



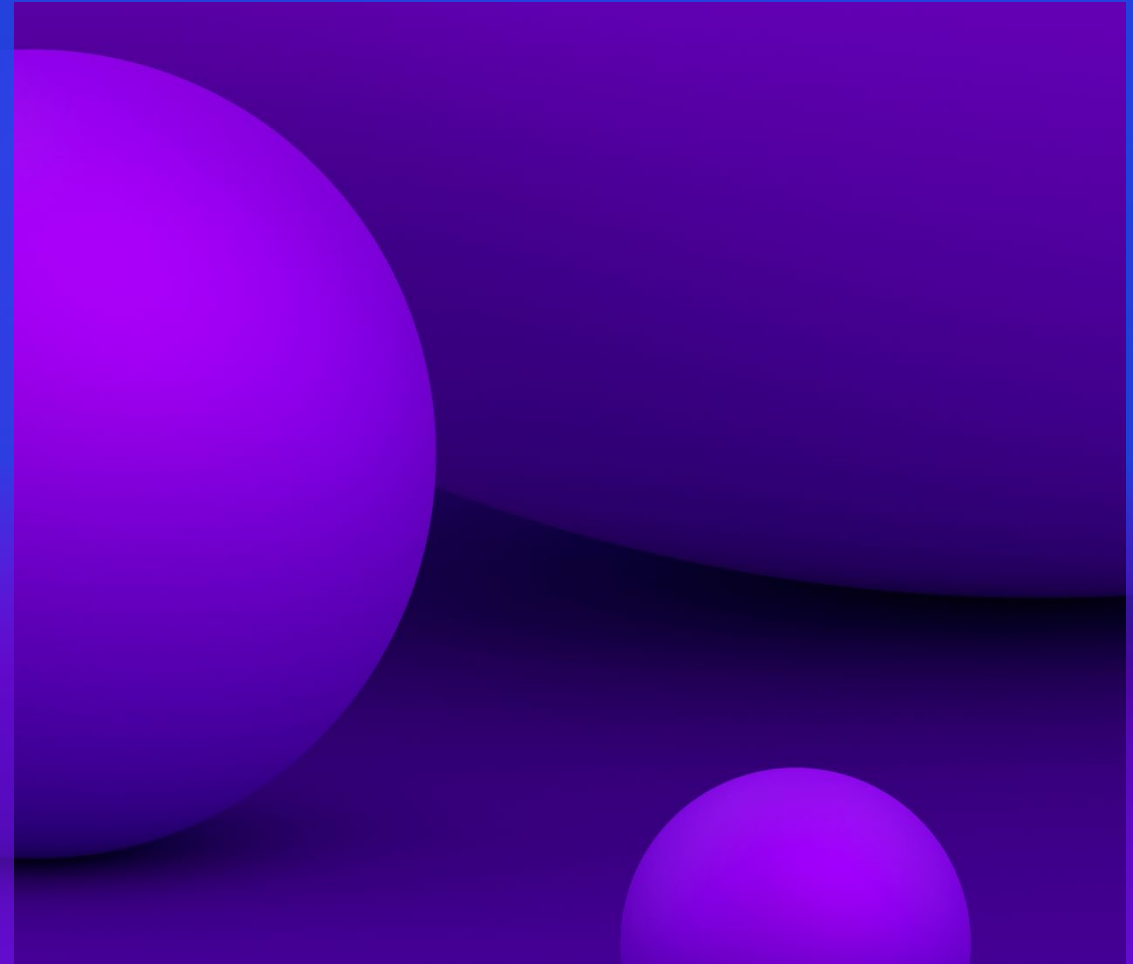
# The Corporation of the Township of West Lincoln

**Audit Planning Report  
for the year ending  
December 31, 2024**

*KPMG LLP*

Prepared as of April 10, 2025 for presentation to the Corporate  
Services Committee in April 22, 2025

[kpmg.ca/audit](https://kpmg.ca/audit)



# KPMG contacts

## Key contacts in connection with this engagement



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## Digital use information

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

If you are reading in electronic form (e.g. In “Adobe Reader” or “Board Books”), clicking on the home symbol on the top right corner will bring you back to this slide.



Click on any item in the table of contents to navigate to that section.

<b>4</b>	<b>Highlights</b>	<b>5</b>	<b>Audit strategy</b>	<b>8</b>	<b>Audit strategy - Group audit</b>
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The purpose of this report is to assist you, as a member of Council, in your review of the plan for our audit of the financial statements. This report is intended solely for the information and use of Management and Council 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 to Council 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



No matters to report



Matters to report – see link for details

## Scope

Our audit of the consolidated financial statements (“financial statements”) of The Corporation of the Township of West Lincoln (“the Entity”) as of and for the period ended December 31, 2024 will be performed in accordance with Canadian generally accepted auditing standards.

