22.

STAFF REPORT
INFORMATION ONLY

Audit Plan for the Year Ending December 31, 2021

Date:	December 6, 2021
To:	Toronto Public Library Board
From:	City Librarian

SUMMARY

The attached report from KPMG LLP, the external auditors, summarizes the planning for their audit of the 2021 financial statements for the Toronto Public Library Board.

FINANCIAL IMPACT

The proposed audit fee of $47,000, inclusive of expenses and exclusive of Harmonized Sales Tax, which is an increase of $2,000 over the $45,000 of fees paid to KPMG for the 2020 audit, is funded by the 2021 operating budget. It is important to note that the audit fee does not include extra audit work that may be required due to scope changes, and KPMG will advise management as soon as possible if this were to happen.

The Director, Finance & Treasurer has reviewed this financial impact statement and agrees with it.

ISSUE BACKGROUND

Under Section 139 of the City of Toronto Act, 2006, the City is required to appoint an auditor licensed under the Public Accounting Act, 2004, who is responsible for annually auditing the accounts and transactions of the City and its local boards, and expressing an opinion on the financial statements of these entities based on the audit.

The City issued a request for proposal for external audit services, including the Toronto Public Library Board for 2020 to 2024, and KPMG was the successful proponent. This is the second year of a five-year audit contract that the City has negotiated. The contract with KPMG will end with the audit of the December 31, 2024 financial statements.

As part of the annual audit, KPMG provides an Audit Planning Report to the Toronto Public Library Board. The auditors will conduct their audit of the 2021 financial statements pursuant to this plan.

COMMENTS

Attached is KPMG's Audit Planning Report for the Library for the year ending December 31, 2021, which includes the audit and business risks while taking into account the impact of COVID-19 on the audit, audit materiality and current developments and audit trends.

On completion of the audit, KPMG will issue the audited financial statements and a year-end report to the Board that will provide significant audit, accounting and financial reporting matters, internal control recommendations and a confirmation of auditor independence.

CONTACT

Larry Hughsam; Director, Finance & Treasurer; Tel: 416-397-5946;
Email: lhughsam@tpl.ca

SIGNATURE

Vickery Bowles
City Librarian

ATTACHMENTS

Attachment 1:	Toronto Public Library Board – Audit Planning Report for the year ending December 31, 2021

Attachment 1

Toronto Public Library Board

Audit Planning Report
for the year ended
December 31, 2021

KPMG LLP

Licensed Public Accountants

Prepared on November 1, 2021

kpmg.ca/audit

Table of contents

KPMG contacts

The contacts at KPMG in connection with this report are:

KEVIN TRAVERS

Lead Audit Engagement Partner

Tel: (416) 228 – 7004

ktravers@kpmg.ca

ELLIOT CHENG

Audit Senior Manager

Tel: (416) 228 – 4364

elliotcheng@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.

Executive summary

Audit quality

See pages 2 and 3 for how we deliver audit quality and how you can measure our audit quality.

Materiality

Materiality has been established by considering various metrics that are relevant to the users of the financial statements, including total revenue, total expenses, and accumulated surplus. We have determined materiality to be $6.6 million.

See page 4.

Audit risks

Our audit is risk-focused. In planning our audit, we have identified areas of financial reporting where significant risks of material misstatement may arise. These include:

- Presumption of the risk of fraud involving improper revenue recognition
- Presumption of the risk of fraud resulting from management override of controls

See pages 5 and 6.

Other areas of focus are communicated on pages 7 – 10.

Group reporting

The Entity is controlled by the City of Toronto (the “City”) and thus the Entity’s financial results get consolidated into the City’s consolidated financial statements. The audit engagement team for the City (the “Group auditor”) has noted that they will use the work of our audit and the auditors’ report related to the Entity’s financial statements.

In accordance with Canadian auditing standards, we will be communicating matters of significance to the group auditor throughout the audit including planning and risk assessment, execution, and reporting.

Current developments and audit trends

Please refer to pages 12 to 15 and Appendix 3 for relevant accounting and/or auditing changes relevant to the Entity.

Proposed fees

Our 2021 fees are in accordance with the City of Toronto RFP, which were communicated by the City of Toronto in the External Audit Fees letter issued in September 2020 to management.

