



The Corporation of the Municipality of Cambridge

Audit Findings Report
year ended December 31, 2022

KPMG LLP

Licensed Public Accountants

Prepared May 2, 2023 for presentation to Council on May 30, 2023

kpmg.ca/audit



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Digital use information

This Audit Findings Report is also available as a “hyper-linked” PDF document.

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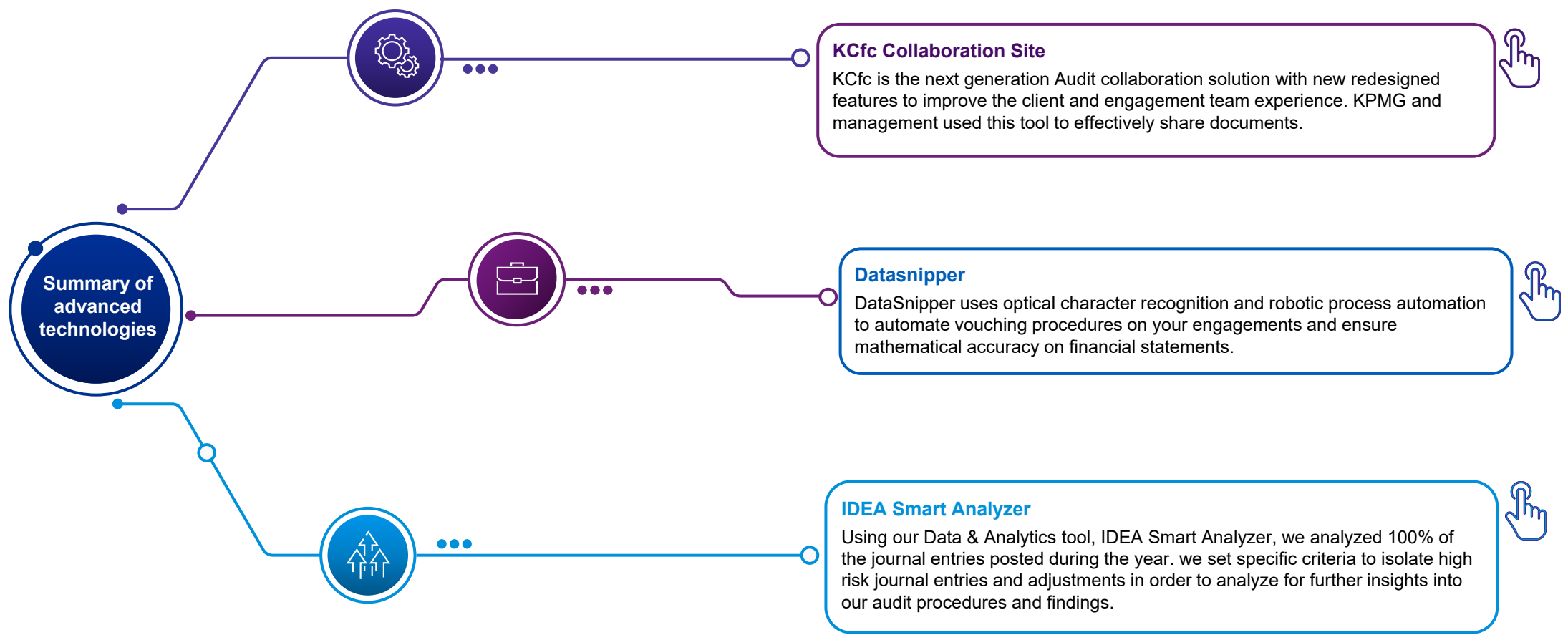
The purpose of this report is to assist you, as a member of the Council, in your review of the results of our audit of the financial statements as at and for the year ended December 31, 2022. This report is intended solely for the information and use of Management, the Council, and the staff of the City 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.

