 Greenwood Centre
3200 Deziel Drive
Windsor, Ontario N8W 5K8
Canada

December 13, 2022

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the financial statements (hereinafter referred to as "financial statements") of The Corporation of the Town of Tecumseh ("the Entity") as at and for the period ended December 31, 2021.

GENERAL:

We confirm that the representations we make in this letter are in accordance with the definitions as set out in **Attachment I** to this letter.

We also confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

RESPONSIBILITIES:

- 1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated April 29, 2019, including for:
 - a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework.
 - b) providing you with all information of which we are aware that is relevant to the preparation of the financial statements ("relevant information"), such as financial records, documentation and other matters, including:
 - the names of all related parties and information regarding all relationships and transactions with related parties;
 - the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of shareholders, board of directors and committees of the board of directors that may affect the financial statements. All significant actions are included in summaries.
 - c) providing you with unrestricted access to such relevant information.
 - d) providing you with complete responses to all enquiries made by you during the engagement.
 - e) providing you with additional information that you may request from us for the purpose of the engagement.
 - f) providing you with unrestricted access to persons within the Entity from whom you determined it necessary to obtain audit evidence.

- g) such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We also acknowledge and understand that we are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.
- h) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.
- i) ensuring that internal auditors providing direct assistance to you, if any, were instructed to follow your instructions and that we, and others within the entity, did not intervene in the work the internal auditors performed for you.

INTERNAL CONTROL OVER FINANCIAL REPORTING:

- 2) We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over financial reporting of which we are aware.

FRAUD & NON-COMPLIANCE WITH LAWS AND REGULATIONS:

- 3) We have disclosed to you:
 - a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
 - b) all information in relation to fraud or suspected fraud that we are aware of that involves:
 - management;
 - employees who have significant roles in internal control over financial reporting; or
 - otherswhere such fraud or suspected fraud could have a material effect on the financial statements.
 - c) all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements, communicated by employees, former employees, analysts, regulators, or others.
 - d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements, whose effects should be considered when preparing financial statements.
 - e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

SUBSEQUENT EVENTS:

- 4) All events subsequent to the date of the financial statements and for which the relevant financial reporting framework requires adjustment or disclosure in the financial statements have been adjusted or disclosed.

RELATED PARTIES:

- 5) We have disclosed to you the identity of the Entity's related parties.
- 6) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.
- 7) All related party relationships and transactions/balances have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

ESTIMATES:

- 8) The methods, the data and the significant assumptions used in making accounting estimates, and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

GOING CONCERN:

- 9) We have provided you with all information relevant to the use of the going concern assumption in the financial statements.

NON-SEC REGISTRANTS OR NON-REPORTING ISSUERS:

- 10) We confirm that the Entity is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission ("SEC") Issuer (as defined by the Sarbanes-Oxley Act of 2002).
- 11) We also confirm that the financial statements of the Entity will not be included in the group financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

Yours very truly,

By: Mr. Tom Kitsos, Director Financial Services & Chief Financial Officer

By: Ms. Margaret Misek-Evans, Chief Administrative Officer

Attachment I – Definitions

MATERIALITY

Certain representations in this letter are described as being limited to matters that are material.

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgments about materiality are made in light of surrounding circumstances, and are affected by perception of the needs of, or the characteristics of, the users of the financial statements and, the size or nature of a misstatement, or a combination of both while also considering the entity's own circumstances.

FRAUD & ERROR

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization.

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

DRAFT

Appendix 3: Current developments

Public Sector Accounting Standards

Standard	Summary and implications
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 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.– 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. — 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. — PSAB released an exposure draft on proposed section PS3251, <i>Employee Benefits</i> in July 2021. Comments to PSAB on the proposed section are due by November 25, 2021. Proposed Section PS 3251 would apply to fiscal years beginning on or after April 1, 2026 and should be applied retroactively. Earlier adoption is permitted. The proposed PS3251 would replace existing Section PS 3250 and Section PS 3255. This proposed section would result in organizations recognizing the impact of revaluations of the net defined benefit liability (asset) immediately on the statement of financial position. Organizations would also assess the funding status of their post-employment benefit plans to determine the appropriate rate for discounting post-employment benefit obligations.

Standard	Summary and implications
Public Private Partnerships ("P3")	<ul style="list-style-type: none"> — PSAB has introduced Section PS3160, which includes new requirements for the recognition, measurement and classification of infrastructure procured through a public private partnership. The standard has an effective date of April 1, 2023, and may be applied retroactively or prospectively. — The standard notes 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 public sector entity recognizes 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.
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 released four exposure drafts in early 2021 for the proposed conceptual framework and proposed revised reporting model, and their related consequential amendments. The Board is in the process of considering stakeholder comments received. — 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
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 with early adoption permitted. Application may be retroactive or prospective.
Government Not-for-Profit Strategy	<ul style="list-style-type: none"> — PSAB is in the process of reviewing its strategy for government not-for-profit (“GNFP”) organizations. PSAB intends to understand GNFPs’ fiscal and regulatory environment, and stakeholders’ financial reporting needs. — PSAB released a second consultation paper in January 2021 which summarizes the feedback received to the first consultation paper. It also describes options for the GNFP strategy and the decision-making criteria used to evaluate the options. PSAB recommends incorporating the PS4200 series with potential customizations into PSAS. This means reviewing the existing PS4200 series to determine if they should be retained and added to PSAS. Incorporating the updated or amended PS4200 series standards in PSAS would make the guidance available to any public sector entity. Accounting and/or reporting customizations may be permitted if PSAB determines there are substantive and distinct accountabilities that warrant modification from PSAS. — PSAB is in the process of considering stakeholder comments.
2022 – 2027 Strategic Plan	<ul style="list-style-type: none"> — PSAB’s Draft 2022 – 2027 Strategic Plan was issued for public comment in May 2021. Comments were requested for October 6, 2021. — The Strategic Plan sets out broad strategic objectives that help guide PSAB in achieving its public interest mandate over a multi-year period, and determining standard-setting priorities — The Strategic Plan emphasizes four key priorities: — Develop relevant and high-quality accounting standards - Continue to develop relevant and high-quality accounting standards in line with PSAB’s due process, including implementation of the international strategy (focused on adapting International Public Sector Accounting Standards for new standards) and completion of the Conceptual Framework and Reporting Model project. — Enhance and strengthen relationships with stakeholders - Includes increased engagement with Indigenous Governments and exploring the use of customized reporting. — Enhance and strengthen relationships with other standard setters – In addition to continued collaboration with other standard setters, this emphasizes strengthened relationship with the IPSASB. — Support forward-looking accounting and reporting initiatives – Supporting and encouraging ESG reporting, and consideration of the development of ESG reporting guidance for the Canadian public sector.

