



The Corporation of the Town of Niagara-on-the- Lake

**Audit Planning Report
for the period ending
December 31, 2024**

Prepared as of February 19, 2025 for presentation March 2025

kpmg.ca/audit

KPMG contacts

Key contacts in connection with this engagement



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Digital use information

This Audit Planning Report is also available as a “hyper-linked” PDF document.

If you are reading in electronic form (e.g. In “Adobe Reader” or “Board Books”), clicking on the home symbol on the top right corner will bring you back to this slide.



Click on any item in the table of contents to navigate to that section.

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The purpose of this report is to assist you, as a member of Council, in your review of the plan for our audit of the financial statements. This report is intended solely for the information and use of Management 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 to the Council has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.



Audit highlights



No matters to report



Matters to report – see link for details

Scope

Our audit of the consolidated financial statements (“financial statements”) of The Corporation of the Town of Niagara-on-the-Lake (“the Company”) as of and for the period ending December 31, 2024, will be performed in accordance with Canadian generally accepted auditing standards.

Audit strategy

Materiality \$1,400,000



Involvement of others



Updates to our prior year audit plan



- Audit of the impact of revisions to PSAS 3400 - Revenue

Audit strategy - group audit

- Refer to slide 9 for the scope of Entities which are subject to audit (we note no changes from prior period).



Involvement of other KPMG member firms



Involvement of non-KPMG firms

Risk assessment



Risk of management override of controls



Risk of fraudulent revenue recognition



New risks



- Implementation of PS 3400 – Revenue



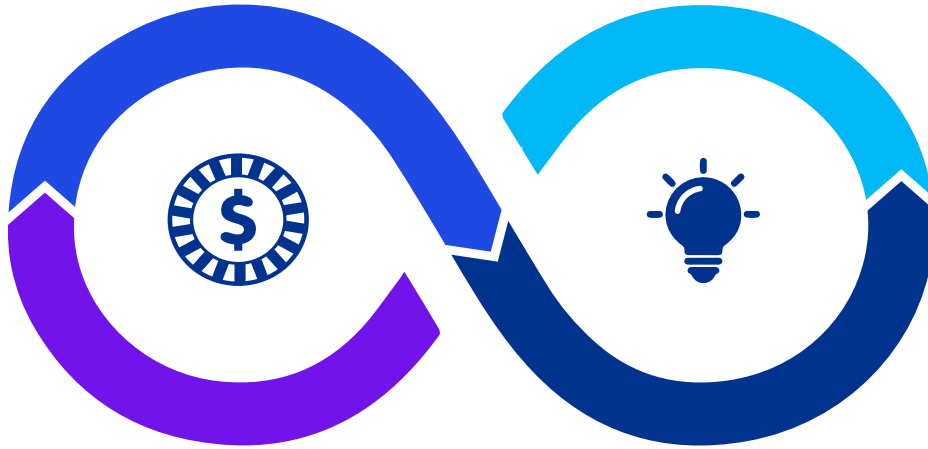
Other risks of material misstatement



- Revenue recognition
- Operating expenditures including payroll
- Tangible capital assets
- Employee benefit obligation
- Financial Instruments
- Investment in Peninsula West Power Inc. (PWPI)
- Investments



Materiality



We **initially determine materiality** at a level at which we consider that misstatements could reasonably be expected to influence the economic decisions of users. Determining materiality is a matter of **professional judgement**, considering both quantitative and qualitative factors, and is affected by our perception of the common financial information needs of users of the financial statements as a group. We do not consider the possible effect of misstatements on specific individual users, whose needs may vary widely.

We **reassess materiality** throughout the audit and revise materiality if we become aware of information that would have caused us to determine a different materiality level initially.

Plan and perform the audit

We **initially determine materiality** to provide a basis for:

- Determining the nature, timing and extent of risk assessment procedures;
- Identifying and assessing the risks of material misstatement; and
- Determining the nature, timing, and extent of further audit procedures.

