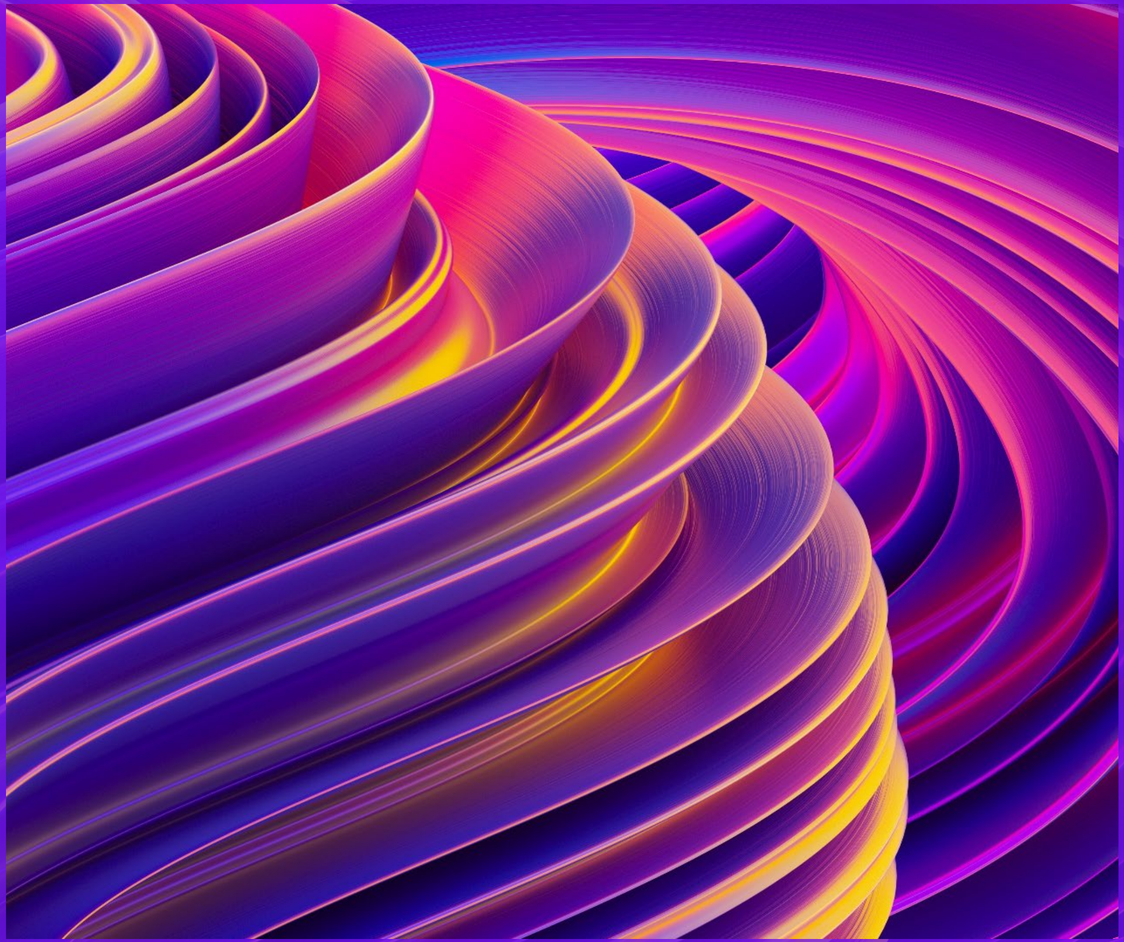
KPMG

THE CORPORATION OF THE TOWNSHIP WOOLWICH



Audit Findings Report for the year ended December 31, 2023

KPMG LLP

Licenced Public Accountants

Prepared as of November 11, 2024 for presentation to Council on November 18, 2024

kpmg.ca/audit

KPMG contacts

Key contacts in connection with this engagement

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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 for The Corporation of the Township of Woolwich (the Municipality) with the exception of certain remaining outstanding procedures, which are highlighted on the 'Status' slide of this report. Page 6

Risks and results

Materiality $1,000,000

- Risk of management override of controls
- Presumed risk of fraudulent revenue recognition
- Other risks of material misstatement
- Going concern matters

Policies and practices & Specific topics

- Significant unusual transactions
- Accounting policies and practices
- Other financial reporting matters

Uncorrected misstatements

Uncorrected misstatements

Total Revenue	(in $'000s)
As currently presented	$37,707
Uncorrected misstatements	$(144)
As a % of the balance	(0.4)%

Total Assets	(in $'000s)
As currently presented	$302,788
Uncorrected misstatements	$(144)
As a % of the balance	(0.0)%

Corrected misstatements

Corrected misstatements

No misstatements identified that were subsequently corrected

Control deficiencies

Significant deficiencies

Technology highlights

We plan to utilize technology to enhance the quality and effectiveness of the audit.

