



The Corporation of The City of Mississauga

**Audit Planning Report for the year ending
December 31, 2023**

**Prepared on November 1, 2023 for the presentation on
December 4, 2023**

KPMG LLP

Licensed Public Accountants

kpmg.ca/audit
November 1, 2023

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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.

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The purpose of this report is to assist you, as a member of the Audit Committee, 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, the Audit Committee, and the 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 the Audit Committee 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 City of Mississauga (“the City”) as of and for the year ending December 31, 2023, will be performed in accordance with Canadian generally accepted auditing standards.

Audit strategy

Materiality
Group : \$32,400,000



Involvement of others



Updates to our prior year audit plan

Audit strategy - group audit

Total	Total assets	Total revenue
Total work performed	99%	99%



Involvement of other KPMG member firms



Involvement of non-KPMG firms

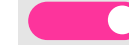
Risk assessment



Risk of management override of controls



Presumed risk of fraudulent revenue recognition



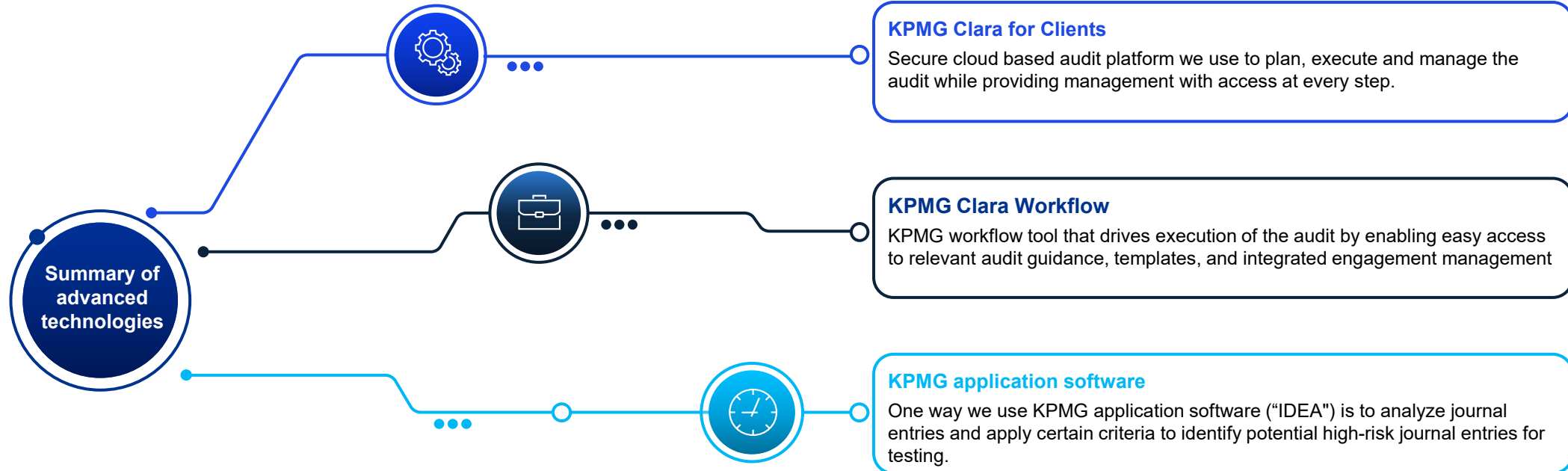
Other areas of focus

- Cash and investments
- Tangible capital assets
- Government Transfers/ Grants Revenue
- Revenue and accounts receivable
- Deferred revenues – general and obligatory reserve funds
- Employee future benefits liabilities
- Expenses – salaries and benefits
- Accounts payable, accrued liabilities and expenses
- Contingencies
- Asset retirement obligations (ARO)
- Financial instruments

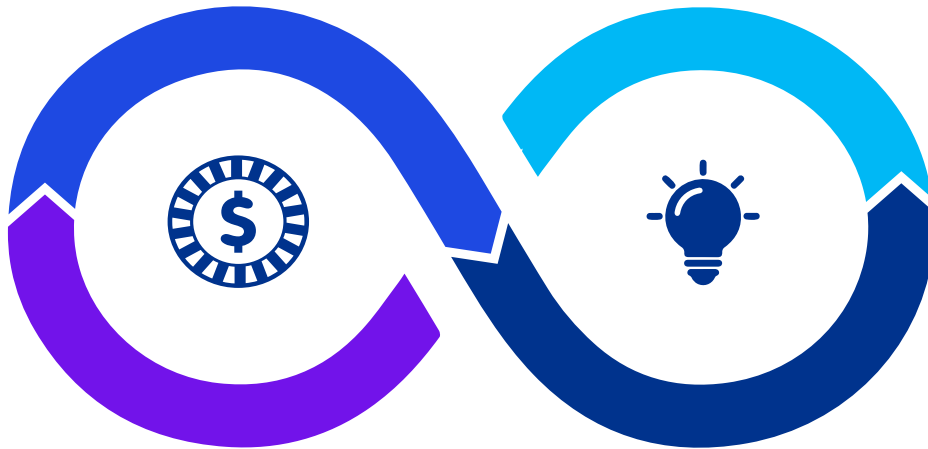
Technology highlights

[KPMG Clara](#)

We plan to utilize technology to enhance the quality and effectiveness of the audit.



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.

