

The Municipality of Lakeshore

Audit Findings Report
for the year ended
December 31, 2022

KPMG LLP

Licensed Public Accountants

Prepared August 22, 2024

kpmg.ca/audit

KPMG



Table of contents

KPMG contacts	2
Audit Quality: How do we deliver audit quality?	3
Audit highlights	4
Audit risks and results	5
Uncorrected and corrected audit misstatements	11
Other matters	12
Appendices	13
Appendix 1: Other required communications	14
Appendix 2: Draft audit report	15
Appendix 3: Management representation letter	19
Appendix 4: Technology in the audit	25
Appendix 5: Audit and assurance insights	26

KPMG contacts

The contacts at KPMG in connection with this report are:



Cynthia Swift
**Lead Audit Engagement
Partner**
Tel: 519-251-3520
caswift@kpmg.ca



Justin Pierre
**Audit Engagement
Manager**
Tel: 519-251-5269
justinpierre@kpmg.ca

Our refreshed Values

What we believe

 Integrity
We do what is right.

 Excellence
We never stop learning
and improving.

 Courage
We think and act boldly.

 Together
We respect each other
and draw strength from
our differences.

 For Better
We do what matters.



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 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 report¹

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, 2022.

Status of the audit

As of August 22, 2024, 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.

¹ 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?
<p>Taxes, trade and other receivables, including allowance for uncollectible taxes.</p> <p>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.</p>	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 2022 were comparable to prior year, 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?
<p>Salaries and benefits</p> <p>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.</p>	No	No	No
<p>Employee future benefits</p> <p>We focused here as employee future benefits are based on a number of actuarial assumptions and computations subject to measurement uncertainty.</p>	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

- KPMG identified a data input error in the depreciation schedule/calculation. As a result, depreciation was adjusted by \$3.5 million. It is important that schedules are reviewed after preparation to ensure that balances are correct and comparable to prior years.

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">- 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.

Appendices

Content

Appendix 1: Other required communications

Appendix 2: Draft audit report

Appendix 3: 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: Draft audit report

INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Municipality of Lakeshore

Opinion

We have audited the consolidated financial statements of the Corporation of the Municipality of Lakeshore (the Municipality), which comprise:

- the consolidated statement of financial position as at December 31, 2022
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and the notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”)

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Municipality as at December 31, 2022, and its results of operations and its changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibility under those standards are further described in the “***Auditor’s Responsibilities for the Audit of the Financial Statements***” section of our auditor’s report.

We are independent of the Municipality in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibility of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Municipality's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Municipality or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Municipality's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, internal omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Municipality's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to the events or conditions that may cast significant doubt on the Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Municipality's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Chartered Professional Accountants, Licensed Public Accountants

Windsor, Canada

(date)

Appendix 3: Management representation letter

KPMG LLP
618 Greenwood Centre
3200 Deziel Drive
Windsor, Ontario N8W 5K8
Canada

September 10, 2024

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the consolidated financial statements (hereinafter referred to as "financial statements") of The Municipality of Lakeshore ("the Entity") as at and for the period ended December 31, 2022.

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 April 16, 2019, including for:
 - a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework.
 - b) providing you with all information of which we are aware that is relevant to the preparation of the financial statements ("relevant information"), such as financial records, documentation and other matters, including:
 - the names of all related parties and information regarding all relationships and transactions with related parties;
 - the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of shareholders, board of directors and committees of the board of directors that may affect the financial statements. All significant actions are included in such summaries.
 - c) providing you with unrestricted access to such relevant information.
 - d) providing you with complete responses to all enquiries made by you during the engagement.
 - e) providing you with additional information that you may request from us for the purpose of the engagement.
 - f) providing you with unrestricted access to persons within the Entity from whom you determined it necessary to obtain audit evidence.

- g) such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We also acknowledge and understand that we are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.
- h) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.
- i) ensuring that internal auditors providing direct assistance to you, if any, were instructed to follow your instructions and that we, and others within the entity, did not intervene in the work the internal auditors performed for you.

INTERNAL CONTROL OVER FINANCIAL REPORTING:

- 2) We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over financial reporting of which 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
 - otherswhere such fraud or suspected fraud could have a material effect on the financial statements.
 - c) all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements, communicated by employees, former employees, analysts, regulators, or others.
 - d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements or illegal acts, whose effects should be considered when preparing financial statements.
 - e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

SUBSEQUENT EVENTS:

- 4) All events subsequent to the date of the financial statements and for which the relevant financial reporting framework requires adjustment or disclosure in the financial statements have been adjusted or disclosed.

RELATED PARTIES:

- 5) We have disclosed to you the identity of the Entity's related parties.
- 6) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.
- 7) All related party relationships and transactions/balances have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

ESTIMATES:

- 8) The methods, the data and the significant assumptions used in making accounting estimates, and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

GOING CONCERN:

- 9) We have provided you with all information relevant to the use of the going concern assumption in the financial statements.

MISSTATEMENTS:

- 10) We approve the corrected misstatements identified by you during the audit described in Attachment II.

NON-SEC REGISTRANTS OR NON-REPORTING ISSUERS:

- 11) We confirm that the Entity is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission ("SEC") Issuer (as defined by the Sarbanes-Oxley Act of 2002).
- 12) We also confirm that the financial statements of the Entity will not be included in the group financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

RESERVES, RESERVE FUNDS AND FUNDS:

- 13) With regards to reserves, reserve funds and funds, all reserves are properly accounted for in the books of the Entity. Furthermore, all provisions and charges to the reserves were in accordance with the Municipal Act. Lastly, all reserve funds and their respective assets have been properly accounted for in the books of the Entity and, where necessary, all funds created during the year were approved by Council.

Yours very truly,

By: Mr. Justin Rousseau, Acting Chief Administrative Officer

By: Ms. Kate Rowe, Interim Corporate Leader - Chief Financial Officer

Attachment I – Definitions

MATERIALITY

Certain representations in this letter are described as being limited to matters that are material.

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgments about materiality are made in light of surrounding circumstances, and are affected by perception of the needs of, or the characteristics of, the users of the financial statements and, the size or nature of a misstatement, or a combination of both while also considering the entity's own circumstances.

FRAUD & ERROR

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization.

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Appendix 4: Technology in the audit

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

Technology	Our results and insights
KPMG Clara for Clients (KCfc)	<ul style="list-style-type: none">- 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.- 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.
Journal Entry Analysis	<ul style="list-style-type: none">- 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.- 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

Appendix 5: Audit and assurance insights

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

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



kpmg.ca/audit

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

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