Summary of advanced technologies

KPMG Clara for Client (Kcfc)

Allows the client team to see the real-time status of the engagement and who from our KPMG team is leading on a deliverable. The tool is used to control the status of audit requirements and as a collaboration site to share files and data.

KPMG Clara Workflow (KCw)

A modern, intuitively written, highly applicable audit methodology that allows us to deliver globally consistent engagements. The tool allows us to identify and respond to relevant risks, document our audit procedures, conclusions, and reporting.

Datasnipper

Datasnipper is an audit tool that uses optical character recognition and robotic process automation to automate vouching procedures within the audit engagement. It automatically matches specified excel data to the corresponding documents, leaving an audit trail behind for review.

Monetary Unit Sampling (MUS)

Sampling tool embedded in our KCw application used by the engagement team to calculate the most efficient sample sizes based on the specific risk considerations of an account and assertion, select and extract items from a population, and evaluate our results after audit procedures have been performed over selected items.

Status

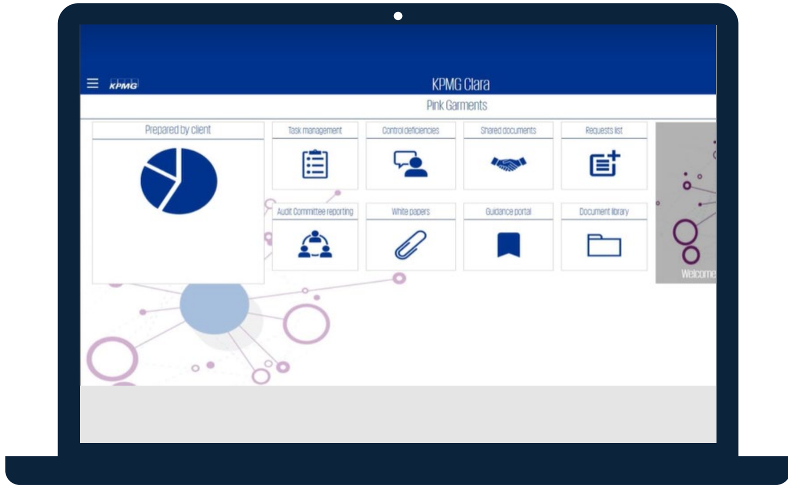
KPMG Clara for Clients (KCfc)

As of November 11, 2024 of preparation of Audit Findings Report, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include amongst others:

- Completing certain procedures, including follow up inquiries and documentation requests;
- Completing our discussions with Council relating to subsequent events;
- Obtaining evidence of Council's approval of the financial statements; and
- Receipt of the signed management representation letter

We will update Council 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 the draft financial statements.



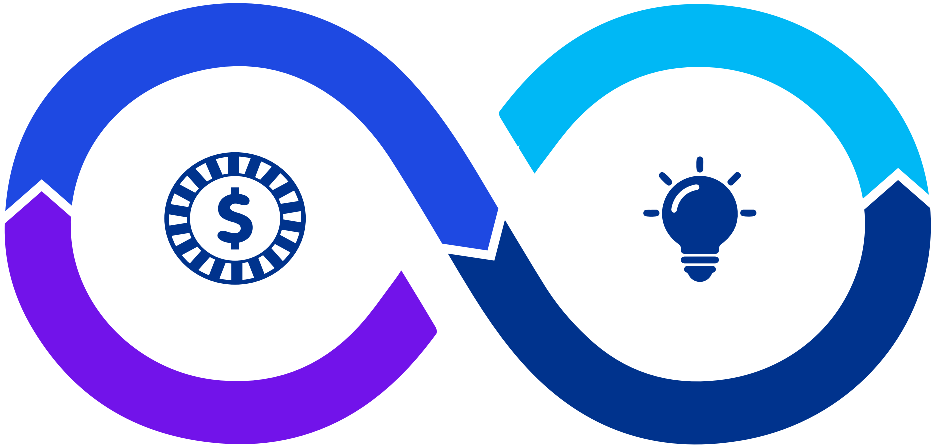
Real-time collaboration and transparency

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

Materiality



We ***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.