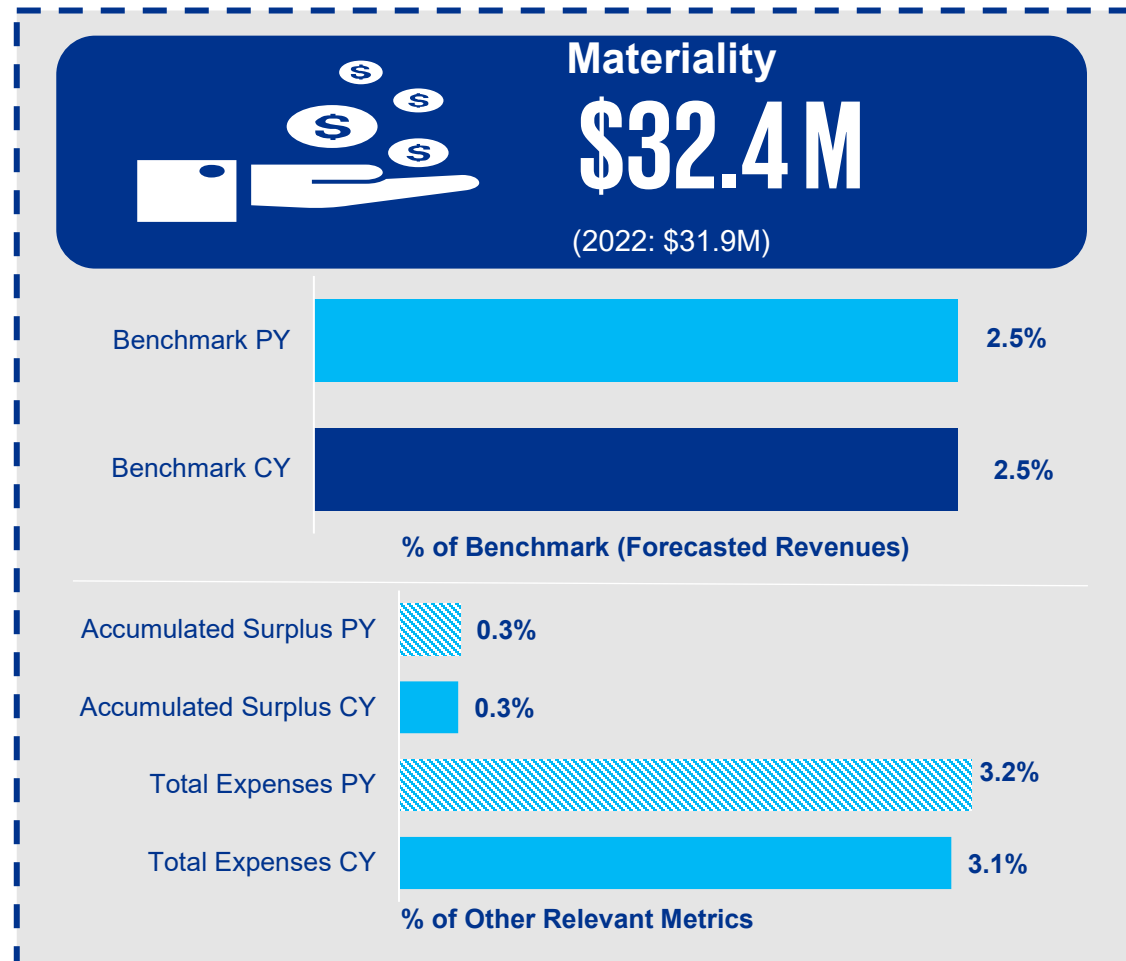
We design our procedures to detect misstatements at a level less than materiality in individual accounts and disclosures, to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

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



Forecasted Revenues (Benchmark for Group Materiality)
\$1.29 B
 (2022 benchmark: \$1.28 B)

Forecasted Expenses
\$1.03 B
 (2022 actual: \$1.01 B)

Forecasted Accumulated Surplus (Based on YoY change in surplus)
\$9.86 B
 (2022: \$9.55 B)

Initial Component Materiality



City Component Materiality

\$29.1 M
(2022: \$28.7 M)

City Component Performance Materiality

\$21.8 M
(2022: \$21.5 M)

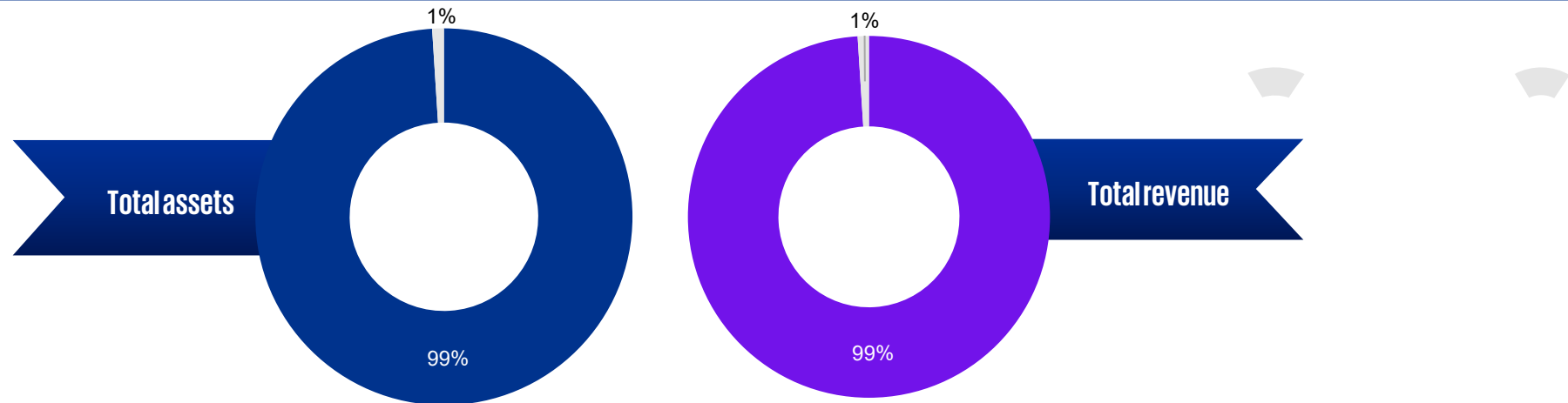
City Component AMPT

\$1.4 M
(2022: \$1.4 M)

Group audit - Scoping

Breakdown by audit participants

Type of work performed	Total assets	Total revenue
Total full-scope audits	99%	99%
Total work performed	99%	99%
Untested	1%	1%
Total consolidated	100%	100%



Note 1: The following components are not significant for the purpose of issuing the auditors' opinion on the group audit of the consolidated financial statements of The Corporation of the City of Mississauga. These components are tested separately for statutory purposes:

- Mississauga Public Library Board
- Trust Funds of the City of Mississauga
- Tourism Mississauga
- Clarkson Business Improvement Association
- Port Credit Business Improvement Area
- Streetsville Business Improvement District Association
- Malton Business Improvement Area
- Cooksville Business Improvement Area

Involvement of others

The following parties are involved in the audit of the financial statements:

Involved party	Nature and extent of planned involvement
Management's specialists	<ul style="list-style-type: none"> • Management uses actuary for valuation of employee future benefit obligations. KPMG has decided to validate the report provided by the actuary and involve internal life and pension actuarial specialists for the same. • Management has leveraged third party assessments for valuation of Asset Retirement Obligations for asbestos abatement. KPMG will test the valuation of ARO in line with such report and validate the report provided by the expert.
KPMG professionals with specialized skill or knowledge who are involved in performance of audit procedures	<p>Actuarial Specialist – Employee Future Benefits:</p> <ul style="list-style-type: none"> • Evaluation of employee future benefits actuarial assessment and estimate.



Updates to our prior year audit plan

New significant risks



No new significant financial reporting risks identified


Other significant changes



Newly effective accounting standards



- PS 3280 Asset Retirement Obligations
- PS 3450 Financial instruments
- Refer to appendix D for further explanation and for future changes in accounting standards.

Newly effective accounting standards 



Risk assessment summary

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

We draw upon our understanding of the City and its environment (e.g. the industry, the wider economic environment in which the business operates, etc.), our understanding of the City's components of its system of internal control, including our business process understanding.

We use advanced technologies in performing our risk assessment procedures.