## Audit strategy

**Materiality \$694,000**

Involvement of others



Updates to our prior year audit plan



- Audit of the impact of revisions to PSAS 3400 - Revenue

## Audit strategy - group audit

- Refer to slide 9 for the scope of Entities which are subject to audit (we note no changes from prior period).



Involvement of other KPMG member firms



Involvement of non-KPMG firms

## Risk assessment



Risk of management override of controls



Risk of fraudulent revenue recognition



New risks



- Implementation of PS 3400 – Revenue



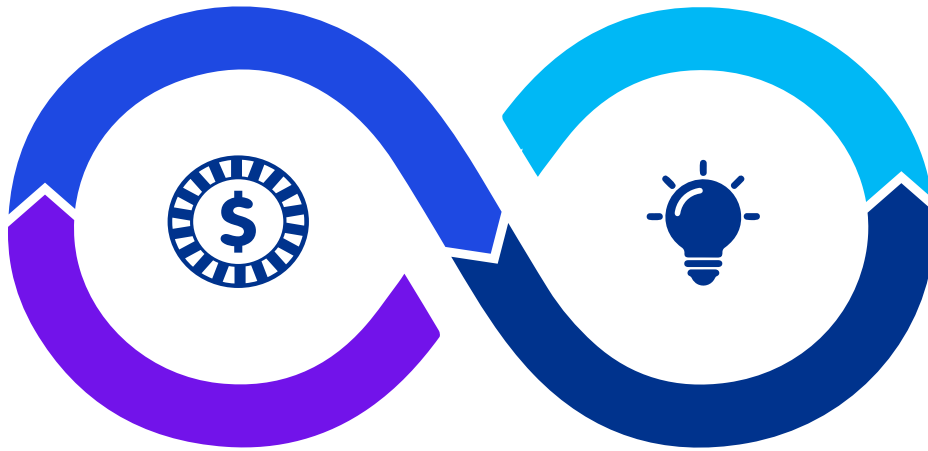
Other risks of material misstatement



- Revenue recognition
- Operating expenditures including payroll
- Tangible capital assets
- Employee benefit obligation
- Financial Instruments
- Investment in Peninsula West Power Inc. (PWPI)
- Investments



# Materiality



We **initially determine materiality** at a level at which we consider that misstatements could reasonably be expected to influence the economic decisions of users. Determining materiality is a matter of **professional judgement**, considering both quantitative and qualitative factors, and is affected by our perception of the common financial information needs of users of the financial statements as a group. We do not consider the possible effect of misstatements on specific individual users, whose needs may vary widely.

We **reassess materiality** throughout the audit and revise materiality if we become aware of information that would have caused us to determine a different materiality level initially.

## Plan and perform the audit

We **initially determine materiality** to provide a basis for:

- Determining the nature, timing and extent of risk assessment procedures;
- Identifying and assessing the risks of material misstatement; and
- Determining the nature, timing, and extent of further audit procedures.

We design our procedures to detect misstatements at a level less than materiality in individual accounts and disclosures, to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

