KPMG

The Corporation of the City of White Rock

Audit Findings Report for the year ended December 31, 2021

KPMG LLP

Dated June 22, 2022 for the Finance and Audit Committee meeting on June 27, 2022

kpmg.ca/audit

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Our refreshed Values

What we believe

Integrity

We do what is right.

Excellence

We never stop learning and improving.

Courage

We think and act boldly.

Together

We respect each other and draw strength from our differences.

For Better

We do what matters.

Audit highlights

Purpose of this report

The purpose of this report is to assist you, as a member of the Finance and Audit Committee (the "Committee"), in your review of the results of our audit of the financial statements of The Corporation of the City of White Rock (the "City") as at and for the year ended December 31, 2021. This Audit Findings Report builds on the Audit Plan we presented to the Committee dated December 14, 2021.

Status of the audit

As of the date of this report, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include:

– Completing certain audit documentation, completion, and review processes;

– Receipt of legal letter confirmation;

– Completing our discussions with the Committee;

– Obtaining the signed management representation letter;

– Obtaining evidence of Council's acceptance of the financial statements; and,

– Completing subsequent event review procedures.

We will update the Committee 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 attached to the draft financial statements, will be dated upon the completion of any remaining procedures.

Significant changes from the audit plan

In our audit plan, we determined materiality to be $1,500,000, based on budgeted total expenses. As the actual expenses was lower than the budgeted total expenses, we revised materiality accordingly. The following revised amounts have been determined:

- Materiality: $1,300,000
- Audit misstatement posting threshold: $65,000

Materiality has been set at 3% of actual expenses and the audit misstatement posting threshold has been set at 5% of materiality, consistent with our audit plan. Our audit was performed using the revised materiality.

Our audit plan included the valuation of post-employment benefits as an area of audit focus. We have re-assessed the risk of material misstatement related to that account to be not significant due to the magnitude of the balance.

There were no other significant changes from our audit plan which was originally communicated in the audit planning report previously provided.

Audit highlights (continued)

Areas of audit focus

Our audit is risk-focused. We have not identified any significant risks except for the presumed risk of management override of controls.

However, as part of our audit, we identified areas of audit focus which include:

- Tangible capital assets;
- Revenue recognition and deferred revenue;
- Expenses, including payroll; and
- Contingencies.

See pages 5 to 9 for the audit findings related to these areas of audit focus.

Audit misstatements

Audit misstatements include presentation and disclosure misstatements, including omissions.

<u>Uncorrected audit misstatements</u>

We did not identify misstatements that remain uncorrected.

<u>Corrected audit misstatements</u>

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

Control deficiencies and other observations

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

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.

Independence

We confirm that we are independent with respect to the City within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation from January 1, 2021 up to the date of this report.

Current developments

Please refer to Appendix 3 for additional information related to the implementation of the PS3280 Asset Retirement Obligations accounting standard and Appendix 4 for other current development updates.

Areas of audit focus

Area of audit focus	New or changed from Audit Planning Report?	Estimate?
Tangible capital assets ("TCA")	No	No – We did not identify a more than remote risk of material misstatement due to estimation uncertainty relating to the estimated useful lives of tangible capital assets and value of contributed assets.

Our response

We performed the following procedures:

- We updated our understanding of the process activities and controls over TCA, including the year-end process around identifying assets for impairment.
- We obtained the TCA continuity schedule and verified its mathematical accuracy.
- We tested a selection of TCA additions through inspection of supporting documentation to determine if capital in nature and amounts recorded are accurate.
- We tested a selection of TCA dispositions including inspection of supporting documentation and assessed appropriateness of the gain or loss recorded.
- We performed substantive analytical procedures over amortization recognized.
- We reviewed the financial statement note disclosure.

Significant findings

- There were no significant issues noted in the audit testing completed.