	Risk of fraud	Risk of error	Risk Level
● Management Override of Controls	✓		Significant
● Cash and Cash Equivalents		✓	Base
● Tangible Capital Assets		✓	Base
● Revenue and accounts receivable		✓	Base
● Government transfers/ Grant Revenue		✓	Base
● Deferred Revenue – Obligatory Reserve Funds	✓	✓	Significant
● Expenses – Salaries and Benefits		✓	Base
● Employee Future Benefits (EFBs)		✓	Base
● Accounts Payable, Accrued Liabilities, and Expenses		✓	Base
● Contingencies		✓	Base
● Asset Retirement Obligation (“ARO”)		✓	Base/Elevated
● Financial Instruments		✓	Base

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](#)



Significant risks



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

RISK OF



FRAUD

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 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.

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 continue to identify areas which may be subject to additional risk whether due to fraud or error in this regard.

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



Presumption of the risk of fraud involving improper revenue recognition

RISK OF



FRAUD

Significant risk

The primary risk of fraudulent revenue recognition resides with manual journal entries for revenue transactions not in the normal course of business as well as management's calculation of the deferred revenue – obligatory reserve funds.

Estimate?

No

New or changed?

Consistent with prior year

Relevant inherent risk factors affecting our risk assessment

Complexities involved in calculation of deferred revenue and susceptibility of the account balance to misstatement

Our audit approach

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

Our audit approach consists 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, we substantively test revenues (both recognized and amounts held as deferred at year end) and recalculate management's calculation of deferred revenue – obligatory reserve funds through auditing management's methodology.

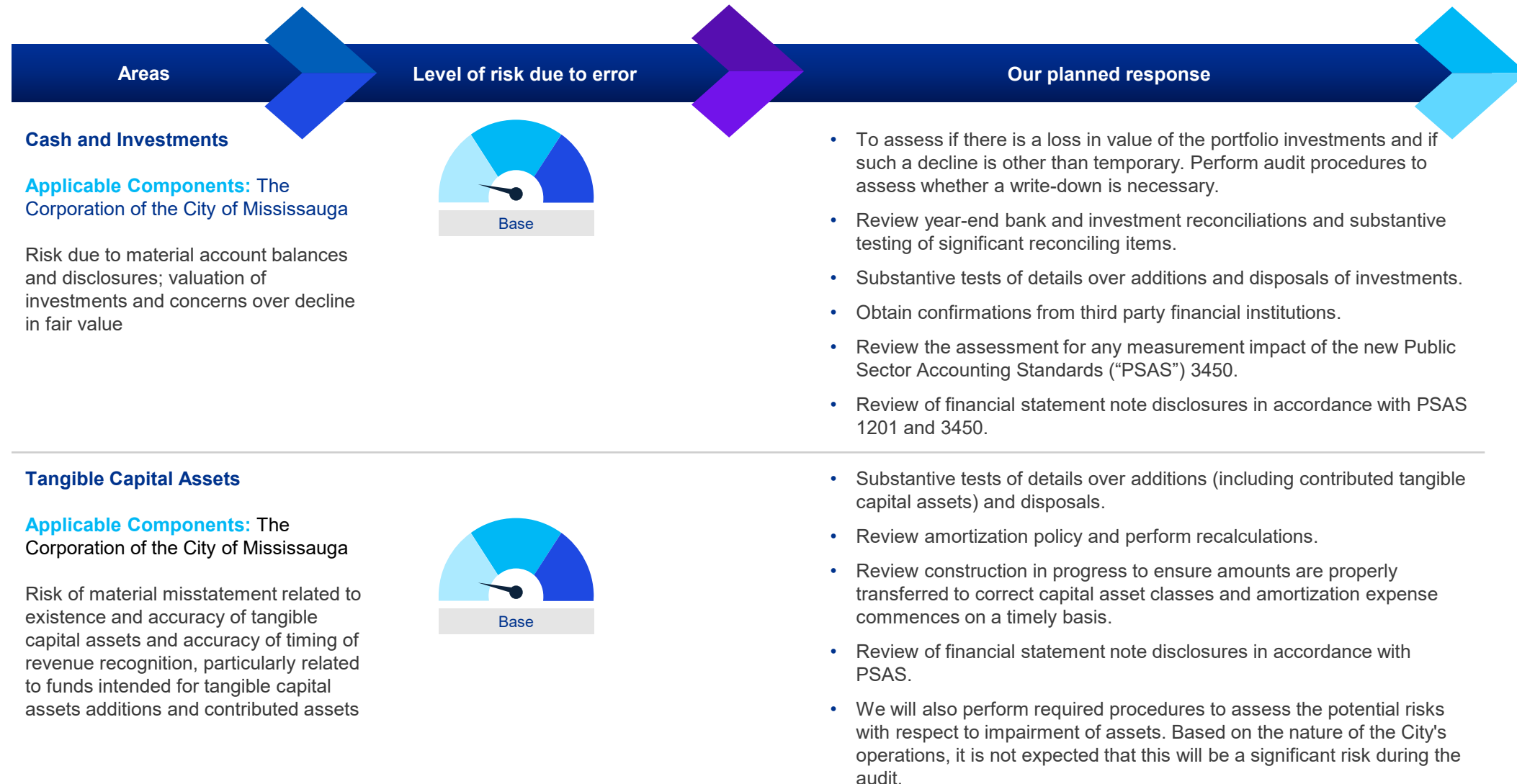
Advanced technologies

Our **KPMG Clara DataSnipper** is an automated vouching tool uses advanced Optical Character Recognition to automatically vouch unstructured data like invoices and contracts with a click of a button! This tool will be used throughout the audit allowing our teams to focus more attention on areas of higher risk.