Audit highlights

<p>Status of the audit</p> <p>We have completed the audit of the financial statements (“financial statements”), with the exception of certain remaining outstanding procedures, which are highlighted on slide 6 of this report.</p>	<p>Uncorrected audit misstatements</p> <p>Professional standards require that we request of management and Council that all identified audit misstatements be corrected. We have already made this request of management.</p> <p>The management representation letter has all uncorrected misstatements.</p> <p>See slide 13.</p>	<p>Accounting policies and practices</p> <p>No matters to report.</p>
<p>Significant changes to our audit plan</p> <p>There are no significant changes from our audit plan.</p>	<p>Corrected audit misstatements</p> <p>No matters to report</p>	<p>Control deficiencies</p> <p>We did not identify any control deficiencies that we determined to be significant deficiencies in internal control over financial reporting. See slide 14 for certain required communications regarding control deficiencies</p>
<p>Audit risks and results – significant risks</p> <p>Significant findings related to significant risks and other areas of focus are discussed on slide 8.</p>	<p>Significant unusual transactions</p> <p>No matters to report.</p>	<p>Other financial reporting matters</p> <p>No matters to report.</p>

Technology highlights

As previously communicated in our Audit Planning Report, we have utilized technology to enhance the quality and effectiveness of the audit.



Status of the audit

As of May 2, 2023, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include amongst others:

- Completing our final quality control and review procedures
- Receipt of legal letter responses regarding litigation and claims
- Completing our discussions with Council
- Obtaining evidence of the Council’s approval of the financial statements
- Receipt of signed management representation letter

We will update Council, and not solely the Chair, 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 in Appendix: Draft Auditors’ Report, will be dated upon the completion of any remaining procedures.

KPMG Clara for Clients (KCfc)



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

On your audit we used KCfc to coordinate all audit requests.

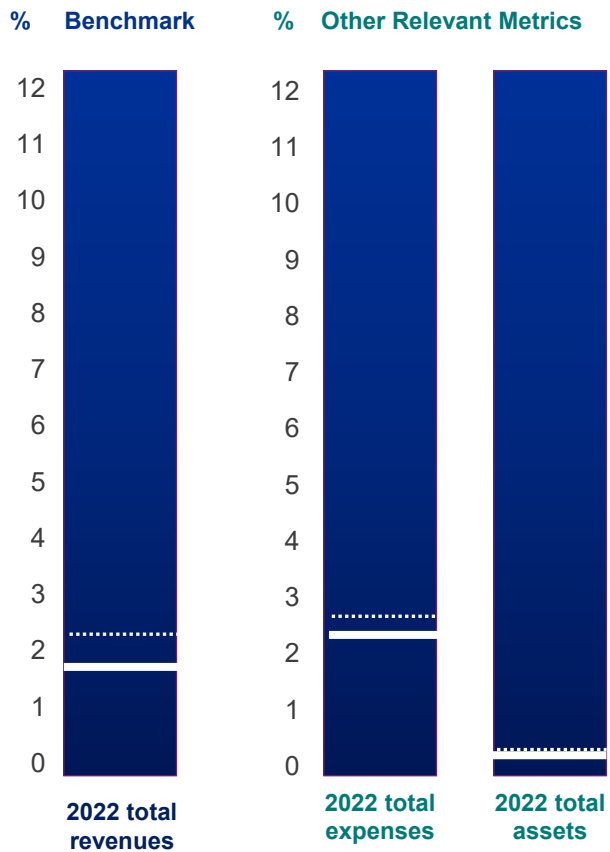
[Learn more](#)

Materiality



Materiality
\$5 million
(2021: \$5M)

..... Prior year
— Current year



2022 total revenues and other income
\$293,767,709
(2021: \$217,686,954)

2022 total expenses
\$207,966,873
(2021: \$182,421,710)

2022 total assets
\$1,181,865,540
(2021: \$1,055,236,483)

Significant risks and results

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



Management Override of Controls

Significant risk	Estimate?	Key audit matter?
<p>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.</p> <p>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.</p>	No	No

Our response


- Our procedures included:
 - 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 analyzed 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 that could possibly be related to override activities.
 - 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.

Other significant findings and results

We highlight **other significant findings**, including such findings in other areas of focus as identified in the Audit Plan as follows:

 Post-employment benefits		
Other area of focus	Estimate?	Key audit matter?
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.	Yes	No

Our response

- Our procedures included:
 - 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.
 - Discount rate used in calculating the employee future benefits in 2022 of 4. 5%, considered to be reasonable, and consistent with similar term borrowing rate.
 - We used the work of the Nexus Actuarial Consultants Ltd. (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 Organization’s accounting practices

No significant qualitative aspects to note.