Areas of audit focus (continued)

Area of audit focus	New or changed from Audit Planning Report?	Estimate?
Revenue recognition and deferred revenue	No	No

Our response

We performed the following procedures:

- We updated our understanding of the process activities over revenues and contributions received, amounts spent as well as deferral of unspent amounts.
- We evaluated the design and implementation of controls over contributions received and expenditures incurred, as well as management's review of related balances.
- We reviewed the accounting treatment for significant new revenue agreements, including community amenity charges ("CAC"), to determine whether restrictions exist and how the funds should be recognized into revenue and/or deferred.
- We performed substantive procedures, including vouching and review of supporting documentation related to significant contributions received, as well as expenses incurred, to ensure that revenues and expenses are appropriately recognized, and that any unearned portions are appropriately deferred.
- We tested a sample of new development cost charges ("DCC") recorded in the year by agreeing amounts to the related permits issued and inspecting associated bylaws showing appropriation for the specified purpose.
- We reviewed the year-end DCC fund balances and assessed whether any funds had negative balances.

Significant findings

- No significant issues were noted in the audit testing completed.

Areas of audit focus (continued)

Area of audit focus	New or changed from Audit Planning Report?	Estimate?
Expenses, including payroll	No	No

Our response

We performed the following procedures:

- We updated our understanding of the process activities and controls for expenses, including payroll.
- We analyzed the change in payroll expense relative to the prior year based on changes in headcount and pay rates. We also performed testing over headcount and pay rates by agreeing to supporting documentation.
- We performed year over year analytical procedures for all financial statement expense captions to assess the accuracy and completeness of the amounts recorded in the fiscal year.
- We performed a search for unrecorded liabilities and tested whether sample expenses were recorded in the appropriate fiscal year.

Significant findings

- No significant issues were noted in the audit testing completed.

Areas of audit focus (continued)

Area of audit focus	New or changed from Audit Planning Report?	Estimate?
Contingencies	No	Yes – We identified a more than remote risk of material misstatement due to estimation uncertainty. There are various lawsuits or claims pending against and by the City. Management and the City's external legal counsel assess the outcome of such claims and any impact on the financial statements. Provisions for contingencies are recorded when appropriate.

Our response

We performed the following procedures:

- We discussed legal claims with management as well as reviewed legal invoices and Council meeting minutes.
- We obtained written confirmation from the City's external legal counsel in testing whether amounts have been accrued for outcomes which are likely and where the contingent loss amount is estimable at year end.
- We reviewed the financial statement note disclosure.

Significant findings

- No significant issues were noted in the audit testing completed.

Audit risks

Professional requirements	Why is this 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. We did not identify a specific risk at the City.

Our response

As the risk 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 significant estimates.
- Evaluating the business rationale of significant unusual transactions.

Significant findings

There were no significant issues noted in our testing.

Data & Analytics in the audit

We have integrated Data & Analytics ("D&A") into our audit approach. Use of innovative D&A allows us to analyze greater quantities of data, dig deeper and deliver more value from our audit. We believe that D&A improves both the quality and effectiveness of our audit by allowing us to analyze large volumes of financial information quickly, enhancing our understanding of your business as well as enabling us to design procedures that better target risks. We have summarized our use of D&A in the audit as follows:

Area of audit focus	D&A tools and routines	Our results
Journal entry testing	– We used KPMG data analytics software (IDEA) to analyze journal entries and apply certain criteria to identify potential high-risk journal entries for further testing.	There were no issues noted in our testing.

Significant accounting policies and practices

Significant accounting policies

- There were no initial selections of or changes to the new significant accounting polices and practices.
- There were no significant accounting policies in controversial or emerging areas.
- There were no issues noted with the timing of the City's transactions in relation to the period in which they were recorded.
- There were no issues noted with the extent to which the financial statements are affected by a significant unusual transaction and extent of disclosure of such transactions.
- There were no issues noted with the extent to which the financial statements are affected by non-recurring amounts recognized during the period and extent of disclosure of such transactions.