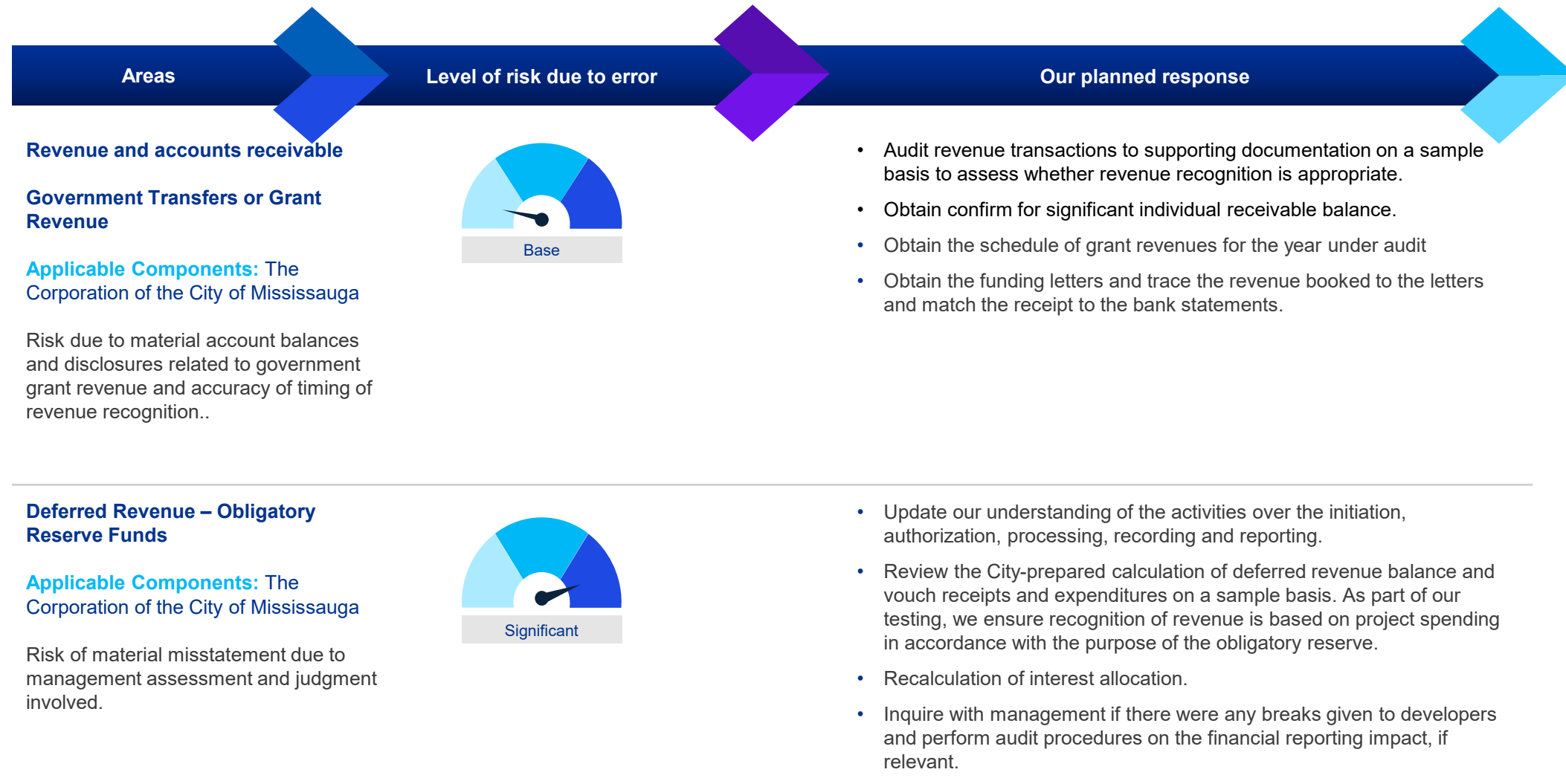


[Click to learn more](#)

