

# The Municipality of Lakeshore

Audit Findings Report  
for the year ended  
December 31, 2021

*KPMG LLP*

Licensed Public Accountants

Prepared May 10, 2023

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



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# KPMG contacts

The contacts at KPMG in connection with this report are:



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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 Quality: How do we deliver audit quality?

Transparency report



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

**‘Perform quality engagements’** sits at the core along with our commitment to continually monitor and remediate to fulfil on our quality drivers.

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

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

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



Visit our [Resources](#) page for more information.

**Doing the right thing. Always.**

# Audit highlights

## Purpose of this report<sup>1</sup>

The purpose of this report is to assist you, as a member of Council, in your review of the results of our audit of the financial statements as at and for the period ended December 31, 2021.

### Status of the audit

As of May 10, 2023, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include amongst others:

- Completing our discussions with Council
- Obtaining evidence of Council's approval of the financial statements.
- Obtaining the signed management representation letter
- Receipt of legal letters

We will update Council, and not solely the Chair, on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures.

Our auditors' report, a draft of which is provided in Appendix: Draft Auditors' Report, will be dated upon the completion of any remaining procedures.

### Significant risks and other significant matters

There are no significant findings to communicate related to significant risks or other significant matters.

### Uncorrected audit misstatements

No matters to report.

### Control deficiencies

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.

### Other matters

Nothing to report.

### Independence

We are independent with respect to the Municipality (and its related entities), within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation.

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<sup>1</sup> This report to Council 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 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 risks and results

We highlight our significant findings in respect of **other areas of focus** as well as any additional areas of focus identified.

## Significant risk

### Fraud risk from 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.
- We have rebutted fraud risk from revenue recognition as this is not appropriate when we consider the manner in which performance is measured by the Municipality.

### Fraud risk from management override of controls:

- This is a presumed fraud risk under Canadian Auditing Standards.
- We have not identified any specific additional risks of management override related to the audit of the financial statements of the Municipality.

## Our response

- As the risk of management override of controls is not rebuttable, our audit methodology incorporated the required procedures in professional standards to address the risk. This included requisite testing over journal entries considered “high risk” and a retrospective review over complex estimates.
- No audit differences or control deficiencies were found.



# Audit risks and results

We highlight our significant findings in respect of **other areas of focus** as well as any additional areas of focus identified.

Significant risk	New or changed?	Estimate?	Key audit matter?
Taxes, trade and other receivables, including allowance for uncollectible taxes.  We focused here due to the size of the balances in these accounts and the risk of material misstatement related to the existence, accuracy and valuation of the receivable balances.	No	No	No

## Our response

- Our procedures included:
  - Perform subsequent receipt testing over taxes receivable and accounts receivable.
  - Evaluate the reasonability of the allowance for doubtful accounts based on historical trends.

## Significant findings

- The allowance for doubtful accounts was considered reasonable given the nature of the tax sale process on properties in arrears. Collections for fiscal 2021 were comparable to prior year despite the COVID-19 pandemic, therefore it is reasonable that the allowance was relatively consistent year over year.



# Audit risks and results

We highlight our significant findings in respect of **other areas of focus** as well as any additional areas of focus identified.

Other area of focus	New or changed?	Estimate?	Key audit matter?
Accounts payable and expenses  We focused here due to the volume of activity in these accounts and the risk of material misstatement related to the completeness and accuracy of accounts payable and expenses.	No	No	No

## Our response

- Our procedures included:
  - Test adherence of the procurement process to the procurement policy including selecting a sample of projects from the year and ensuring appropriate authorization was obtained based on the policy.
  - Substantively test a sample of expenditures to verify the classification and accuracy of recorded amounts.
  - Vouch significant accruals and payables to supporting documentation.
  - Perform a search for unrecorded liabilities to test the completeness of payables and expenses.

## Significant findings

- No adjustments or differences were identified.

# Audit risks and results

We highlight our significant findings in respect of **other areas of focus** as well as any additional areas of focus identified.

Other area of focus	New or changed?	Estimate?	Key audit matter?
Reserves/reserve fund balances  We focused here due to the size of the balances and the large volume of activity in these accounts.	No	No	No

## Our response

- Our procedures included:
  - Discuss with management the process for establishing reserves and determining balances to record in the reserves.
  - Obtain the reserve fund continuity schedule and identify activity recorded in reserves in the current year.
  - Substantively test the reserve fund activity to ensure the appropriate amounts have been included in reserves at year-end.

## Significant findings

- No adjustments or differences were identified.

# Audit risks and results

We highlight our significant findings in respect of **other areas of focus** as well as any additional areas of focus identified.

Other area of focus	New or changed?	Estimate?	Key audit matter?
<b>Salaries and benefits</b>  We focused here due to the size of the balance and the risk of material misstatement related to the completeness and accuracy of the expenses.	No	No	No
<b>Employee future benefits</b>  We focused here as employee future benefits are based on a number of actuarial assumptions and computations subject to measurement uncertainty.	No	Yes	No

## Our response

### Salaries and benefits:

Our procedures included:

- Perform a substantive analytical procedure over salaries and benefits expenses.
- Test the completeness of employee headcount by selecting a sample of hires and terminations from the year, and ensuring they were appropriately added/removed from payroll and viewing supporting documentation.

### Employee future benefits:

Our procedures included:

- Evaluate the reasonability of the discount rate and assumptions against the internal borrowing rate and industry standards.

## Significant findings

- No adjustments or differences were identified for either area.

# Audit risks and results

We highlight our significant findings in respect of **other areas of focus** as well as any additional areas of focus identified.