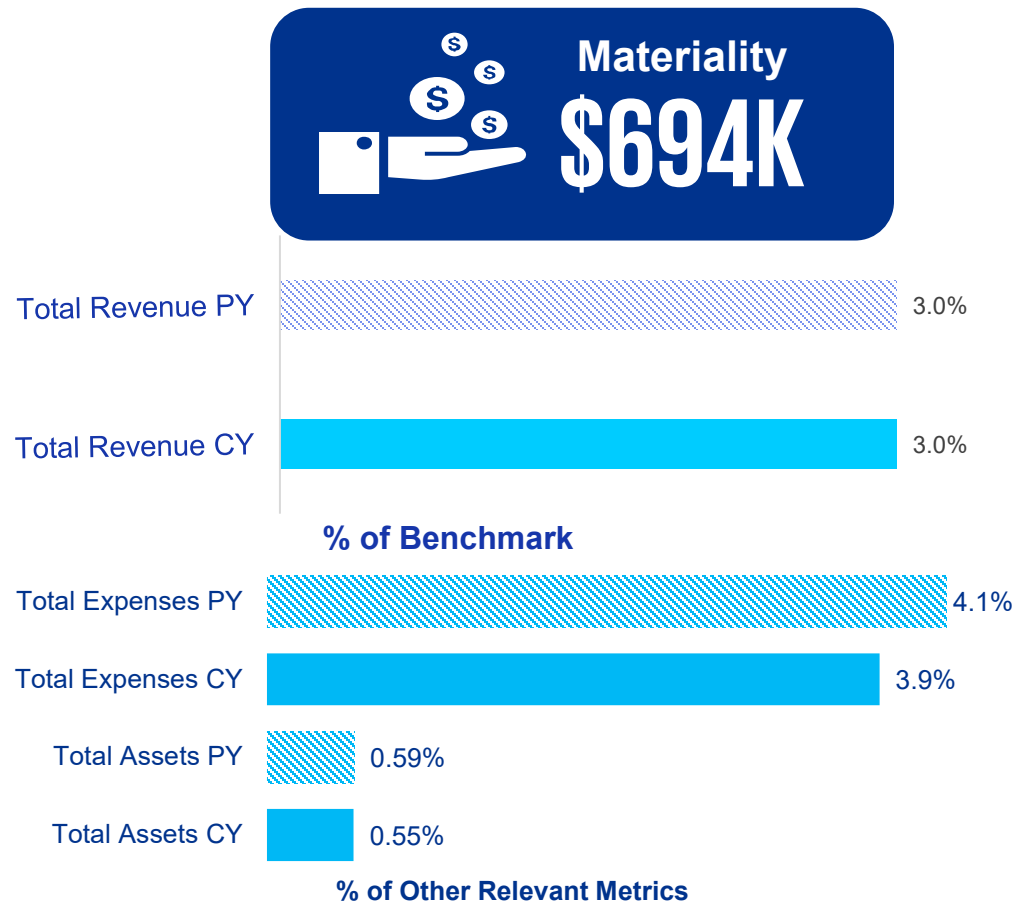
## Evaluate the effect of misstatements

We also **use materiality** to evaluate the effect of:

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



# Initial materiality



## Adjusted Total Revenues

(adjusted for non-recurring revenue)

**Prior Year 2023 - \$25,928,232**

(2022: \$ 20,447,767)

## Total Assets

**2023 - \$139,072,476**

(2022: \$131,827,613)

## Total Expenses

**2023 - \$19,844,080**

(2022: \$18,830,270)

**Our 2024 audit misstatement posting threshold is approximately \$34,700.**



# Updates to our prior year audit plan

## Other significant changes



**Newly effective accounting standards**  
(effective for fiscal periods beginning on or after April 1, 2023)



### PS 3400 – Revenue

Previous standards provided guidance for revenue recognition on primary revenue streams such as taxation revenue and government grants. The new standard provides general recognition guidance to provide consistency for other streams not previously covered by existing public sector standards.

### PSG-8 – Purchased Intangibles

This standard governs recognition of intangible assets which were acquired through an exchange transaction, namely an arm's length exchange between two willing parties (as opposed to inter-entity transfers, which are excluded).

### PS 3160 – Public Private Partnerships

Public private partnerships ("P3s") are an alternative procurement and finance model where public sector entities purchase infrastructure using a private sector partner.

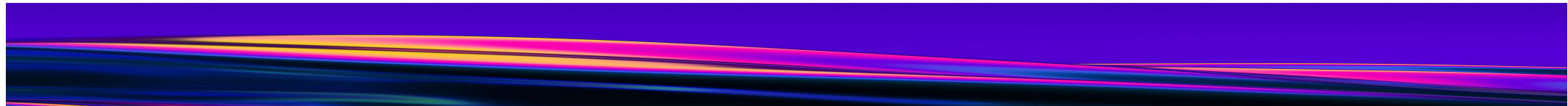
We will discuss the upcoming standards with management and determine the impact to the Township's financial statements and accounting policies, if any. These are not expected to have a significant impact to the Township.



**Newly effective auditing standards**



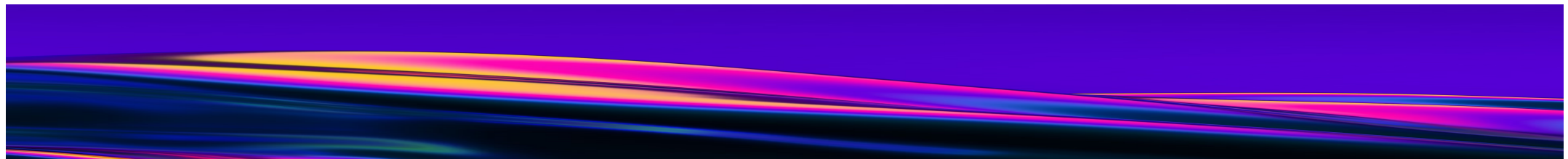
No matters which are expected to have a significant impact on the audit. See Appendices for details.