Other significant findings and results

We highlight **other significant findings**, including such findings in other areas of focus as identified in the Audit Plan as follows:

Tangible capital assets

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

Our response


- Our procedures included:
 - Discussion over capitalization policies and their application with management
 - Performed statistical sampling to select tangible capital asset additions and retirements in the year.
 - Review of expense accounts to ensure that items related to tangible capital assets were not inappropriately expensed in 2022
 - Testing of the reasonableness of amortization expense
 - 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.

Other significant findings and results

We highlight **other significant findings**, including such findings in other areas of focus identified in the change in audit approach as follows :

 Obligatory reserve fund revenue and deferred revenue		
Other area of focus	Estimate?	Key audit matter?
<p>Obligatory reserve fund revenue and other deferred grant revenue</p> <p>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 will focus on deferred revenue from the federal and provincial governments.</p>	No	No
Our response		

- Our procedures included:
 - We obtained management’s continuity schedule for deferred development charges and ensured the spreadsheet was accurate We performed substantive testing over amounts being recognized as revenue
 - We vouched a sample of development charges collected from developers during the current fiscal year
 - Obtained a sample of costs that related to development charge revenue to ensure they were appropriate, were allocated to the appropriate project, and were “growth-related” in nature.
 - Assessed the accounting for waived development charges
 - 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.

Other significant findings and results

We highlight **other significant findings**, including such findings in other areas of focus identified in the change in audit approach as follows :

 **Merger of Energy Plus and Brantford Energy Corporation – GrandBridge**

Other area of focus	Estimate?	Key audit matter?
<p>GrandBridge Energy Inc – During the year there was an amalgamation of Energy Plus and Brantford Energy Corporation to create a newly formed entity, GrandBridge Energy Inc. The City previously held 92.1% of Energy Plus and now subsequently owns 54.339% of GrandBridge.</p> <p>We are focusing on this area due to the complexity of the transaction.</p>	No	No

Our response

- Our procedures included:
 - We examined the merger participation agreement
 - We examined the financial statements of Energy Plus and Brantford Energy Corporation at the date prior to the merger
 - We examined the financial statements of GrandBridge Corporation for the period ended December 31, 2022
 - We recalculated the dilution gain on the transaction
 - We recalculated the post-merger equity pick-up and investment balance as of December 31, 2022

Significant qualitative aspects of the Organization’s accounting practices

The accounting for this transaction is complex. Due to the limited guidance in PSAS 1300 relating to these types of transactions, management had to review IFRS for specific guidance.

The main accounting that had to occur for this transaction is as follows:

1. A fair value was determined for Brantford Energy Corporation as at the date of the merger
2. The City disposed their previously held investment in Energy Plus of 92.1% resulting in a decrease in their investment of \$93,123,499.
3. To account for their new investment in Brantford Energy Corporation, the City had to record 54.339% of the fair value of Brantford Energy Corporation, which was recorded at \$131,266,308.
4. The total net gain on the overall transaction was \$38,329,822.

Uncorrected and corrected audit misstatements

Audit misstatements include financial presentation and disclosure omissions.



Uncorrected audit misstatements

The management representation letter includes the Summary of Uncorrected Audit Misstatements, which discloses the impact of all uncorrected misstatements considered to be other than clearly trivial, including 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.

Corrected audit misstatements

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

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 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.

KPMG has not identified any significant control deficiencies as a result of our audit.

Other financial reporting matters


We also highlight the following:



Financial statement presentation - form, arrangement, and content




The form, arrangement, and content of the financial statements are appropriate for the size, scope, and industry of the organization.



Concerns regarding application of new accounting pronouncements



No concerns at this time regarding future implementation of accounting standards, other than Asset Retirement Obligations and Financial Instruments are required to be adopted in 2023.



Significant qualitative aspects of financial statement presentation and disclosure



There are no concerns with respect to the presentation or disclosure of the financial statements; the financial statement presentation and disclosure is considered appropriate for the organization.