Plan and perform the audit

We ***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:

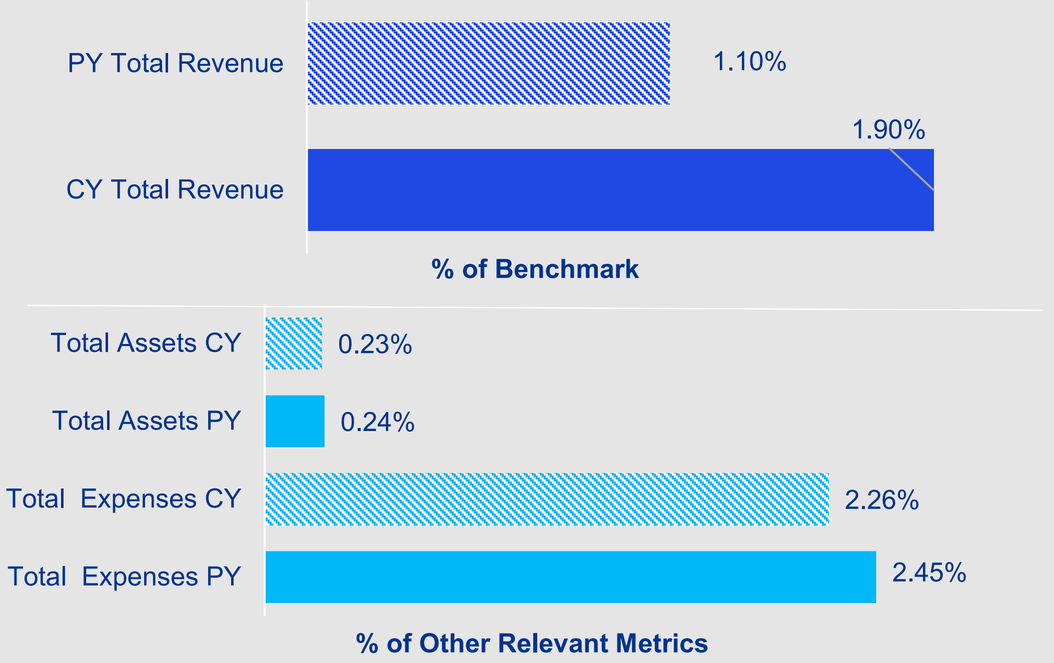
- Identified misstatements on our audit; and
- Uncorrected misstatements, if any, on the financial statements and in forming our opinion.

Materiality

Materiality

$700,000

(2022: $700,000)



Total Revenue

$ 37,707,000

(2022:$62,820,000)

Total Assets

$ 302,000,000

(2022: $293,000,000)

Total Expenses

$ 30,906,000

(2022: $28,552,000)

Significant risks and results

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

Management Override of Controls

RISK OF FRAUD

Significant risk	Estimate?
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

Our response

- We tested the design and implementation of controls surrounding the review of journal entries, and the business rationale for significant entries.
- Using our KPMG Clara Journal Entry Analysis Tool, we obtained 100% of the journal entries posted during the year.
- In responding to risks of fraud and management override of controls, we set specific criteria to isolate high risk journal entries and adjustments in order to analyze for further insights into our audit procedures and findings. We focused on journal entries recorded and posted as part of the year-end closing process.
- No issues were noted in the performance of the above procedures.

Significant qualitative aspects of the Organization’s accounting practices

No significant qualitative aspects to note.

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 and results

Financial instruments and financial statement presentation, new accounting and presentation standard

Risk	Estimate?
Financial instruments and financial statement presentation - Risk of error over completeness, existence, accuracy and presentation of financial instruments.	No

Our response

- We gained an understanding of the Municipality’s process for identifying financial instruments.
- We obtained and reviewed management’s policy for financial instruments. All other financial instruments, including bonds, are recorded at cost or amortized cost.
- We confirmed investments with Custodians

Significant qualitative aspects of the Municipality’s accounting practices

No significant qualitative aspects to note.

Other risks of material misstatement and results

Obligatory reserve fund revenue and deferred revenue

Risk	Estimate?
Obligatory reserve fund revenue and other deferred grant revenue. We are focusing on this area due to revenue recognized from development charge reserve fund is subject to judgment as capital projects must be growth related in nature. Additionally, we focus on other deferred revenue, including subdivider deposits.	No

Our response

- We have performed statistical sampling and reconciled to agreement, cash received and revenue reported for the fiscal year.
- We have performed statistical sampling over contributions received and contributions recognized in deferred revenue and obtained supporting documentation to ensure the contribution was received and the funds were used for expenditures that are growth related in nature.
- No issues noted.

Significant qualitative aspects of the Municipality’s accounting practices

No significant qualitative aspects to note.

Other risks of material misstatement and results

Tangible Capital Assets

Risk	Estimate?
Tangible capital assets We are focusing on this area due to the significance of the account balances and the fact that there is a risk of error in inappropriately recognizing costs as either capital or operating.	No

Our response

- Discussion over capitalization policies and their application with management
- Performed statistical sampling to select tangible capital asset additions and retirements in the year.
- Tested expense accounts to ensure that items related to tangible capital assets were not inappropriately expensed in 2023
- Tested the reasonableness of amortization expense

Significant qualitative aspects of the Municipality's accounting practices

No significant qualitative aspects to note.