# Group audit - Scoping

Entity Name	Change in Scope?	Non-Consolidated Materiality	Full-Scope Standalone Audit?
The Corporation of the Township of West Lincoln	Consistent with Prior Period	\$619,000	Yes
Township of West Lincoln Public Library Board	Consistent with Prior Period	\$25,000	Yes
Township of West Lincoln Trust Funds	Consistent with Prior Period	\$600	Yes







# Risk assessment summary

Our planning begins with an assessment of risks of material misstatement in your financial statements.

Our audit is primarily substantive based and we draw upon our understanding of the Township and its environment our understanding of the Township's components of its system of internal control, including our business process understanding.

		Risk of fraud	Risk of error	Risk rating
●	Management Override of Controls	✓		Significant
●	Revenue recognition		✓	Base
●	Asset Retirement Obligations		✓	Base
●	Operating expenditures, including payroll		✓	Base
●	Tangible capital assets		✓	Base
●	Employee benefit obligation		✓	Base
●	Financial Instruments		✓	Base
●	Investment in Peninsula West Power Inc. (PWPI)		✓	Base
●	Investments		✓	Base

● SIGNIFICANT RISK ● PRESUMED RISK OF MATERIAL MISSTATEMENT ● OTHER RISK OF MATERIAL MISTATEMENT

## Advanced Technologies

Our **KPMG Clara Dynamic Risk Assessment** tool gives us a more sophisticated, forward-looking and multi-dimensional approach to assessing audit risk.

[Learn more](#)

Our **KPMG Clara Business Process Mining** provides immediate visualization of how 100% of your transactions are processed to complement your process narratives & flow charts.

[Learn more](#)

**KPMG Clara Account Analysis** allows us to analyze the flow of transactions through your business to drive a more meaningful risk assessment.

[Learn more](#)

**KPMG Clara AI** allows us to layer AI into our auditing platform, allowing us to scan 100% of your data and pull all of the risky transactions and anomalies out for further analysis.

[Learn more](#)

The **Clara Asset Impairment Tool** delivers advanced analysis of long-lived assets and goodwill impairment models (based on discounted cash flows) through the use of predictive analytics, enabling a more robust and independent challenge of management's assumptions.

[Learn more](#)



# Significant risks



Management Override of Controls (non-rebuttable significant risk of material misstatement)

RISK OF



FRAUD

**Presumption  
of the risk of fraud  
resulting from  
management  
override of  
controls**

## Why is it significant?

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 planned response

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
- evaluating the business rationale of significant unusual transactions.
- Incorporating an element of unpredictability into our audit plan

## Advanced technologies

Our **KPMG Clara Journal Entry Analysis Tool** assists in the performance of detailed journal entry testing based on engagement-specific risk identification and circumstances. Our tool provides auto-generated journal entry population statistics and focusses our audit effort on journal entries that are riskier in nature.



**Click to learn more**



# Significant risks



Fraud risk over revenue recognition (presumed significant risk of material misstatement)

RISK OF



FRAUD

## Why is it significant?

**Presumption  
of the risk of fraud  
over revenue  
recognition**

This is a presumed fraud risk under Canadian Auditing Standards.

There are generally pressures or incentives on management to commit fraudulent financial reporting through inappropriate revenue recognition when performance is measured in terms of year-over-year revenue growth or profit.

## Our planned response

The presumed risk has been rebutted for all revenues earned by the Town. Revenues earned from tax levies, user fees, and grants are not subject to significant judgment regarding revenue recognition. As a result, we have concluded there is not a significant risk of fraud relating to revenue recognition.

We have assessed revenue recognition as a risk of error and as such will conduct procedures on revenue recognition, see slide 12.

## Advanced technologies

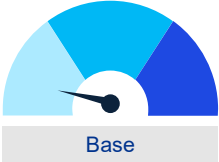
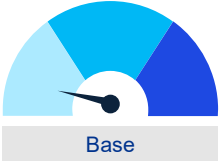
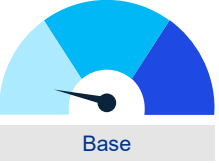
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[Click to learn more](#)

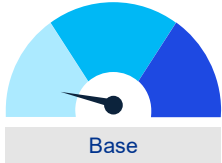
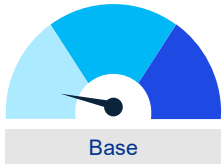
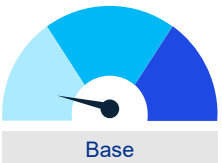