Other area of focus	New or changed?	Estimate?	Key audit matter?
Tangible capital assets ("TCA")  We focused here due to the risk of material misstatement related to the classification, completeness and accuracy of tangible capital assets.	No	No	No

## Our response

- Our procedures included:
  - Perform substantive tests of details over additions, disposals and assets in progress, where significant.
  - Test the completeness of TCA by sampling repairs and maintenance expenses and determining if they were classified correctly as expenses.
  - Perform substantive analytical procedures over depreciation.
  - Discuss impairment with management.

## Significant findings

- No adjustments or differences were identified.

# Audit risks and results

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

Other area of focus	New or changed?	Estimate?	Key audit matter?
Impacts of COVID-19 including government funding and related expenses.  We focused here as these balances are still relatively new in 2021 due to the COVID-19 pandemic.	No	No	No

## Our response

- Our procedures included:
  - Perform COVID-19 specific inquiries with management to identify any areas requiring disclosure and/or additional testing.
  - Test grants received for COVID-19 to verify existence. Ensure appropriate amounts were deferred or recognized as revenue based on funding guidance.

## Significant findings

- KPMG has included a disclosure on COVID-19 in the financial statement notes based on discussions with management.
- A total of \$721,172 funding was allocated to the Municipality of Lakeshore by the Ministry of Municipal Affairs and Housing as part of the federal-provincial Safe Restart Agreement to cover operating costs and pressures related to COVID-19. KPMG test the cash receipt of 100% of the funding, and did not identify any differences or adjustments.
- No adjustments or differences were identified.

# Uncorrected and corrected audit misstatements

Audit misstatements include presentation and disclosure misstatements, including omissions.

## Uncorrected audit misstatements

We did not identify any uncorrected adjustments.

## Corrected audit misstatements

The management representation letter includes all misstatements identified as a result of the audit, communicated to management and subsequently corrected in the financial statements.

# Other matters

Professional standards require us to communicate to Council other matters.

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

Matter	KPMG comment
Timing of the year end financial reporting process and Finance staffing	<ul style="list-style-type: none"><li>- The year end audit was delayed as there have been significant changes in staff in the Finance area, as well as their efforts to implement a new computer system. Given the importance of year end financial reporting, the Municipality should consider the number of positions within the Finance area to ensure that the year end process can be completed in a timely manner.</li></ul>

# Appendices

## Content

**Appendix 1: Other required communications**

**Appendix 2: Management representation letter**

**Appendix 3: Technology in the audit**

**Appendix 4: Audit and assurance insights**





# Appendix 1: Other required communications

## Audit Quality in Canada

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 Interim Inspections Results](#)
- [CPAB Audit Quality Insights Report: 2020 Annual Inspections Results](#)

## Engagement terms

A copy of the engagement letter and any subsequent amendments has been provided to Council.

## Appendix 2: Technology in the audit

We have utilized technology to enhance the quality and effectiveness of the audit.

Technology	Our results and insights
<b>KPMG Clara for Clients (KCfc)</b>	<ul style="list-style-type: none"><li>- We have introduced the KPMG Clara for Clients site to bring the best of KPMG to you. The site allows teams to work smarter, connect and collaborate, share insights and updates, and provide advanced solutions to communication.</li><li>- The new tool allows us to track the progress and completion of audit work and facilitate safer and more efficient transfer of documents by our respective teams, especially given the virtual audit environment.</li></ul>
<b>Journal Entry Analysis</b>	<ul style="list-style-type: none"><li>- The list of accounts provided, and journal entry details provided resulted in a successful roll of the accounts, concluding that the population of journal entries is complete, and the financial statements capture all entries and transactions throughout the year.</li><li>- All high-risk journal entries selected for testing were appropriate and authorized by management. All entries tested reflected the underlying events and transactions and were recorded correctly</li></ul>

# Appendix 3: Audit and assurance insights

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

Featured insight	Summary	Reference
<b>Accelerate 2022</b>	The key issues driving the audit committee agenda in 2022	<a href="#">Learn more</a>
<b>Audit Committee Guide – Canadian Edition</b>	A practical guide providing insight into current challenges and leading practices shaping audit committee effectiveness in Canada	<a href="#">Learn more</a>
<b>Unleashing the positive in net zero</b>	Real solutions for a sustainable and responsible future	<a href="#">Learn more</a>
<b>KPMG Audit &amp; Assurance Insights</b>	Curated research and insights for audit committees and boards.	<a href="#">Learn more</a>
<b>Board Leadership Centre</b>	Leading insights to help board members maximize boardroom opportunities.	<a href="#">Learn more</a>
<b>KPMG Climate Change Financial Reporting Resource Centre</b>	Our climate change resource centre provides insights to help you identify the potential financial statement impacts to your business.	<a href="#">Learn more</a>
<b>The business implications of coronavirus (COVID 19)</b>	Resources to help you understand your exposure to COVID-19, and more importantly, position your business to be resilient in the face of this and the next global threat.	<a href="#">Learn more</a>
	KPMG Global IFRS Institute - COVID-19 financial reporting resource center.	<a href="#">Learn more</a>
<b>IFRS Breaking News</b>	A monthly Canadian newsletter that provides the latest insights on international financial reporting standards and IASB activities.	<a href="#">Learn more</a>
<b>Momentum</b>	A quarterly Canadian newsletter which provides a snapshot of KPMG's latest thought leadership, audit and assurance insights and information on upcoming and past audit events – keeping management and board members abreast on current issues and emerging challenges within audit.	<a href="#">Sign-up now</a>
<b>Current Developments</b>	Series of quarterly publications for Canadian businesses including Spotlight on IFRS, Canadian Securities & Auditing Matters and US Outlook reports.	<a href="#">Learn more</a>
<b>KPMG Learning Academy</b>	Technical accounting and finance courses designed to arm you with leading-edge skills needed in today's disruptive environment.	<a href="#">Learn more</a>



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