Appendix 4: Upcoming changes to auditing standards

The following changes to auditing standards applicable to our 2022 audit are listed below.

Standard	Key observations
Revised CAS 315, <i>Identifying and Assessing the Risks of Material Misstatement</i>	<p>Revised CAS 315, <i>Identifying and Assessing the Risks of Material Misstatement</i> has been released and is effective for audits of financial statements for periods beginning on or after December 15, 2021.</p> <p>The standard has been significantly revised, reorganized and enhanced to require a more robust risk identification and assessment in order to promote better responses to the identified risks. Key changes include:</p> <ul style="list-style-type: none">— Enhanced requirements relating to exercising professional skepticism— Distinguishing the nature of, and clarifying the extent of, work needed for indirect and direct controls— Clarification of which controls need to be identified for the purpose of evaluating the design and implementation of controls— Introduction of scalability— Incorporation of considerations for using automated tools and techniques— New and revised concepts and definitions related to identification and assessment of risk— Strengthened documentation requirements <p>CPA Canada plans to publish a Client Briefing document in early 2022 to help you better understand the changes you can expect on your 2022 audit.</p>

Appendix 5: Audit and assurance insights

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

Featured insight	Summary
<u>KPMG Audit & Assurance Insights</u>	Curated research and insights for audit committees and boards
<u>COVID-19 Financial Reporting Resource Centre</u>	Resource centre on the financial reporting impacts of coronavirus
<u>Board Leadership - Audit committee insights</u>	The KPMG in Canada Board Leadership Centre (BLC) engages with directors, board members and business leaders to discuss timely and relevant boardroom challenges and deliver practical thought leadership on risk and strategy, talent and technology, globalization and regulatory issues, financial reporting, and more.
<u>Current Developments</u>	Series of quarterly publications for Canadian businesses including Spotlight on IFRS, Canadian Securities & Auditing Matters and US Outlook.
<u>The ESG journey: Lessons from the boardroom and C-suite (kpmg.us)</u>	To build on our work in ESG, strategy and the long view, the Board Leadership Center interviewed directors and officers of major corporations, including Morgan Stanley, Tyson Foods, Ford Motor, Microsoft, Mars, and Whirlpool, among others.
<u>ESG, strategy, and the long view (kpmg.us)</u>	To help boards understand and shape the total impact of the company's strategy and operations externally—on the environment, the company's consumers and employees, the communities in which it operates, and other stakeholders—and internally, on the company's performance, this paper presents a five-part framework.
<u>Inclusion and diversity practices</u>	Getting started on the inclusion and diversity journey. Unique inclusion and diversity considerations for boards.

Appendix 6: Environmental, Social and Governance

Environmental, Social and Governance (ESG) has revolutionized how organizations in all sectors and markets are delivering their services. ESG refers to a framework to integrate environmental, social, governance risks and opportunities into an entity's strategy to build long-term sustainability and value creation. KPMG's 2021 CEO Outlook highlighted that 30% of CEO's are planning to invest more than 10% of their revenues towards becoming more sustainable. Stakeholder expectations have changed significantly — ESG is no longer a nice-to-have, or an initiative that can be pursued independent of an entity's other objectives. In the not-for-profit sector, access to funding and competitiveness for donations may soon be distinguished by entities who have embraced ESG, and those who have lagged.

To be successful, ESG needs to become an integral component of an entity's strategy, and all facets of its operations. Entities need to transform how performance is measured. ESG is also shaping financial reporting requirements. In addition to substantial investments to support sustainability and climate change, the Government of Canada's Budget 2021 announced a commitment to engage with the provinces and territories on adoption of climate disclosures consistent with the Task Force on Climate-related Financial Disclosures (TCFD). Canada's Crown corporations are presently working to adopt the TCFD standards. Leading not-for-profit organizations are also looking at adopting the TCFD requirements on a voluntary basis.

KPMG shares your passion for ESG. Recently, KPMG launched a transformative ESG global strategy to embed ESG in every one of the services we provide, the learning and development of our professionals, and commits the firm to achieve net-zero carbon emissions by 2030. Globally, KPMG is investing over \$1.5 billion over the next three years to accelerate global solutions for environmental, social and governance issues. Our sustainability and impact service offerings cover the full range of requirements, from strategy setting, to impact measurement, decarbonization, reporting and assurance. The time is now to begin a discussion on your entity's ESG journey.

Contact us to discuss how KPMG can advise you on your ESG journey!



Bailey Church, CPA, CA
Partner, Accounting Advisory Services
613-212-3698 | bchurch@kpmg.ca



kpmg.ca/audit

© 2021 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.

KPMG member firms around the world have 227,000 professionals, in 146 countries.