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

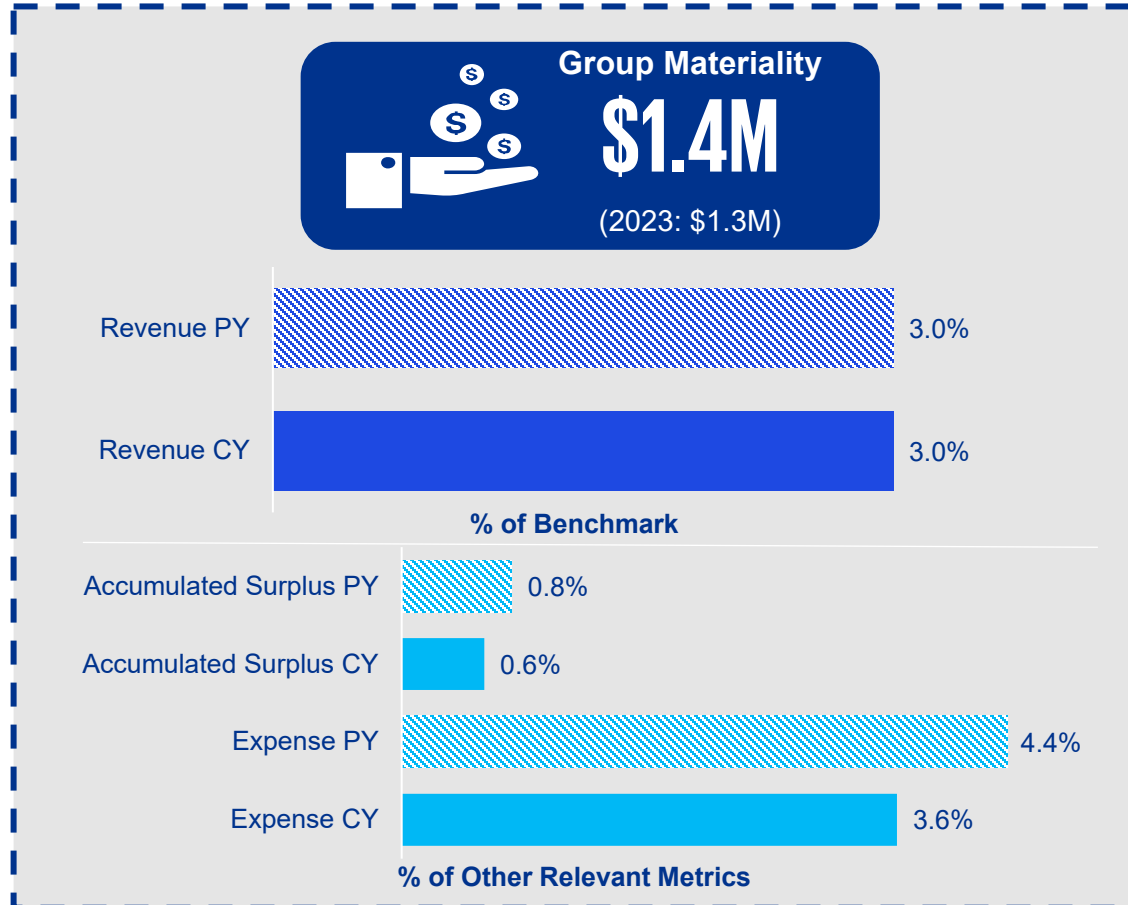
Evaluate the effect of misstatements

We also **use materiality** to evaluate the effect of:

- Identified misstatements on our audit; and
- Uncorrected misstatements, if any, on the financial statements and in forming our opinion.



Initial materiality



Prior Year 2023 Total Revenue

\$47,067,393

(2022: \$43,806,097)

Prior Year 2023 Total Expense

\$40,478,378

(2022: \$38,861,066)

Prior Year Accumulated Surplus

\$224,075,981

(2022: \$230,363,344)

Our audit misstatement posting threshold will be \$70,000



Updates to our prior year audit plan

Other significant changes



Newly effective accounting standards
(effective for fiscal periods beginning on or after April 1, 2023)



PS 3400 – Revenue

Previous standards provided guidance for revenue recognition on primary revenue streams such as taxation revenue and government grants. The new standard provides general recognition guidance to provide consistency for other streams not previously covered by existing public sector standards.