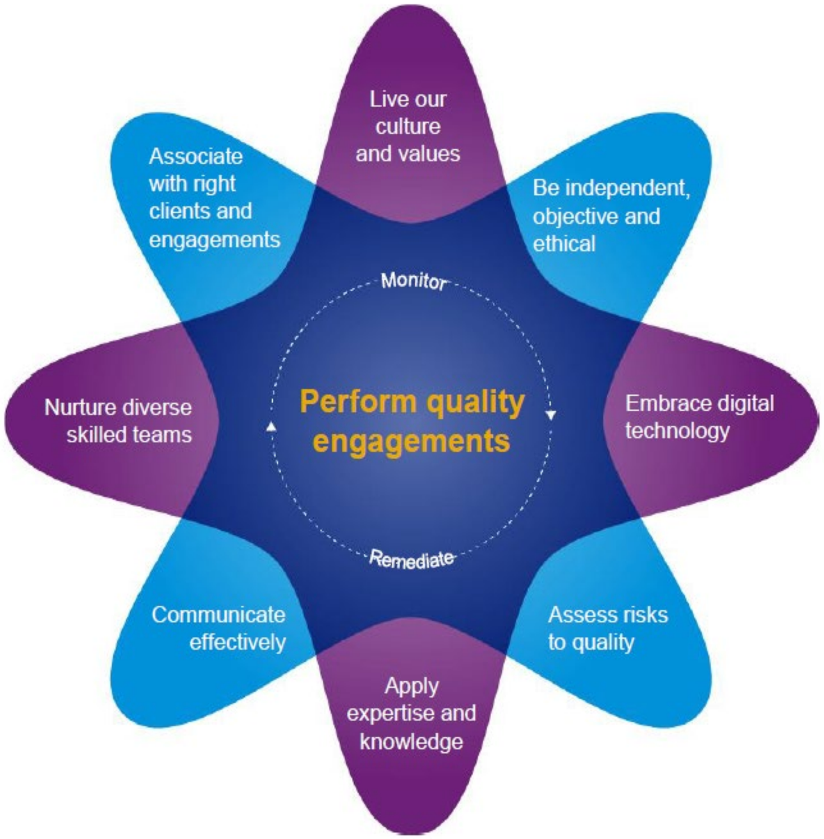
Audit Quality: How do we deliver audit quality?

Transparency report

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

Doing the right thing. Always.

Audit Quality: Indicators (AQIs)

The objective of these measures is to provide more in-depth information about factors that influence audit quality within an audit process. Below are the AQIs that we have agreed with management are relevant for the audit. We will communicate the status of the below AQIs as requested.

AQI	Measurement criteria	Milestone measurement and status
Team Composition	Experience of the team	Your current audit partner Kevin Travers has spent over 29 years practicing public accounting and has extensive experience providing audit, advisory and other services in the not-for-profit/public sector. In addition, the senior manager Elliot Cheng has spent 8 years auditing not-for-profit/public sector entities. We have talented resources and excellent ability to maintain continuity over the coming years to maximize audit efficiencies.
Engagement Hours	Hours spent by level and phase of the audit	Combined audit partner and manager hours on average are approximately 35% - 40% of total hours. What does this tell you... you are getting senior management attention, we are hands-on in our files. Our field staff split their hours between interim and year-end, allowing for work to be performed at points in time in the year to ensure that the finance department is not stretched to capacity. The staff are assigned based on years of service and seniority to the more complex sections.
Technology in the Audit	Implementation of Technology in the Audit	We have a number of technologies that are we are planning on implementing in the coming years after gaining a deeper understanding of the systems in place during our first year of audit. We use IT tools to run queries on journal entries and GL details to ensure completeness of financial information. These tools provide for a more efficient and effective audit.
Timing of Prepared by Client (PBC) items	Timeliness of PBC items	We have shared our PBC listing for the interim work with management and will be providing the year-end listing well in advance of the year-end audit weeks. This allows management sufficient time to go through our requests and have them ready for us prior to our arrival on the first of fieldwork.
Quality Reviews	Results of internal and external reviews	At KPMG we are externally reviewed by CPA Institute every 3 years and internally reviewed for in-depth quality standards by peers from other offices on the same schedule. Annually, your financial statements will undergo a technical review by a CPA unrelated to the audit team. This allows for a fresh set of eyes to comment on the readability and transparency of the financial statements.
Use of Specialists	Areas involving specialists	As part of the planning and risk assessment process this year, we will be discussing the involvement of specialists as per the needs and demands of the audit engagement. We may include some of these specialists in our planning and risk assessment process during interim audit work. We will report specific specialist involvement to you as part of our audit findings report upon completion of our audit.
	Specialists’ hours	Having these resources internally allow for a more seamless and transparent audit process. Due to the complexity of specialist analysis, most of the hours are concentrated at Partner and Senior Manager level. This tells you that you are getting senior management attention from our specialists as well.