We do note that the value in the Township's construction in progress has continued to increase over the past several year, mostly due to resource constraints preventing the Township from a timely close out and reconciliation of projects. We encourage the Township to focus on this activity to ensure that risks, both operation and reporting are not increased.

Other risks of material misstatement and results

Post-employment benefits

Risk	Estimate?
Post-employment benefits We are focusing on this area due to this being an estimate with significant judgment used by management and management's specialists. Additionally, there is complexity of the accounting guidance.	No

Our response

- Communicated with management's actuarial specialists.
- Management's process for identification and making accounting estimates are consistent with prior year.
- Assessed the reasonableness of assumptions used, and tested the appropriateness of the underlying data, including employee populations.
- We used the work of the Telus Health (Actuarial Consultant) in our audit of the accounts and disclosures.
- No issues were noted in the performance of the above procedures.

Significant qualitative aspects of the Municipality's accounting practices

No significant qualitative aspects to note.

Uncorrected misstatements

Uncorrected misstatements include financial presentation and disclosure omissions.

Impact of uncorrected misstatements – Not material to the financial statements

- The management representation letter includes the Summary of Uncorrected Misstatements, which discloses the impact of all uncorrected misstatements considered to be other than clearly trivial
  - This includes the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole
- Based on both qualitative and quantitative considerations, management have decided not to correct certain misstatements and represented to us that the misstatements —individually and in the aggregate—are, in their judgment, not material to the financial statements. This management representation is included in the management representation letter.
- We concur with management's representation that the uncorrected misstatements are not material to the financial statements. Accordingly, the uncorrected misstatements have no effect on our auditor's report.

Below is a summary of the impact of the uncorrected misstatement:

Revenue	(in $'000s)
As currently presented	$37,707
Uncorrected misstatements	$(144)
As a % of the balance	(0.38)%

Total assets	(in $'000s)
As currently presented	$302,788
Uncorrected misstatements	$(144)
As a % of the balance	(-)%

Individually significant uncorrected misstatements

Uncorrected audit misstatements:

	Income effect	Financial position		
Description of individually significant misstatements	(Decrease) Increase	Assets (Decrease) Increase	Liabilities (Decrease) Increase	Equity (Decrease) Increase
None to report		$-	$-	$-
		$-	**$-**	**$-**

Control deficiencies

Consideration of internal control over financial reporting (ICFR)

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.

A deficiency in internal control over financial reporting

A deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed, or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

Significant deficiencies in internal control over financial reporting

A deficiency, or a combination of deficiencies, in internal control over financial reporting that, in our judgment, is important enough to merit the attention of those charged with governance.

No significant control deficiencies were identified throughout the audit.

Accounting policies and practices

Initial selection

The following new accounting policies and practices were selected and applied during the period.

- PSAS 3280 Asset Retirement Obligations
- PS 1201 Financial Statement Presentation
- PS 3450 Financial Instruments
- PS 3401 Portfolio Investments
- PS 2601 Foreign Currency Translation

Changes to material accounting policies and practices and the impact on the financial statements are disclosed in Note 1 to the financial statements.

The new standards did not have a significant impact on the Municipality's financial statements.

Revised

There were no changes to accounting policies and practices during the year, other than the above new accounting standards.

Significant qualitative aspects

No significant qualitative aspects of accounting policies and practices

Other financial reporting matters

We also highlight the following:

Financial statement presentation - form, arrangement, and content	No matters to report.
Concerns regarding application of new accounting pronouncements	Next year the Municipality will have to adopt PS 3400 Revenue, Public Sector (PS) guideline 8 – Purchased intangibles, and PS 3160 Public private partnerships. Management will be assessing the impact of the above new accounting standards for 2024. Management and KPMG do not believe the impact of the new standards to be significant. See Appendix: Accounting Standards for proposed future accounting standards
Significant qualitative aspects of financial statement presentation and disclosure	No matters to report.

Specific topics

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

Matter	Finding
Illegal acts, including noncompliance with laws and regulations, or fraud	No matters to report
Other information in documents containing the audited financial statements	No matters to report
Significant difficulties encountered during the audit	No matters to report
Difficult or contentious matters for which the auditor consulted	No matters to report
Management's consultation with other accountants	No matters to report
Disagreements with management	No matters to report
Related parties	No matters to report
Significant issues in connection with our appointment or retention	No matters to report
Other matters that are relevant matters of governance interest	No matters to report.