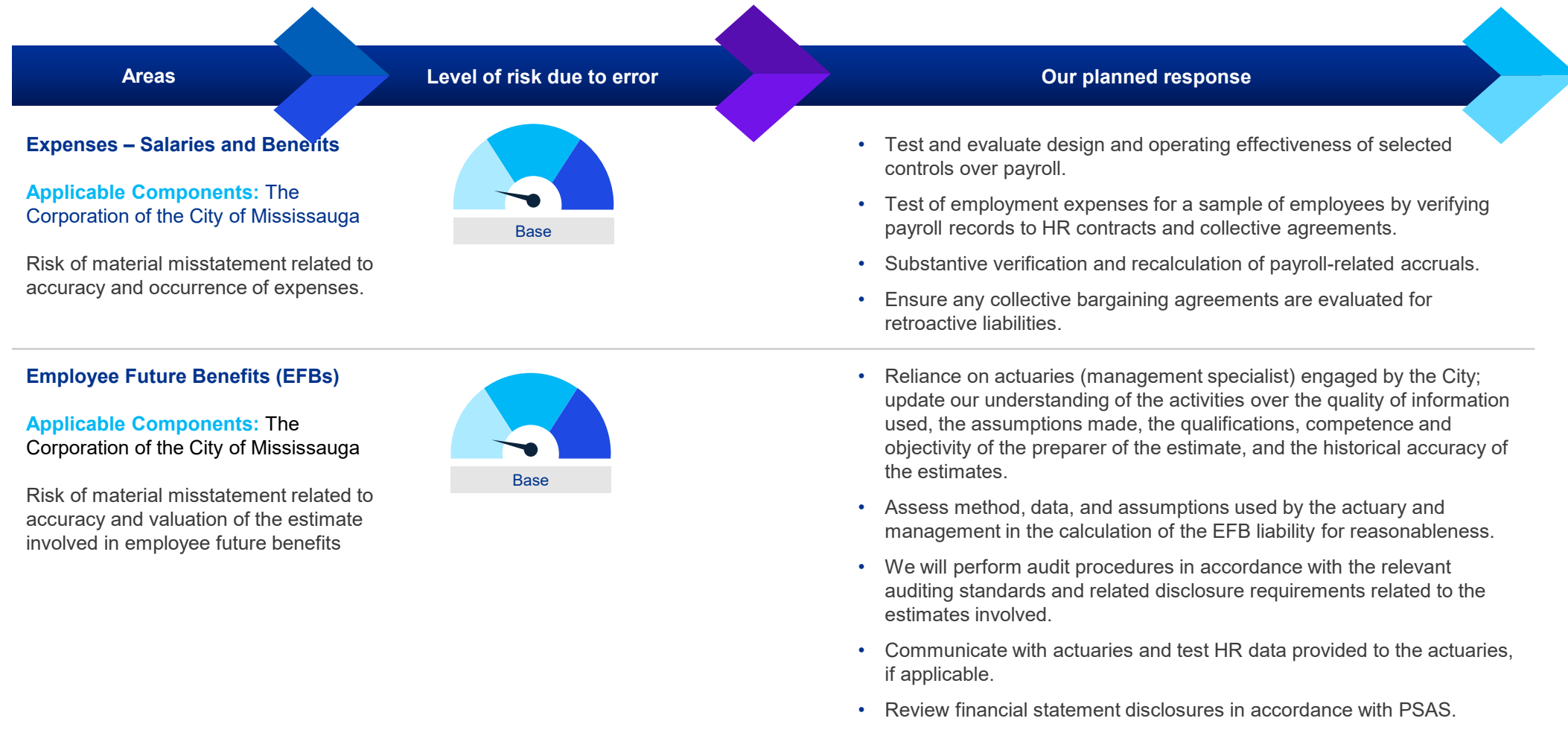
Other risks of material misstatement



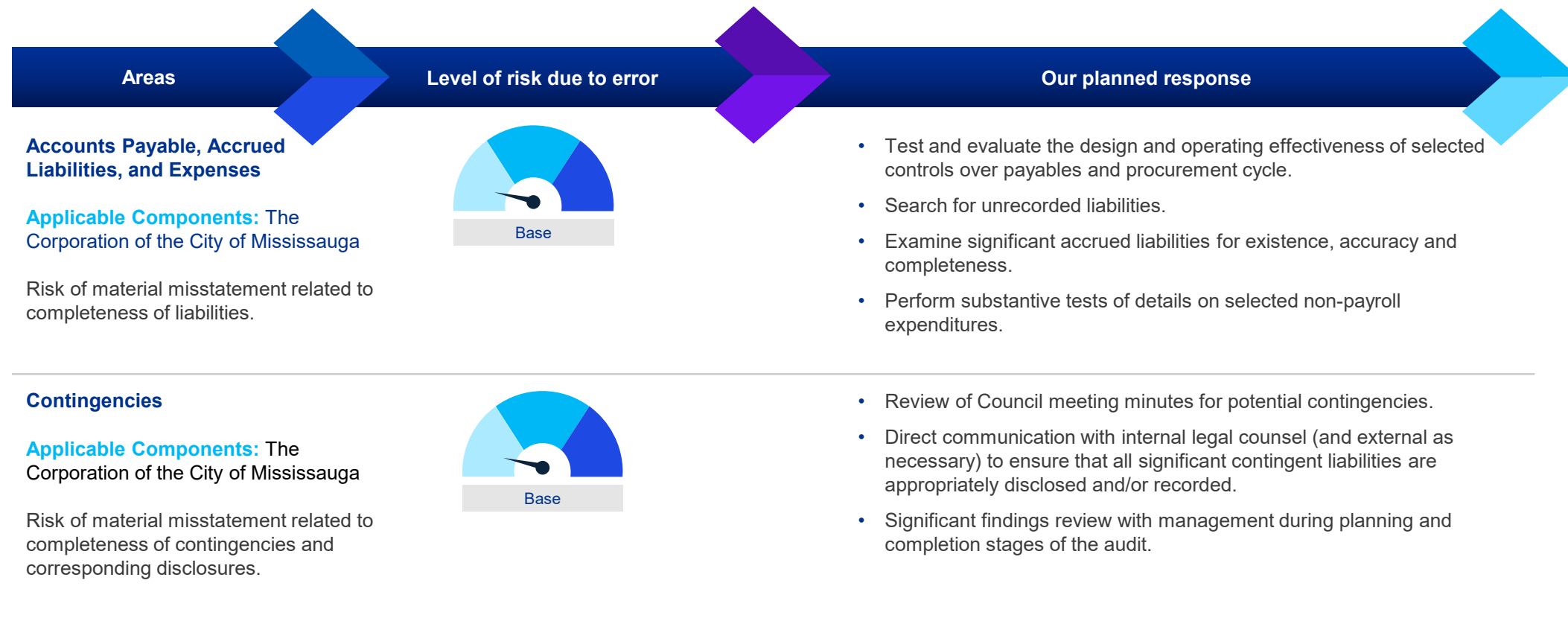
Other risks of material misstatement



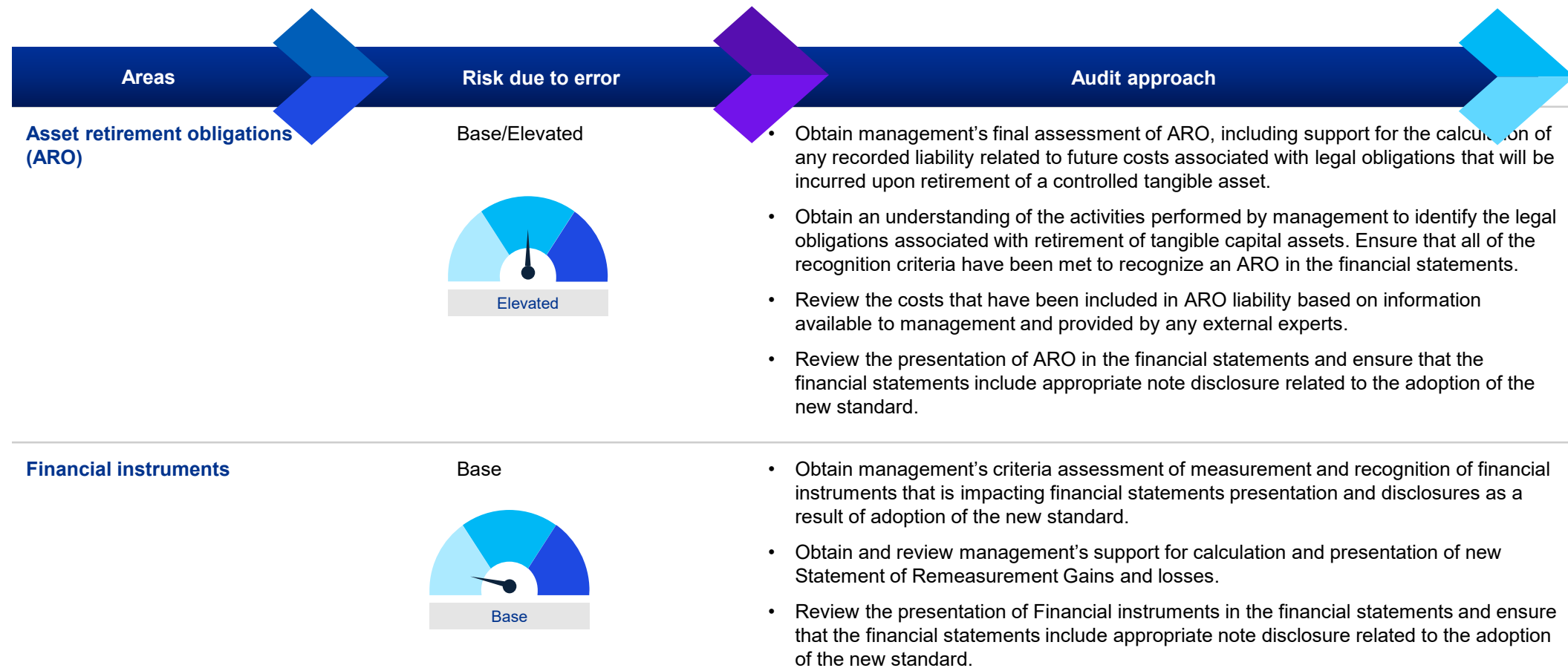
Other risks of material misstatement



Other risks of material misstatement



Other areas of focus



Key milestones and deliverables

July-October 2023

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 City and its environment
- Inquire of the Audit Committee, management and others within the City about risks of material misstatement

November 2023

Risk assessment & Interim work

- Perform Entity-wide procedures
- Perform process walkthroughs for certain business processes
- Identify process risk points for certain business processes
- Complete interim data extraction and processing activities
- Complete initial risk assessment
- Communicate audit plan
- Evaluate D&I of controls for certain business processes (control activity component)
- Provide update on audit progress

Feb-March 2024

Final Fieldwork & Reporting

- Reassessment of materiality
- 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
- Issue audit report on financial statements
- Closing meeting with management
- Present Audit Findings report to the management