# Other risks of material misstatement

Areas	Level of risk due to error	Our planned response
<b>Revenue recognition - Government grants and development charges, including related deferrals – risk of error</b>	 Base	We will perform substantive procedures over government grants and development charges to address the relevant assertions and ensure appropriate deferral at December 31, 2024
<b>Operating expenditures, including payroll and related accruals</b>	 Base	We will perform substantive procedures over operating expenditures and payroll to address the relevant assertions including the use of Data & Analytical procedures.
<b>Tangible capital assets</b>	 Base	<p>We will perform substantive procedures to address the relevant assertions including testing of significant additions and disposals and assessing the status of any capital projects identified as work-in-process.</p> <p>We will perform procedures over the fair value of contributed assets and recognition as revenue.</p> <p>We will agree fair value estimates of contributed tangible capital assets to supporting third party documentation or estimated by the Township.</p>

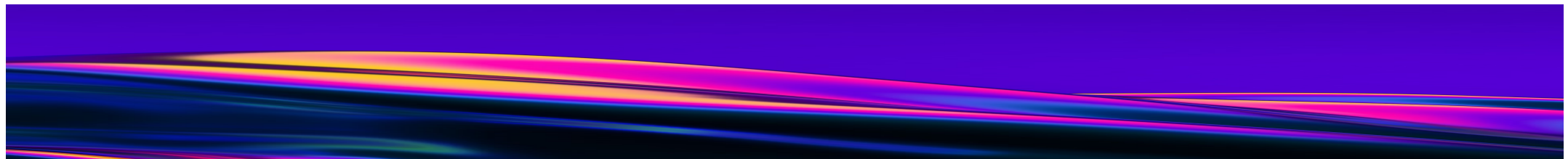


# Other risks of material misstatement

Areas	Level of risk due to error	Our planned response
Employee benefit obligation	 <p>Base</p>	We will perform substantive procedures to address the relevant assertions including a review of the actuarial valuation and applicable assumptions and assessing management's expert. We will ensure appropriate disclosures are made within the Township's financial statements.
Investments	 <p>Base</p>	We will perform substantive analytical procedures to address the relevant assertions including confirmation of investment balances with investment managers, test management's assessment of impairment and review of financial statement note disclosures and adherence to new accounting standard.
Investment in Peninsula West Power Inc. (PWPI)	 <p>Base</p>	<p>An audit is completed over PWPI for which Carlos Alvarez is also the Lead Audit Engagement Partner.</p> <p>For purposes of the Township's audit, we rely on the audit performed at the component level for reporting in the Township's financial statements.</p> <p>We will ensure appropriate disclosures are made within the Township's financial statements.</p>



# Other risks of material misstatement





# Required inquiries of Council



## Inquiries regarding risk assessment, including fraud risks

- What are the Council's views about fraud risks, including management override of controls, in the Company? And have you taken any actions to respond to any identified fraud risks?
- Is the Council aware of, or has the Audit Committee identified, any instances of actual, suspected, or alleged fraud, including misconduct or unethical behavior related to financial reporting or misappropriation of assets?
  - If so, have the instances been appropriately addressed and how have they been addressed?
- How does the Council exercise oversight of the Company's fraud risks and the establishment of controls to address fraud risks?
- Is the Council aware of matters relevant to the audit, including, but not limited to, violations or possible violations of laws or regulations?



## Inquiries regarding Township processes

- Is the Council aware of tips or complaints regarding the Company's financial reporting (including those received through the Council internal whistleblower program, if such programs exist)? If so, the Council responses to such tips and complaints?
- What is the nature and extent of communications expected between the auditors and the Council regarding misappropriations perpetrated by lower-level employees?



## Inquires regarding related parties and significant unusual transactions

- Is the Council aware of any instances where the Company entered into any significant unusual transactions?
- What is the Council's understanding of the Company's relationships and transactions with related parties that are significant to the Company?
- Is the Council concerned about those relationships or transactions with related parties? If so, the substance of those concerns?

If there are any concerns with respect to the above topics or matters that you would like to bring to our attention, please contact a member of the Audit Team. See slide 2 for contact details.



# Key milestones and deliverables

## Nov - Dec 2024

### Planning & Risk Assessment

- Debrief prior year with management
- Kick-off with management
- Planning and initial risk assessment procedures, including:
  - Involvement of others
  - Identification and assessment of risks of misstatements and planned audit response for certain processes
- Obtain and update an understanding of the Township and its environment
- Inquire of management and others within the Township about risks of material misstatement

