# The Corporation of The City of Brampton

Audit Planning Report
for the year ending
December 31, 2021

KPMG LLP

Licensed Public Accountants

Prepared on November 11, 2021

kpmg.ca/audit

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## Our refreshed Values

**What we believe**

### Integrity

We do what is right.

### Excellence

We never stop learning and improving.

### Courage

We think and act boldly.

### Together

We respect each other and draw strength from our differences.

### For Better

We do what matters.

# Executive summary

The purpose of this Audit Planning Report is to assist you, as a member of the Audit Committee, in your review of the planning of our audit of the consolidated financial statements ("financial statements") of The Corporation of The City of Brampton (the "City") as at and for the year ending December 31, 2021.

## Audit quality

Audit quality is of supreme importance to us. See pages 2-3 for how we deliver audit quality and how you can measure our audit quality.

## Materiality

Materiality has been established by considering various metrics that are relevant to the users of the financial statements, including total revenue, total expenses, and net assets.

Materiality has been determined based on consolidated revenue. We have determined group materiality to be $20,000,000 (2020 - $20,180,000). See page 3.

## Audit risks

Our audit is risk-focused. In planning our audit, we have identified areas of financial reporting where significant risks of material misstatement may arise. These include:

- Presumption of the risk of fraud involving improper revenue recognition
- Presumption of the risk of fraud resulting from management override of controls

See pages 4-5.

Other areas of focus are communicated on pages 6-9.

## Group audit scope

Our audit consists of:

- 1 full scope audit of the significant component
    - The Corporation of The City of Brampton (non-consolidated)
- 3 non-significant components, however these components are required to obtain statutory financial statements under the Municipal act.
    - The Brampton Public Library Board – ("Library")
    - Downtown Brampton Business Improvement Area ("DBBIA")
    - The Corporation of City of Brampton Trust Funds ("Trust Funds")

## Current developments and audit trends

Please refer to pages 11-15 and Appendix 4 for relevant accounting and/or auditing changes relevant to the City.

## Proposed fees

The Engagement letter includes the fees for all professional services provided to the City and related entities. A copy of the engagement letter can be obtained from management.

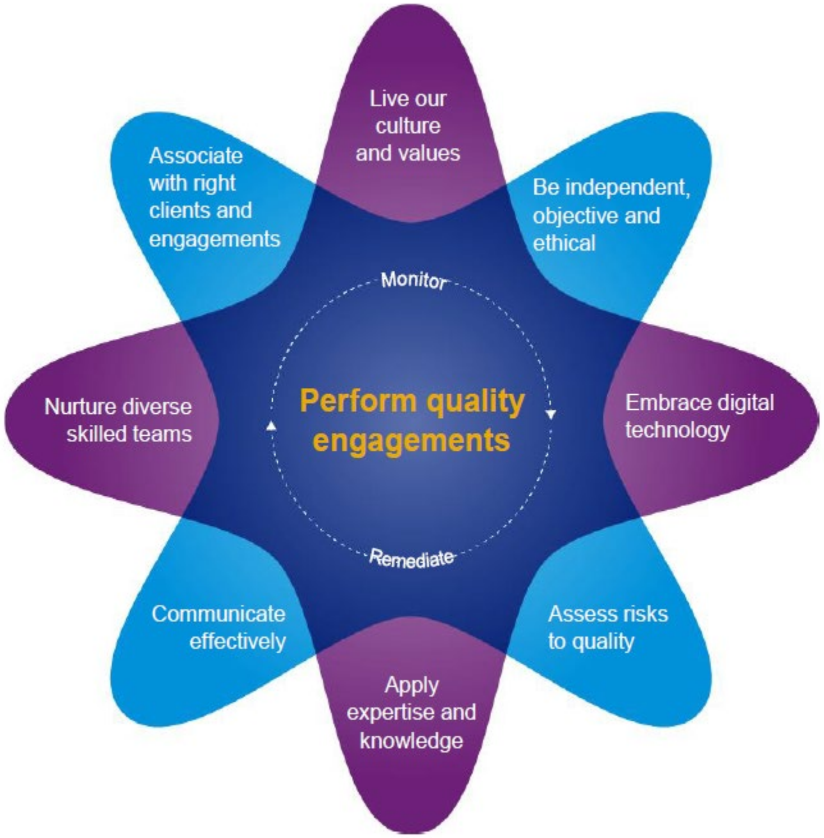
# Audit Quality: How do we deliver audit quality?

Transparency report

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

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

Our **quality value drivers** are the cornerstones to our approach underpinned by the **supporting drivers** and give clear direction to encourage the right behaviours in delivering audit quality.




