The Regional Municipality of York

Audit Planning Report
for the year ending
December 31, 2020

KPMG LLP

Licensed Public Accountants

November 2020

kpmg.ca/audit

KPMG

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Executive summary

The purpose of this Audit Planning Report is to assist you, as a member of the Audit Committee, in your review of the audit planning for the consolidated financial statements ("financial statements") of The Regional Municipality of York (the "Region") as at and for the year ending December 31, 2020.

COVID-19

COVID-19 is undoubtedly having an impact on the Region's business and the Region's financial reporting. See pages 2-3 for audit considerations.

Group audit scope

Our group audit consists of the following components:

- 1 financially significant scoped in audit
- 5 non-significant components, however these components are required to obtain statutory financial statements under the Municipal act.

See page 4.

Audit and business risks

Our audit is risk-focused. We will discuss these risks with you during the upcoming meeting. The audit of the Region's consolidated financial statements is considered a group audit which includes several components. In planning our audit we have taken into account key areas of focus for financial reporting.

See pages 5 to 10.

Audit materiality

Materiality has been determined based on budgeted operating expenditures. We have determined materiality to be $68,000,000 (2019 - $66,000,000).

Materiality will be set at lower thresholds where necessary to meet local subsidiary financial statement audit requirements. See page 11.

Proposed fees

The Engagement letter includes the fees for all professional services provided to the Region and related entities. A copy of the engagement letter can be obtained from management.

Quality control

We have a robust and consistent system of quality control. We provide complete transparency on all services and follow Audit Committee approved protocols.

Current developments and audit trends

Please refer to pages 15 to 19 for relevant accounting and auditing changes relevant to the Region and relevant audit trends.

COVID-19: Embedding Resilience & Readiness

COVID-19 is undoubtedly going to have an impact to the Region's business and the Region's financial reporting.

Potential financial reporting implications

Refer to our COVID-19 Financial Reporting site:

- Events or conditions that cast significant doubt regarding going concern
- Impairment of non-financial assets (e.g., Tangible Capital Assets)
  - Analysis of triggering events and impairment testing (e.g. cash flow forecasts and assumptions)
- Impairment of financial assets including investments
- Fair value measurements
- Employee benefits and employer obligations
- Provisions and contingencies
- Impact on funding received from federal and provincial government
- Impact on programs and operations managed by the Region
- Impact on capital projects managed by the Region
- Subsequent events

Potential implications on internal control over financial reporting

- Reconsideration of financial reporting risks, including fraud risks, given possible new pressures on management or new opportunities to commit fraud given changes in Internal Control over Financial Reporting (ICFR) or to bias estimates.
- New or enhanced controls to respond to new financial reporting risks or elimination of on-site preventative controls.
- Consideration of changes in the individuals performing the control (e.g. re-directing the performance to head-office).
- Consideration of the appropriateness of segregation of duties because of a potential reduction in the number of employees.
- Revisions may be needed for internal audit visits planned.
- Reconsideration of ICFR impacts related to broader IT access given remote work arrangements.

Potential financial reporting implications related to disclosures

Refer to our COVID-19 Financial Reporting site:

- Events and conditions that cast significant doubt regarding going concern
- New accounting policies
- Significant management judgements in applying accounting policies
- Major sources of estimation uncertainty that have significant risk
- Liquidity risks

Other potential considerations

- Reporting material changes in ICFR
- Cyber security risks (e.g., wire transfers schemes)
- Possible delay in filing annual financial statements

COVID-19: Embedding Resilience & Readiness (Continued)

Similarly, COVID-19 is a major consideration in the development of our audit plan for your 2020 financial statements