Materiality

Materiality is established to identify risks of material misstatements, to develop an appropriate audit response to such risks, and to 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.

Materiality determination	Comments	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 $5.57 million. *Note that materiality will be recalculated at year-end using actual total expenses, and any changes will be communicated to the Members of the Board through year-end reporting.*	$6.60 million
Benchmark **(the metric that is *most* relevant to the users)**	Based on an estimate of total budgeted expenses for the year. This benchmark is consistent with the prior year.	$264 million
% of Benchmark	The corresponding percentage for the prior year's audit was 2.5%.	2.5%
Performance materiality	Used 75% of materiality, and used primarily to determine the nature, timing and extent of audit procedures. The corresponding amount for the prior year's audit was $4.18 million.	$4.95 million
Other Relevant Metric	Threshold used to accumulate misstatements identified during the audit (5% of materiality). The corresponding amount for the previous year's audit was $278,000.	$330,000

.

We will report to the Members of the Board:

Uncorrected audit misstatements

Audit risks

Relevant factors affecting our risk assessment

Complexity Estimate Related party transaction

Significant risk - professional requirements	Why is it significant?
Presumption of the risk of fraud involving improper revenue recognition	Audit standards require us to assume there are generally pressures/incentives on management to commit fraudulent financial reporting through inappropriate revenue recognition. We have considered the type and complexity of revenue transactions, and the perceived opportunities and incentives to fraudulently misstate revenue for the Entity. The fraud risk resides with overstatement of revenue through posting manual journal entries and other adjustments.

Our audit approach

- Our audit approach consists of evaluating the design and implementation of selected relevant controls over the manual journal entry and other adjustment process. It also consists of performing substantive procedures such as substantively testing manual journal entries and other adjustments.
- In addition, we have a fully substantive approach to test revenues as noted on page 7.

Audit risks (continued)

Significant risk – professional requirements	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 audit approach
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 and evaluating the business rationale of significant unusual transactions.

Audit risks (continued)

Other areas of focus	Why are we focusing here?
City of Toronto Revenue Province of Ontario Revenue Federal Government Revenue	These streams of revenue are financially significant.

Our audit approach

COVID-19 Implications:

- We will hold discussions with management to understand changes to funding received from federal and provincial government in light of COVID-19 global pandemic.

Performing substantive procedures:

- We will obtain confirmations from federal and provincial government.
- We will substantively vouch funding revenue transactions to supporting documents such as the funding letter and proof of payment.

Audit risks (continued)

Other areas of focus	Why are we focusing here?
Cash and Investments	Material account balances and disclosures
Tangible Capital Assets	Material account balances and disclosures

Our audit approach

Cash and Investments:

COVID-19 Implications:

– We will evaluate for any permanent impairment of investments.

Performing substantive procedures:

– We will review year-end bank and investment reconciliations and perform substantive testing of significant reconciling items.
– We will perform substantive test of details over additions and disposals of investments.
– We will obtain confirmations from third parties.
– We will review financial statement note disclosures.

Tangible Capital Assets:

COVID-19 Implications:

– We will perform analysis of triggering events and impairment of tangible capital assets.

Performing substantive procedures:

– We will substantively test capital additions and disposals to supporting documentation.
– We will review amortization policies and recalculations.
– We will review management's impairment assessment.

Audit risks (continued)

Other areas of focus	Why are we focusing here?
Accounts Receivable	Material account balances and disclosures
Accounts Payable and Accrued Liabilities	Material account balances and disclosures

Our audit approach

Accounts Receivable:

COVID-19 Implications:

- We will evaluate the collectability of certain aged receivables.