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

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

**Doing the right thing. Always.**

# Materiality

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

To respond to aggregation risk, we design our procedures to detect misstatements at a lower level of materiality.

| Materiality determination | Comments | Group amount |
|---|---|---|
| **Materiality** | Determined to plan and perform the audit and to evaluate the effects of identified misstatements on the audit and of any uncorrected misstatements on the financial statements.<br>The corresponding amount for the prior year's audit was $20,180,000. | $20,000,000 |
| **Benchmark**<br>**(the metric that is *most* relevant to the users)** | Based on an estimate of consolidated revenue for the year.<br>This benchmark is consistent with the prior year. | $807 million |
| **% of Benchmark** | The corresponding percentage for the prior year's audit was 2.5% | 2.5% |
| **Audit Misstatement Posting Threshold (AMPT)** | Threshold used to accumulate misstatements identified during the audit. The corresponding amount for the previous year's audit was $1,009,000. | $1,000,000 |

**We will report to the Audit Committee:**

- Corrected audit misstatements
- Uncorrected audit misstatements

| | |
|---|---|
| **Library** (2020 - $597,000) | $531,000 |
| **DBBIA** (2020 - $15,000) | $18,000 |
| **Trust funds** (2020 - $639,000) | $657,000 |

# Audit risks

**Relevant factors affecting our risk assessment**

Complexity

Related party transaction

| Significant risk | Why is it significant? |
|---|---|
| Presumption of the risk of fraud involving improper revenue recognition | Audit standards require us to assume there are generally pressures/incentives on management to commit fraudulent financial reporting through inappropriate revenue recognition.<br><br>We have considered the type and complexity of revenue transactions, and the perceived opportunities and incentives to fraudulently misstate revenue for the City and its subsidiaries.<br><br>The primary risk of fraudulent revenue recognition resides with manual journal entries for revenue transactions not in the normal course of business as well management's calculation of the deferred revenue – obligatory reserve funds. |

## Our audit approach

Our audit methodology incorporates the required procedures in professional standards to address this risk.

Our audit approach will consist of evaluating the design and implementation of selected relevant controls. We test journal entries that meet specific criteria. This criteria is designed during the planning phase of the audit and is based on areas and accounts that are susceptible to manipulation through management override and we design search filters that allow us to identify any unusual journal entries.

As part of our audit approach to address the inherent risk of error in revenue recognition, KPMG substantively tests revenues (both recognized and amounts held as deferred at year end) and recalculates management's calculation of deferred revenue – obligatory reserve funds through auditing management's methodology.

# Audit risks (continued)

| Significant risk | Why is it significant? |
| --- | --- |
| Presumption of the risk of fraud resulting from management override of controls. | Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk nevertheless is present in all entities. |

**Our audit approach**

As this presumed risk of material misstatement due to fraud is not rebuttable, our audit methodology incorporates the required procedures in professional standards to address this risk. These procedures include testing of journal entries and other adjustments, performing a retrospective review of estimates and evaluating the business rationale of significant unusual transactions.

We will take a risk-based approach tailored to the City when designing substantive procedures and selecting specific transactions for testing. We will continue to make use of technology to extract our risk-based sample from the entire population of journal entries. We will consider the potential impact of COVID-19 when identifying areas which may be subject to additional risk whether due to fraud or error in this regard.

# Audit risks (continued)

| Other areas of focus | Why are we focusing here? |
| --- | --- |
| Cash and Investments | Material account balances and disclosures. Valuation of investments and concerns over decline in fair value. |
| Tangible Capital Assets | Risk of material misstatement related to existence and accuracy of tangible capital assets and accuracy of timing of revenue recognition, particularly related to funds intended for tangible capital assets additions, deferred capital contribution, and contributed assets. |

## Our audit approach

**Cash and Investments**

- Review year-end bank and investment reconciliations and substantive testing and significant reconciling items.
- Substantive test of details over additions and disposals of investments.
- Obtain confirmations from third parties.
- Review of financial statement note disclosure in accordance with Public Sector Accounting Standards (PSAS).

**Tangible Capital Assets**

- Substantive test of details over additions (including contributed tangible capital assets) and disposals.
- Review amortization policy and useful life for the tangible capital assets and assess if the useful life as an estimate is reasonable.
- Review construction in progress to ensure amounts are properly transferred to correct capital asset classes and amortization expense commences on a timely basis.
- Review of financial statement note disclosure in accordance with PSAS.
- We will agree fair value estimates of contributed tangible capital assets to supporting third party documentation or estimated by the City, we will perform procedures to address the CAS 540, Auditing Accounting Estimates and Related Disclosure requirements related to valuation estimates.
- We will also perform required procedures to assess the potential risks with respect to impairment of assets as a result of the ongoing global pandemic. Based on the City's nature, it is not expected that this will be a significant risk during the audit.