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.

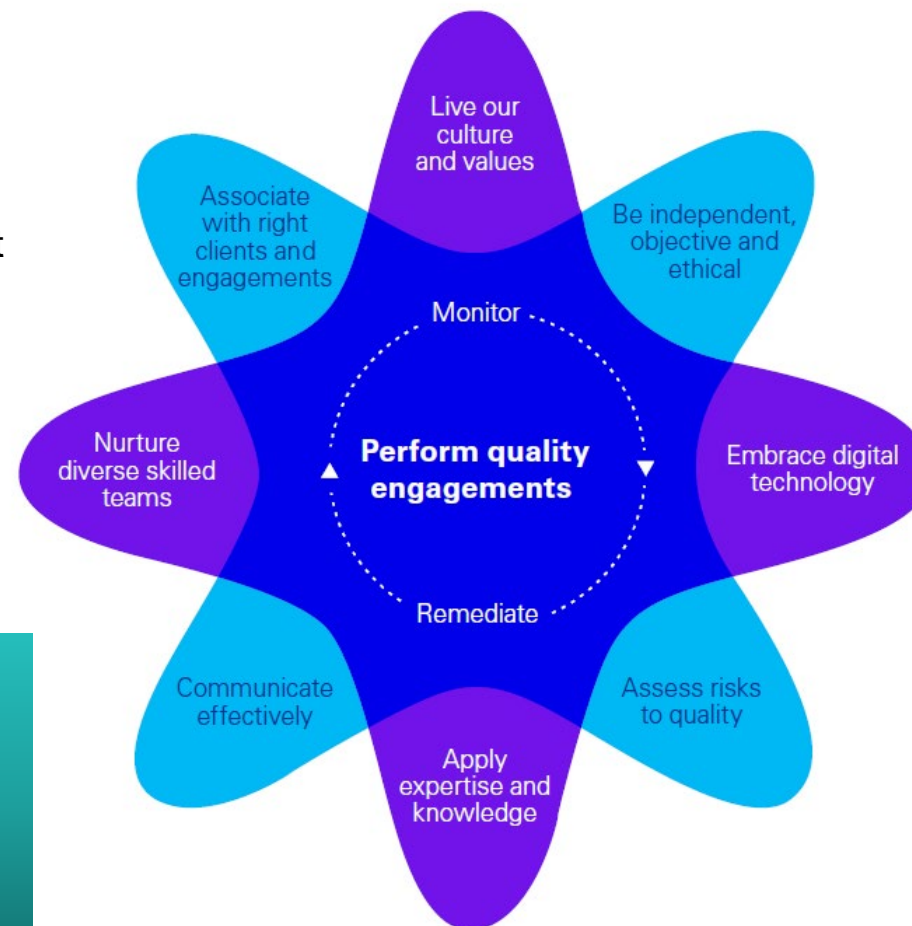
Perform quality engagement sits at the core along with our commitment to continually monitor and remediate to fulfil on our quality drivers.

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.

[KPMG 2022 Audit Quality and Transparency Report](#)

We define ‘audit quality’ as being the outcome when:

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



Audit quality: Indicators (AQIs)

The objective of these measures is to provide Council 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

- All team members have relevant industry experience to carry out the audit.

Technology in the audit ●

Implementation of Technology in the Audit

- We have expanded the number of technologies implemented in the audit from two to three. Please refer to slide 5 for further information.

Engagement hours ●

Hours spent by level and phase of the audit

- Sufficient engagement hours spent by level and phase to ensure audit quality and appropriate oversight of the engagement.

Timing of prepared by client (PBC) items ●

Timeliness of PBC items

- All requested PBC items were received in a timely manner and were of excellent quality.

Management and Audit Committee responsibilities ●

Results of internal and external reviews

- No significant findings related to the audit engagement.