PSG-8 – Purchased Intangibles

This standard governs recognition of intangible assets which were acquired through an exchange transaction, namely an arm's length exchange between two willing parties (as opposed to inter-entity transfers, which are excluded).

PS 3160 – Public Private Partnerships

Public private partnerships ("P3s") are an alternative procurement and finance model where public sector entities purchase infrastructure using a private sector partner.

We will discuss the upcoming standards with management and determine the impact to the Region's financial statements and accounting policies, if any. These are not expected to have a significant impact to the Region.



Newly effective auditing standards



No matters which are expected to have a significant impact on the audit. See Appendices for details.



Group audit – Significant components



Nature of the planned involvement in the work of component auditors of significant components:

Group audit - scope

Professional standards require that we obtain an understanding of the Town's organizational structure, including its components and their environments that is sufficient to identify those components that are financially significant or that contain specific risks that must be addressed during our audit.

Group auditors are required to be involved in the component auditors' risk assessment in order to identify significant risks to the group financial statements. If such significant risks are identified, the group auditor is required to evaluate the appropriateness of the audit procedures to be performed to respond to the identified risk.

The significant components over which we plan to perform audit procedures are as follows:

Components	Type of work performed
The Corporation of the Town of Niagara-on-the-lake ("the Town")	Full-scope audit
Niagara-on-the-Lake Hydro Inc. ("Hydro")	Full-scope audit



Risk assessment summary

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

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

		Risk of fraud	Risk of error	CY risk rating
●	Management Override of Controls	✓		Significant
●	Fraud risk from revenue recognition			Rebutted the significant risk of fraud
●	Revenues, government grants, obligatory reserves and development charges, including related deferrals		✓	Base
●	Operating expenditures including payroll		✓	Base
●	Tangible capital assets		✓	Base
●	Financial Instruments		✓	Base
●	Long term investments		✓	Base

● SIGNIFICANT RISK ● PRESUMED RISK OF MATERIAL MISSTATEMENT ● OTHER RISK OF MATERIAL MISTATEMENT

Advanced Technologies

Our **KPMG Clara Dynamic Risk Assessment** tool gives us a more sophisticated, forward-looking and multi-dimensional approach to assessing audit risk.

[Learn more](#)

Our **KPMG Clara Business Process Mining** provides immediate visualization of how 100% of your transactions are processed to complement your process narratives & flow charts.

[Learn more](#)

KPMG Clara Account Analysis allows us to analyze the flow of transactions through your business to drive a more meaningful risk assessment.

[Learn more](#)

KPMG Clara AI allows us to layer AI into our auditing platform, allowing us to scan 100% of your data and pull all of the risky transactions and anomalies out for further analysis.

[Learn more](#)

The **Clara Asset Impairment Tool** delivers advanced analysis of long-lived assets and goodwill impairment models (based on discounted cash flows) through the use of predictive analytics, enabling a more robust and independent challenge of management's assumptions.

[Learn more](#)



Significant risks



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

RISK OF



FRAUD

**Presumption
of the risk of fraud
resulting from
management
override of
controls**

Why is it significant?

Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk nevertheless is present in all entities.

Our planned response

As this presumed risk of material misstatement due to fraud is not rebuttable, our audit methodology incorporates the required procedures in professional standards to address this risk. These procedures include:

- testing of journal entries and other adjustments,
- performing a retrospective review of estimates
- evaluating the business rationale of significant unusual transactions.
- Incorporating an element of unpredictability into our audit plan

Advanced technologies

Our **KPMG Clara Journal Entry Analysis Tool** assists in the performance of detailed journal entry testing based on engagement-specific risk identification and circumstances. Our tool provides auto-generated journal entry population statistics and focusses our audit effort on journal entries that are riskier in nature.



Click to learn more



Significant risks



Fraud risk over revenue recognition (presumed significant risk of material misstatement)

RISK OF



FRAUD

Why is it significant?