Significant accounting estimates

- There were no issues noted with management's identification of accounting estimates.
- There were no issues noted with management's process for making accounting estimates.
- There were no indicators of possible management bias.
- There were no significant factors affecting the City's asset and liability carrying values.

Financial statement presentation and disclosure

- There were no issues noted with the judgments made, in formulating particularly sensitive financial statement disclosures.
- There were no issues noted with the overall neutrality, consistency, and clarity of the disclosures in the financial statements.
- There were no significant potential effects on the financial statements of significant risks, exposures and uncertainties.
- As requested by the Ministry of Municipal Affairs and Housing, the supplementary information contained within the financial statements includes an unaudited schedule for the COVID-19 Safe Restart Grant received by the City in 2020. The schedule shows the amount of funding received, how the funding was used in the current year to offset lost revenues and to fund increased expenses due to COVID-19 impacts, and the remaining grant balance at December 31, 2021.

Appendices

Appendix 1: Required communications

Draft auditors' report

The conclusion of our audit is set out in our draft auditors' report attached to the draft financial statements.

Management representation letter

In accordance with professional standards, a copy of the management representation letter is included in Appendix 2.

Independence

In accordance with professional standards, we have confirmed our independence.

Appendix 2: Management representation letter

MANAGEMENT REPRESENTATION LETTER

KPMG LLP
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada

June 27, 2022

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the financial statements of the Corporation of the City of White Rock (the "City") as at and for the period ended December 31, 2021.

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 November 30, 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 all financial records and documentation and other matters, including:

      (i) the names of all related parties and information regarding all relationships and transactions with related parties; and

      (ii) the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of Council and committees of Council 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 City 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 we are 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
      - others

      where 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 City'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 City's ability to continue as a going concern.

Other information

11) We confirm that the final version of 2021 Annual Report will be provided to you when available, and prior to issuance by the City, to enable you to complete your audit procedures in accordance with professional standards.

Non-SEC registrants or non-reporting issuers:

12) We confirm that the City 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).

13) We also confirm that the financial statements of the City will not be included in the consolidated 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,

____
Guillermo Ferrero, Chief Administrative Officer

____
Shannon Johnston, Acting Director, Financial Services

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.

Information is obscured if it is communicated in a way that would have a similar effect for users of financial statements to omitting or misstating that information. The following are examples of circumstances that may result in material information being obscured:

a) information regarding a material item, transaction or other event is disclosed in the financial statements but the language used is vague or unclear;

b) information regarding a material item, transaction or other event is scattered throughout the financial statements;

c) dissimilar items, transactions or other events are inappropriately aggregated;

d) similar items, transactions or other events are inappropriately disaggregated; and

e) the understandability of the financial statements is reduced as a result of material information being hidden by immaterial information to the extent that a primary user is unable to determine what information is material.

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.

Appendix 3: Implications of PS 3280 Asset Retirement Obligations

PS 3280 Asset Retirement Obligations ("PS 3280") is a new accounting standard effective for the City's 2023 financial statements. This standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets by public sector entities. This significant new accounting standard has implications that have the potential to go beyond financial reporting.

Financial reporting implications

A liability for asset retirement costs will be recorded with a corresponding increase in the cost of tangible capital assets in productive use, resulting in a decrease to the net financial assets reported in the Statement of Financial Position.

Asset retirement obligations associated with tangible capital assets that are not recognized or no longer in productive use are expensed.

Additional non-cash expenses for the amortization of tangible capital assets and accretion will be recognized annually.

The total cost of legally required retirement activities will be recognized earlier in a tangible capital asset's life. There is no change to the total cost recorded over an asset's life.

A process needs to be established to support updates to the ARO measurement on an annual basis post-initial implementation.

Asset management implications

The asset retirement date used to determine the asset retirement liability needs to be consistent with the useful life of the related tangible capital asset. As a result, public sector entities need to assess whether the useful lives of tangible capital assets continue to be accurate and consistent with asset management plans.