Appendices

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Insights to enhance your business

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ESG





Appendix 1: Draft auditor's report

INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers of The Corporation of the City of Cambridge

We have audited the consolidated financial statements of The Corporation of the City of Cambridge (the Entity), which comprise:

- the consolidated statement of financial position as at December 31, 2022
- the consolidated statements of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2022, and its consolidated results of operations, its consolidated changes in net assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “***Auditor's Responsibilities for the Audit of the Financial Statements***” section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Appendix 1: Draft auditor's report (continued)

Responsibilities of Management and Those Charged with Governance for the consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



Appendix 1: Draft auditor's report (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants, Licensed Public Accountants

Kitchener, Canada

DATE

Appendix 2: Other required communications



Engagement terms

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



CPAB communication protocol

The reports available through the following links were published by the Canadian Public Accountability Board to inform Audit Committees and other stakeholders about the results of quality inspections conducted over the past year:

- [CPAB Audit Quality Insights Report: 2021 Annual Inspections Results](#)
- [CPAB Audit Quality Insights Report: 2022 Interim Inspections Results](#)
- The 2022 Annual Inspection Results will be available in April 2023

Appendix 3: Management representation letter

KPMG LLP
120 Victoria Street South
Suite 600
Kitchener, ON N2G OE1

DATE

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the consolidated financial statements (hereinafter referred to as “financial statements”) of The Corporation of the City of Cambridge (“the Entity”) as at and for the period ended December 31, 2022.

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 October 4, 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 such 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.



Appendix 3: Management representation letter

- 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.



Appendix 3: Management representation letter

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.
- 10) We confirm that we are not aware of material uncertainties related to events or conditions that may cast significant doubt upon the Entity's ability to continue as a going concern.

Misstatements:

- 11) The effects of the uncorrected misstatements described in Attachment II are immaterial, both individually and in the aggregate, to the financial statements as a whole.

Non-SEC registrants or non-reporting issuers:

- 12) 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).
- 13) 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,

Sheryl Ayres, Chief Financial Officer

cc: Council



Appendix 3: Management representation letter

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.

Related parties

In accordance with Public Sector Accounting Board (PSAB) *related party* is defined as:

- A related party exists when one party has the ability to exercise control or shared control over the other. Two or more parties are related when they are subject to common control or shared control. Related parties also include key management personnel and close family members.

In accordance with Public Sector Accounting Board (PSAB) a *related party transaction* is defined as:

- A transfer of economic resources or obligations between related parties, or the provision of services by one party to a related party. These transfers are related party transactions whether or not there is an exchange of considerations or transactions have been given accounting recognition. The parties to the transaction are related prior to the transaction. When the relationship arises as a result of the transaction, the transaction is not one between related parties.

Appendix 3: Management representation letter

Entity: City of Cambridge

For Period Ended:

Amounts in: CDN
 Method Used to Quantify Audit Misstatements: Rollover method
 Final Materiality: 5,000,000

Correcting Entry Necessary at Current Period End							Income Statement Effect - Debit(Credit)			Balance Sheet Effect - Debit (Credit)				Cash Flow Effect - Increase (Decrease)		
ID	Description of misstatement	Factual, judgmental or projected misstatement?	Misstatement in accounts or in disclosure?	Accounts (if applicable)	Debit	(Credit)	Income effect of correcting the balance sheet in prior period (carryforward from prior period)	Income effect of correcting the current period balance sheet	Income effect according to Rollover method	Equity	financial assets	non-financial assets	Liabilities	Operating Activities	Investing Activities	Financing Activities
SAM 1	to record accrual for contingent liability relating to legal claim	Factual	accounts	legal expense	300,000		300,000		(300,000)					300,000		
				accrued liabilities		(300,000)										
SAM 2	To record the understatement of contributed assets in 2021	Factual	accounts	Tangible Capital Assets	3,947,877							996,942			(996,942)	
				Contributed Tangible Capital Assets		(3,947,877)	(3,947,877)	(996,942)	2,950,935	(996,942)				996,942		
SAM 3	to record accrued liabilities not recorded	Factual	accounts	general expenses	519,276		169,773	519,276	349,503		519,276			(519,276)		
				HST rebate	57,356						57,356			(57,356)		
				accrued liabilities		(576,632)							(576,632)	576,632		
SAM 4	to record 2021 disposal that was done in 2022 or the pumping station	Factual	accounts	disposal of assets	1,765,552		1,765,552		(1,765,552)							
				Tangible Capital Assets		(1,765,552)										
SAM 5	to record accrual for retro pay for salaries based on finalized collective	Factual	accounts	general government	2,935,014		2,935,014		(2,935,014)							-
				accrued liabilities		(2,935,014)										
SAM 6	to accrued for holdbacks on CFSA activity	Factual	accounts	Tangible Capital Assets	676,982							676,982			(676,982)	
				CFSA accrued liabilities		(676,982)							(676,982)	676,982		
SAM 7	the disposals of TCA were recorded in 2022 when they should have been recorded in 2021. these assets were fully depreciated so disclose only misstatement	Projected	disclosure	cost balance, beginning of year	1,617,858											
				disposals		(1,617,858)										