Performing substantive procedures:

- We will perform substantive testing of accounts receivable balances, including confirmations from lower tier municipalities.
- We will assess the valuation of accounts receivable.
- We will obtain confirmations from related parties for balances due.

Accounts Payable and Accrued Liabilities:

COVID-19 Implications:

- We will obtain an understanding of purchase cut-off processes, and discuss whether any specific provisions or contingencies resulted from COVID-19.

Performing substantive procedures:

- We will examine accruals for accuracy and completeness.
- We will substantively test significant payables and accruals to source documents.
- We will perform a search for unrecorded liabilities.

Audit risks (continued)

Other areas of focus	Why are we focusing here?
Employee Benefit Obligations	Material account balances and disclosures
Expenses	Material account balances and disclosures

Our audit approach

Employee Benefit Obligations:

Performing substantive procedures:

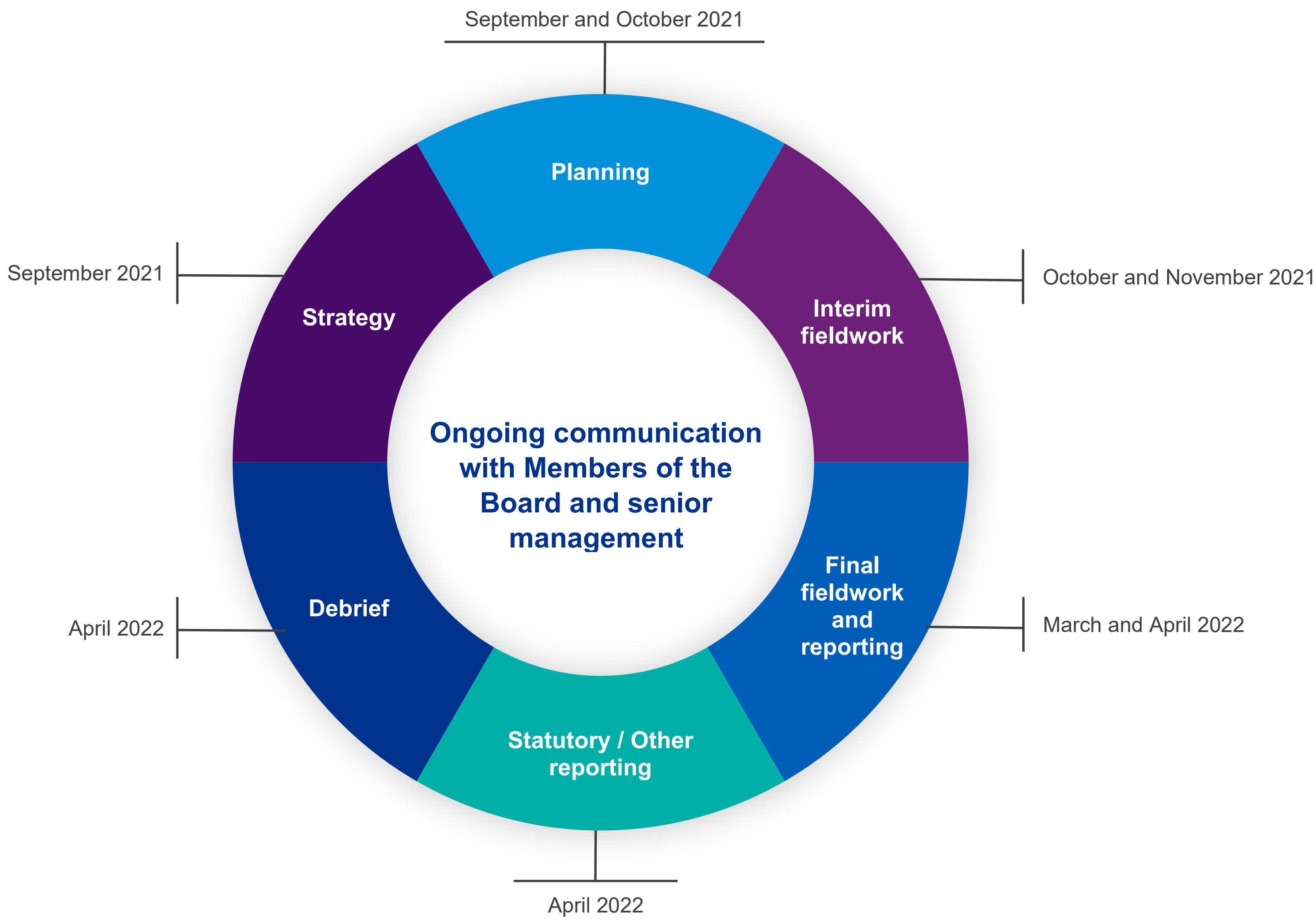
- We will confirm balances directly with third party actuaries.
- As a significant estimate, we will evaluate the data, method and assumptions applied in the valuations and perform trend analysis on the liability.
- We will evaluate the discount rate in comparison with rates issued by the Canadian Institute of Actuaries and KPMG LLP.
- We will assess the qualifications, competence and objectivity of the actuaries as required by the Canadian auditing standards.
- We will perform attribute testing over participant data supplied by management for new valuations to ensure accuracy of this data We will review financial statement note disclosures.

