

The Corporation of the City of Guelph

Audit Findings Report
for the year ended
December 31, 2020

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Prepared May 10, 2021, for the
Council Meeting June 7, 2021

kpmg.ca/audit

KPMG



Table of contents

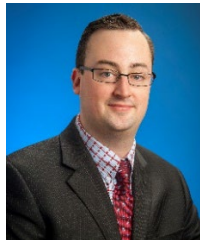
How do we deliver audit quality?	2
Executive summary	3
Changes from the audit plan	3
What's new in 2020	4
Audit risks and results	7
Significant accounting policies and practices	13
Financial statement presentation and disclosure	14
Other matters	15
Uncorrected differences and corrected adjustments	16
Control deficiencies	17
Appendices	18
Appendix 1: Other Required Communications	19
Appendix 2: Management Representation Letter	20
Appendix 3: Draft Auditors' Report	24
Appendix 4: Technology in the audit	26
Appendix 5: Audit and Assurance Insights	27

KPMG contacts

The contacts at KPMG in connection with this report are:



Matthew Betik
**Lead Audit Engagement
Partner**
Tel: 519-747-8245
mbetik@kpmg.ca



Brendan Hall
Senior Manager
Tel: 519-747-8273
bdhall@kpmg.ca



Nicholas Deane
Manager
Tel: 519-747-8850
nicholasdeane@kpmg.ca

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.



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 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.

Executive summary

Purpose of this report¹

The purpose of this Audit Findings Report is to assist you, as a member of Council, and staff of the City of Guelph in your review of the results of our audit of the consolidated financial statements as at and for the period ended December 31, 2020. This Audit Findings Report builds on the Audit Plan we presented to the Council.

What's new in 2020

There have been significant changes in 2020 which impacted financial reporting, the Entity's internal control over financial reporting and our audit:

- COVID-19 pandemic – see pages 4-5

Finalizing the audit

As of April 30, 2021, we have completed the audit of the consolidated financial statements, with the exception of certain remaining procedures, which include amongst others:

- Completing our discussions with the Council
- Obtaining evidence of the Council's approval of the financial statements
- Obtaining a signed management representation letter
- Receipt of legal letters
- Completing certain audit testing procedures, including follow up inquiries and documentation requests
- Completing our final quality control and review procedures

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 4, will be dated upon the completion of any remaining procedures.

Changes from the audit plan

There have been no significant changes regarding our audit from the Audit Planning Report previously presented to you.

Significant accounting policies and practices

There have been no initial selections of, or changes to, significant accounting policies and practices to bring to your attention.

Control deficiencies

We did not identify any control deficiencies that we determined to be significant deficiencies in internal control over financial reporting.

Independence

We are independent of the City in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada.

¹ This Audit Findings Report is intended solely for the information and use of Management, Council, and 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 Audit Findings Report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

What's new in 2020

COVID-19 pandemic

On November 1, 2020, our audit plan highlighted potential impacts of the COVID-19 pandemic. We adapted our audit to respond to the continued changes in your business, including the impacts on financial reporting and internal control over financial reporting.

Area of Impact	Key Observations
Company's financial reporting impacts	<ul style="list-style-type: none">— We considered impacts to financial reporting due to COVID 19 pandemic and the increased disclosures needed in the financial statements as a result of the significant judgements.— In areas of the financial statements where estimates involved significant judgements, we evaluated whether the method, assumptions and data used by management to derive the accounting estimates, and their related financial statement disclosures were still appropriate per the relevant financial reporting framework given the changed economic conditions and increased estimation uncertainty. – See page 8 and 10 under Audit Risk and Results.— The areas of the financial statements most affected included:<ul style="list-style-type: none">○ Government grants recorded as part of the Safe Restart Funding programs
Company's internal control over financial reporting	<ul style="list-style-type: none">— As part of our risk assessment we examined the financial reporting risks, including fraud risks, given possible new pressures on management or new opportunities to commit fraud given changes in the Entity's internal controls over financial reporting.— As a result of the Entity's remote working environment, it was necessary to assess the impact to the Entity's internal controls.<ul style="list-style-type: none">○ In areas of the audit where we are evaluating controls, we obtained an understanding of any changes to processes and controls during the year to assess if there was a need to change the extent of testing. No changes were noted that had a significant impact on the scope of audit work.
Materiality	<ul style="list-style-type: none">— We considered impacts to financial reporting on both the determination and the re-assessment of materiality for the audit of the financial statements.— No adjustment to materiality was considered necessary.