Aggregate effect of uncorrected audit misstatements (before tax):	1,222,462	(477,666)	(1,700,128)	(477,666)	57,356	1,673,924	(1,253,614)	1,973,924	(1,673,924)	0
Tax effect:										
Aggregate effect of uncorrected audit misstatements (after tax):	1,222,462	(477,666)	(1,700,128)	(477,666)	57,356	1,673,924	(1,253,614)	1,973,924	(1,673,924)	0
Financial statement amounts (per final financial statements) (after tax):			(85,800,836)	(895,973,856)	424,673,485	757,192,055	(285,891,684)	88,455,316	(74,063,557)	(5,631,760)
Uncorrected audit misstatements as a percentage of financial statement amounts (after tax):			1.98%	0.05%	0.01%	0.22%	0.44%	2.23%	2.26%	0.00%

Appendix 4: 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.

[Accelerate 2023](#)

The key issues driving the audit committee agenda in 2023.

[Board Leadership Centre](#)

Leading insights to help board members maximize boardroom opportunities

[Momentum](#)

A quarterly newsletter with the latest thought-leadership from KPMG's subject matter leaders across Canada and valuable audit resources for clients.

[Audit Committee Guide – Canadian Edition](#)

A practical guide providing insight into current challenges and leading practices shaping audit committee effectiveness in Canada.

[KPMG Climate Change Financial Reporting Resource Centre](#)

Our climate change resource centre provides insights to help you identify the potential financial statement impacts to your business.



Appendix 5: Changes in accounting standards

Standard	Summary and implications
Asset retirement obligations	<ul style="list-style-type: none"> • The new standard PS 3280 <i>Asset retirement obligations</i> 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. • As a result of the new standard, the public sector entity will: <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 ARO and obtain information to estimate the value of potential ARO to avoid unexpected issues.



Appendix 5: Changes in accounting standards (continued)

Standard

Summary and implications

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.

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.



Appendix 5: Changes in accounting standards (continued)

Standard	Summary and implications
Purchased Intangibles	<ul style="list-style-type: none"> The new Public Sector Guideline 8 <i>Purchased intangibles</i> 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 <i>Financial statement concepts</i> to remove the prohibition to recognize purchased intangibles and to PS 1201 <i>Financial statement presentation</i> to remove the requirement to disclose purchased intangibles not recognized. The guideline can be applied retroactively or prospectively.
Public Private Partnerships	<ul style="list-style-type: none"> The new standard PS 3160 <i>Public private partnerships</i> 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 5: Changes in accounting standards (continued)

Standard	Summary and implications
Concepts Underlying Financial Performance	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> The proposed section PS 1202 <i>Financial statement presentation</i> will replace the current section PS 1201 <i>Financial statement presentation</i>. PS 1202 <i>Financial statement presentation</i> 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: <ul style="list-style-type: none"> 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 5: Changes in accounting standards (continued)

Standard	Summary and implications
Employee benefits	<ul style="list-style-type: none"> • The Public Sector Accounting Board has initiated a review of sections PS 3250 <i>Retirement benefits</i> and PS 3255 <i>Post-employment benefits, compensated absences and termination benefits</i>. • The intention is 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, 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 <i>Employee benefits</i> will replace the current sections PS 3250 <i>Retirement benefits</i> and PS 3255 <i>Post-employment benefits, compensated absences and termination benefits</i>. 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 6: Insights to enhance your business

[Learn more](#)

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.