April-May 2024

Post-audit

- Discussions with management to debrief the audit
- Present audit results to the Audit Committee and perform required communications
- Perform required procedures over the annual report

Appendices



Required communications



Use of technology



Audit quality



Upcoming changes in accounting standards



New auditing standards



Audit Assurance and insights



Environmental, social and governance (ESG)



Continuous evolution



Appendix A: Other required 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: 2021 Annual Inspections Results](#)
- [CPAB Audit Quality Insights Report: 2022 Interim Inspections Results](#)
- [CPAB Audit Quality Insights Report: 2022 Annual Inspections Results](#)



Required inquiries

Professional standards require that during the planning of our audit, we obtain your views on the identification and assessment of risks of material misstatement, whether due to fraud or error, your oversight over such risk assessment, identification of suspected, alleged or actual fraudulent behaviour, and any significant unusual transactions during the period. Please refer to the following inquiries:

- What are your views about fraud risk at the entity?
- How do those charged with governance exercise effective oversight of management's processes for identifying and responding to the risk of fraud in the Entity and internal controls management has established to mitigate these fraud risks?
- Are you aware of, or have you identified any, instances of actual, suspected, or alleged fraud, including misconduct or unethical behaviour related to financial reporting or misappropriation of assets? If so, have the instances been appropriately addressed and how have they been addressed?
- Is the entity in compliance with laws and regulations?
- Has the entity entered into any significant unusual transactions?

Appendix B: KPMG Clara



Streamlined client experience

And deeper insights into your business, translating to a better audit experience.



Secure

A secure client portal provides centralized, efficient coordination with your audit team.



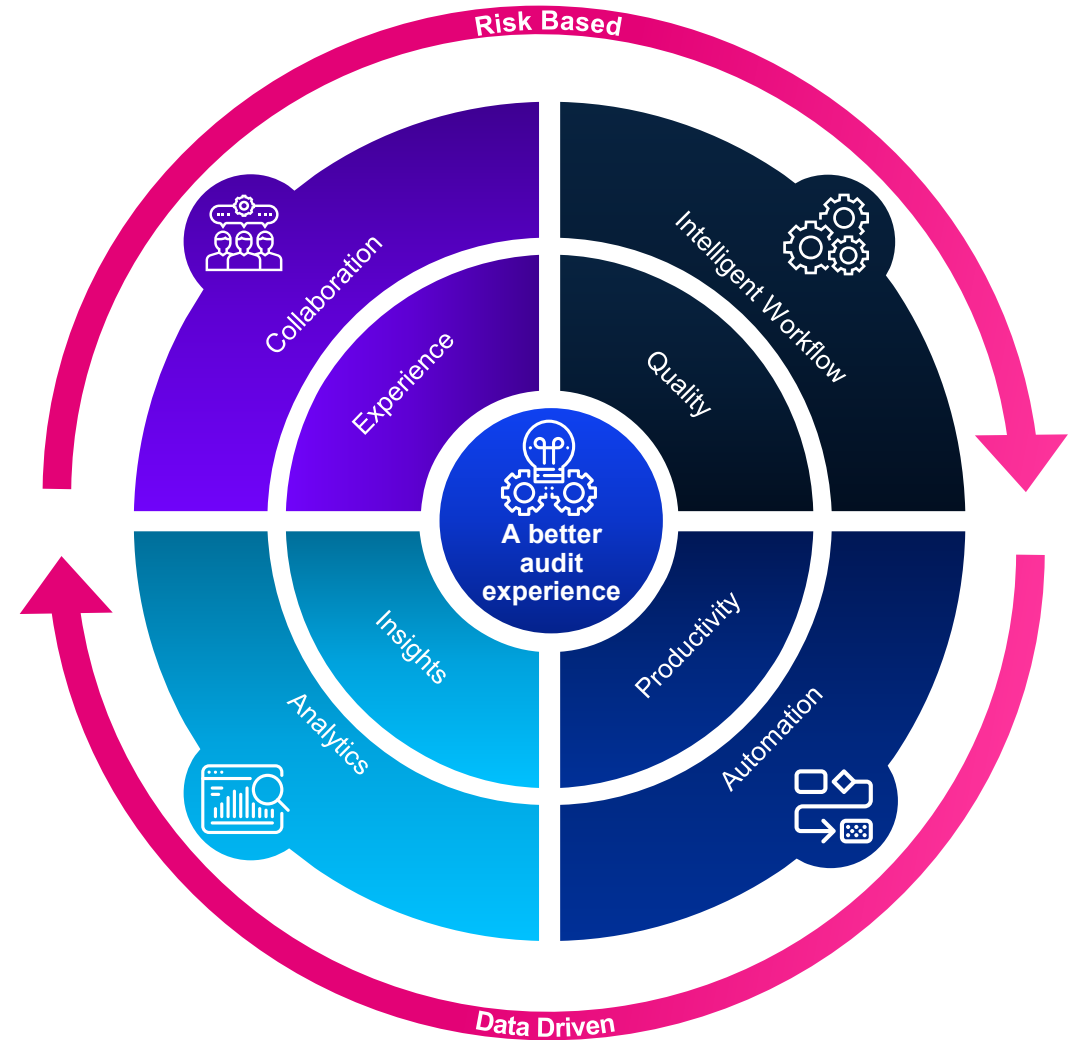
Intelligent workflow

An intelligent workflow guides audit teams through the audit.



Increased precision

Advanced data analytics and automation facilitate a risk-based audit approach, increasing precision and reducing your burden.



Appendix C: Audit quality: How do we deliver audit quality?