## Jan - Apr 2025

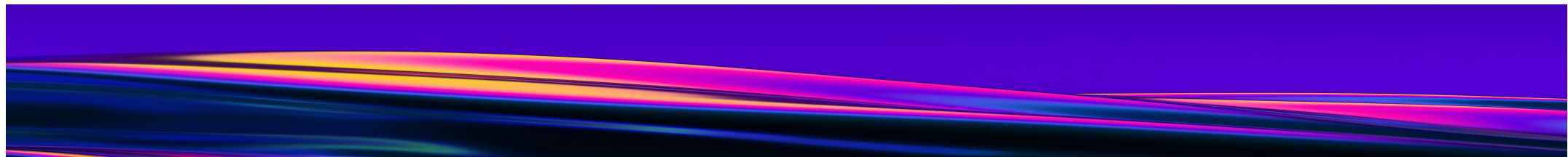
### Risk assessment & Interim work

- Document the Entity's components of internal control by performing process walkthroughs for certain business processes.
- Identify process risk points for certain business processes
- Complete interim data extraction and processing activities
- Perform interim substantive audit procedures
- Complete initial risk assessment
- Communicate audit plan
- Identify IT applications and environments

## May - June 2025

### Final Fieldwork & Reporting

- Complete year-end data extraction and processing activities
- Perform remaining substantive audit procedures
- Evaluate results of audit procedures, including control deficiencies and audit misstatements identified
- Review financial statement disclosures
- Present audit results and perform required communications
- Issue audit report on financial statements
- Closing meeting with management
- Filing date: Issue audit reports on financial statements







# Audit quality - How do we deliver audit quality?

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

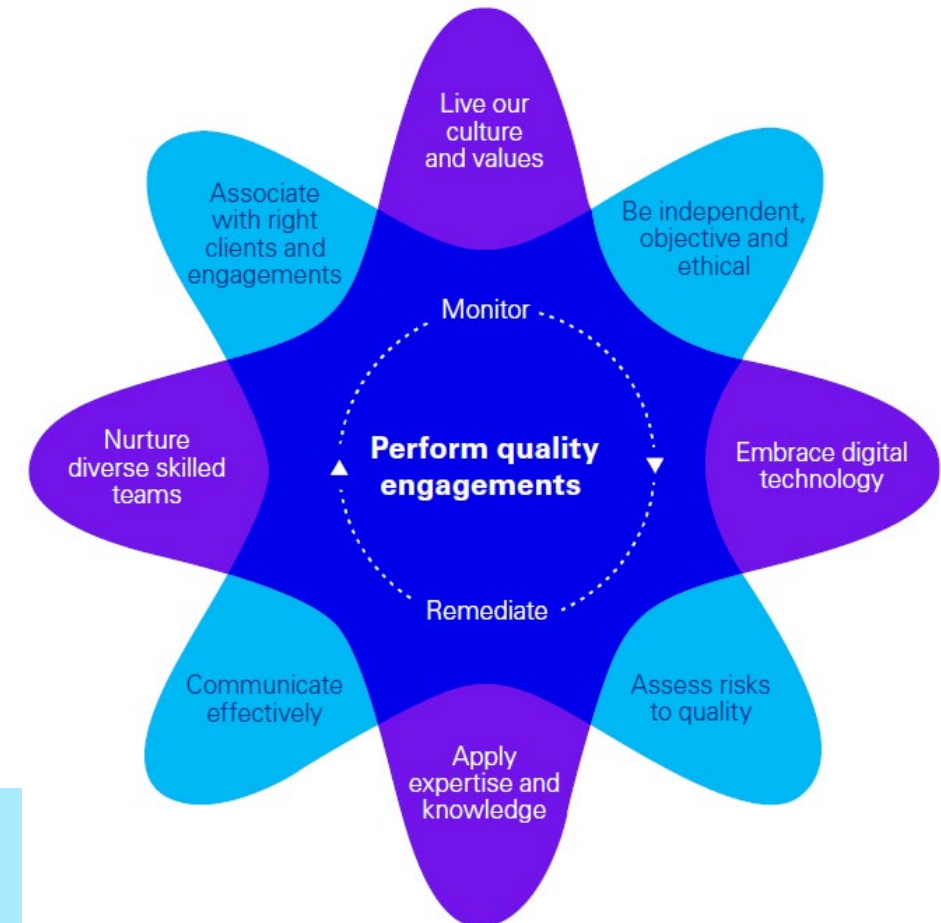
The drivers outlined in the framework are the ten components of the KPMG System of Quality Management (SoQM). Aligned with ISQM 1/CSQM 1, our SoQM components also meet the requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA) and the relevant rules of professional conduct / code of ethics applicable to the practice of public accounting in Canada, which apply to professional services firms that perform audits of financial statements. Learn more about our system of quality management and our firm's statement on the effectiveness of our SoQM:

[KPMG Canada Transparency Report](#)

[Statement on the effectiveness of the System of Quality Management of KPMG LLP as at September 30, 2024](#)