**Presumption
of the risk of fraud
over 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.

Our planned response

The presumed risk has been rebutted for all revenues earned by the Town. Revenues earned from tax levies, user fees, and grants are not subject to significant judgment regarding revenue recognition. As a result, we have concluded there is not a significant risk of fraud relating to revenue recognition.

We have assessed revenue recognition as a risk of error and as such will conduct procedures on revenue recognition.

Advanced technologies

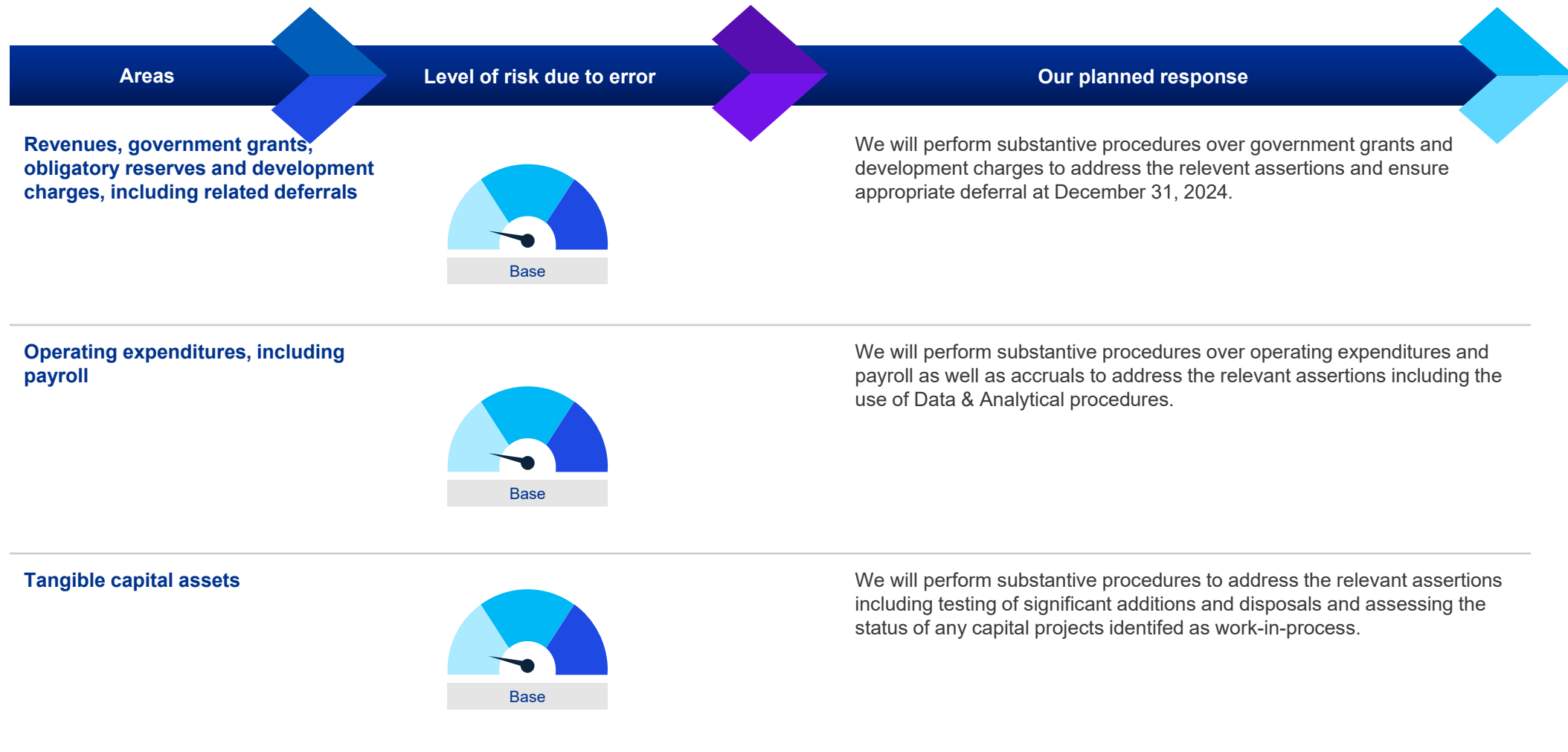
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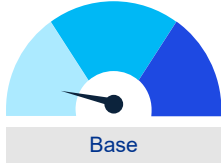
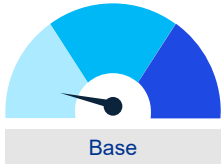


Other risks of material misstatement





Other risks of material misstatement

Areas	Level of risk due to error	Our planned response
Financial Instruments	 Base	We will perform substantive procedures to address the relevant assertions and assess the implementation of the new standard.
Long term investments	 Base	We will audit the investment activity and disclosures surrounding the Town's investment in its wholly owned subsidiary.