# Audit risks (continued)

| Other areas of focus | Why are we focusing here? |
|---|---|
| Taxes Receivable and Taxation Revenue | Risk of material misstatement related to designated revenue and accuracy of timing of revenue recognition. |
| Deferred Revenue – obligatory reserve funds | Risk of material misstatement due to management assessment and judgment involved. |
| Employee Future Benefits (EFBs) | Risk of material misstatement related to accuracy and valuation of the estimate involved in employee future benefits. |

## Our audit approach

**Taxes Receivable and Taxation Revenue:**

- Substantive approach recalculating tax revenue using approved tax rates and assessment.

**Deferred Revenue – obligatory reserve funds:**

- Update our understanding of the activities over the initiation, authorization, processing, recording and reporting.
- Review the City-prepared calculation of deferred revenue balance with the responsible individuals and perform audit procedures on a sample basis. As part of our testing we ensure recognition of revenue is based on project spending in accordance with the purpose of the obligatory reserve.
- Inquire with management if there were any breaks given to the developers due to COVID-19 and perform audit procedures on the financial reporting impact if relevant.

**Employee Future Benefits:**

- Reliance on actuaries (management specialist) engaged by the City; update our understanding of the activities over the quality of information used, the assumptions made, the qualifications, competence and objectivity of the preparer of the estimate, and the historical accuracy of the estimates.
- Communicate with actuaries and test data provided to the actuaries, if applicable.
- Perform audit procedures on method, data and, assumptions used by actuary and management in calculation of the EFB liability for reasonableness.
- Review financial statement disclosures in accordance with PSAS.
- We will perform audit procedures to address the CAS 540, Auditing Accounting Estimates and related disclosure requirements related to the estimates involved.

# Audit risks (continued)

| Other areas of focus | Why are we focusing here? |
| --- | --- |
| Expenses – Salaries and Benefits | Risk of material misstatement related to accuracy and occurrence of expenses. |
| Accounts Payable, Accrued Liabilities, and Expenses | Risk of material misstatement related to completeness of liabilities. |
| Contingencies | Risk of material misstatement related to completeness of contingencies and corresponding disclosures. |

## Our audit approach

**Expenses – Salaries and Benefits:**

- Perform control testing over payroll cycle.
- Vouch a sample of employees' salary and benefit expense to payroll information.

**Accounts Payable, Accrued Liabilities, and Expenses:**

- Search for unrecorded liabilities.
- Examine significant accrued liabilities for existence, accuracy and completeness.
- Perform control testing over purchase cycle.
- Perform substantive test of details on selected non-payroll expenditures.

**Contingencies:**

- Perform a detailed review of Council meeting minutes.
- Direct communication with the internal legal counsel (and external as necessary) to ensure that significant contingent liabilities are appropriately disclosed and/or recorded.
- Significant findings review with management during planning and completion stage of the audit engagement.

# Audit risks (continued)

| Other areas of focus | Why are we focusing here? |
| --- | --- |
| Consolidation (City and all components) | To ensure the completeness and accuracy of the consolidated information. |
| Trust funds | Statutory audit requirement. |
| Sinking fund debt | Material account balance and disclosures. |

## Our audit approach

**Consolidation (City and all components):**

– Review process of consolidation and perform audit procedures on the consolidation process for the City to consolidate the Library and DBBIA.

– Audit the eliminating entries as prepared by management for accuracy and completeness.

**Trust funds:**

– Direct confirmation of cash and investment year-end balances with relevant third parties.

– Vouching of selected revenue and expense transactions to source documents.

– To assess if there is a loss in value of a portfolio investment and whether such a decline is other than temporary. Perform audit procedures to assess whether a write-down is necessary.