Many public sector entities are using the implementation of PS 3280 as an opportunity to develop or refine their asset management plans.

Funding implications

PS 3280 does not provide guidance on how the asset retirement liability should be funded. Many public sector entities currently fund retirement costs as they are incurred at the end of the asset's life. Public sector entities will need to assess whether this practice remains appropriate or if funding will be obtained over the life of the asset.

Budget implications

In addition to budgeting for costs associated with the initial implementation of PS 3280, public sector entities will need to consider if the non-cash accretion expense and additional amortization expense will be included in the annual budget.

Public sector entities operating under balanced budget legislation or similar guidelines will need to determine the impact of PS 3280 on current requirements.

Capital planning implications

PS 3280 requires legal obligations associated with the retirement of tangible capital assets to be recorded when the assets are acquired, constructed or developed. As a result, the cost of legally required retirement activities will need to be considered at the inception of a capital project to determine the financial viability and impact of the project.

Appendix 4: Current developments and insights

Public Sector Accounting Standards

Standard	Summary and implications
Revenue	– The new standard is effective for fiscal years beginning on or after April 1, 2023. The effective date was deferred by one year due to COVID-19. – The new standard establishes a single framework to categorize revenues to enhance the consistency of revenue recognition and its measurement. – The standard notes that in the case of revenues arising from an exchange transaction, a public sector entity must ensure the recognition of revenue aligns with the satisfaction of related performance obligations. – The standard notes that unilateral revenues arise when no performance obligations are present, and recognition occurs when there is authority to record the revenue and an event has happened that gives the public sector entity the right to the revenue.
Public Private Partnerships ("P3")	– PSAB has introduced Section PS3160, which includes new requirements for the recognition, measurement and classification of infrastructure procured through a public private partnership. The standard has an effective date of April 1, 2023, and may be applied retroactively or prospectively. – The standard notes that recognition of infrastructure by the public sector entity would occur when it controls the purpose and use of the infrastructure, when it controls access and the price, if any, charged for use, and it controls any significant interest accumulated in the infrastructure when the P3 ends. – 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.
Government Not-for-Profit Strategy	– PSAB is in the process of reviewing its strategy for government not-for-profit ("GNFP") organizations. PSAB intends to understand GNFPs' fiscal and regulatory environment, and stakeholders' financial reporting needs. – PSAB released a second consultation paper in January 2021 which summarizes the feedback received to the first consultation paper. It also describes options for the GNFP strategy and the decision-making criteria used to evaluate the options. PSAB recommends incorporating the PS4200 series with potential customizations into PSAS. This means reviewing the existing PS4200 series to determine if they should be retained and added to PSAS. Incorporating the updated or amended PS4200 series standards in PSAS would make the guidance available to any public sector entity. Accounting and/or reporting customizations may be permitted if PSAB determines there are substantive and distinct accountabilities that warrant modification from PSAS. – PSAB is in the process of considering stakeholder comments.

Appendix 4: Current developments and insights (continued)

Public Sector Accounting Standards (continued)

