



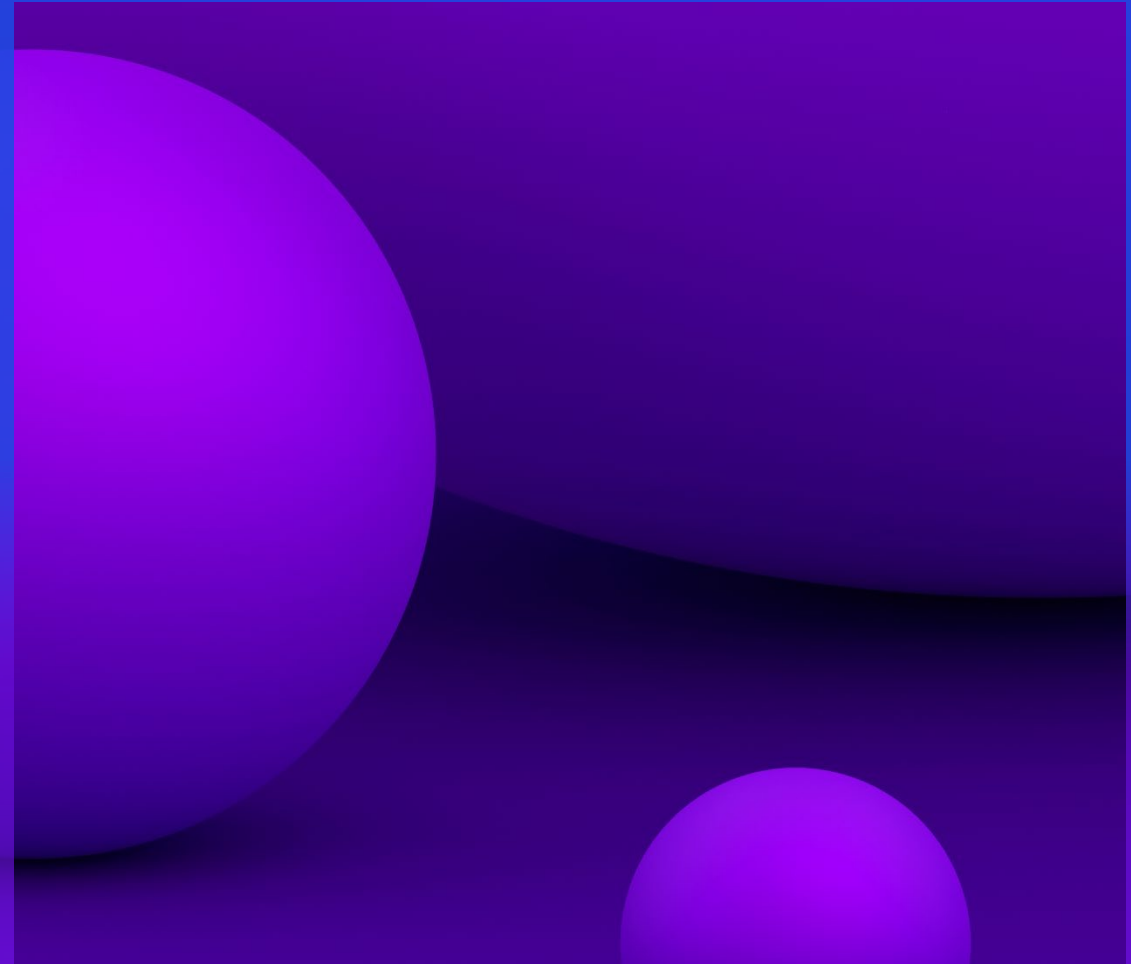
The Corporation of the Town of Halton Hills

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

KPMG LLP

Prepared as of January 15, 2025 for
presentation to the Audit Committee on
February 10, 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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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 Halton Hills (“the Entity”) as of and for the period, ending December 31, 2024 will be performed in accordance with Canadian generally accepted auditing standards.