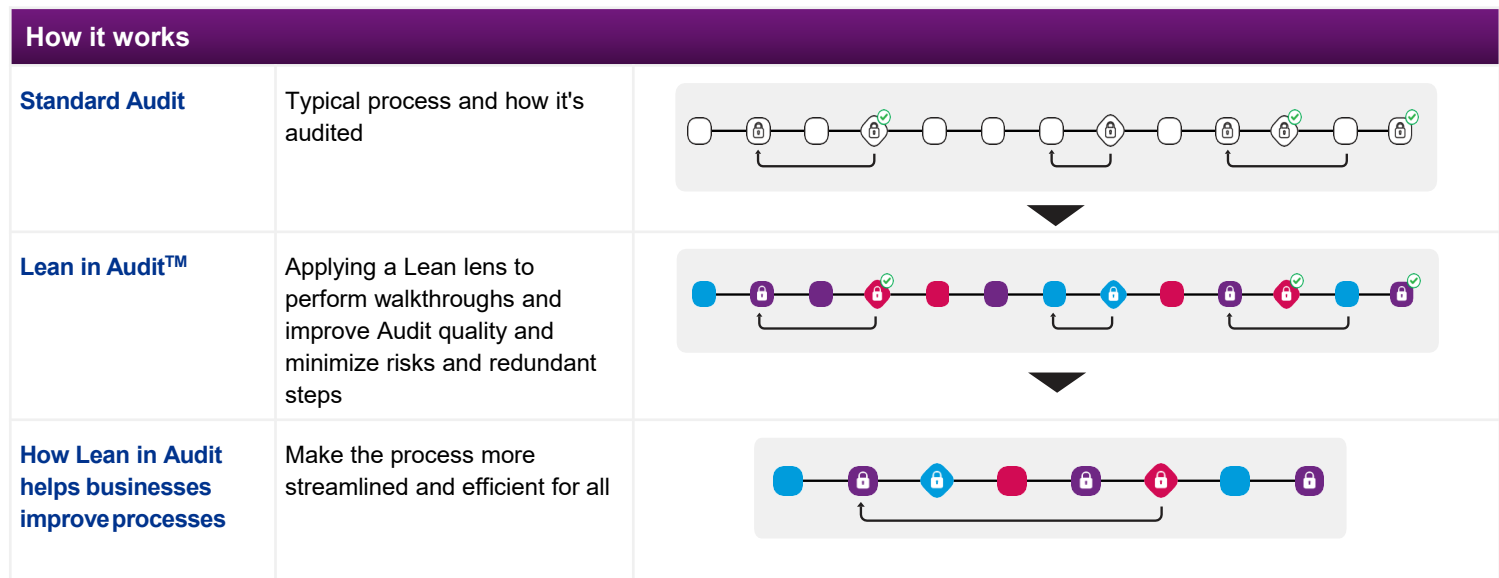
Lean in Audit

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 discussing how we can use this approach for your audit going forward.



● **Value:** what customers want (**maximize**)
 ● **Necessary:** required activities (**minimize**)
 ● **Redundant:** non-essential activities (**remove**)

🔒 Process controls
 ✔️ Key controls tested

Appendix 7: Technology - Continuous improvement powered by transformation

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.



Appendix 7: Technology - KPMG Clara - Bringing the audit to one place



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.