**Sinking fund debt:**

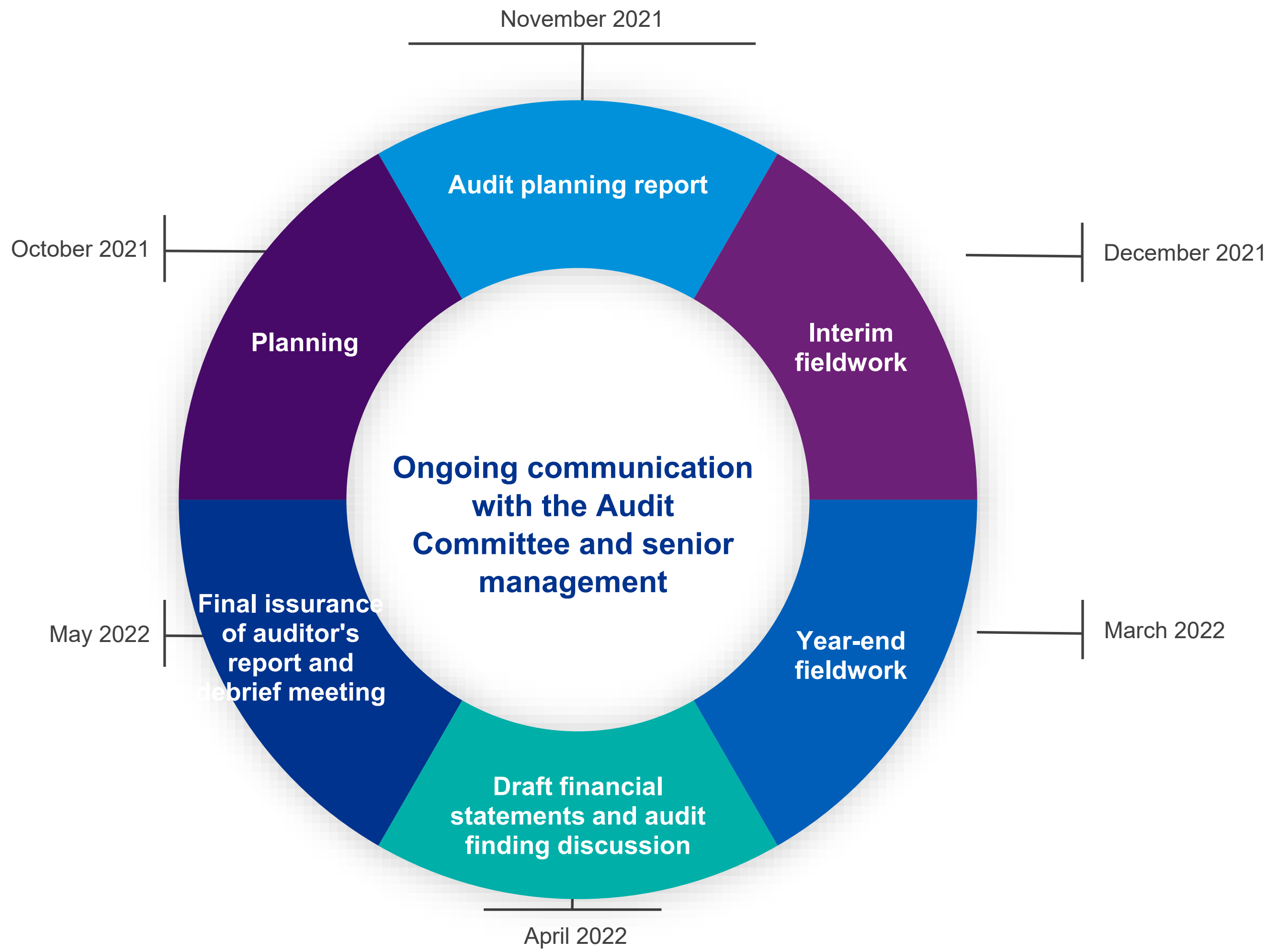
– Obtain and review any amendments to the agreement for the sinking fund debt issued by the City.

– Audit procedures related to the accounting treatment and the related disclosures in accordance with PSAS.

– Confirmation of the sinking fund debt as at year-end.

– Audit of the assessment of the sinking fund's ability to achieve planned growth i.e. sufficient funds to pay the debt in the future.

# Key milestones and deliverables



# Current developments

| Title | Details | Link |
|---|---|---|
| **Public Sector Update – connection series** | Public Sector Accounting Standards are evolving – Get a comprehensive update on the latest developments from our Public Sector Accounting Board (PSAB) professionals. Learn about current changes to the standards, active projects and exposure drafts, and other items. | Contact your KPMG team representative to sign up for these webinars.<br>Public Sector Minute Link |

The following are upcoming changes that will be effective in future periods as they pertain to Public Sector Accounting Standards. We have provided an overview of what these standards are and what they mean to your financial reporting so that you may evaluate any impact to your future financial statements.

## Public Sector Accounting Standards

| Standard | Summary and implications |
|---|---|
| Asset Retirement Obligations | – The new standard is effective for fiscal years beginning on or after April 1, 2022 (City's fiscal year ending December 31, 2023).<br>– The new standard addresses the recognition, measurement, presentation and disclosure of legal obligations associated with retirement of tangible capital assets in productive use. Retirement costs will be recognized as an integral cost of owning and operating tangible capital assets. PSAB currently contains no specific guidance in this area.<br>– The ARO standard will require the public sector entity to record a liability related to future costs of any legal obligations to be incurred upon retirement of any controlled tangible capital assets ("TCA"). The amount of the initial liability will be added to the historical cost of the asset and amortized over its useful life.<br>– As a result of the new standard, the public sector entity will have to:<br>• Consider how the additional liability will impact net debt, as a new liability will be recognized with no corresponding increase in a financial asset;<br>• 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;<br>• Begin considering the potential effects on the organization as soon as possible to coordinate with resources outside the finance department to identify AROs and obtain information to estimate the value of potential AROs to avoid unexpected issues. |