Potential audit implications

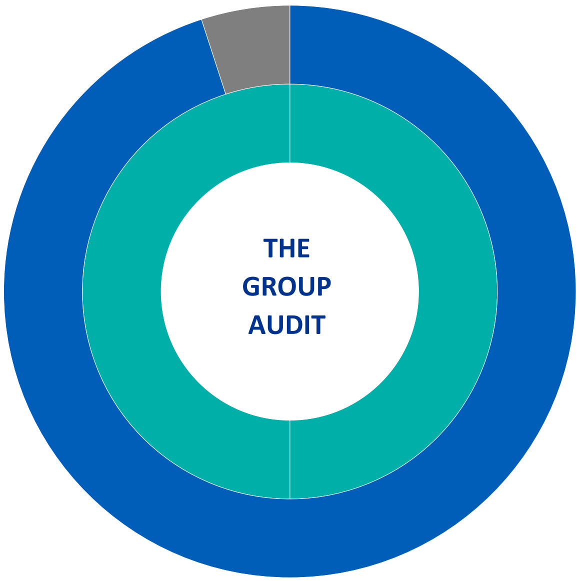
Planning and risk assessment:

- Understanding the expected impact on the relevant metrics for determining materiality (including the benchmark) and the implication of that in identifying the risks of material misstatement, responding to such risks and evaluating uncorrected misstatements.
- Understanding the potential financial reporting impacts, the changes in Region's environment, and changes in the Region's system of internal control, and their impact on our:
  - identified and assessed risks of material misstatement.
  - audit strategy, including the involvement of others (e.g., our internal specialists or use of internal audit's work or internal audit in a direct assistance capacity) and the nature, timing and extent of tests of controls and substantive procedures.

Executing:

- Remote auditing:
  - Increased use of other collaboration tools (Teams, Skype etc.) and the need for written management acknowledgement for their use
  - Potential increased use of electronic evidence (and understanding the Region's processes to provide such evidence to us)
- Timing of procedures may need to change:
  - Tests of controls may need to be deferred (to allow the Region to put new or revised controls in operation and to be able to re-perform such controls).

Group audit scope



Type of work performed	# of components	Legend
Individually financially significant (scoped in): The Regional Municipality of York (non-consolidated)	1	
Not significant (note 1)	5	

Procedures performed by	Legend
Group team – KPMG Vaughan	

Note 1. Not significant:

The following components are not significant for the purpose of issuing the auditors' opinion on the group audit for the consolidated financial statements of The Regional Municipality of York. A separate audit opinion is issued for these non-significant components due to statutory requirements:

1. Housing York Inc.
2. YTN Telecom Network Inc.
3. York Region Rapid Transit Corporation
4. The Regional Municipality of York – Resident's Trust Fund
5. The Regional Municipality of York – Sinking Fund

Audit risks

Professional requirements	Why is it significant?
Fraud risk from revenue recognition	This is a presumed fraud risk. The primary risk of fraudulent revenue recognition resides with manual journal entries for revenue transactions not in the normal course of business.

Our audit approach
Our audit methodology incorporates the required procedures in professional standards to address this risk. Our audit approach will consist of evaluating the design and implementation of selected relevant controls. We test journal entries that meet specific criteria. These criteria are designed during the planning phase of the audit and are based on areas and accounts that are susceptible to manipulation through management override and we design search filters that allow us to identify any unusual journal entries. As part of our audit approach to address the inherent risk of error in revenue recognition, KPMG substantively tests revenues (both recognized and amounts held as deferred at year end).

Audit risks (continued)

Professional requirements	Why is it significant?
Fraud risk from management override of controls	This is a presumed fraud risk. We have not identified any specific additional risks of management override relating to this audit.

Our audit approach

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 estimates and evaluating the business rationale of significant unusual transactions.

We will take a risk-based approach tailored to the Region when designing substantive procedures and selecting specific transactions for testing. We will consider the potential impact of COVID-19 when identifying areas which may be subject to additional risk whether due to fraud or error in this regard.

Audit risks (continued)

Other areas of focus	Why are we focusing here?
Cash and Investments	Material account balances and disclosures. Valuation of investments and concerns over decline in fair value due to COVID-19 global pandemic.
Tangible Capital Assets	Risk of material misstatement related to the existence, accuracy and presentation of tangible capital assets.