COVID-19 pandemic

On November 1, 2020, our audit plan highlighted potential impacts of the COVID-19 pandemic. We adapted our audit to respond to the continued changes in your business, including the impacts on financial reporting and internal control over financial reporting.

Area of Impact	Key Observations
Risk Assessment	<ul style="list-style-type: none">— We performed a more thorough risk assessment specifically targeted at the impacts of the COVID 19 pandemic, including an assessment of fraud risk factors (i.e., conditions or events that may be indicative of an incentive/pressure to commit fraud, opportunities to commit fraud, rationalizations of committing fraud).
Working remotely	<ul style="list-style-type: none">— We used virtual work rooms, video conferencing, and internally shared team sites to collaborate in real-time, both amongst the audit team as well as with management.— We increased our professional skepticism when evaluating electronic evidence received and performed additional procedures to validate the authenticity and reliability of electronic information used as audit evidence.
Direction and Supervision of the audit	<ul style="list-style-type: none">— The managers and partner were actively involved in determining the impact that the COVID-19 pandemic had on the audit (as discussed above), including the impact on the Company's financial reporting and changes in the Company's internal control over financial reporting.— Managers and partner implemented new supervision processes to deal with working in a remote environment, and our audit approach allowed us to manage the audit using meaningful milestones and frequent touch points.

New auditing standards

The following new auditing standards that are effective for the current year had an impact on our audit.

Standard	Key observations
CAS 540, Auditing Accounting Estimates and Related Disclosures	<ul style="list-style-type: none">— The new standard was applied on all estimates within the financial statements that had a risk of material misstatement due to estimation uncertainty and not just “key estimates”, “critical accounting estimates”, or “estimates with significant risk”.— The granularity and complexity of the new standard along with our interpretation of the application of that standard necessitated more planning and discussion and increased involvement of more senior members of the engagement team.— We performed more granular risk assessments based on the elements making up <u>each</u> accounting estimate such as the method, the assumptions used, the data used and the application of the method.— We considered the potential for management bias.— We assessed the degree of uncertainty, complexity, and subjectivity involved in making each accounting estimate to determine the level of audit response; the higher the level of response, the more persuasive the audit evidence was needed.— We involved professionals with appropriate skills and knowledge to assist us in auditing certain estimates as appropriate.— See pages 8, 9 and 10 under Audit Risk and Results for estimates that related to significant risk or other areas of focus, which are a subset of all the estimates subject to the new standard.

Audit risks and results

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

Significant financial reporting risk	Why is it significant?
<p>Risk of material misstatement due to fraud resulting from fraudulent revenue recognition.</p>	<p>This is a presumed risk of material misstatement due to fraud under Canadian auditing standards. However, the audit team has rebutted this presumption due to the following reasons:</p> <ul style="list-style-type: none">— The presumed fraud risk is ordinarily associated with for-profit enterprises— The majority of revenue is calculated based on MPAC data, approved property tax rates, utility rates, and user fees, as well as funding agreements with senior levels of governments, and is not subject to complexity or judgement at the reporting level;— KPMG does not believe that the use of inappropriate cut-off would be utilized to perpetuate fraud.
Our response	
<p>Not applicable.</p>	
Significant financial reporting risk.	Why is it significant?
<p>Risk of material misstatement due to fraud resulting from management override of controls</p>	<p>This is a presumed risk of material misstatement due to fraud under Canadian auditing standards. We have not identified any specific additional risks of management override relating to this audit.</p>
Our response	
<p>As the risk is not rebuttable, our audit methodology incorporates the required procedures in professional standards to address this risk. These procedures included testing of journal entries and other adjustments, performing a retrospective review of estimates, and evaluating the business rationale of significant unusual transactions.</p> <ul style="list-style-type: none">— KPMG performed various substantive based procedures examining journal entries that were being posted to the general ledger.— Journal entries were selected using various criteria to identify journal entries that could possibly be related to override activities. <p>No findings were identified in our testing performed.</p>	

Audit risks and results

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

Area of focus	New or changed?	Estimate?
Post-employment benefits	No	Yes These amounts are determined through actuarial valuations and involve complex accounting guidance involving judgments.

Our response & significant findings

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 post-employment benefits in 2020 of 3.5%, 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.

KPMG did not find any issues identified through our audit procedures.

Audit risks and results (continued)

Area of focus	New or changed?	Estimate?
Tangible capital assets (TCA)	No	Yes The useful lives used to calculate the net book value of the City's assets are estimated ranges, though based on historical data. Risk of error in inappropriately recognizing costs as either capital or operating.