| | |
|---|---|
| Financial Instruments and Foreign Currency Translation | – The accounting standards, PS3450 *Financial Instruments*, PS2601 *Foreign Currency Translation*, PS1201 *Financial Statement Presentation* and PS3041 *Portfolio Investments* are effective for fiscal years commencing on or after April 1, 2022 (City's fiscal year ending December 31, 2023). The effective date was deferred by one year due to COVID-19.<br>– 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.<br>– Hedge accounting is not permitted.<br>– 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.<br>– In July 2020, PSAB approved federal government narrow-scope amendments to PS3450 *Financial Instruments* which will be included in the Handbook in the fall of 2020. Based on stakeholder feedback, PSAB is considering other narrow-scope amendments related to the presentation and foreign currency requirements in PS3450 *Financial Instruments*. The exposure drafts were released in summer 2020 with a 90-day comment period. |
| Revenue | – The new standard is effective for fiscal years beginning on or after April 1, 2023 (City's fiscal year ending December 31, 2024). The effective date was deferred by one year due to COVID-19.<br>– The new standard establishes a single framework to categorize revenues to enhance the consistency of revenue recognition and its measurement.<br>– The standard notes that in the case of revenues arising from an exchange transaction, a public sector entity must ensure the recognition of revenue aligns with the satisfaction of related performance obligations.<br>– The standard notes that unilateral revenues arise when no performance obligations are present, and recognition occurs when there is authority to record the revenue and an event has happened that gives the public sector entity the right to the revenue. |
| Public Private Partnerships ("P3") | – PSAB has introduced Section PS3160, which includes new requirements for the recognition, measurement and classification of infrastructure procured through a public private partnership. The standard has an effective date of April 1, 2023 and may be applied retroactively or prospectively.<br>– The standard notes that recognition of infrastructure by the public sector entity would occur when it controls the purpose and use of the infrastructure, when it controls access and the price, if any, charged for use, and it controls any significant interest accumulated in the infrastructure when the P3 ends.<br>– 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.<br>– 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. |

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|---|---|
| Purchased Intangibles | – In October 2019, PSAB approved a proposal to allow public sector entities to recognize intangibles purchased through an exchange transaction. Practitioners are expected to use the definition of an asset, the general recognition criteria and the GAAP hierarchy to account for purchased intangibles.<br>– PSAB has approved Public Sector Guideline 8 which allows recognition of intangibles purchased through an exchange transaction. Narrow-scope amendments were made to Section PS 1000 Financial statement concepts to remove prohibition on recognition of intangibles purchased through exchange transactions and PS 1201 Financial statement presentation to remove the requirement to disclose that purchased intangibles are not recognized.<br>– The effective date is April 1, 2023 (City's fiscal year ending December 31, 2024) with early adoption permitted. Application may be retroactive or prospective. |

## Active Projects

| Standard | Summary and implications |
|---|---|
| 2022 – 2027 Strategic Plan | – PSAB's Draft 2022 – 2027 Strategic Plan was issued for public comment in May 2021. Comments were requested for October 6, 2021.<br>– The Strategic Plan sets out broad strategic objectives that help guide PSAB in achieving its public interest mandate over a multi-year period, and determining standard-setting priorities<br>– The Strategic Plan emphasizes four key priorities:<br>    – Develop relevant and high-quality accounting standards - Continue to develop relevant and high-quality accounting standards in line with PSAB's due process, including implementation of the international strategy (focused on adapting International Public Sector Accounting Standards for new standards) and completion of the Conceptual Framework and Reporting Model project.<br>    – Enhance and strengthen relationships with stakeholders - Includes increased engagement with Indigenous Governments and exploring the use of customized reporting.<br>    – Enhance and strengthen relationships with other standard setters – In addition to continued collaboration with other standard setters, this emphasizes strengthened relationship with the IPSASB.<br>– Support forward-looking accounting and reporting initiatives – Supporting and encouraging ESG reporting, and consideration of the development of ESG reporting guidance for the Canadian public sector. |
| Employee Future Benefit Obligations | – PSAB has initiated a review of sections PS3250 *Retirement Benefits* and PS3255 *Post-Employment Benefits, Compensated Absences and Termination Benefits*. In July 2020, PSAB approved a revised project plan.<br>– PSAB intends to use principles from International Public Sector Accounting Standard 39 *Employee Benefits* as a starting point to develop the Canadian standard.<br>– Given the complexity of issues involved and potential implications of any changes that may arise from the review of the existing guidance, PSAB will implement a multi-release strategy for the new standards. The first standard |