Required inquiries of Council



Inquiries regarding risk assessment, including fraud risks

- What are the Council's views about fraud risks, including management override of controls, in the Company? And have you taken any actions to respond to any identified fraud risks?
- Is the Council aware of, or has the Audit Committee identified, any instances of actual, suspected, or alleged fraud, including misconduct or unethical behavior related to financial reporting or misappropriation of assets?
 - If so, have the instances been appropriately addressed and how have they been addressed?
- How does the Council exercise oversight of the Company's fraud risks and the establishment of controls to address fraud risks?
- Is the Council aware of matters relevant to the audit, including, but not limited to, violations or possible violations of laws or regulations?



Inquiries regarding company processes

- Is the Council aware of tips or complaints regarding the Company's financial reporting (including those received through the Council internal whistleblower program, if such programs exist)? If so, the Council responses to such tips and complaints?
- What is the nature and extent of communications expected between the auditors and the Council regarding misappropriations perpetrated by lower-level employees?

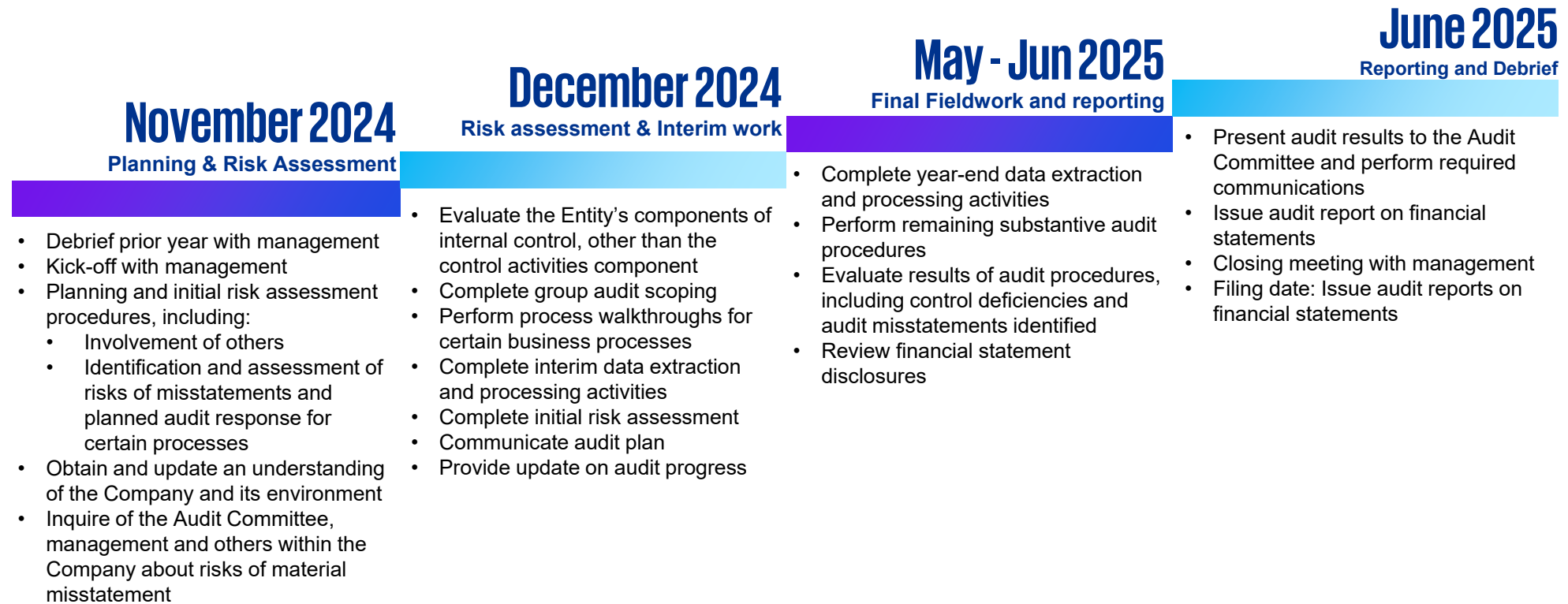


Inquires regarding related parties and significant unusual transactions