Independence

The services are not prohibited, and threats to our independence, if any, resulting from the provision of the services will be eliminated or reduced to an acceptable level. Further details on the services and the assessment of the potential effects on our independence are included on the slides that follow.

We are not aware of any relationships or other matters between our firm and the Organization that, in our professional judgement, may reasonably be thought to bear on our independence.

Audit services	Fee	Fee structure
Audit of financial statements of for the year ended December 31, 2023, including trust funds	$ 35,000	Fixed

Matters that could impact our fee

The proposed fees outlined above are based on the assumptions described in the engagement letter. The critical assumptions, and factors that cause a change in our fees, include:

- Audit readiness, including delays in the receipt of requested working papers, audit samples, inquiries and financial statements information from the agreed upon timelines, and the books and records being properly closed at the start of our year-end audit work;
- The availability, participation and responsiveness of key Municipality team members during the audit;
- Significant changes to internal control over financial reporting;
- Significant changes in the nature or size of the operations of Municipality beyond those contemplated in our planning processes;
- Significant unusual and/or complex transactions;
- Changes in the timing of our work;
- Other significant issues (e.g. cyber security breaches, change in IT systems);
- Any accounting advice

Appendices

Required communications

Management representation letter

Engagement letter

Audit quality

Proposed accounting standards

New auditing standards

Audit and assurance insights

ESG

Appendix: Other required communications

Engagement terms

A copy of the engagement letter is included in Appendix: Engagement Letter

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 Annual Inspections Results
- CPAB Audit Quality Insights Report: 2023 Interim Inspections Results

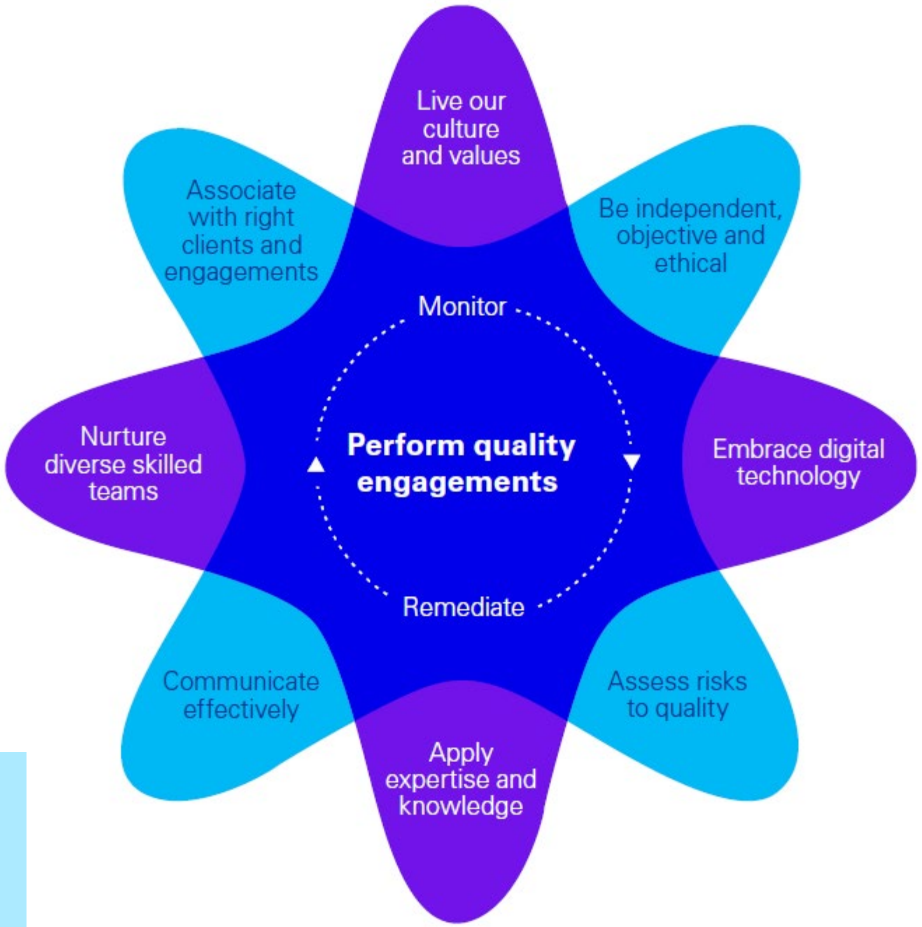
Appendix: Management representation letter

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



Doing the right thing. Always.

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

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

Appendix: Audit quality - Indicators (AQIs)

The objective of these measures is to provide the Audit Committee and management with more in-depth information about factors that influence audit quality within an audit process. Below you will find the current status of the AQIs that we have agreed with management are relevant for the audit.