Our audit approach

Cash and Investments

COVID-19 Implications:

- To assess if there is a loss in value of a portfolio investment and whether such a decline is other than temporary. Perform audit procedures to assess whether a write-down is necessary

Substantive audit procedures:

- Review year-end bank and investment reconciliations and substantive testing of significant reconciling items
- Substantive test of details over additions and disposals of investments
- Obtain confirmations from third parties
- Review of financial statement note disclosure in accordance with Public Sector Accounting Standards (PSAS)

Tangible Capital Assets

- Substantive test of details over additions (including contributed tangible capital assets) and disposals
- Review amortization policy and useful life for the tangible capital assets and assess if the useful life as an estimate is reasonable
- Review construction in progress to ensure amounts are properly transferred to correct capital asset classes and amortization expense commences on a timely basis
- Review of financial statement note disclosure in accordance with PSAS
- Perform required procedures to assess the potential risks with respect to impairment of assets as a result of the ongoing global pandemic, which is not expected to be a significant risk for the Region's audit

Audit risks (continued)

Other areas of focus	Why are we focusing here?
Revenue and Accounts Receivable	Risk of material misstatement related to designated revenue and accuracy of timing of revenue recognition.
Deferred Revenue – general and obligatory reserve funds	Risk of material misstatement due to management assessment and judgment involved.

Our audit approach

Revenue and Accounts Receivable:

- Recalculate tax revenue using approved tax rates and assessment
- Obtain confirmations from lower tier municipalities
- Vouch, on a sample basis, revenue transactions to supporting documentation
- Substantively test significant account receivable balances and assess analytical trends
- Assess the valuation of receivables

Deferred Revenue – general and obligatory reserve funds:

- Substantively test deferred capital grants, security deposits and other deferred revenue to supporting documents
- Substantively test development charge collections and expenditures to supporting documents
- Perform analysis on projects with budget overruns
- Inquire with management if there were any breaks given to the developers due to COVID-19 and perform audit procedures on the financial reporting impact if relevant

Audit risks (continued)

Other areas of focus	Why are we focusing here?
Salaries and Benefits	Risk of material misstatement related to accuracy and occurrence of expenses.
Accounts Payable, Accrued Liabilities and Expenses	Risk of material misstatement related to completeness of liabilities.
Employee Future Benefits (EFBs)	Risk of material misstatement related to accuracy and valuation of the estimate involved in employee future benefits.

Our audit approach

Salaries and Benefits:

- Perform control testing over payroll cycle
- Vouch a sample of employees' salary and benefit expense to payroll information

Accounts Payable, Accrued Liabilities and Expenses:

- Search for unrecorded liabilities
- Examine significant accrued liabilities for existence, accuracy and completeness
- Perform substantive test of details on selected non-payroll expenditures

Employee Future Benefits:

- Reliance on actuaries (management specialist) engaged by the Region; update our understanding of the activities over the quality of information used, the assumptions made, the qualifications, competence and objectivity of the preparer of the estimate, and the historical accuracy of the estimates
- Communicate with actuaries and test data provided to the actuaries, if applicable.
- Perform audit procedures on method, data and assumptions used by actuary and management in calculation of the EFB liability for reasonableness
- Review financial statement disclosures in accordance with PSAS
- We will perform audit procedures to address the new CAS 540, Auditing Accounting Estimates and related disclosure requirements related to the estimates involved

Audit risks (continued)

Other areas of focus	Why are we focusing here?
Consolidation (Region and all components)	To ensure the completeness and accuracy of the consolidated information.
Contingencies	Risk of material misstatement related to completeness of contingencies and corresponding disclosures.
Gross Long-term Liabilities and Debt Recoverable from Local Municipalities	Material account balances and disclosures.
Reserve Funds	Material account balance and disclosures.

Our audit approach

Consolidation (Region and all components):

- Review process of consolidation and perform audit procedures on the consolidation process
- Audit the eliminating entries as prepared by management for accuracy and completeness

Contractual Obligations and Contingent Liabilities:

- Discuss contingent liabilities with appropriate personnel and obtain a confirmation of all claims and possible claims

Gross Long-term Liabilities and Debt Recoverable from Area Municipalities:

- Substantively test long-term liability additions and principal repayments to supporting documents
- Obtain confirmations from lower tier municipalities
- Audit procedures related to the accounting treatment and the related disclosures in accordance with PSAS