Standard	Summary and implications
Financial Instruments and Foreign Currency Translation	– The accounting standards, PS3450 *Financial Instruments*, PS2601 *Foreign Currency Translation*, PS1201 *Financial Statement Presentation* and PS3041 *Portfolio Investments* are effective for fiscal years commencing on or after April 1, 2022. The effective date was deferred by one year due to COVID-19. – Equity instruments quoted in an active market and free-standing derivatives are to be carried at fair value. All other financial instruments, including bonds, can be carried at cost or fair value depending on the public sector entity's choice and this choice must be made on initial recognition of the financial instrument and is irrevocable. – A new statement, the Statement of Remeasurement Gains and Losses, will be included in the financial statements. Unrealized gains and losses incurred on fair value accounted financial instruments will be presented in this statement. Realized gains and losses will continue to be presented in the statement of operations. – In July 2020, PSAB approved federal government narrow-scope amendments to PS3450 *Financial Instruments* which will be included in the Handbook in the fall of 2020. Based on stakeholder feedback, PSAB is considering other narrow-scope amendments related to the presentation and foreign currency requirements in PS3450 *Financial Instruments*. The exposure drafts were released in summer 2020 with a 90-day comment period.
Employee Future Benefit Obligations	– PSAB has initiated a review of sections PS3250 *Retirement Benefits* and PS3255 *Post-Employment Benefits, Compensated Absences and Termination Benefits*. In July 2020, PSAB approved a revised project plan. – PSAB intends to use principles from International Public Sector Accounting Standard 39 *Employee Benefits* 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, PSAB will implement a multi-release strategy for the new standards. The first standard will provide foundational guidance. Subsequent standards will provide additional guidance on current and emerging issues. – PSAB released an exposure draft on proposed section PS3251, Employee Benefits in July 2021. Comments to PSAB on the proposed section are due by November 25, 2021. Proposed Section PS 3251 would apply to fiscal years beginning on or after April 1, 2026 and should be applied retroactively. Earlier adoption is permitted. The proposed PS3251 would replace existing Section PS 3250 and Section PS 3255. This proposed section would result in organizations recognizing the impact of revaluations of the net defined benefit liability (asset) immediately on the statement of financial position. Organizations would also assess the funding status of their post-employment benefit plans to determine the appropriate rate for discounting post-employment benefit obligations.

Appendix 4: Current developments and insights (continued)

Public Sector Accounting Standards (continued)

Standard	Summary and implications
Concepts Underlying Financial Performance	– PSAB is in the process of reviewing the conceptual framework that provides the core concepts and objectives underlying Canadian public sector accounting standards. – PSAB released four exposure drafts in early 2021 for the proposed conceptual framework and proposed revised reporting model, and their related consequential amendments. The Board is in the process of considering stakeholder comments received. – PSAB is proposing a revised, ten chapter conceptual framework intended to replace PS 1000 *Financial Statement Concepts* and PS 1100 *Financial Statement Objectives*. The revised conceptual framework would be defined and elaborate on the characteristics of public sector entities and their financial reporting objectives. Additional information would be provided about financial statement objectives, qualitative characteristics and elements. General recognition and measurement criteria, and presentation concepts would be introduced. – In addition, PSAB is proposing: • Relocation of the net debt indicator to its own statement and the statement of net financial assets/liabilities, with the calculation of net debt refined to ensure its original meaning is retained. • Separating liabilities into financial liabilities and non-financial liabilities. • Restructuring the statement of financial position to present non-financial assets before 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.

Appendix 4: Current developments and insights (continued)

Public Sector Accounting Standards (continued)

Standard	Summary and implications
Purchased Intangibles	– In October 2019, PSAB approved a proposal to allow public sector entities to recognize intangibles purchased through an exchange transaction. Practitioners are expected to use the definition of an asset, the general recognition criteria and the GAAP hierarchy to account for purchased intangibles. – PSAB has approved Public Sector Guideline 8 which allows recognition of intangibles purchased through an exchange transaction. Narrow-scope amendments were made to Section PS 1000 Financial statement concepts to remove prohibition on recognition of intangibles purchased through exchange transactions and PS 1201 Financial statement presentation to remove the requirement to disclose that purchased intangibles are not recognized. – The effective date is April 1, 2023 with early adoption permitted. Application may be retroactive or prospective.
2022 – 2027 Strategic Plan	– PSAB's Draft 2022 – 2027 Strategic Plan was issued for public comment in May 2021. Comments were requested for October 6, 2021. – The Strategic Plan sets out broad strategic objectives that help guide PSAB in achieving its public interest mandate over a multi-year period, and determining standard-setting priorities – The Strategic Plan emphasizes four key priorities: – Develop relevant and high-quality accounting standards - Continue to develop relevant and high-quality accounting standards in line with PSAB's due process, including implementation of the international strategy (focused on adapting International Public Sector Accounting Standards for new standards) and completion of the Conceptual Framework and Reporting Model project. – Enhance and strengthen relationships with stakeholders - Includes increased engagement with Indigenous Governments and exploring the use of customized reporting. – Enhance and strengthen relationships with other standard setters – In addition to continued collaboration with other standard setters, this emphasizes strengthened relationship with the IPSASB. – Support forward-looking accounting and reporting initiatives – Supporting and encouraging ESG reporting, and consideration of the development of ESG reporting guidance for the Canadian public sector.