[Engagement letter](#)

Audit strategy

Materiality \$3.1M

Involvement of others

Audit strategy - Group audit

Involvement of other KPMG member firms

Involvement of non-KPMG firms

- Refer to slide 8 for the scope of Entities which are subject to audit (we note no changes from prior period).

Risk assessment

Risk of management override of controls

Other significant risks

Presumed risk of fraudulent revenue recognition

Other risks of material misstatement

- Revenue – developer charges and government grants
- Tangible Capital Assets and Asset Retirement Obligations
- Operating Expenditures including salaries and benefits
- Investment in Halton Hills Community Energy Corporation

The purpose of this report is to assist you, as a member of the Audit Committee, 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, the Audit Committee, and the Board of Directors 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 Audit Committee has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.



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 Town's financial statements and accounting policies, if any. These are not expected to have a significant impact to the Town.



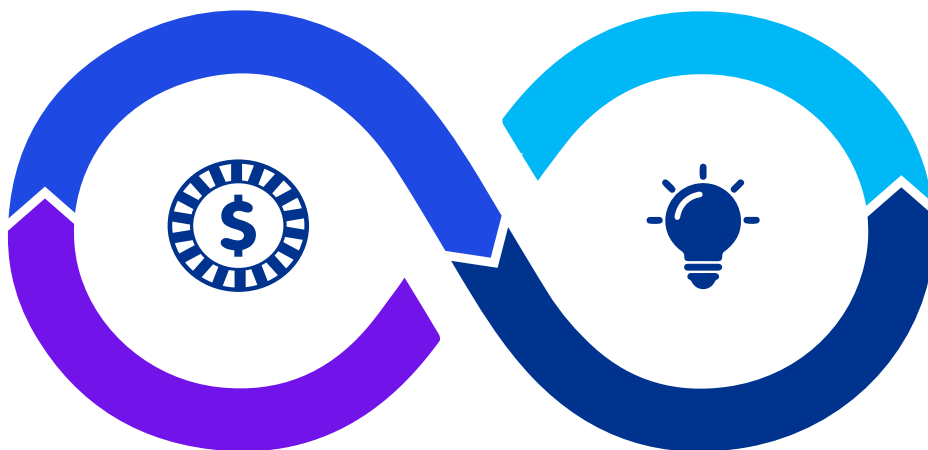
Newly effective auditing standards



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



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

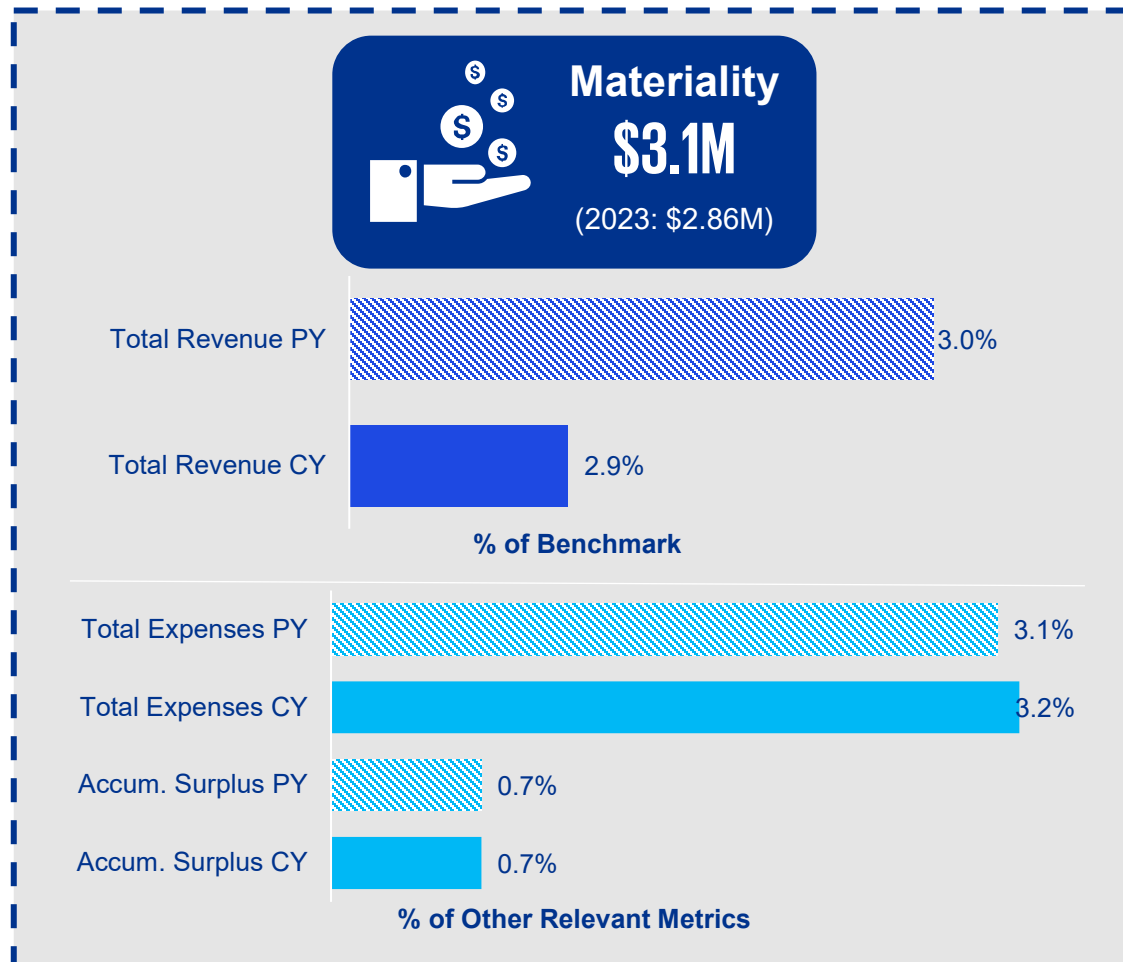
We also **use materiality** to evaluate the effect of:

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



Initial materiality

Initial materiality has been calculated at approx. 3.0% of Total Revenues. The benchmark and percentage used to calculate materiality are consistent with prior period and are based on 2023 actual results. We will re-assess materiality based on actual 2024 results and report any changes to initial materiality to you, if applicable.



Chosen Benchmark: Total Revenue

\$105,903,202

PY: \$104,289,294

Comparative Benchmark: Total Expenses

\$95,721,591

(PY: \$92,547,736)

Comparative Benchmark: Accum. Surplus

\$444,757,306

(PY: \$434,575,695)



Group audit - Scoping

Entity Name	Change in Scope?	Full-Scope Standalone Audit?
The Corporation of the Town of Halton Hills	Consistent with Prior Period	Yes
Halton Hills Community Energy Corporation	Consistent with Prior Period	Yes
Halton Hills Public Library	Consistent with Prior Period	Yes
Acton BIA	Consistent with Prior Period	Yes
Georgetown BIA	Consistent with Prior Period	Yes



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

We use advanced technologies in performing our risk assessment procedures.

	Risk of fraud	Risk of error	PY risk rating
● Management override of controls	✓		Presumed - Significant
● Improper revenue recognition		✓	Presumed - Rebutted
● Tangible Capital Assets		✓	Base
● Operating Expenditures including Payroll		✓	Base
● Investment in Halton Hills Community Energy Corporation		✓	Base
● Deferred revenue and obligatory reserves		✓	Elevated

● 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

Why is it significant?

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

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

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 which require management's judgment to compute,
- evaluating the business rationale of significant unusual transactions, and
- Incorporating an element of unpredictability into our audit plan