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

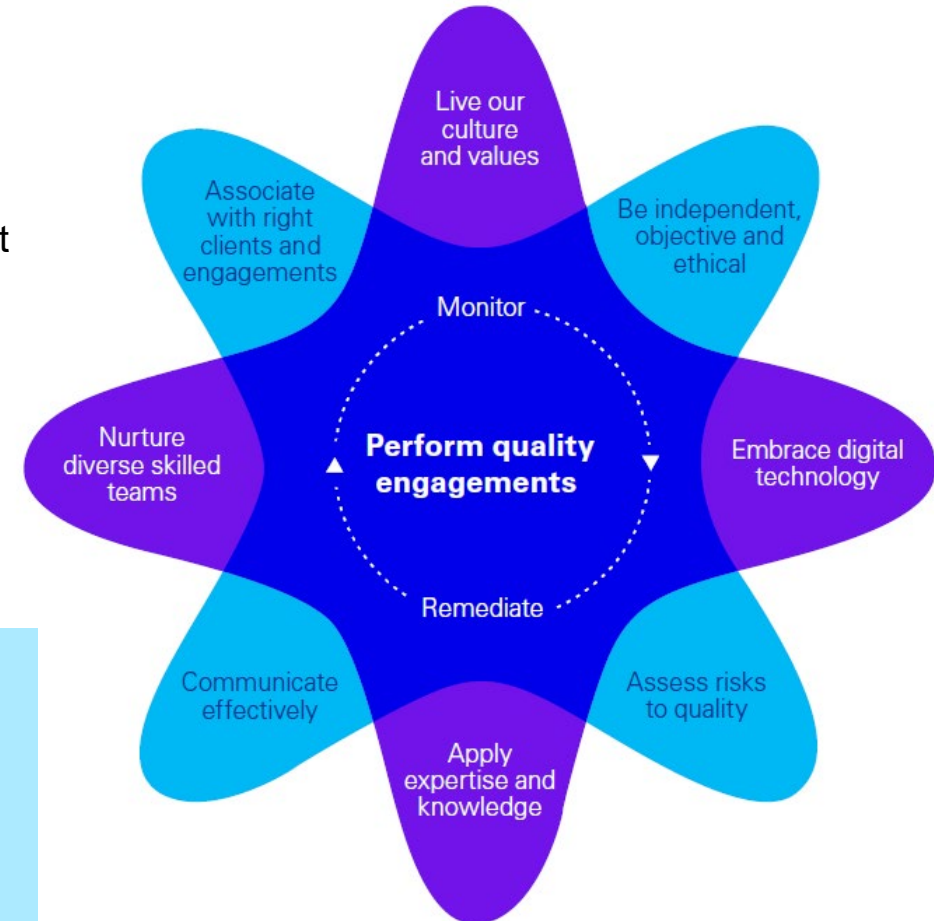
Perform quality engagement sits at the core along with our commitment to continually monitor and remediate to fulfil on our quality drivers.

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

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

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

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



Appendix D: Upcoming changes in accounting standards

Standard	Summary and implications
Revenue	<ul style="list-style-type: none">• The new standard PS 3400 <i>Revenue</i> is effective for fiscal years beginning on or after April 1, 2023.• The new standard establishes a single framework to categorize revenue to enhance the consistency of revenue recognition and its measurement.• The standard notes that in the case of revenue arising from an exchange transaction, a public sector entity must ensure the recognition of revenue aligns with the satisfaction of related performance obligations.• The standard notes that unilateral revenue arises when no performance obligations are present, and recognition occurs when there is authority to record the revenue and an event has happened that gives the public sector entity the right to the revenue.
Purchased Intangibles	<ul style="list-style-type: none">• The new Public Sector Guideline 8 <i>Purchased intangibles</i> is effective for fiscal years beginning on or after April 1, 2023 with earlier adoption permitted.• The guideline allows public sector entities to recognize intangibles purchased through an exchange transaction. The definition of an asset, the general recognition criteria and GAAP hierarchy are used to account for purchased intangibles.• Narrow scope amendments were made to PS 1000 <i>Financial statement concepts</i> to remove the prohibition to recognize purchased intangibles and to PS 1201 <i>Financial statement presentation</i> to remove the requirement to disclose purchased intangibles not recognized.• The guideline can be applied retroactively or prospectively.



Appendix D: Upcoming changes in accounting standards (continued)

Standard	Summary and implications
Public Private Partnerships	<ul style="list-style-type: none"> • The new standard PS 3160 <i>Public private partnerships</i> is effective for fiscal years beginning on or after April 1, 2023. • The standard includes new requirements for the recognition, measurement and classification of infrastructure procured through a public private partnership. • The standard notes that recognition of infrastructure by the public sector entity would occur when it controls the purpose and use of the infrastructure, when it controls access and the price, if any, charged for use, and it controls any significant interest accumulated in the infrastructure when the public private partnership ends. • The public sector entity recognizes a liability when it needs to pay cash or non-cash consideration to the private sector partner for the infrastructure. • The infrastructure would be valued at cost, which represents fair value at the date of recognition with a liability of the same amount if one exists. Cost would be measured in reference to the public private partnership process and agreement, or by discounting the expected cash flows by a discount rate that reflects the time value of money and risks specific to the project. • The standard can be applied retroactively or prospectively.
Concepts Underlying Financial Performance	<ul style="list-style-type: none"> • The revised conceptual framework is effective for fiscal years beginning on or after April 1, 2026 with earlier adoption permitted. • The framework provides the core concepts and objectives underlying Canadian public sector accounting standards. • The ten chapter conceptual framework defines and elaborates on the characteristics of public sector entities and their financial reporting objectives. Additional information is provided about financial statement objectives, qualitative characteristics and elements. General recognition and measurement criteria, and presentation concepts are introduced.



Appendix D: Upcoming changes in accounting standards (continued)

Standard	Summary and implications
Financial Statement Presentation	<ul style="list-style-type: none"> • The proposed section PS 1202 <i>Financial statement presentation</i> will replace the current section PS 1201 <i>Financial statement presentation</i>. PS 1202 <i>Financial statement presentation</i> will apply to fiscal years beginning on or after April 1, 2026 to coincide with the adoption of the revised conceptual framework. Early adoption will be permitted. • The proposed section includes the following: <ul style="list-style-type: none"> • Relocation of the net debt indicator to its own statement called the statement of net financial assets/liabilities, with the calculation of net debt refined to ensure its original meaning is retained. • Separating liabilities into financial liabilities and non-financial liabilities. • Restructuring the statement of financial position to present total assets followed by total liabilities. • Changes to common terminology used in the financial statements, including re-naming accumulated surplus (deficit) to net assets (liabilities). • Removal of the statement of remeasurement gains (losses) with the information instead included on a new statement called the statement of changes in net assets (liabilities). This new statement would present the changes in each component of net assets (liabilities), including a new component called “accumulated other”. • A new provision whereby an entity can use an amended budget in certain circumstances. • Inclusion of disclosures related to risks and uncertainties that could affect the entity’s financial position. • The Public Sector Accounting Board is currently deliberating on feedback received on exposure drafts related to the reporting model.



Appendix D: Upcoming changes in accounting standards (continued)

Standard	Summary and implications
Employee benefits	<ul style="list-style-type: none"> • The Public Sector Accounting Board has initiated a review of sections PS 3250 <i>Retirement benefits</i> and PS 3255 <i>Post-employment benefits, compensated absences and termination benefits</i>. • The intention is to use principles from International Public Sector Accounting Standard 39 <i>Employee benefits</i> as a starting point to develop the Canadian standard. • Given the complexity of issues involved and potential implications of any changes that may arise from the review of the existing guidance, the new standards will be implemented in a multi-release strategy. The first standard will provide foundational guidance. Subsequent standards will provide additional guidance on current and emerging issues. • The proposed section PS 3251 <i>Employee benefits</i> will replace the current sections PS 3250 <i>Retirement benefits</i> and PS 3255 <i>Post-employment benefits, compensated absences and termination benefits</i>. It will apply to fiscal years beginning on or after April 1, 2026. Early adoption will be permitted and guidance applied retroactively. • This proposed section would result in public sector entities recognizing the impact of revaluations of the net defined benefit liability (asset) immediately on the statement of financial position. Organizations would also assess the funding status of their post-employment benefit plans to determine the appropriate rate for discounting post-employment benefit obligations. • The Public Sector Accounting Board is in the process of evaluating comments received from stakeholders on the exposure draft.