- Is the Council aware of any instances where the Company entered into any significant unusual transactions?
- What is the Council's understanding of the Company's relationships and transactions with related parties that are significant to the Company?
- Is the Council concerned about those relationships or transactions with related parties? If so, the substance of those concerns?



Key milestones and deliverables





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.

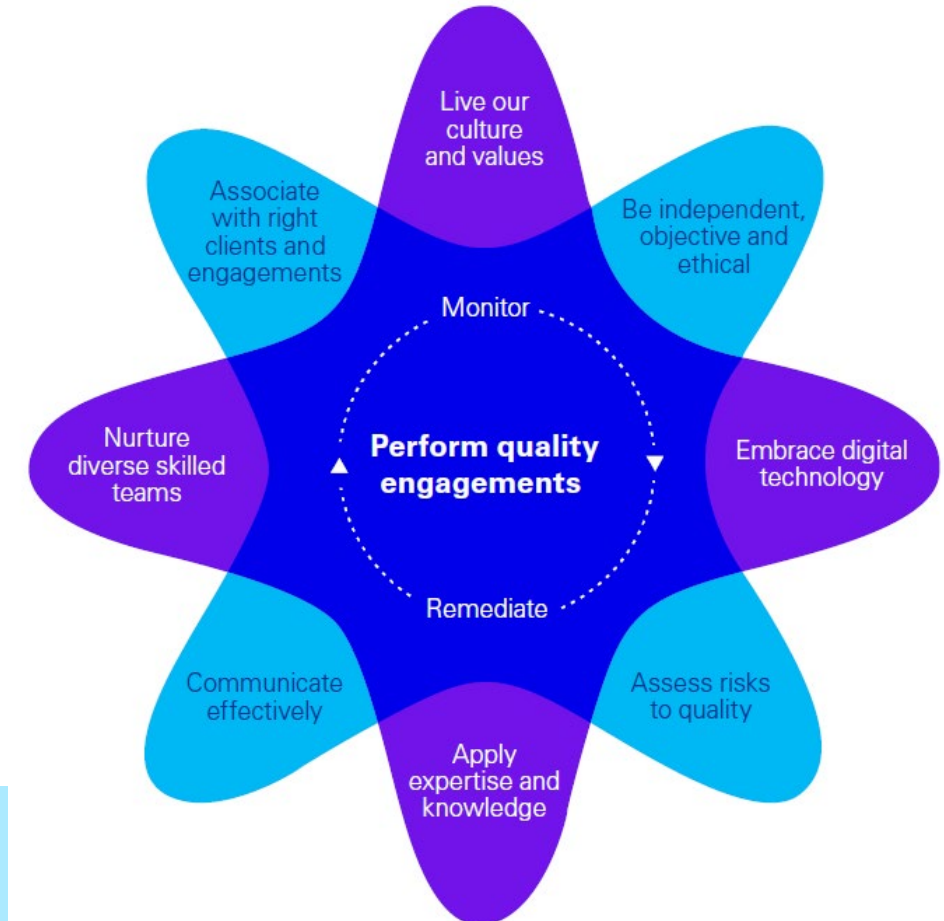
The drivers outlined in the framework are the ten components of the KPMG System of Quality Management (SoQM). Aligned with ISQM 1/CSQM 1, our SoQM components also meet the requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA) and the relevant rules of professional conduct / code of ethics applicable to the practice of public accounting in Canada, which apply to professional services firms that perform audits of financial statements. Learn more about our system of quality management and our firm's statement on the effectiveness of our SoQM:

[KPMG Canada Transparency Report](#)

[Statement on the effectiveness of the System of Quality Management of KPMG LLP as at September 30, 2024](#)

We define 'audit quality' as being the outcome when:

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



Doing the right thing. Always.