Advanced technologies

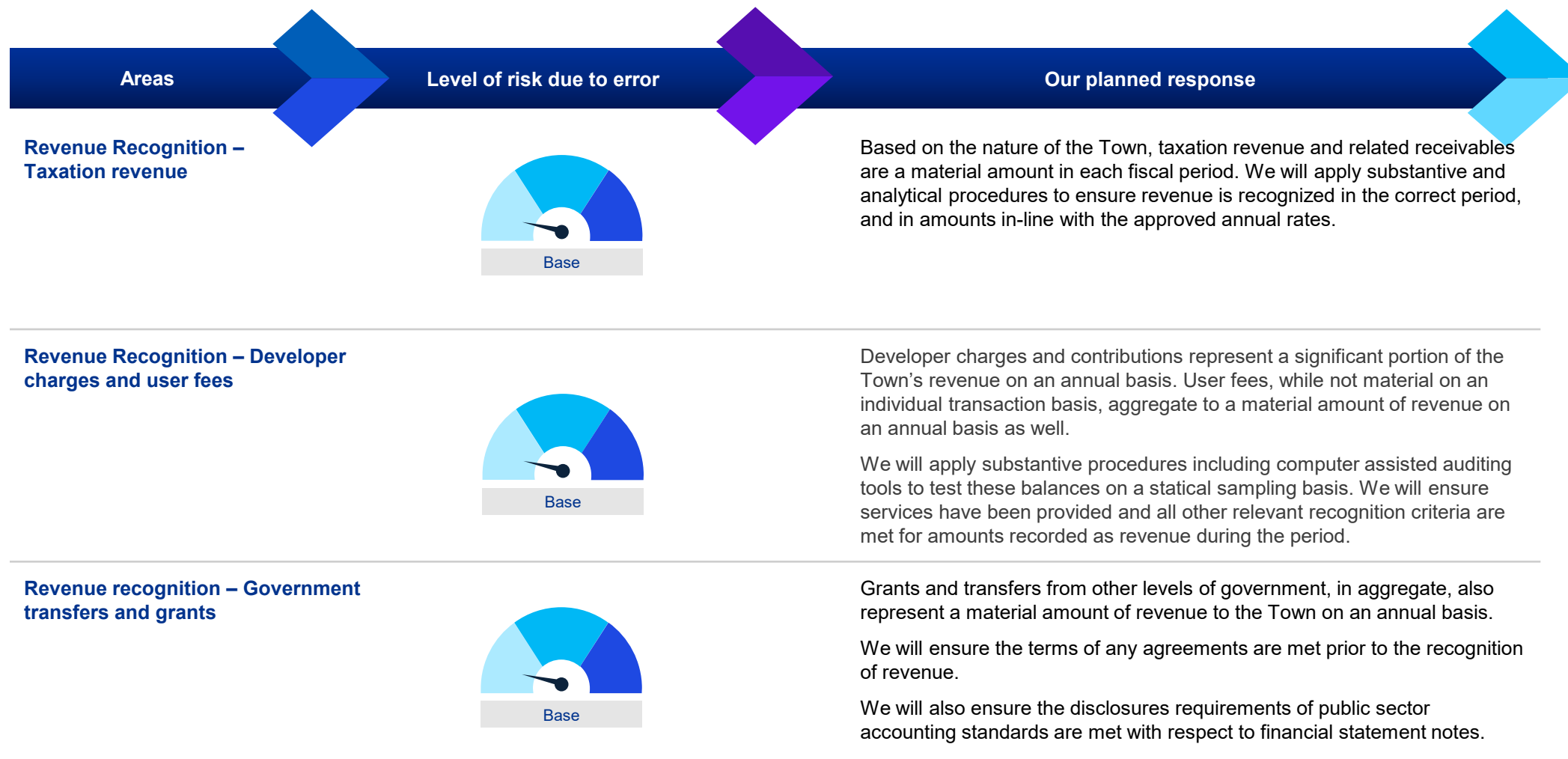
Our KPMG Clara Journal Entry Analysis Tool assists in the performance of detailed journal entry testing based on engagement-specific risk identification and circumstances. Our tool provides auto-generated journal entry population statistics and focusses our audit effort on journal entries that are riskier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



[Click to learn more](#)