Team composition

Experience of the team

- Engagement Partner: Matt Betik 25+ years experience in the industry
- Manager: Pream Luckhoo 5 years of experience in the industry
- In-Charge: Maddie Birsbin 3+ years of experience in the industry

Technology in the audit

Implementation of Technology in the Audit

- We have expanded the number of technologies implemented in the audit including:
  - **KPMG Clara Workflow ("KWc")** – new audit workflow to allow us to deliver globally consistent engagements
  - **KPMG Clara Advanced Capabilities** – Journal Entry Analysis – focuses audit effort on journal entries that are riskier in nature
  - **Datasnipper** – Excel based tool, which allows us to automatically match Excel data with underlying source documents and form data extraction from documents with the same layout
  - **Datashare** - Data extraction tool that enables easy and reliable data extraction to support our year-end audit work from clients using a compatible accounting system

Timing of prepared by client (PBC) items

Timeliness of PBC items

- We requested 50 PBCs, with various follow-up requests as a result of our findings.
- We had confirmed the availability of PBCs with management in advance of interim and year-end fieldwork.
- All PBC requests were received on time and in due course.

Nothing to report | Some matters to report | Specific matters to report

Appendix : Changes in accounting standards

Standard	Summary and implications
Asset retirement obligations	• The new standard PS 3280 *Asset retirement obligations* 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. Retirement costs will be recognized as an integral cost of owning and operating tangible capital assets. • The asset retirement obligations ("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 if the asset is in productive use. • The Municipality implemented this standard in the current year. See note 3 of the financial statements for overall impact
Financial instruments and foreign currency translation	• The new standards PS 3450 *Financial instruments*, PS 2601 *Foreign currency translation*, PS 1201 *Financial statement presentation* and PS 3041 *Portfolio investments* are effective for fiscal years beginning on or after April 1, 2022. • 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. • PS 3450 *Financial instruments* was amended subsequent to its initial release to include various federal government narrow-scope amendments. • The Municipality implemented this standard in the current year. There was no impact to the financial statements for the current year

Appendix : Changes in accounting standards (continued)

Standard	Summary and implications
Revenue	• The new standard PS 3400 *Revenue* is effective for fiscal years beginning on or after April 1, 2023. • The new standard establishes a single framework to categorize revenue to enhance the consistency of revenue recognition and its measurement. • The standard notes that in the case of revenue 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 revenue arises 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.
Purchased Intangibles	• The new Public Sector Guideline 8 *Purchased intangibles* is effective for fiscal years beginning on or after April 1, 2023 with earlier adoption permitted. • The guideline allows public sector entities to recognize intangibles purchased through an exchange transaction. The definition of an asset, the general recognition criteria and GAAP hierarchy are used to account for purchased intangibles. • Narrow scope amendments were made to PS 1000 *Financial statement concepts* to remove the prohibition to recognize purchased intangibles and to PS 1201 *Financial statement presentation* to remove the requirement to disclose purchased intangibles not recognized. • The guideline can be applied retroactively or prospectively.
Public Private Partnerships	• The new standard PS 3160 *Public private partnerships* is effective for fiscal years beginning on or after April 1, 2023. • The standard includes new requirements for the recognition, measurement and classification of infrastructure procured through a public private partnership. • 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 public private partnership 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. • The standard can be applied retroactively or prospectively.

Appendix : Changes in accounting standards (continued)

Standard	Summary and implications
Concepts Underlying Financial Performance	• The revised conceptual framework is effective for fiscal years beginning on or after April 1, 2026 with earlier adoption permitted. • The framework provides the core concepts and objectives underlying Canadian public sector accounting standards. • The ten chapter conceptual framework defines and elaborates on the characteristics of public sector entities and their financial reporting objectives. Additional information is provided about financial statement objectives, qualitative characteristics and elements. General recognition and measurement criteria, and presentation concepts are introduced.

Financial Statement Presentation	• The proposed section PS 1202 *Financial statement presentation* will replace the current section PS 1201 *Financial statement presentation*. PS 1202 *Financial statement presentation* will apply to fiscal years beginning on or after April 1, 2026 to coincide with the adoption of the revised conceptual framework. Early adoption will be permitted.
	• The proposed section includes the following:
	  • Relocation of the net debt indicator to its own statement called 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 total assets followed by total 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.
	• The Public Sector Accounting Board is currently deliberating on feedback received on exposure drafts related to the reporting model.