Our response and significant findings

Our procedures included:

- Discussion over capitalization policies and their application with management
- Substantive test of details approach, vouching samples of additions and retirements in fiscal 2020.
- Tested open Construction in Progress projects to identify projects that should have been moved to TCA or Operating expenses.
- Examine expense accounts to ensure that items related to tangible capital assets were not inappropriately expensed in 2020.
- Testing of the reasonableness of amortization expense.

KPMG did not find any issues identified through our audit procedures.

Audit risks and results (continued)

Area of focus	New or changed?	Estimate?
Liabilities for contaminated sites	No	Yes Significant account balance with complexity and judgement involved.

Our response and significant findings

Our procedures included:

- Assessed the appropriateness of the City's internal expert used for determining the contaminated sites liability by assessing their competence, capabilities, and objectivity so we can rely on their work for our audit.
- Focused review of calculations and inputs used in the calculation, such as the discount rate and budgeted expenditures.
- Performed a retrospective review and compared actual expenditures to 2020 expected budgeted expenditures used in the calculation for the liability.
- Compared forecasted expenditures in prior years to the current year forecast for consistency.
- The liability decreased in 2020 to \$24M from \$26M in 2019 due primarily to a) ongoing expenditures of \$1.0M in the current year and b) a reduction in anticipated future costs of \$2.2M offset by accreted interest of \$1.0M

KPMG did not find any issues with the reasonableness of management's estimate through our audit procedures.

Audit risks and results (continued)

Area of focus	New or changed?	Estimate?
Obligatory reserve funds revenue and deferred revenue	No	No

Our response and significant findings

Our procedures included:

- Obtained management’s continuity schedule for deferred development charges and ensured the spreadsheet was accurate.
- Vouched a sample of development charges collected from developers during the current fiscal year
- Performed substantive testing over amounts being recognized as revenue.

KPMG did not find any issues identified through our audit procedures.

Audit risks and results (continued)

Other areas of focus	Our audit approach and findings
Investments and related income	— Confirmation of details with investment managers
Taxation Revenue	— Performed a substantive analytical procedure using MPAC data and budgeted tax rates
User Fees and Service Charge Revenue	— Analytical procedures were performed comparing current year's revenues on a disaggregated basis to the current year budget and the prior year, adjusting for known changes in assumptions
Expenses	— Analytical procedures comparing current year's expenses on a disaggregated basis to the prior year, adjusting for known changes in assumptions — Substantive procedures to test the existence and accuracy of expenses — Testing the completeness, existence, and accuracy of yearend accruals, most notably those that contain areas of estimate of judgment
Government Transfers	— Review agreements to ensure proper revenue recognition criteria is followed. To ensure transfers are authorized and all eligibility criteria and any stipulations were met. — Perform test of details on significant transfers

KPMG did not find any issues through our audit procedures on the above noted areas of focus.

Significant accounting policies and practices



Changes

There have been no changes to significant accounting policies and practices during the year.



Future Implementation

There are no accounting standards or pronouncements that are issued but not yet effective that are applicable to the Entity in the next year.

Financial statement presentation and disclosure

Misstatements, including omissions, if any, related to financial statement presentation and disclosure items are in the management representation letter.

We also highlight the following:

Form, arrangement, and content of the financial statements

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

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.

Other matters

Professional standards require us to communicate to the Council other matters.

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

Matter	KPMG comment
Safe Restart Funding (COVID-19)	As a result of COVID-19, the City received funding from the province under the Safe Restart Agreement. We reviewed agreements to ensure proper revenue recognition criteria was followed.
Restatement of prior period figures	During the year, management identified two matters recorded as restatement of prior period figures as follows: <ul style="list-style-type: none">- Adjustment to the timing or recognition of water, wastewater, and stormwater revenue to align the timing of revenue with the calendar year- Revision of overstated liabilities on tax-increment based grants- Individually and in aggregate, these adjustments were not material to the current or prior periods- The net impact to the 2019 reported annual surplus was \$1.7M, representing approximately 3.6% of the 2019 annual surplus and less than 1% of total expenses.

Uncorrected differences and corrected adjustments

Differences and adjustments include disclosure and presentation differences and adjustments.

Professional standards require that we request of management and the Council that all identified differences be corrected. We have already made this request of management.

Uncorrected differences

We did not identify differences that remain uncorrected.

Corrected adjustments

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

Control deficiencies

In accordance with professional standards, we are required to communicate to the Council significant deficiencies in internal control over financial reporting (ICFR) that we identified during our audit.