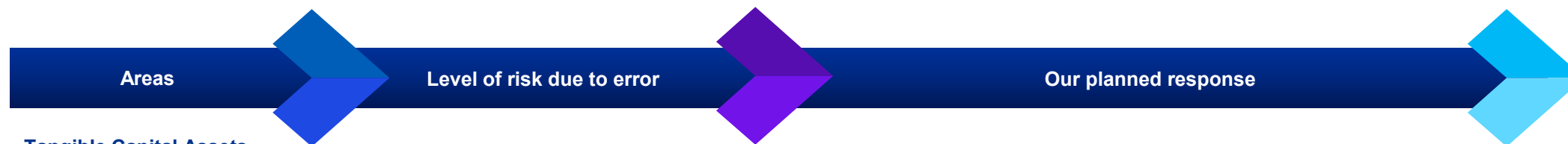


Other risks of material misstatement

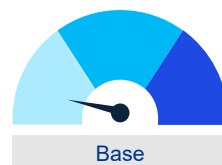




Other risks of material misstatement



Tangible Capital Assets, including asset retirement obligations



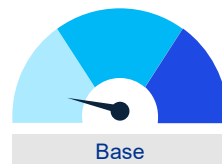
Tangible capital assets are always a material balance based on the nature of the entity.

We will ensure the schedule of assets correctly rolls from the prior year's ending position, and that any additions meet the criteria for capitalization and disposals are appropriately recorded.

We will recalculate annual amortization and ensure it is applied accurately in line with the entity's accounting policies.

We will also review the annual entries required to update the Asset Retirement Obligation, which are required on an annual basis following the adoption of this standard in fiscal 2023.

Deferred Revenues and Obligatory Reserves



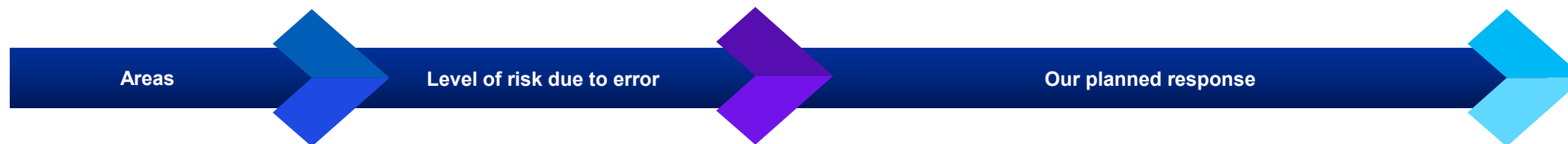
We will update our understanding of the activities over the initiation, authorization, processing, recording and reporting.

We will obtain the management prepared calculation for the development charges balance and vouch receipts and expenditures on a sample basis. Verify recognition of revenue is based on project spending in accordance with the purpose of the obligatory reserve.

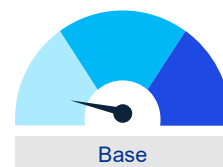
Substantive audit procedures will be performed over a sample of deferred capital grants, security deposits and other deferred revenue by vouching to supporting documents.



Other risks of material misstatement



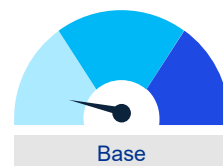
Operating Expenditures Including Payroll



Operating expenditures will be tested substantively to assess the completeness, accuracy and occurrence of a statistical sample, vouching to a third party invoice or equivalent.

We will perform adequate analytical testing over salaries and benefits, supported by attribute tests to ensure inputs for employee wage rates within the payroll system are appropriate. We will verify a sample of employees exist by vouching to HR records.

Investment in Halton Hills Community Energy Corporation



As required by the Ontario Energy Board, an audit is completed over Halton Hydro Inc. (“HHI”), for which Carlos Alvarez is also the Lead Audit Engagement Partner. We complete an audit of HHI as well as Halton Hills Community Energy Corporation (“HHCEC”) including any additional subsidiaries. For purposes of the Town’s audit, we rely on the audit performed at the component level for reporting in the Town’s consolidated financial statements.

Regular contact with the HHCEC engagement team will be maintained which is lead by the same KPMG audit partner.

We will ensure appropriate disclosures are made within the Town’s consolidated financial statements



Required inquiries of the audit committee



Inquiries regarding risk assessment, including fraud risks

- What are the Audit Committee'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 Audit Committee 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 Audit Committee exercise oversight of the Company's fraud risks and the establishment of controls to address fraud risks?



