

Date: 2023-10-19

Subject: **KPMG Audit Plan for the 2023 Fiscal Year**

Contact: Maja Kuzmanov, Sr. Manager Accounting Services/Deputy
Treasurer, Finance

Report Number: Corporate Support Services-2023-916

Recommendations:

1. That the report from Maja Kuzmanov, Senior Manager Accounting Services/Deputy Treasurer to the Audit Committee meeting of November 7, 2023 re: **KPMG Audit Plan for the 2023 Fiscal Year**, be received;
2. That the Audit Planning Report for the Year Ending December 31st, 2023, prepared by KPMG LLP, Chartered Accountants (KPMG LLP) to the Audit Committee, be received.

Overview:

- **Section 296 of the Ontario *Municipal Act, 2001* requires the appointment of an auditor licensed under the Public Accounting Act, 2004.**
- **The City's Auditor, KPMG LLP, will be performing the statutory audit of The Corporation of the City of Brampton and its Local Boards/Committees, including the City of Brampton Public Library Board and the Downtown Brampton BIA for the fiscal year ended December 31st, 2023.**
- **The City's Auditor, KPMG LLP, have prepared the attached Audit Planning Report for the Audit Committee's information.**
- **Representatives from KPMG LLP, will be making a presentation at the Audit Committee meeting regarding the content of this report.**
- **There are five new PSAB standards applicable for the year ending December 31, 2023:**
 - **PS 3280, Asset Retirement Obligation**

- **PS 3450, Financial Instruments**
- **PS 2601, Foreign Currency Translation**
- **PS 3041, Portfolio Investments**
- **PS 1201, Financial Statement Presentation**

Background:

The *Ontario Municipal Act, 2001* states that:

- 296 (1) *A municipality shall appoint an auditor licensed under the Public Accounting Act, 2004 who is responsible for,*
- (a) *annually auditing the accounts and transactions of the municipality and its local boards and expressing an opinion on the financial statements of these bodies based on the audit*

KPMG LLP, were first appointed as the auditors for the Corporation of The City of Brampton and its Local Boards/Committees in 1990. The role of the external auditors is to audit the consolidated financial statements for the Corporation of The City of Brampton and express an independent opinion on these financial statements. The audit is conducted in accordance with Canadian Generally Accepted Auditing Standards. These standards require that the auditors plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluation of the overall financial statement presentation.

In addition, the auditors are also responsible for advising management and City Council of any internal accounting practices, financial controls or operational issues that may be identified during their audit of the City and its Local Boards.

The consolidated financial statements are the responsibility of the management of the City of Brampton and are prepared in accordance with the accounting principles and disclosure requirements of the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

Current Situation:

KPMG LLP, have prepared the attached Audit Planning Report to the Audit Committee. The Audit Planning Report provides information to the Audit Committee relating to the activities of KPMG LLP in discharging their audit responsibilities for the fiscal year ending December 31st, 2023.

There are five new PSAB standards applicable for the year ending December 31, 2023:

- PS 3280, Asset Retirement Obligation, addresses the recognition, measurement, presentation and disclosure of legal obligations associated with retirement of tangible capital assets in productive use. Asset Retirement Obligations are recorded on the consolidated financial statements as a liability and are based on accrual accounting. As such, there is no direct cash flow or budgetary impact to the City. Further disclosure is provided in the notes to the consolidated financial statements.

An asset retirement obligation liability can be incurred due to the acquisition, construction or development of a tangible capital asset or through normal use of a tangible capital asset when all of the following conditions are met:

- Legal obligation exists;
 - The past transaction or event giving rise to the liability has occurred;
 - It is expected that future economic benefits will be given up; and
 - A reasonable estimate of the amount can be made.
- PS 3450, Financial Instruments, establishes the standards on accounting for and reporting all types of financial instruments including derivatives. Financial Instruments can be recognized at fair value or amortized cost.
 - PS 2601, Foreign Currency Translation replaces PS 2600 'Foreign Currency Translation' and defines the measurement of foreign currency conversions.
 - PS 3041, Portfolio Investments is a new standard, and defines requirements for investments to be measured at either fair value or amortized cost method.
 - PS 1201, Financial Statement Presentation replaces PS 1200 'Financial Statement Presentation'. The new standard clarifies presentation for re-measurement of derivatives.

KPMG LLP will present an overview of the audit which will include materiality, audit risks, fraud risk, key milestones, deliverables, new accounting standards as well as communication requirements to the Audit Committee. The areas the audit will focus on are: cash and investments, tangible capital assets, revenue and accounts receivable, deferred revenue, employee future benefits and other liabilities, asset retirement obligation, expenses, liabilities as well as other estimates and management override of controls.

KPMG LLP is responsible for providing reasonable assurance that the City's consolidated financial statements as a whole are free from material misstatement. Materiality will be set at 2.5% of Prior Period Actual Revenue or \$23 million (2022 - \$21 million).

City's Corporate Accounting staff have reviewed the 2023 Audit Planning Report and have developed internal year-end close schedule required to meet external audit requirements. This schedule was communicated to all departments in order to ensure timely year-end process. Once the 2023 records are closed, staff will prepare the consolidated financial statements and accompanying notes for the City, along with any required supporting documentation.

Corporate Implications:

There are no corporate implications resulting from this report.

Strategic Focus Area:

This report fulfils *Government & Leadership* Strategic Focus Area through strict adherence to effective financial management policies and ensuring transparent and accountable financial operations.

Conclusion:

KPMG LLP will be performing the statutory audit of the City and its Local Boards and Committees including the City of Brampton Public Library Board and the Downtown Brampton BIA for the fiscal year ended December 31, 2023 in accordance with the Accepted Auditing Standards.

Authored by:

Reviewed by:

Maja Kuzmanov, Sr. Manager
Accounting Services/Deputy
Treasurer

Nash Damer, Treasurer

Approved by:

Approved by:

Alex Milojevic, Commissioner,
Corporate Support Services

Marlon Kallideen, Chief Administrative
Officer

Attachments:

- Attachment 1 – KPMG Audit Planning Report for the year ended December 31, 2023