| | |
|---|---|
| | will provide foundational guidance. Subsequent standards will provide additional guidance on current and emerging issues.<br>– PSAB released an exposure draft on proposed section PS3251, Employee Benefits in July 2021. Comments to PSAB on the proposed section are due by November 25, 2021. Proposed Section PS 3251 would apply to fiscal years beginning on or after April 1, 2026 and should be applied retroactively. Earlier adoption is permitted. The proposed PS3251 would replace existing Section PS 3250 and Section PS 3255. This proposed section would result in organizations recognizing the impact of revaluations of the net defined benefit liability (asset) immediately on the statement of financial position. Organizations would also assess the funding status of their post-employment benefit plans to determine the appropriate rate for discounting post-employment benefit obligations. |
| Concepts Underlying Financial Performance | – PSAB is in the process of reviewing the conceptual framework that provides the core concepts and objectives underlying Canadian public sector accounting standards.<br>– PSAB released four exposure drafts in early 2021 for the proposed conceptual framework and proposed revised reporting model, and their related consequential amendments. The Board is in the process of considering stakeholder comments received.<br>– PSAB is proposing a revised, ten chapter conceptual framework intended to replace PS 1000 *Financial Statement Concepts* and PS 1100 *Financial Statement Objectives*. The revised conceptual framework would be defined and elaborate on the characteristics of public sector entities and their financial reporting objectives. Additional information would be provided about financial statement objectives, qualitative characteristics and elements. General recognition and measurement criteria, and presentation concepts would be introduced.<br>– In addition, PSAB is proposing:<br>• Relocation of the net debt indicator to its own statement and the statement of net financial assets/liabilities, with the calculation of net debt refined to ensure its original meaning is retained.<br>• Separating liabilities into financial liabilities and non-financial liabilities.<br>• Restructuring the statement of financial position to present non-financial assets before liabilities.<br>• Changes to common terminology used in the financial statements, including re-naming accumulated surplus (deficit) to net assets (liabilities).<br>• 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”.<br>• A new provision whereby an entity can use an amended budget in certain circumstances.<br>• Inclusion of disclosures related to risks and uncertainties that could affect the entity’s financial position. |
| Government Not-for-Profit Strategy | – PSAB is in the process of reviewing its strategy for government not-for-profit (“GNFP”) organizations. PSAB intends to understand GNFPs’ fiscal and regulatory environment, and stakeholders’ financial reporting needs.<br>– PSAB released a second consultation paper in January 2021 which summarizes the feedback received to the first consultation paper. It also describes options for the GNFP strategy and the decision-making criteria used to evaluate the options. PSAB recommends incorporating the PS4200 series with potential customizations into PSAS. This means reviewing the existing PS4200 series to determine if they should be retained and added to |

PSAS. Incorporating the updated or amended PS4200 series standards in PSAS would make the guidance available to any public sector entity. Accounting and/or reporting customizations may be permitted if PSAB determines there are substantive and distinct accountabilities that warrant modification from PSAS.

– PSAB is in the process of considering stakeholder comments.

# Appendices

## Content



# Appendix 1: Other required communications

## Reports to the Audit Committee

Audit planning report – as attached.

At the completion of the audit, we will provide our findings report to the Audit Committee.

## Engagement terms

Unless you inform us otherwise, we understand that you acknowledge and agree to the terms of the engagement set out in the engagement letter.

A copy of the engagement letter and any subsequent amendments has been provided to the 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 recent quality inspections in Canada:

- Audit Quality Insights Report: 2020 Annual Audit Quality Assessments
- CPAB 2020 Annual Report - Regulatory Oversight in a Global Pandemic
- CPAB Audit Quality Insights Report: 2020 Interim Inspection Results

## Representations of management

We will obtain from management certain representations at the completion of the audit.

## Matters pertaining to independence

We will confirm our independence to the Audit Committee at the completion stage through our Audit Findings Report.

## Control deficiencies

On a timely basis, identified significant deficiencies will be communicated to the City in writing. Other control deficiencies identified that do not rise to the level of a significant deficiency will be communicated to management.