Inquiries regarding company processes

- Is the Audit Committee aware of tips or complaints regarding the Company's financial reporting (including those received through the Audit Committee's internal whistleblower program, if such programs exist)? If so, the Audit Committee's responses to such tips and complaints?



Inquires regarding related parties and significant unusual transactions

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



Key milestones and deliverables

November 2024

Planning & Risk Assessment

- Debrief prior year with management
- Kick-off with management
- Planning and initial risk assessment procedures, including:
 - Involvement of others
 - Identification and assessment of risks of misstatements and planned audit response for certain processes
- Obtain and update an understanding of the Company and its environment
- Inquire of the Audit Committee, management and others within the Town about risks of material misstatement

Nov/Dec 2024

Risk assessment & Interim work

- Evaluate the Entity's components of internal control, other than the control activities component
- Perform process walkthroughs for certain business processes
- Identify process risk points for certain business processes
- Complete interim data extraction and processing activities
- Perform interim substantive audit procedures
- Complete initial risk assessment
- Communicate audit plan
- Identify IT applications and environments

Feb/Mar 2025

Component audit field work

- Audits of the two BIA's
- Perform substantive audit procedures
- Perform walkthroughs and other controls related work
- Draft financial statements and provide to management for review

April-May 2025

Final Fieldwork & Reporting

- Complete year-end data extraction and processing activities
- Perform remaining substantive audit procedures
- Evaluate results of audit procedures, including control deficiencies and audit misstatements identified
- Review financial statement disclosures
- Present audit results to the Audit Committee and perform required communications
- Issue audit report on financial statements
- Closing meeting with management
- Filing date: Issue audit reports on financial statements



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.

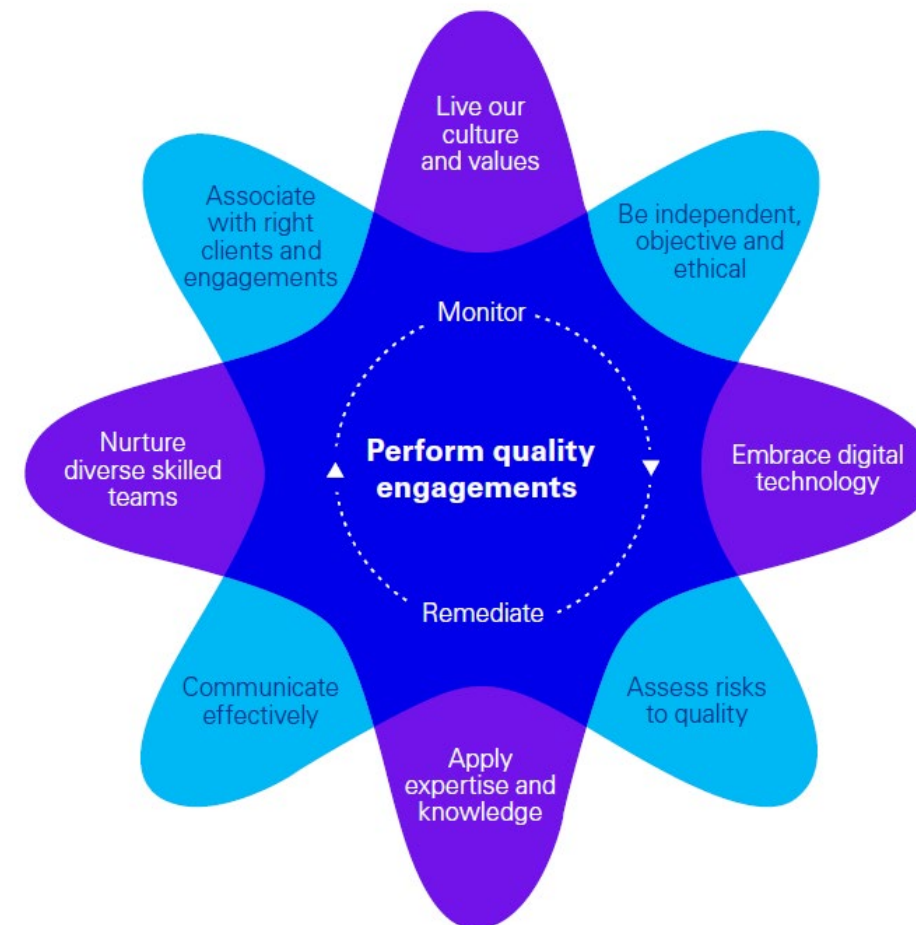
The drivers outlined in the framework are the ten components of the KPMG System of Quality Management (SoQM). Aligned with ISQM 1/CSQM 1, our SoQM components also meet the requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued 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:

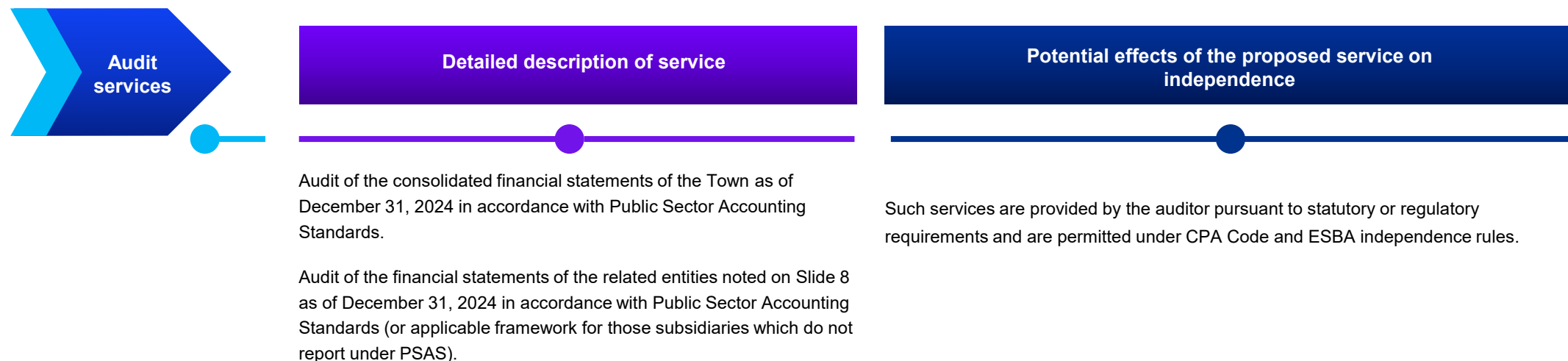
- audits are **executed consistently**, in line with the requirements and intent of **applicable professional standards** within a strong **system of quality management**; and
- all of our related activities are undertaken in an environment of the utmost level of **objectivity, independence, ethics and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



Doing the right thing. Always.



Independence: Request for pre-approval of services



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: Insights to enhance your business

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.

[Learn more](#)

Lean in Audit

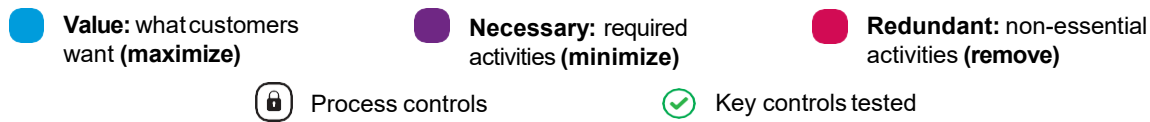
Lean in Audit™ is KPMG’s award-winning methodology that offers a new way of looking at processes and engaging people within your finance function and organization through the audit.

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	





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, 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.





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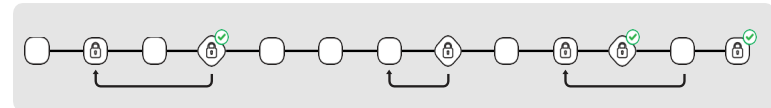
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How it works

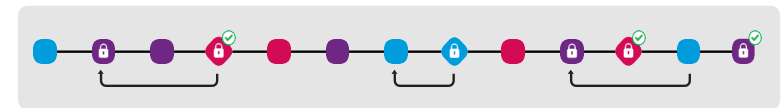
Standard Audit

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.