Appendix E: 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, 2022

ISA/CAS 220

.....
(Revised) Quality management for an audit of financial statements

ISQM1/CSQM1

.....
Quality management for firms that perform audits or reviews of financial statements or other assurance or related services engagements

ISQM2/CSQM2

.....
Engagement quality reviews

Effective for periods beginning on or after December 15, 2023

ISA 600/CAS 600

.....
Revised special considerations – Audits of group financial statements



Appendix F: Audit and assurance insights

Our latest thinking on the issues that matter most to Audit Committees, board of directors and management.

KPMG Audit & Assurance Insights

Curated research and insights for audit committees and boards.

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 Securities & Auditing 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 2023

The key issues driving the audit committee agenda in 2023.

Momentum

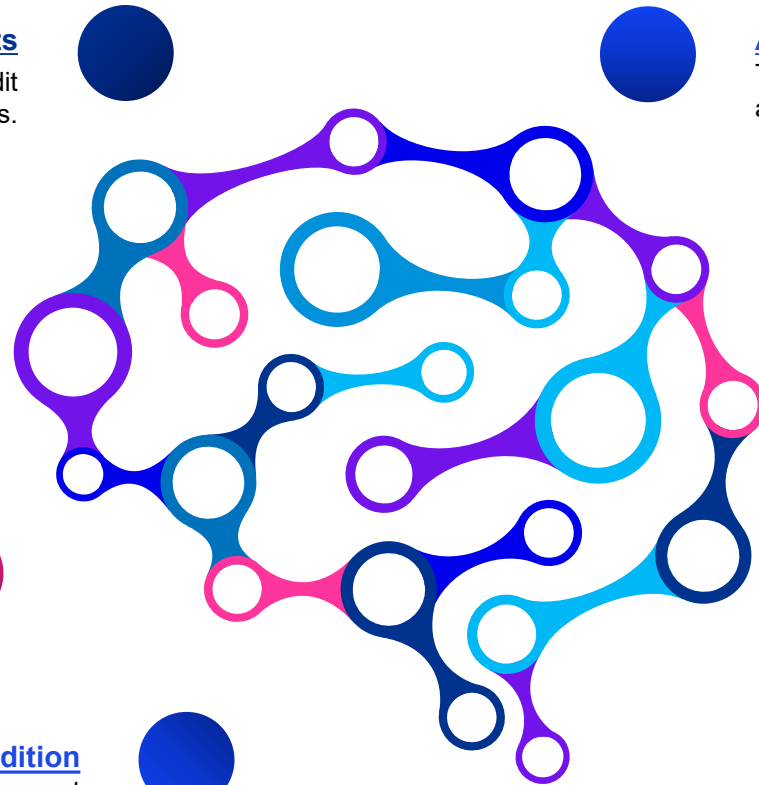
A quarterly newsletter with the latest thought-leadership from KPMG's subject matter leaders across Canada and valuable audit resources for clients.

KPMG Climate Change Financial Reporting Resource Centre

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

IFRS Breaking News

A monthly Canadian newsletter that provides the latest insights on international financial reporting standards and IASB activities.



Appendix G: ESG Questions to start getting ready

01

When could they affect you?

- Effective for annual reporting periods beginning on or after January 1, 2024 (pending adoption decisions in Canada)
- If not adopted, entities may still choose to adopt the standards voluntarily

02

Where will the information be disclosed?

- It depends – the standards currently do not specify a single location
- The ISSB is committed to focus on integration in reporting

03

What if you've already adopted other frameworks?

- Map how the standards differ from current frameworks used (i.e., conduct a reporting gap assessment)
- Focus on matters that affect your entity's prospects and consider what will impact an investor's assessment of those prospects
- Consider where additional data is needed

04

Will they require scenario analysis?

- Entities will need to use scenario analysis when describing their assessment of climate resilience (i.e., analyze the impact of different climate-related risks and assumptions)
- The ISSB will provide guidance on the analysis that will be appropriate for different types of entities

05

Will your reporting need assurance?

- Assurance requirements are not within the remit of the ISSB
- In Canada, regulators may choose to require assurance – similar to what has been directed in the EU and proposed by the SEC
- Regardless of regulatory assurance requirements, entities will need to ensure they have processes and controls in place to produce robust and timely information

06

What do they mean for broader sustainability reporting?

- The standards are part of an evolution from fragmented, voluntary frameworks to authoritative standard setting
- Reporting to meet public policy and other needs is likely to continue as a separate strand of reporting



Appendix G: ESG - What do you need to do now?

01 Understand the Impact

- Research and understand current and emerging requirements
- Understand when, where and how this will impact your city

01

02

Determine what is material

- Determine which topics are relevant to report on
- Decide what information is material about those topics

05

Get ready for assurance

- Assess the control environment, data quality and availability of sufficient documentation
- Undergo an assurance readiness assessment with your auditor
- Rectify issues ahead of the formal assurance process (when and if mandated in Canada).

03

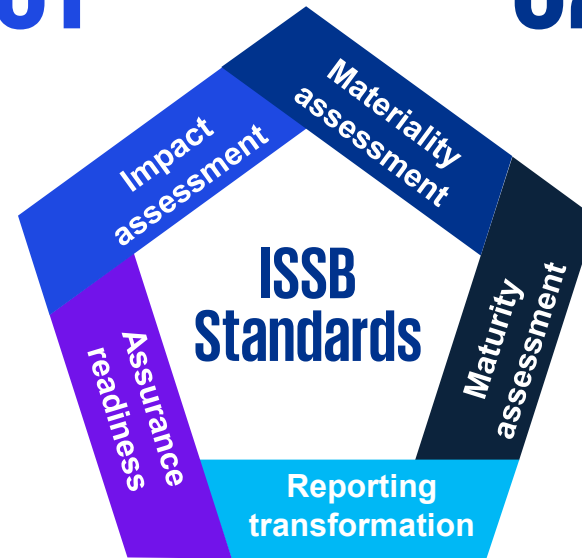
Assess maturity

- Assess maturity of processes, the control environment, data model and policies related to ESG
- Understand the current distribution of roles and available knowledge and capacity

04

Transform reporting

- Design the future state of your sustainability reporting
- Deploy your target operating model, including training as well as support for change management



Appendix H: Continuous evolution

Our investment: \$5B

We are in the midst of a five-year investment to develop our people, digital capabilities, and advanced technology.

Responsive delivery model

Tailored to you to drive impactful outcomes around the quality and effectiveness of our audits.

Result: A better experience

Enhanced quality, reduced disruption, increased focus on areas of higher risk, and deeper insights into your business.





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

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