Reserve Funds

- Substantively test inflows and outflows on the reserve fund continuity schedule
- Perform a substantive analytic on interest earned on the reserve funds

Materiality

Materiality determination	Comments	Group amount
Materiality	Determined to plan and perform the audit and to evaluate the effects of identified misstatements on the audit and of any uncorrected misstatements on the financial statements. The corresponding amount for the prior year's audit was $66 million.	$68 million
Benchmark	Based on budgeted full accrual PSAS expenditures. This benchmark is consistent with the prior year.	$2,394.8 million
% of Benchmark	The corresponding percentage for the prior year's audit was 3%	3%
Audit Misstatement Posting Threshold (AMPT)	Threshold used to accumulate misstatements identified during the audit. The corresponding amount for the previous year's audit was $3 million.	$3 million

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Materiality is used to scope the audit, identify risks of material misstatements and evaluate the level at which we think misstatements will reasonably influence users of the financial statements. It considers both quantitative and qualitative factors.

To respond to aggregation risk, we design our procedures to detect misstatements at a lower level of materiality.

We will report to the Audit Committee:

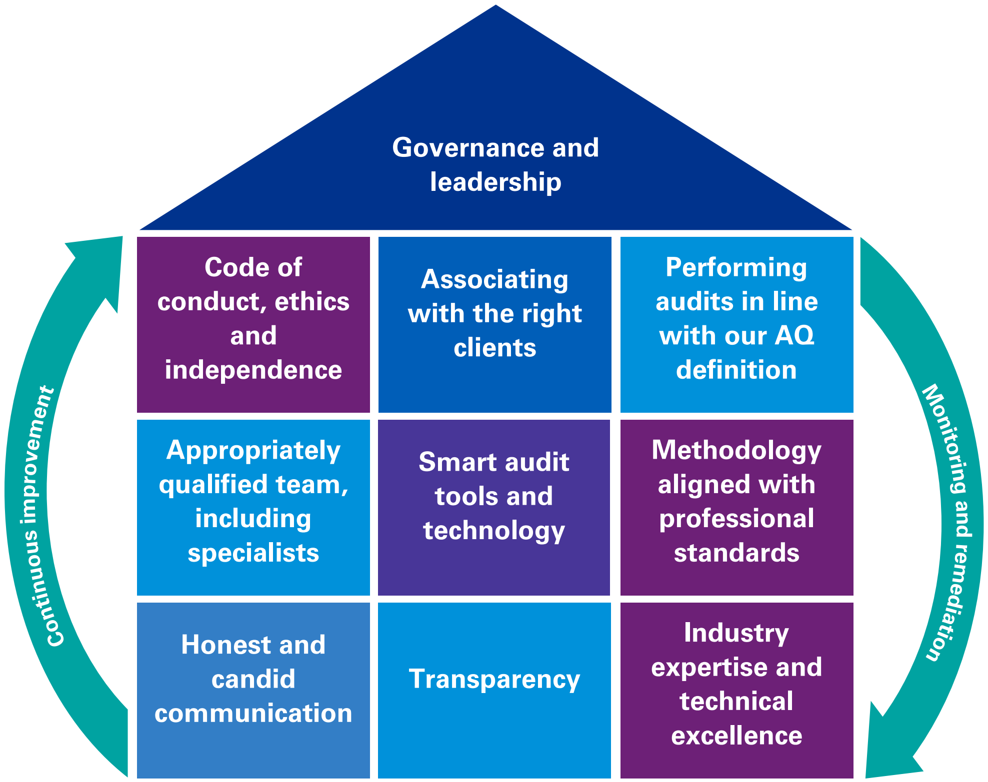

Corrected audit misstatements


Uncorrected audit misstatements

Audit Quality Matters

Audit quality and transparency

KPMG maintains a system of quality control designed to reflect our drive and determination to deliver independent, unbiased advice and opinions, and also meet the requirements of Canadian professional standards.   Quality control is fundamental to our business and is the responsibility of every partner and employee. The following diagram summarizes the key elements of our quality control system.



Audit Quality Framework

What do we mean by audit quality?

Audit Quality (AQ) is at the core of everything we do at KPMG.