The purpose of our audit is to express an opinion on the financial statements.

Our audit included consideration of ICFR 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 ICFR.

The matters being reported are limited to those deficiencies that we have identified during our audit and that we have concluded are of sufficient importance to merit being reported to the Council and to meet professional standards.

Significant deficiencies

We have not identified any significant deficiencies in internal controls.

Other observations

We did not identify any control deficiencies that we consider to be other internal control deficiencies.

Appendices

Content

Appendix 1: Other Required communications

Appendix 2: Management Representation Letter

Appendix 3: Draft Auditors' Report

Appendix 4: Technology in the Audit

Appendix 5: Audit and Assurance Insights



Appendix 1: Other Required Communications

Report	Engagement terms
The conclusion of our audit is set out in our draft auditors' report attached to the draft financial statements.	A copy of the engagement letter and any subsequent amendments has been provided to the Council.
Reports to the Council	Representations of management
We have provided our audit planning report to the Council on November 1, 2020.	A copy of the management representation letter is attached.
Audit Quality in Canada	Matters pertaining to independence
<p>The reports available through the following links were published by the Canadian Public Accountability Board to inform Councils and other stakeholders about the results of quality inspections conducted over the past year:</p> <ul style="list-style-type: none">• CPAB Audit Quality Insights Report: 2020 Interim Inspection Results• CPAB Audit Quality Insights Report: 2019 Annual Inspections Results <p>Visit our Audit Quality Resources page for more information including access to our Transparency report</p>	KPMG remains independent of the entity in accordance with the CPA Ontario rules of professional conduct.

Appendix 2: Management Representation Letter

KPMG LLP

115 King Street South 2nd Floor

Waterloo, ON N2J 5A3

June 7, 2020

Ladies and Gentlemen:

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 Corporation of the City of Guelph (“the Entity”) as at and for the period ended December 31, 2020.

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 December 4, 2020, 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.

- 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 management is 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.

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.

Non-SEC registrants or non-reporting issuers:



11) 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).

12) 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,

Tara Baker, City Treasurer, GM of Finance

Shanna O'Dwyer, Manager, Financial Reporting and Accounting

cc: Council

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: Draft Auditors' Report

INDEPENDENT AUDITORS' REPORT

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

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

- the consolidated statement of financial position as at December 31, 2020
- the consolidated statements of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net financial 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, 2020, and its consolidated results of operations, its consolidated changes in net financial 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 “Auditors’ Responsibilities for the Audit of the Financial Statements” section of our auditors’ 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.

Responsibilities of Management and Those Charged with Governance for the 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 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.

Auditors' Responsibilities for the Audit of the 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 auditors' 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.

- 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 auditors' report to the related disclosures in the 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 auditors' 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 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

Waterloo, Canada

Appendix 4: Technology in the audit

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

Technology	Areas of the audit where Advance Technology routines were used
Journal Entry Analysis	We utilized application software (IDEA) to evaluate the completeness of the journal entry population through a roll-forward of 100% of the accounts. Further, we utilized computer-assisted audit techniques (CAATs) to analyze journal entries and apply certain criteria to identify potential high-risk journal entries for further testing.

Appendix 5: Audit and Assurance Insights

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

Featured insight	Summary	Reference
Audit & Assurance Insights	Curated thought leadership, research and insights from subject matter experts across KPMG in Canada.	<u>Learn more</u>
The business implications of coronavirus (COVID 19)	Resources to help you understand your exposure to COVID-19, and more importantly, position your business to be resilient in the face of this and the next global threat.	<u>Learn more</u>
	Financial reporting and audit considerations: The impact of COVID-19 on financial reporting and audit processes.	<u>Learn more</u>
	KPMG Global IFRS Institute - COVID-19 financial reporting resource center.	<u>Learn more</u>
Accelerate 2020	Perspective on the key issues driving the audit committee agenda.	<u>Learn more</u>
IFRS Breaking News	A monthly Canadian newsletter that provides the latest insights on international financial reporting standards and IASB activities.	<u>Learn more</u>
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.	<u>Sign-up now</u>
Current Developments	Series of quarterly publications for Canadian businesses including Spotlight on IFRS, Canadian Securities & Auditing Matters and US Outlook reports.	<u>Learn more</u>
Board Leadership Centre	Leading insights to help board members maximize boardroom opportunities.	<u>Learn more</u>



kpmg.ca/audit

© 2021 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

KPMG member firms around the world have 227,000 professionals, in 146 countries.