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

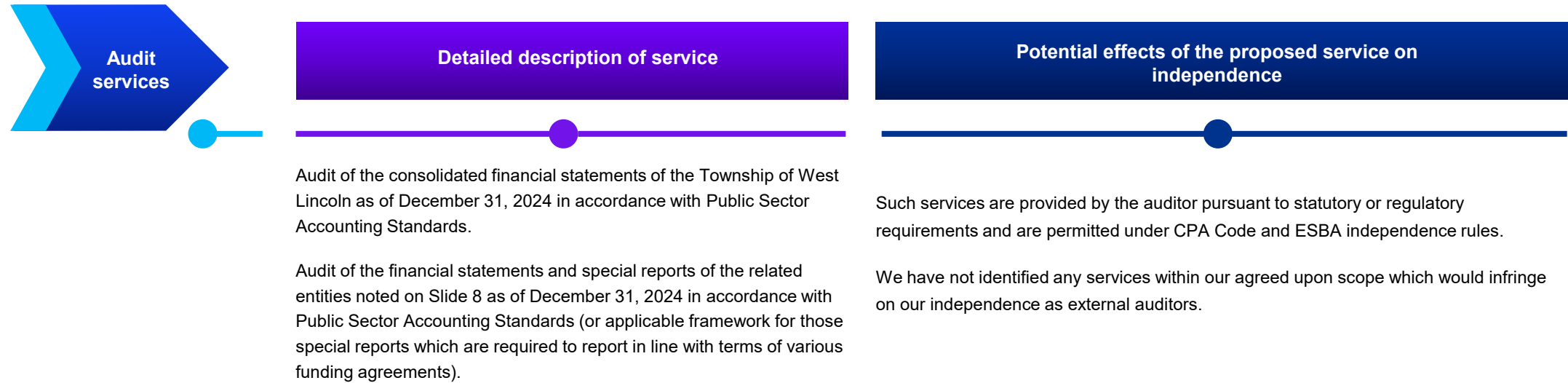
- audits are **executed consistently**, in line with the requirements and intent of **applicable professional standards** within a strong **system of quality management**; and
- all of our related activities are undertaken in an environment of the utmost level of **objectivity, independence, ethics and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



**Doing the right thing. Always.**



# Independence: Pre-approval of services





# Appendices

**A**

Regulatory  
communications

**B**

New auditing  
standards

**C**

Insights

**D**

Technology





# Appendix A: Regulatory communications



## 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: 2022 Interim Inspections Results](#)
- [CPAB Audit Quality Insights Report: 2022 Annual Inspections Results](#)
- [CPAB Audit Quality Insights Report: 2023 Interim Inspections Results](#)
- [CPAB Regulatory Oversight Report: 2023 Annual Inspections Results](#)
- [CPAB Regulatory Oversight Report: 2024 Annual Inspections Results](#)



# Appendix B: Newly effective and upcoming changes to auditing standards

For more information on newly effective and upcoming changes to auditing standards - see Current Developments



Effective for periods beginning on or after December 15, 2023

## ISA 600/CAS 600

.....

Revised special considerations – Audits of group financial statements

Effective for periods beginning on or after December 15, 2024

## ISA 260/CAS 260

.....

Communications with those charged with governance

## ISA 700/CAS 700

.....

Forming an opinion and reporting on the financial statements



# Appendix C: Audit and assurance insights

Our latest thinking on the issues that matter most to Audit Committees, Councils and management. Of particular note are Lean process reviews, IT system changes, fraud prevention and cyber penetration testing, which are services currently sought after to help strengthen organizations.

## KPMG Audit & Assurance Insights

Curated research and insights for audit committees and boards.

## Board Leadership Centre

Leading insights to help board members maximize boardroom opportunities

## Current Developments

Series of quarterly publications for Canadian businesses including Spotlight on IFRS, Canadian Assurance & Related Services, Canadian Securities Matters, and US Outlook reports.

## Audit Committee Guide – Canadian Edition

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

## Accelerate 2024

The key issues driving the audit committee agenda in 2024.

## Sustainability Reporting

Resource centre on implementing the new Canadian reporting standards

## IFRS Breaking News

A monthly Canadian newsletter that provides the latest insights on accounting, financial reporting and sustainability reporting.

## Government and Public Sector

We have a wealth of thought leadership to help public sector organizations grow and advance.





# Appendix C: Insights to enhance your organization

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.

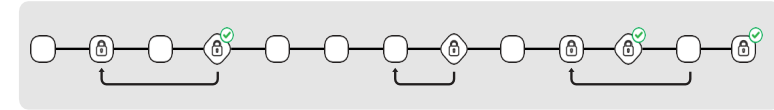
Clients like you have seen immediate benefits such as improved quality, reduced rework, shorter processing times and increased employee engagement.