We believe that it is not just about reaching the right opinion, but how we reach that opinion.

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**.

Our AQ Framework summarises how we deliver AQ. Visit our Audit Quality Resources page for more information including access to our Audit Quality and Transparency report.

Key deliverables and milestones

October and November	Audit planning report and planning meeting with management
November and December	Interim fieldwork
March and April	Year-end fieldwork
April	Closing meeting with Commissioner of Finance and Regional Treasurer, and issuance of audit report on financial statements
May or June	Audit findings discussions with Audit Committee

Current Developments - Accounting

Title	Details	Link
Public Sector Update – connection series	Public Sector Accounting Standards are evolving – Get a comprehensive update on the latest developments from our PSAB professionals. Learn about current changes to the standards, active projects and exposure drafts, and other items.	Contact your KPMG team representative to sign up for these webinars. Public Sector Minute Link

The following are upcoming changes that are effective in the current year or will be effective in future periods as they pertain to Public Sector Accounting Standards. We have provided an overview of what these standards are and what they mean to your financial reporting so that you may evaluate any impact to your future financial statements.

Standard	Summary and implications
Asset Retirement Obligations (applicable for the year ending December 31, 2023 with option for retrospective application effective December 31, 2022)	– A new standard, PS3280 *Asset Retirement Obligations*, has been approved that is effective for fiscal years beginning on or after April 1, 2022 (the Region's 2023 year-end). – The new standard addresses the recognition, measurement, presentation and disclosure of legal obligations associated with retirement of tangible capital assets in productive use. Retirement costs would be recognized as an integral cost of owning and operating tangible capital assets. PSAB currently contains no specific guidance in this area. – The ARO standard would require the public sector entity to record a liability related to future costs of any legal obligations to be incurred upon retirement of any controlled tangible capital assets ("TCA"). The amount of the initial liability would be added to the historical cost of the asset and amortized over its useful life. – As a result of the new standard, the public sector entity would have to: o consider how the additional liability will impact net debt, as a new liability will be recognized with no corresponding increase in a financial asset; o carefully review legal agreements, senior government directives and legislation in relation to all controlled TCA to determine if any legal obligations exist with respect to asset retirements; o begin considering the potential effects on the organization as soon as possible to coordinate with resources outside the finance department to identify AROs and obtain information to estimate the value of potential AROs to avoid unexpected issues.
Revenue	– A new standard, PS3400 *Revenues*, has been approved that is effective for fiscal years beginning on or after April 1, 2023 (the Region's 2024 year-end). – The new standard establishes a single framework to categorize revenues to enhance the consistency of revenue recognition and its measurement.

Standard	Summary and implications
	– The standard notes that in the case of revenues arising from an exchange, 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.
Financial Instruments and Foreign Currency Translation	– New accounting standards, PS3450 *Financial Instruments*, PS2601 *Foreign Currency Translation*, PS1201 *Financial Statement Presentation* and PS3041 *Portfolio Investments* have been approved by PSAB and are effective for years commencing on or after April 1, 2022 (the Region's 2023 year-end). – 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 government's choice and this choice must be made on initial recognition of the financial instrument and is irrevocable. – Hedge accounting is not permitted. – A new statement, the Statement of Re-measurement 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. – Based on stakeholder feedback received, PSAB is considering certain scope amendments to PS 3450 *Financial Instruments*. An exposure draft with the amendments is expected to be issued in 2020. The proposed amendments are expected to include the accounting treatment of bond repurchases, scope exclusions for certain activities by the federal government, and improvements to the transitional provisions.
International Strategy	– At its May 5, 2020 meeting, PSAB voted to adapt IPSAS principles when developing future standards. This decision has been years in the making, including extensive consultation with Canadian stakeholders, as part of the Board's International Strategy project. – In PSAB's 2017-2021 Strategic Plan, the Board signaled its intent to review its approach towards International Public Accounting Standards (IPSAS). IPSAS has matured over the last decade and are a high quality and comprehensive set of accounting standards. With other jurisdictions comparable to Canada adopting or adapting IPSAS, PSAB has decided it was time to review Canada's current approach towards IPSAS. – While PSAB has made the decision, more planning and work will be done to support stakeholders in this change. The Board itself will also continue to work on implementing this change into its due process, which will require further discussion and work in the coming year. A basis for conclusions was issued in September 2020 that outlines how PSAB came to this important decision. – The implementation date of this decision is April 1, 2021 (the Region's 2022 year-end). All standards projects initiated on or after this date will use the principles of IPSAS in the development of the PSAS standard, if a similar IPSAS already exists. In cases where similar IPSAS does not exist, PSAS standards would continue to be developed as they are today.
Employee Future Benefit Obligation	– PSAB has initiated a review of sections PS3250 *Retirement Benefits* and PS3255 *Post-Employment Benefits, Compensated Absences and Termination Benefits*. Given the complexity of issues involved and potential implications of any changes that may arise from this review, the project will be undertaken in phases. Phase I will address specific issues related to measurement of employment benefits. Phase II will address accounting for plans with risk sharing features, multi-employer defined benefit plans and sick leave benefits. – Three Invitations to Comment were issued and have closed. The first Invitation to Comment sought guidance on whether the deferral provisions in existing public sector standards remain appropriate and justified and the appropriateness of accounting for various components of changes in the value of the accrued benefit obligation and plan assets. The second Invitation to Comment sought guidance