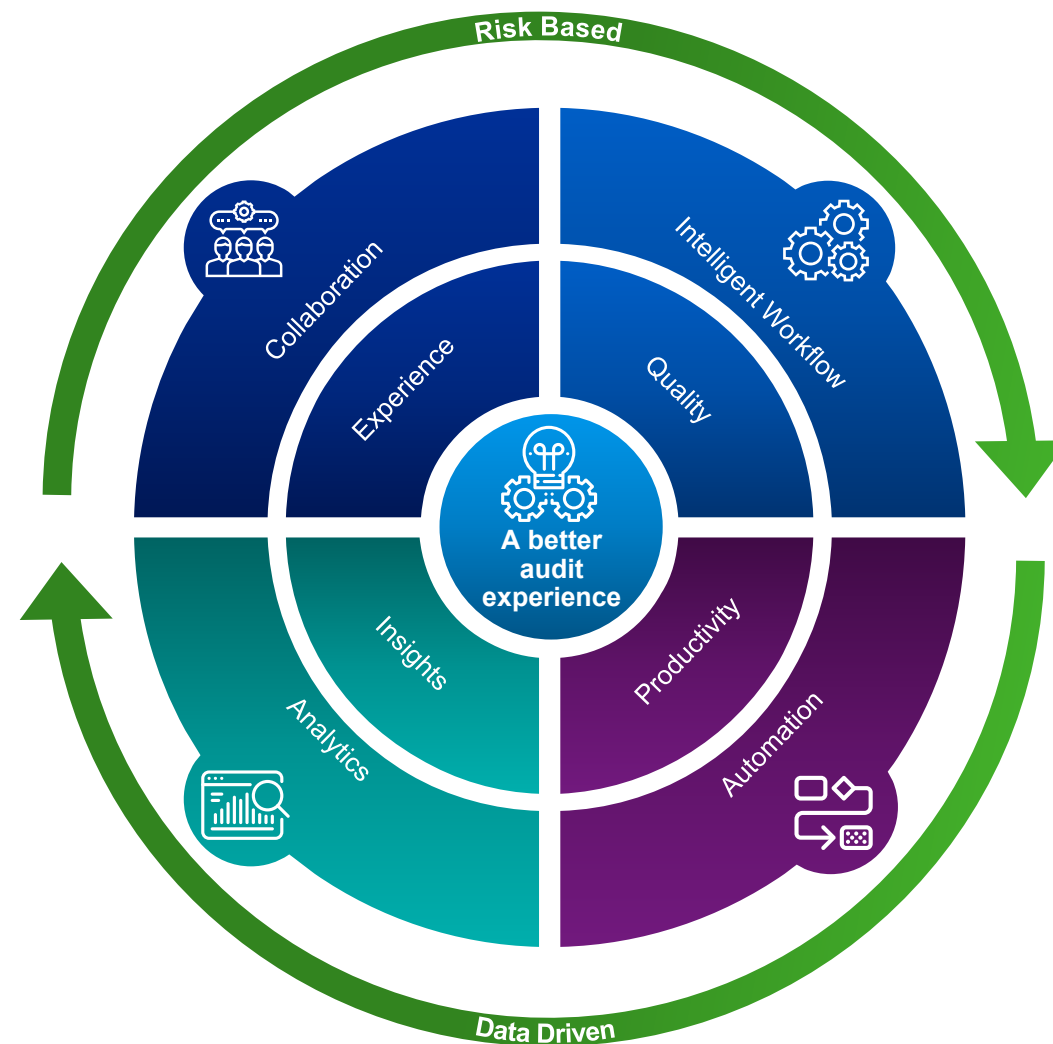
Intelligent workflow

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 8: Environmental, Social and Governance (ESG)

The Importance of Sustainability Reporting



Sustainability Reporting – Who is impacted?

- **Lenders and underwriters** – increased focus on ESG considerations when making access to capital decisions
- **Investors** – ESG integration has become an investment norm
- **Employees** – ESG has become a key factor in attracting and retaining top talent
- **Consumers** – stakeholders increasingly scrutinize companies’ ESG performance and transparency affecting brand acceptance and consumer demand



Importance to the Audit Committee

- **Regulatory developments** – ESG-related compliance costs and disclosure requirements continue to evolve as rules are finalized
- **Material ESG issues** – Audit Committees should understand stakeholder priorities and the company’s material ESG risks and opportunities
- **Value creation** – developing a clear ESG strategy, along with a standardized reporting process can set a company apart from its competitors



Governance on ESG Data and Sustainability Reporting

- **Data collecting and reporting** – understand the ESG frameworks and reporting standards most commonly adopted in the industry and jurisdiction (benchmark to others in the industry)
- **ESG assurance** – Audit Committees are best positioned to understand which ESG metrics merit assurance. An assurance readiness assessment on Carbon is a common and often recommended first place to start



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KPMG member firms around the world have 227,000 professionals, in 145 countries.