Appendix : Changes in accounting standards (continued)

Standard	Summary and implications
Employee benefits	• The Public Sector Accounting Board has initiated a review of sections PS 3250 *Retirement benefits* and PS 3255 *Post-employment benefits, compensated absences and termination benefits*. • The intention is to use principles from International Public Sector Accounting Standard 39 *Employee benefits* 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, the new standards will be implemented in a multi-release strategy. The first standard will provide foundational guidance. Subsequent standards will provide additional guidance on current and emerging issues. • The proposed section PS 3251 *Employee benefits* will replace the current sections PS 3250 *Retirement benefits* and PS 3255 *Post-employment benefits, compensated absences and termination benefits*. It will apply to fiscal years beginning on or after April 1, 2026. Early adoption will be permitted and guidance applied retroactively. • This proposed section would result in public sector entities 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. • The Public Sector Accounting Board is in the process of evaluating comments received from stakeholders on the exposure draft.

Appendix: Newly effective 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

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

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.

Government and public sector - KPMG Canada
KPMG in Canada’s Government & Public Sector practice aims to deliver meaningful results through a deep understanding of the issues, an intimate appreciation of how the public sector works, and global and local insight into the cultural, social and political environments.

Insights and Resources

Public sector and not-for-profit organizations across Canada are facing a plethora of challenges: financial uncertainty, advanced technological risk, environmental, social, and governance objectives, all which demand innovative approaches to policy, strategies, and operating models.

To help you understand and navigate these challenges, we have compiled insights and resources in one spot for you. This page was built for you, to ensure you have the right information in a timely way to enable your organization's success.

Organized into five content tracks, each section is dedicated to a specific area of relevance to the public sector and not-for-profit organizations. This resource site has guides, reports, on-demand webinars and articles. You will find content on topics such as ESG, legal considerations, accounting updates, risk considerations and financial sustainability.

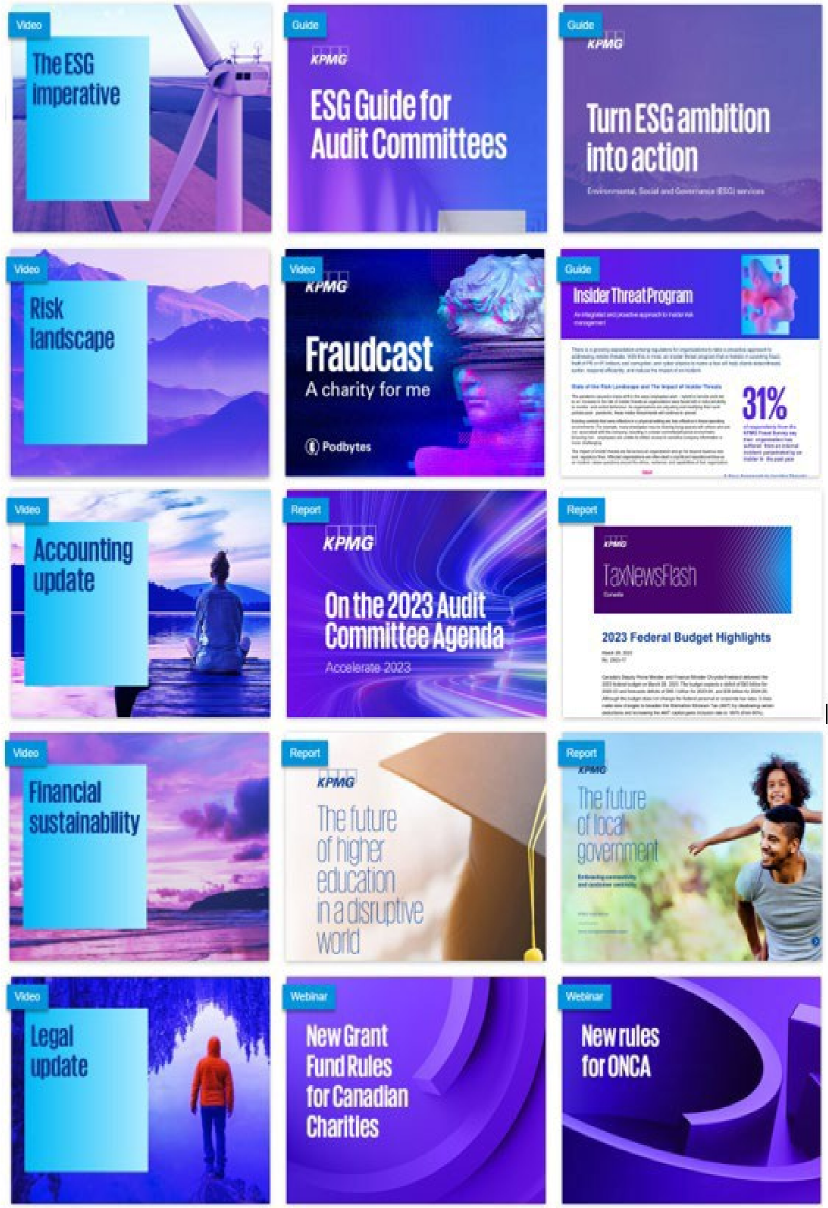
The resources on this site go beyond the traditional areas of tax and accounting and will be of interest and importance to Board Members and Executive Directors, as well as CFOs, Directors of Finance, and accounting professionals.