We look forward to working with you to incorporate this approach in your audit.

## How it works

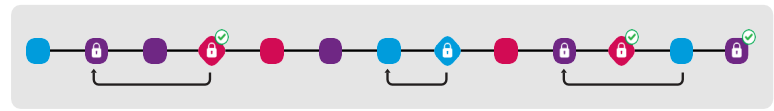
### Standard Audit

Typical process and how it's audited



### Lean in Audit

Applying a Lean lens to perform walkthroughs and improve Audit quality while identifying opportunities to minimize risks and redundant steps



### How Lean in Audit helps improve businesses processes

Make the process more streamlined and efficient for all



**Value:** what customers want (**maximize**)

**Necessary:** required activities (**minimize**)

**Redundant:** non-essential activities (**remove**)

Process controls

Key controls tested



# Appendix D: Our technology story



## 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.



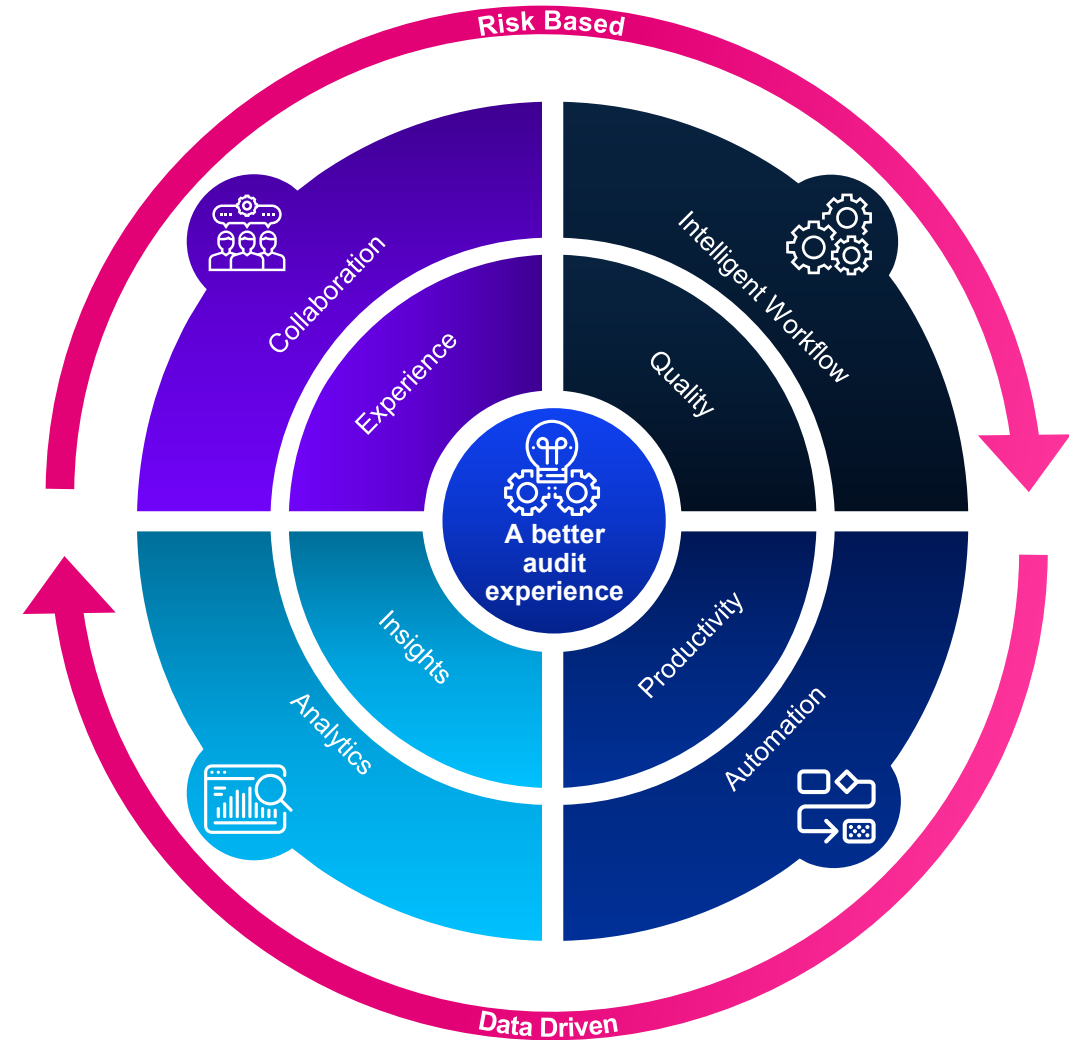
## Intelligent workflow

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.







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