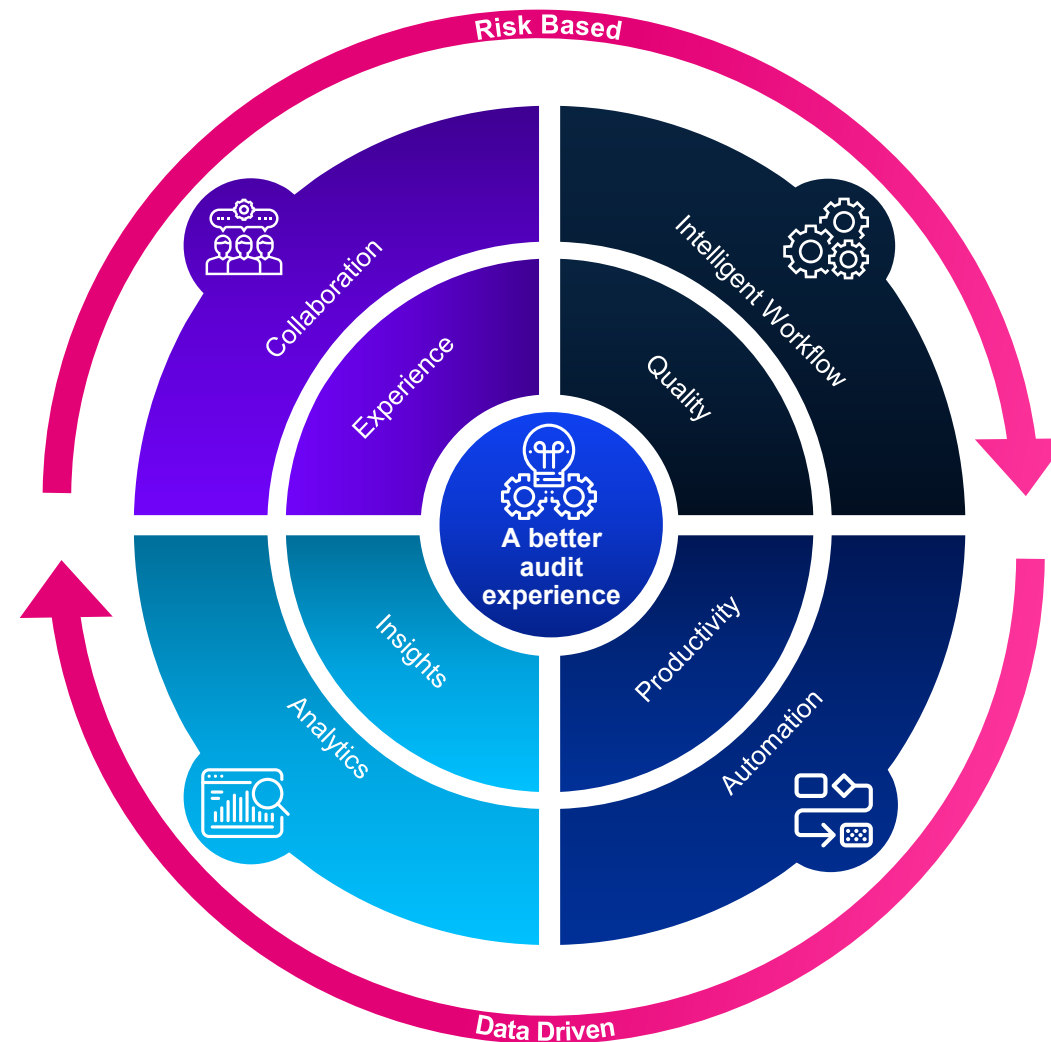
Intelligent workflow

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.





Appendix D: Continuous evolution

Our investment: \$5B

We are in the midst of a five-year investment to develop our people, digital capabilities, and advanced technology.

Responsive delivery model

Tailored to you to drive impactful outcomes around the quality and effectiveness of our audits.

Result: A better experience

Enhanced quality, reduced disruption, increased focus on areas of higher risk, and deeper insights into your business.





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