We encourage you to visit the site to learn more about these topics; simply scan/click the QR code to access.

Our local team of trusted advisors in the Waterloo Wellington Region bring a creative and innovative approach to problem solving that reflects a keen understanding of the public sector and not-for-profit organizations.

We can help you understand relevant sector insights to help achieve sustainable results.

KPMG



Appendix: ESG - Global regulatory reporting standards

Recent Activity[1-6]

EU

- 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

US

- SEC's climate rule proposal published in March 2022 would require investor-focused climate disclosures
- The SEC's latest regulatory agenda, published in December 2023, included three items of note:
  - **the climate rule, scheduled to be finalized in April 2024**;
  - a proposal for human capital management disclosures, scheduled for April 2024; and
  - a proposal for corporate board diversity, scheduled for October 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
- Under the climate disclosure laws, certain businesses will be required to disclose **scope 1, 2 and 3 GHG emissions**, with **limited assurance requirements** from 2026 (on FY25 data)

ISSB

- 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 standards are effective for annual periods beginning on or after January 1, 2024 – subject to local jurisdiction adoption
- Companies will be required to report material sustainability-related financial disclosures for the same period and at the same time as their annual financial statements, subject to temporary transition relief options
- **The Canadian Sustainability Standards Board (CSSB)** has been established with the mandate to develop and support the adoption of the ISSB standards in Canada. The **CSSB expects to release draft requirements in March 2024** for public consultation

CAN

- The CSA proposal published in October 2021 would require investor-focused climate disclosures
- Subsequent to the release of the IFRS Sustainability Disclosure Standards, the **CSA announced** that they intend to conduct further consultations to adopt disclosure standards based on the IFRS Sustainability Disclosure Standards, with **modifications considered necessary and appropriate in the Canadian context**
- 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

1. Refer to our US Quarterly Outlook publication for regulatory updates on the proposed SEC climate rules
2. Refer to our ESRS resource centre for resources on implementing the ESRSs
3. Refer to our ISSB resource centre for resources on implementing the IFRS Sustainability Disclosure Standards
4. Refer to our guide which compares the sustainability proposals issued by the ISSB, SEC and EFRAG
5. Refer to our publication on California's introduction of climate disclosures and assurance requirements
6. Refer to our publication on the impact of EU ESG reporting on non-EU companies

Appendix: How we can help along your ESG reporting journey

Preparing for ESG reporting in accordance with regulatory standards will take substantial time and resources – it is a journey. The end goal is implementing and sustaining ESG external reporting in compliance with the applicable reporting frameworks in such a way that the ESG information and metrics reported can be verified and assured.

As your financial statement auditor, we are able to support you across a number of activities throughout your ESG reporting journey, prior to undertaking assurance readiness or formal assurance on your reported ESG information and metrics.

Establish

- Findings and observations with respect to **materiality assessment**, governance structure, reporting strategy
- **Gap assessment** to global reporting standards (e.g., IFRS S1 and S2)
- **Peer benchmarking and insights** on industry best practices

Implement / Report

- ESG reporting **training** to Board and Management

Assess

- Feedback on **current state operating model**, including processes, people, technology, service delivery model and data
- Review existing **data and estimation methodologies**

Design

- Provide management with feedback on the **reporting roadmap**
- Findings and observations on draft **external disclosures** based on leading practice

Appendix: Why your auditors should be engaged in the reporting journey

We are one-team at KPMG.

With KPMG's one-team approach, you will benefit from the efficiencies gained by having members of your financial statement audit team engaged in your ESG reporting journey along with our ESG subject matter experts.

We know you

It is important to have a general understanding of the entity and its control environment (e.g., IT systems and underlying processes) to best support you in your ESG reporting journey

Coordinated approach

Management meetings are carried out once and leveraged across your financial statement and ESG journey process, wherever possible

Synergies gained

Key messages and reports to management and the audit committee will be consistent and include both financial and ESG information

Connected to financial statements

Increased demand for consistency between ESG reporting and financial reporting puts us in the best position to support you

Single point of contact

Having KPMG as your ESG service provider – your key audit points of contacts will enable you to get clear perspectives on all your reporting needs when you need them

Future efficiencies

Engaging us in the reporting process today will be an investment that will lead to efficiencies when undergoing limited assurance in the future https://kpmg.com/ca/en/home.html