Standard	Summary and implications
	on the present value measurement of accrued benefit obligations. A third Invitation to Comment sought guidance on non-traditional pension plans. – The ultimate objective of this project is to issue a new employment benefits section to replace existing guidance.
Public Private Partnerships ("P3")	– A taskforce was established in 2016 as a result of increasing use of public private partnerships for the delivery of services and provision of assets. The objective is to develop a public sector accounting standard specific to pubic private partnerships. – A Statement of Principles ("SOP") was issued in August 2017 which proposes new requirements for recognizing, measuring and classifying infrastructure procured through a public private partnership. An Exposure Draft of the new standard was issued in November 2019. – Public private partnership infrastructure is recognized as an asset when the public sector entity acquires control of the infrastructure. A liability is recognized when the asset is recognized and may be a financial liability, a performance obligation or a combination of both. – An infrastructure asset acquired in an exchange transaction is recorded at cost which is equal to its fair value on the measurement date. The liability is measured at the cost of the infrastructure asset initially. – Subsequently, the infrastructure asset is amortized in a rational and systematic manner over its useful life. – Subsequent measurement of the financial liability would reflect the payments made by the public sector entity to settle the liability as well as the finance charge passed on to the public sector entity through the public private partnership agreement. – Subsequent measurement of the performance obligation: revenues are recognized and the liability reduced in accordance with the substance of the public private partnership agreement.
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 is developing two exposure drafts (one for a revised conceptual framework and one for a revised reporting model) with two accompanying basis for conclusions documents and resulting consequential amendments. PSAB expects to issue the two exposure drafts and accompanying documents in 2020. – A Statement of Concepts ("SOC") and Statement of Principles ("SOP") were issued for comment in May 2018. – The SOC proposes 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. – The SOP includes principles intended to replace PS 1201 *Financial Statement Presentation*. The SOP proposes: o Removal of the net debt indicator, except for on the statement of net debt where it would be calculated exclusive of financial assets and liabilities that are externally restricted and/or not available to settle the liabilities or financial assets. o Changes to common terminology used in the financial statements, including re-naming accumulated surplus (deficit) to net assets (liabilities). o Restructuring the statement of financial position to present non-financial assets before liabilities. o 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).

Standard	Summary and implications
	o 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.
2019 – 2020 Annual Improvements	– PSAB adopted an annual improvements process to make minor improvements to the CPA Canada Public Sector Accounting (PSA) Handbook or Statements of Recommended Practices (other guidance). – The annual improvement process: o clarifies standards or other guidance; or o corrects relatively minor unintended consequences, conflicts or oversights. – Major or narrow scope amendments to the standards or other guidance are not included in the annual improvement process.
Purchased Intangibles	– As a result of stakeholder feedback received, PSAB will revisit validity of the prohibition against recognizing purchased intangibles in public sector financial statements and will consider a narrow scope amendment. – Input received in response to the 2018 conceptual framework and reporting model documents for comment supported PSAB relocating the recognition prohibitions from the conceptual framework to the standards level. This is a bigger issued for Indigenous governments. PSAB is looking into the question of why purchased intangibles acquired through an exchange transaction cannot be recognized in public sector financial statements as they are measurable at the price in the transaction.