# Appendix 2: Use of technology in the audit

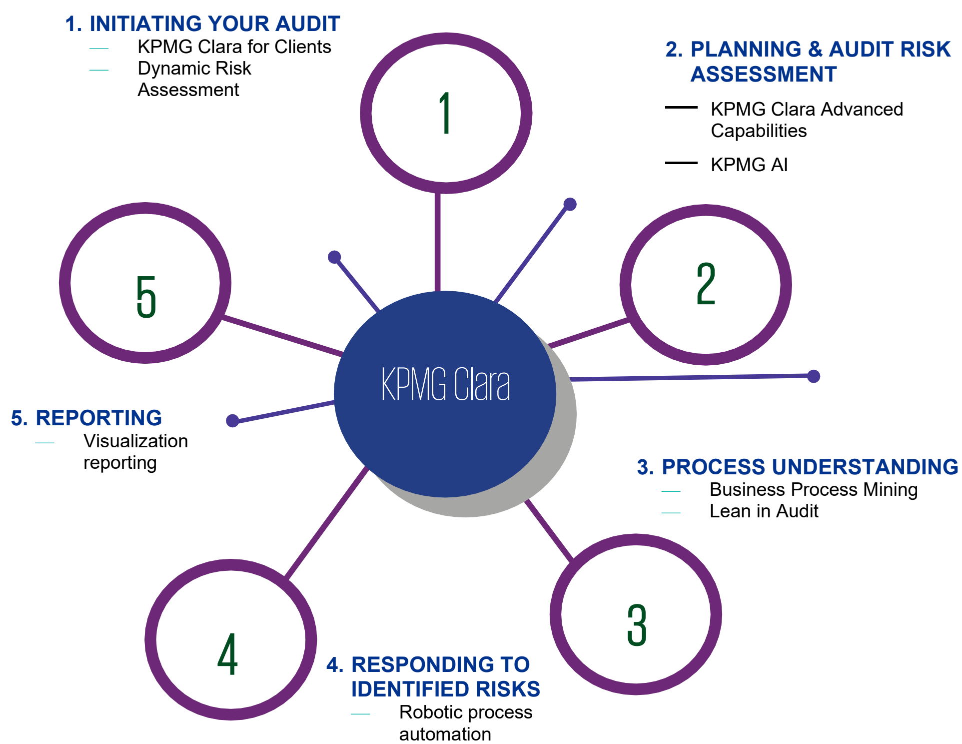
KPMG Clara is our integrated, smart global audit platform that allows our teams globally to work simultaneously on audit documentation while sharing real time information. KPMG Clara embeds analytics throughout all phases of the audit and allows us to visualise the flow of transactions through the system, identify risks in your financial data and perform more specific audit procedures. KPMG's use of technology provides for:

1. a **higher quality audit** – looking at 100% of selected data
2. a **more efficient audit** as we are focussed on the transactions that are considered higher risk and
3. an audit that provides **insights into your business** through the use of technology in your audit with our extensive industry knowledge.

We are also actively piloting Artificial Intelligence ("AI") tools which will be used in future audits and identifying areas to embed robotic process automation ("KPMG Bots").

We will be discussing the use and implementation of these tools with the Entity over the course of our audit. These tools will be adopted and applied to the Entity's audit using a phased approach over the coming years. We will keep you apprised of our progress on a continuous basis.

## Our five-phased audit approach



# Appendix 2: Use of technology in the audit (continued)

| Phase 1: Initiating your audit |
|---|
| To ensure that you are involved in every step of the audit, management will have access to **KPMG Clara for Clients (KCfC)**. KCfC is our secure audit platform and a one-stop shop through which we plan, execute and manage the audit. KCfC supports seamless collaboration between our audit team and your finance team, including exchange of information and access to the real time reporting you need in one central location, reducing the impact to your people in coordinating and overseeing the audit. It ensures there are no surprises during the execution of the audit and the ability to efficiently track issues and outstanding matters with a single click. |
| **Phase 2: Planning and audit risk assessment** |
| **KPMG Clara Advanced Capabilities** – account analysis and planning analytics incorporates structured rules, specific to your industry, to review your financial data and assist the engagement team in obtaining a more thorough understanding of the business processes and underlying flow transactions. Our advanced analytic tool enables a more precise risk assessment and development of a tailored audit approach.<br><br>*Want to know more about **Clara Advanced Capabilities**?* |
| **Phase 3: Process understanding** |
| As part of understanding your processes, KPMG uses our **Lean in Audit methodology**. Our Lean in Audit methodology allows our team to work collaboratively with you to gain an in-depth understanding of selected end-to-end processes. |
| We also incorporate **Business Process Mining (BPM)** technology. BPM provides immediate visualization of how 100% of your transactions are processed to complement your process narratives & flow charts. A deeper understanding of your processes enhances our understanding of your business. This will ensure our team is focused on auditing the right risks & leveraging your team's resources efficiently. It helps us identify inefficiencies or manual workarounds in a process and highlights where the process is under stress.<br><br>*Want to know more about **Business Process Mining**?* |
| **Phase 4: Responding to identified risks** |
| Our KPMG advanced capabilities **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. |

# Appendix 3: Insights to enhance your business

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.