Independence: Pre-approval of services



Detailed description of service

Audit of the consolidated financial statements of the Town of Niagara-on-the-Lake as of December 31, 2024 in accordance with Public Sector Accounting Standards.

Audit of the financial statements and special reports of the related entities noted on Slide 8 as of December 31, 2024 in accordance with Public Sector Accounting Standards (or applicable framework for those special reports which are required to report in line with terms of various funding agreements).

Potential effects of the proposed service on independence

Such services are provided by the auditor pursuant to statutory or regulatory requirements and are permitted under CPA Code and ESBA independence rules.

We have not identified any services within our agreed upon scope which would infringe on our independence as external auditors.

Appendices

A

Regulatory
communications

B

New auditing
standards

C

Insights

D

Technology





Appendix A: Regulatory communications



CPAB communication protocol

The reports available through the following links were published by the Canadian Public Accountability Board to inform Audit Committees and other stakeholders about the results of quality inspections conducted over the past year:

- [CPAB Audit Quality Insights Report: 2022 Interim Inspections Results](#)
- [CPAB Audit Quality Insights Report: 2022 Annual Inspections Results](#)
- [CPAB Audit Quality Insights Report: 2023 Interim Inspections Results](#)
- [CPAB Regulatory Oversight Report: 2023 Annual Inspections Results](#)



Appendix B: Newly effective and upcoming changes to auditing standards

For more information on newly effective and upcoming changes to auditing standards - see Current Developments



Effective for periods beginning on or after December 15, 2023

ISA 600/CAS 600

.....

Revised special considerations – Audits of group financial statements

Effective for periods beginning on or after December 15, 2024

ISA 260/CAS 260

.....

Communications with those charged with governance

ISA 700/CAS 700

.....

Forming an opinion and reporting on the financial statements



Appendix C: Audit and assurance insights

Our latest thinking on the issues that matter most to Audit Committees, Councils and management. Of particular note are Lean process reviews, ERP implementation support with discontinuance of great plains, fraud prevention and cyber penetration testing, which are services currently sought after to help strengthen organizations.

KPMG Audit & Assurance Insights

Curated research and insights for audit committees and boards.

Board Leadership Centre

Leading insights to help board members maximize boardroom opportunities

Current Developments

Series of quarterly publications for Canadian businesses including Spotlight on IFRS, Canadian Assurance & Related Services, Canadian Securities Matters, and US Outlook reports.

Audit Committee Guide – Canadian Edition

A practical guide providing insight into current challenges and leading practices shaping audit committee effectiveness in Canada.

Accelerate 2024

The key issues driving the audit committee agenda in 2024.

Sustainability Reporting

Resource centre on implementing the new Canadian reporting standards

IFRS Breaking News

A monthly Canadian newsletter that provides the latest insights on accounting, financial reporting and sustainability reporting.

Government and Public Sector

We have a wealth of thought leadership to help public sector organizations grow and advance.



Appendix C: Insights to enhance your organization

We have the unique opportunity as your auditors to perform a deeper dive to better understand your business processes that are relevant to financial reporting.

Lean in Audit

Lean in Audit™ is KPMG’s award-winning methodology that offers a new way of looking at processes and engaging people within your finance function and organization through the audit.

By incorporating Lean process analysis techniques into our audit procedures, we can enhance our understanding of your business processes that are relevant to financial reporting and provide you with new and pragmatic insights to improve your processes and controls.

Clients like you have seen immediate benefits such as improved quality, reduced rework, shorter processing times and increased employee engagement.

We look forward to working with you to incorporate this approach in your audit.