Appendix 4: Current developments and insights (continued)

New auditing standards

The following changes to auditing standards applicable to our 2022 audit are listed below.

Standard	Key observations
Revised CAS 315, Identifying and Assessing the Risks of Material Misstatement	Revised CAS 315, Identifying and Assessing the Risks of Material Misstatement has been released and is effective for audits of financial statements for periods beginning on or after December 15, 2021. The standard has been significantly revised, reorganized and enhanced to require a more robust risk identification and assessment in order to promote better responses to the identified risks. Key changes include: - Enhanced requirements relating to exercising professional skepticism - Distinguishing the nature of, and clarifying the extent of, work needed for indirect and direct controls - Clarification of which controls need to be identified for the purpose of evaluating the design and implementation of controls - Introduction of scalability - Incorporation of considerations for using automated tools and techniques - New and revised concepts and definitions related to identification and assessment of risk - Strengthened documentation requirements CPA Canada plans to publish a Client Briefing document in early 2022 to help you better understand the changes you can expect on your 2022 audit.

Appendix 4: Current developments and insights (continued)

Thought leadership – Local governments

Thought leadership	Overview	Link
Cities portal	KPMG in Canada provides insights and resources for municipalities on a variety of topics including achieving sustainable infrastructure, the new reality for government in Canada, drinking water supply and park access.	Link to Canadian portal
The Future of Local Government	The Future of Local Government report provides a Canadian perspective for how local governments can meet the rapidly changing needs and expectations of their stakeholders – the citizens, partners and leaders across diverse cities and communities they serve.	Link to Canadian portal
The Future of Cities	The Future of Cities report unpacks our KPMG Global research and insights on the future of local government, providing an international viewpoint. The report traces the unprecedented journey ahead. Cities worldwide are now poised at a significant inflection point, as their leaders realize that long-held 'one-size-fits-all' approaches to planning and policies will likely no longer work to shape cities for a future that is truly healthy, sustainable, efficient and prosperous for all.	Link to Global portal
The Future of Government	The Future of Government report considers all levels of government and provides additional perspective from the content in the Future of Local Government report. It discusses the opportunity for governments to consider a different vision of Canadian social systems and how they can adapt their operations to reflect the needs of a modern Canada.	Link to Canadian portal
CX Coffee Chats: Modernizing Government	As a result of the pandemic, government organizations have been faced with unprecedented demand for digital transformation in the delivery of services to Canadians. In the latest installment of the CX Coffee Chat series, industry specialists discuss the evolving needs of Canadians and the opportunities for government organizations to deliver online services citizens can count on.	Link to Canadian portal
20 Predictions for the Next 20 Years	This series looks at how new technologies could evolve and how these advances will change every facet of our lives, including the industries and sectors that drive them. We asked KPMG in Canada subject matter specialists, across industries and sectors, to tell us how they think the world will change in the next two decades. Specifically for local governments, the political and regulatory predictions may be especially relevant.	Link to Canadian portal
Principles for Digital Transformation in Cities	This report was authored by KPMG and published as part of the World Government Summit. The report highlights the realization of 'smart digitalization' and how it differs across cities.	Link to report

Appendix 4: Current developments and insights (continued)

Thought leadership – Environmental, social, and governance (ESG)

