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# Executive summary



## Purpose of this report\*

The purpose of this Audit Findings Report is to assist you, as a member of Municipal Council, in your review of the results of our audit of the consolidated financial statements as at year ended December 31, 2018.



## Finalizing the Audit

As of June 10, 2019, we have completed the audit of the consolidated financial statements, with the exception of certain remaining procedures, which include amongst others:

- Receipt of the signed management representation letter
- Completing our discussions with Council
- Obtaining evidence of the Council's approval of the financial statements

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

\*This Audit Findings Report should not be used for any other purpose or by anyone other than Council. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this Audit Findings Report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.





# Executive summary



## Audit risks and results

We discussed with management at the start of the audit a number of significant financial reporting risks:

- These risks have been addressed in our audit

See page 3.



## Critical accounting estimates

Overall, we are satisfied with the reasonability of critical accounting estimates.

The critical areas of estimates relate to: tangible capital assets, employee future benefits and the landfill post-closure liability.

See page 4.



## 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.



# Audit risks and results

## Significant financial reporting risks

Fraud risk from revenue recognition

## Why is it significant?

This is a presumed fraud risk. There are generally pressures or incentives on management to commit fraudulent financial reporting through inappropriate revenue recognition when performance is measured in terms of year-over-year revenue growth or profit.

Fraud risk from management override of controls

This is a presumed fraud risk. We have not identified any specific additional risks of management override relating to this audit.

## Our response and significant findings

- We have rebutted this presumed fraud risk as it is not appropriate when considering the manner in which performance is measured by the Town.
- As the risk 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.
- No exceptions were noted in our testing.







# Critical accounting estimates

Under IFRS (IAS 1.125), management is required to disclose information in the <consolidated> financial statements about the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to carrying amounts of assets and liabilities within the next financial year. Generally, these are considered to be “critical accounting estimates.”

We have summarized our assessment of the subjective areas.

Asset / liability	Balance (\$'000s)
Carrying value of tangible capital assets and other non-financial assets	\$226,207
KPMG comment	

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.



# Critical accounting estimates

Asset / liability	Balance (\$'000s)
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Valuation of employee future benefit obligations	\$10,963
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## KPMG comment

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 believe management's process for identifying critical accounting estimates is considered adequate.



# Financial statement presentation and disclosure

The presentation and disclosure of the financial statements are, in all material respects, in accordance with the Town's relevant financial reporting framework. Misstatements, including omissions, if any, related to disclosure or presentation items are in the management representation letter.

We also highlight the following:

## Form, arrangement, and content of the financial statements

The form, arrangement and content of the consolidated financial statements has been reviewed as part of our audit procedures as is considered to be adequate.

## Application of accounting pronouncements issued but not yet effective

No concerns at this time regarding future implementation.



# Adjustments and differences



**Adjustments and differences identified during the audit have been categorized as “Corrected adjustments” or “Uncorrected differences”. These include disclosure adjustments and differences.**

Professional standards require that we request of management that all identified adjustments or differences be corrected. We have already made this request of management.

## Corrected adjustments

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

## Uncorrected differences

We did not identify differences that remain uncorrected.



# Control observations



In accordance with professional standards, we are required to communicate to Council any control deficiencies that we identified during the audit and have determined to be material weaknesses or significant deficiencies in ICFR.

## Significant deficiencies

Description	Potential effect	Component entity
No control deficiencies identified		



# Appendices



**Appendix 1: Required communications**



**Appendix 2: Audit Quality and Risk Management**

# Appendix 1: Required communications



In accordance with professional standards, there are a number of communications that are required during the course of and upon completion of our audit. These include:



## Auditors' report

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



## Management representation letter

The management representation letter is available from management.



[CPAB Audit Quality Insights Report \(October 2018\) \(formerly the "Big Four Firm Public Report"\)](#)  
[CPAB Annual Inspections Results \(March 2019\)](#)



# Appendix 2: Audit Quality and Risk Management



**KPMG maintains a system of quality control designed to reflect our drive and determination to deliver independent, unbiased advice and opinions, and also meet the requirements of Canadian professional standards.**

**Quality control is fundamental to our business and is the responsibility of every partner and employee. The following diagram summarizes the six key elements of our quality control system.**

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

Other controls include:

- Before the firm issues its audit report, the Engagement Quality Control Reviewer reviews the appropriateness of key elements of publicly listed client audits
- Technical department and specialist resources provide real-time support to audit teams in the field

We conduct regular reviews of engagements and partners. Review teams are independent and the work of every audit partner is reviewed at least once every three years.

We have policies and guidance to ensure that work performed by engagement personnel meets applicable professional standards, regulatory requirements and the firm's standards of quality.

- All KPMG partners and staff are required to act with integrity and objectivity and comply with applicable laws, regulations and professional standards at all times.



We do not offer services that would impair our independence.

The processes we employ to help retain and develop people include:

- Assignment based on skills and experience
- Rotation of partners
- Performance evaluation
- Development and training
- Appropriate supervision and coaching

We have policies and procedures for deciding whether to accept or continue a client relationship or to perform a specific engagement for that client.

Existing audit relationships are reviewed annually and evaluated to identify instances where we should discontinue our professional association with the client.





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



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