How it works

Standard Audit	Typical process and how it's audited	
Lean in Audit	Applying a Lean lens to perform walkthroughs and improve Audit quality while identifying opportunities to minimize risks and redundant steps	
How Lean in Audit helps improve businesses processes	Make the process more streamlined and efficient for all	

Value: what customers want (**maximize**)

Necessary: required activities (**minimize**)

Redundant: non-essential activities (**remove**)

Process controls

Key controls tested



Appendix D: Our technology story



Streamlined client experience

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



Secure

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



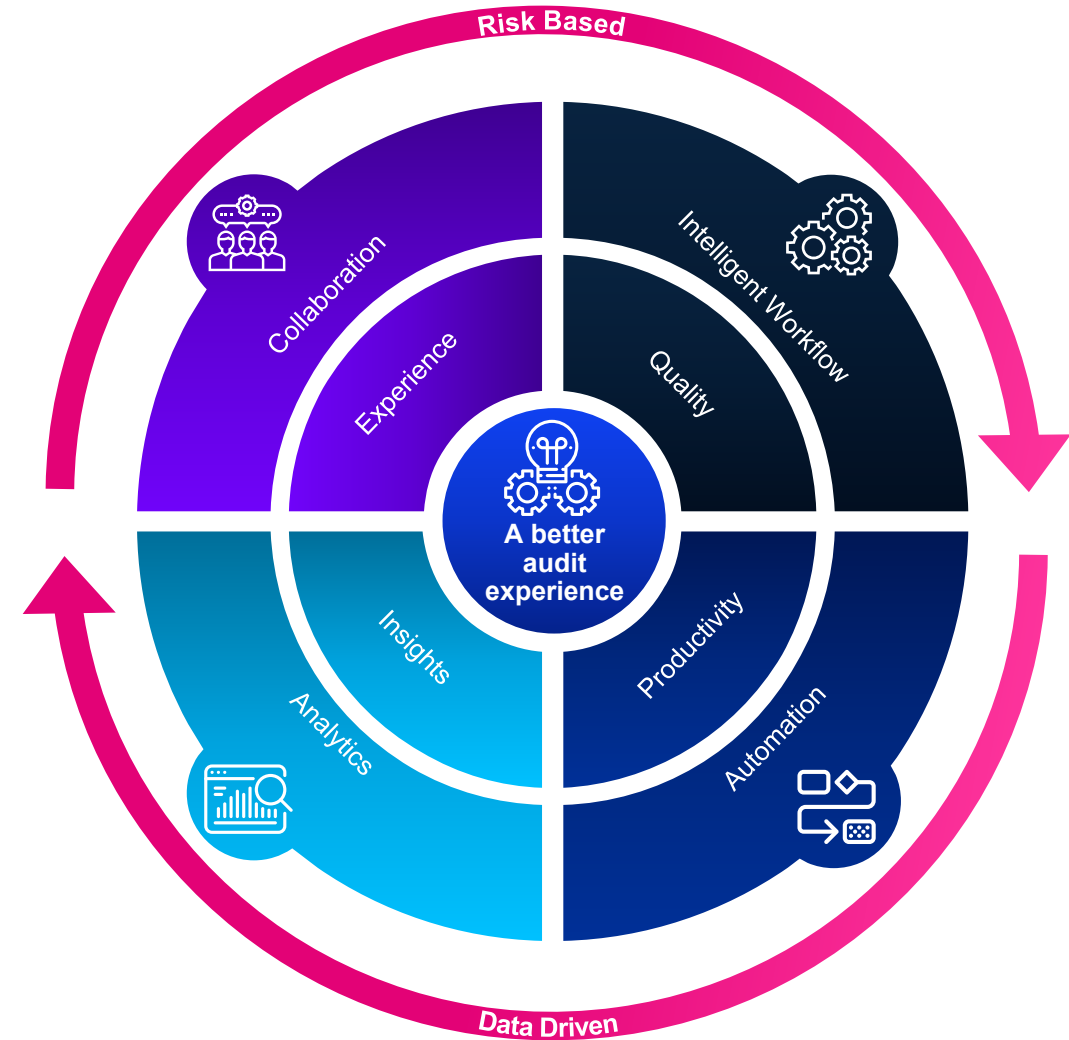
Intelligent workflow

An intelligent workflow guides audit teams through the audit.



Increased precision

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





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