Thought leadership	Overview	Links
Unleashing the Positive in Net Zero	CoP26 in Glasgow made some progress to tackling climate change but there is much more to do. At KPMG, we're committed to accelerating the changes required to fight climate change. Our Global portal provides links to further thought leadership to help drive real change.	Link to Global portal
KPMG Climate Change Financial Reporting Resource Centre	KPMG's climate change resource centre provides FAQs to help you identify the potential financial statement impacts for your business.	Link to Global portal
You Can't Go Green Without Blue – The Blue Economy is Critical to All Companies' ESG Ambitions	In this report, KPMG considers how leading corporates and investors can take action to capture the value that can be found in a healthy, sustainable ocean economy.	Link to Canadian portal
ESG, Strategy and the Long View	This paper presents a five-part framework to help organizations understand and shape the total impact of their strategy and operations on their performance externally – on the environment, consumers, employees, the communities in which it operates, and other stakeholders – and internally.	Link to Global portal
Inclusion and diversity practices	In 2021 societal changes brought more attention to inclusion and diversity. In this age of transparency, businesses must act proactively to implement strategic inclusion and diversity practices. It has become increasingly important for organizations to adopt I&D initiatives in order to foster an enjoyable work environment for their employees. Learn how to consider your own organizations' unique context, meet with the stakeholders you want to include, understand where they are at, and guide them along their own individual transformation journey.	Link to Canadian portal

Appendix 4: Current developments and insights (continued)

Thought leadership – Digital and technology

Thought leadership	Overview	Link
Going digital, faster in Canada	Pre-COVID-19, private and public organizations were moving towards a digital business model, travelling at varying speeds. But the pandemic forced a dramatic acceleration, both in the speed of change and the required investment to digitally transform. According to Canadian insights from KPMG's recent global survey, organizations are investing heavily in technology to address immediate concerns, ranging from falling revenue and interrupted supply chains to building longer-term competitiveness and operational resilience.	Link to Canadian portal

Thought leadership – Board, Audit Committee and C-Suite

Thought leadership	Overview	Links
Accelerate	Our Accelerate series offer insight into the key issues that will drive the Audit Committee agenda in 2022 in a number of key areas: cyber-related risk, digital transformation in the finance function, the 'Great Resignation' impacting finance, climate-related physical risks, enterprise risk management, and building a climate-conscious organization.	Link to Canadian Accelerate 2022 Insights series
KPMG 2021 CEO Outlook – Canadian Insights	This year we surveyed over 1,300 CEOs globally and the results are pointing to an optimistic outlook amongst Canadian CEOs. Some of the key themes coming out of the survey include expectations for aggressive growth through expansion, investment in both people and technology as well as a focus on delivering on environmental, social and governance (ESG) and sustainability commitments.	Link to Canadian portal
Board Leadership Centre + Audit Committee Guide	KPMG in Canada Board Leadership Centre engages with directors, board members and business leaders to discuss timely and relevant boardroom challenges and deliver practical thought leadership on risk and strategy, talent and technology, globalization and regulatory issues, financial reporting and more. The new Audit Committee Guide – Canadian Edition from our Board Leadership Centre provides timely, relevant and trusted guidance to help both new and seasoned audit committee members stay informed.	Link to Canadian portal Link to 2021 guide

Appendix 4: Current developments and insights (continued)

Thought leadership – Audit quality and insights

Thought leadership	Overview	Links
Audit Quality and Transparency Report	Learn about KPMG's ongoing commitment to continuous audit quality improvement. We are investing in new innovative technologies and building strategic alliances with leading technology companies that will have a transformative impact on the auditing process and profession. How do we seek to make an impact on society through the work that we do?	Link to Canadian portal Link to 2021 Global report
Audit and Assurance Insights	KPMG provides curated research and insights on audit and assurance matters for audit committees and boards.	Link to Canadian portal

KPMG member firms around the world have 236,000 professionals, in 145 countries.