## An innovative audit approach to improve quality and value

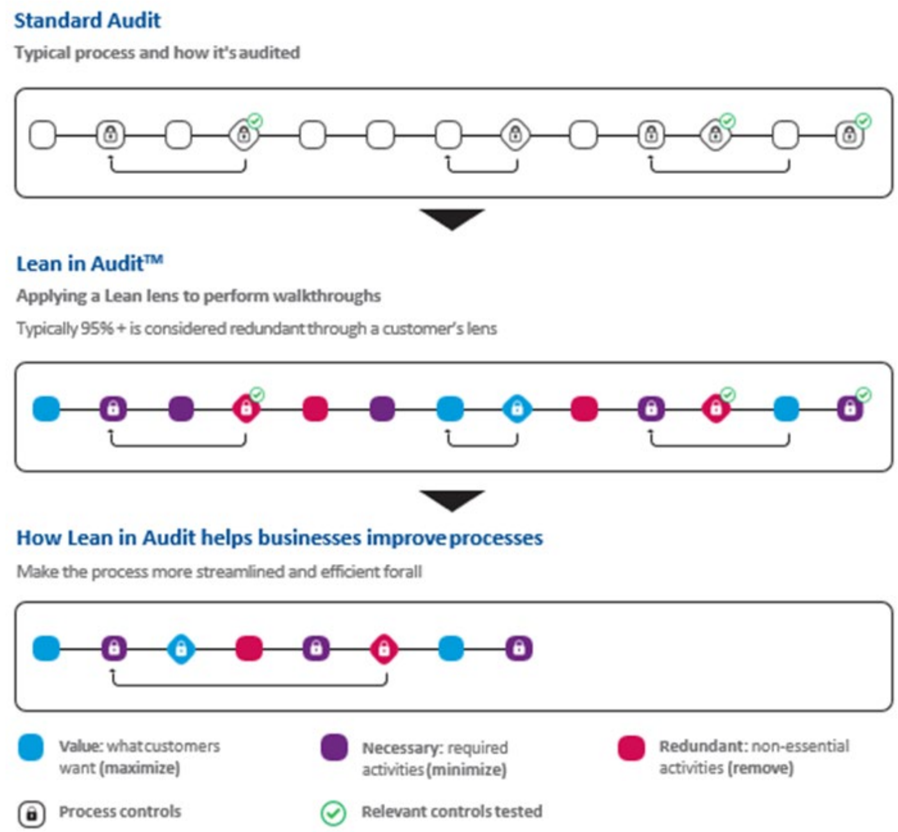
Lean in Audit™ is KPMG's award-winning methodology that offers a new way of looking at processes and engaging people within your finance function and organization through the audit.

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 using this approach on your audit this year and will work with you to select the appropriate process.

## How it works



# Appendix 4: Audit and Assurance Insights

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

| Consideration | Key observations | Links |
|---|---|---|
| **Audit & Assurance Insights** | Curated thought leadership, research and insights from subject matter experts across KPMG in Canada | Learn more |
| **Momentum** | A quarterly Canadian newsletter which provides a snapshot of KPMG's latest thought leadership, audit and assurance insights and information on upcoming and past audit events – keeping management and board members abreast on current issues and emerging challenges within audit. | Sign-up now |
| **COVID-19 Financial Reporting Resource Centre** | Resource centre on the financial reporting impacts of coronavirus | Learn more |
| **Return to the Workplace** | As all levels of government begin to take steps toward re-opening the country and restarting our economy, planning for the return to a physical workplace is quickly becoming a top priority for many organizations. With the guidelines for the pandemic continuing to evolve daily, there are many considerations, stages and factors employers need to assess in order to properly develop a robust action plan which can ensure the health and safety of their workforce. | Learn more |
| **Hybrid Workplace Guide** | In this eBook, you'll discover:<br>The business case for building a hybrid workplace: What are the benefits of a hybrid work model? From employee attraction and retention to achieving enterprise-wide cost efficiencies.<br>The flexibility imperative: How do you create a successful hybrid workplace model that balances employees and organizations' needs and wants? From remote work to safely supporting more face to face interactions.<br>The building blocks of a hybrid workplace: We address human, organizational, regulatory, digital and physical considerations, and aspects such as how do you manage digital and cybersecurity when working from home in a hybrid workplace model? How can management lead by motivation and results for better employee engagement?<br>Returning to the physical workplace: How do you ensure a safe workplace when employees return to the office space in a hybrid workplace model? How can you emphasize safety to instill confidence in your employees?<br>Legal considerations of a hybrid work model: What could the tax implications be for companies if they implement a hybrid workplace model? Considerations to help you navigate the risks of hybrid work, including changing policies, approaches for new vs. existing employees, and security and privacy. | Learn more |

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