New audit standards

New auditing standards that are effective for the current year are as follows:

Standard	Key observations	Reference
CAS 540, Auditing Accounting Estimates and Related Disclosures **Effective for audits of Entities with year-ends on or after December 15, 2020**	**Expected impact on the audit:** — more emphasis on the need for exercising professional skepticism — more granular risk assessment to address each of the components in an estimate (method, data, assumptions) — more granular audit response designed to specifically address each of the components in an estimate (method, data, assumptions) — more focus on how we respond to levels of estimation uncertainty — more emphasis on auditing disclosures related to accounting estimates — more detailed written representations required from management	CPA Canada Client Briefing

Appendices

Content

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Appendix 2: Key Audit Matters

Appendix 3: Use of technology in the audit

Appendix 4: KPMG's audit approach and methodology

Appendix 5: Lean in Audit™

Appendix 6: Audit and Assurance Insights

Appendix 1: Required communications

Report

Audit planning report – as attached

Engagement terms

Unless you inform us otherwise, we understand that you acknowledge and agree to the terms of the engagement set out in the engagement letter.

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

Reports to the Audit Committee

At the completion of the audit, we will provide our findings report to the Audit Committee.

Representations of management

We will obtain from management certain representations at the completion of the audit.

Matters pertaining to independence

At the completion of our audit, we will confirm our independence to the Audit Committee.

Internal control deficiencies

Other control deficiencies, identified during the audit, that do not rise to the level of a significant deficiency will be communicated to management.

Required inquiries

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

Audit Quality

The following links are external audit quality reports for referral by the Audit Committee:

- CPAB Audit Quality Insights Report: 2019 Annual Inspections Results
- CPAB Audit Quality Insights Report: 2019 Fall Inspection Results >

Appendix 2: Use of technology in the audit

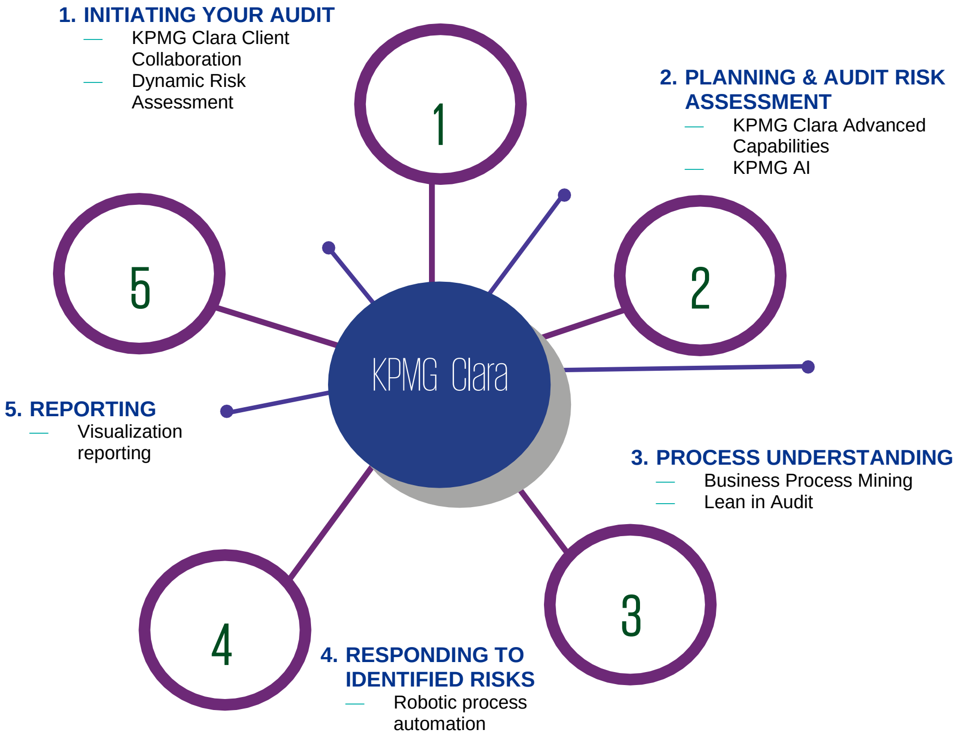
Clara is KPMG's integrated, smart global audit platform that allows our teams globally to work simultaneously on audit documentation while sharing real time information. Clara also leverages advanced technology in the execution of various audit procedures, for overall risk assessment and for performing substantive audit procedures over 100% of selected transactions through the use of robotic process automation (KPMG "Bots"). KPMG's use of technology provides for:

1. a **higher quality audit** – looking at 100% of selected data
2. a **more efficient audit** as we are focussed on the transactions that are considered higher risk and
3. an audit that provides **insights into your business** through the use of technology in your audit with our extensive industry knowledge.

We are also actively piloting Artificial Intelligence ("AI") tools which will be used in future audits.

We will be discussing the use and implementation of these tools with the Entity over the course of our audit. These tools will be adopted and applied to the Entity's audit using a phased approach over the coming years. We will keep you apprised of our progress on a continuous basis.

Our five-phased audit approach



Appendix 3: KPMG's audit approach and methodology

Collaboration in the audit
A dedicated KPMG Audit home page gives you real-time access to information, insights and alerts from your engagement team.

Issue identification
Continuous updates on audit progress, risks and findings before issues become events.

Data-driven risk assessment
Automated identification of transactions with unexpected or unusual account combinations – helping focus on higher risk transactions and outliers.

Deep industry insights
Bringing intelligence and clarity to complex issues, regulations and standards.

Analysis of complete populations
Powerful analysis to quickly screen, sort and filter 100% of your journal entries based on high-risk attributes.

Reporting
Interactive reporting of unusual patterns and trends with the ability to drill down to individual transactions.

Appendix 4: Lean in Audit™

An innovative approach leading to enhanced value and quality

Our innovative audit approach, Lean in Audit, further improves audit value and productivity to help deliver real insight to you. Lean in Audit is process oriented, directly engaging organizational stakeholders and employing hands-on tools, such as walkthroughs and flowcharts of actual financial processes.

By embedding Lean techniques into our core audit delivery process, our teams are able to enhance their understanding of the business processes and control environment within your organization – allowing us to provide actionable quality and productivity improvement observations.

Any insights gathered through the course of the audit will be available to both engagement teams and management. For example, we may identify control gaps and potential process improvement areas, while management has the opportunity to apply such insights to streamline processes, inform business decisions, improve compliance, lower costs, increase productivity, strengthen customer service and satisfaction and drive overall performance.

We will be discussing the use of this of tool with management over the coming months to understand management's assessment and appetite for the use of this tool for current and future periods.

How it works

Lean in Audit employs three key Lean techniques:

1. Lean training

Provide basic Lean training and equip our teams with a new Lean mindset to improve quality, value and productivity.

2. Interactive workshops

Perform interactive workshops to conduct walkthroughs of selected financial processes providing end-to-end transparency and understanding of process and control quality and effectiveness.

3. Insight reporting

Quick and pragmatic insight report including immediate quick win actions and prioritized opportunities to realize benefit.

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
Audit & Assurance Insights	Curated thought leadership, research and insights from subject matter experts across KPMG in Canada	**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**
	Financial reporting and audit considerations: The impact of COVID-19 on financial reporting and audit processes.	**Learn more**
Accelerate 2019/20	Perspective on the key issues driving the Audit Committee agenda	**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	**Learn more**
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Return to the Workplace	As all levels of government begin to take steps toward re-opening the country and restarting our economy, planning for the return to a physical workplace is quickly becoming a top priority for many organizations. With the guidelines for the pandemic continuing to evolve daily, there are many considerations, stages and factors employers need to assess in order to properly develop a robust action plan which can ensure the health and safety of their workforce.	**Link to report**

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