Expenses:

Testing selected relevant controls and performing substantive procedures:

- We will substantively vouch a sample of expenditures to supporting documents.
- We will evaluate the design and test the operating effectiveness of certain payroll controls.
- We will perform substantive analytical procedures over salaries and benefit expenditures.

Key milestones and deliverables



Current developments

Public Sector Accounting Standards

Standard	Summary and implications
Asset Retirement Obligations	– The new standard is effective for fiscal years beginning on or after April 1, 2022 (Toronto Public Library Board's fiscal year ending December 31, 2023). – 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 will 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 will 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 will 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 will have to: • Consider how the additional liability will impact net debt, as a new liability will be recognized with no corresponding increase in a financial asset; • 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; • 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	– The new standard is effective for fiscal years beginning on or after April 1, 2023 (Toronto Public Library Board's fiscal year ending December 31, 2023). The effective date was deferred by one year due to COVID-19. – The new standard establishes a single framework to categorize revenues to enhance the consistency of revenue recognition and its measurement. – The standard notes that in the case of revenues arising from an exchange transaction, 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.

Standard	Summary and implications
Financial Instruments and Foreign Currency Translation	– The accounting standards, PS3450 *Financial Instruments*, PS2601 *Foreign Currency Translation*, PS1201 *Financial Statement Presentation* and PS3041 *Portfolio Investments* are effective for fiscal years commencing on or after April 1, 2022 (Toronto Public Library Board's fiscal year ending December 31, 2023). The effective date was deferred by one year due to COVID-19. – 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 public sector entity'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 Remeasurement 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. – In July 2020, PSAB approved federal government narrow-scope amendments to PS3450 *Financial Instruments* which will be included in the Handbook in the fall of 2020. Based on stakeholder feedback, PSAB is considering other narrow-scope amendments related to the presentation and foreign currency requirements in PS3450 *Financial Instruments*. The exposure drafts were released in summer 2020 with a 90-day comment period.
Employee Future Benefit Obligations	– PSAB has initiated a review of sections PS3250 *Retirement Benefits* and PS3255 *Post-Employment Benefits, Compensated Absences and Termination Benefits*. In July 2020, PSAB approved a revised project plan. – PSAB intends to use principles from International Public Sector Accounting Standard 39 *Employee Benefits* as a starting point to develop the Canadian standard. – Given the complexity of issues involved and potential implications of any changes that may arise from the review of the existing guidance, PSAB will implement a multi-release strategy for the new standards. The first standard will provide foundational guidance. Subsequent standards will provide additional guidance on current and emerging issues. – PSAB released an exposure draft on proposed section PS3251, Employee Benefits in July 2021. Comments to PSAB on the proposed section are due by November 25, 2021. Proposed Section PS 3251 would apply to fiscal years beginning on or after April 1, 2026 and should be applied retroactively. Earlier adoption is permitted. The proposed PS3251 would replace existing Section PS 3250 and Section PS 3255. This proposed section would result in organizations recognizing the impact of revaluations of the net defined benefit liability (asset) immediately on the statement of financial position. Organizations would also assess the funding status of their post-employment benefit plans to determine the appropriate rate for discounting post-employment benefit obligations.

Standard	Summary and implications
Public Private Partnerships ("P3")	– PSAB has introduced Section PS3160, which includes new requirements for the recognition, measurement and classification of infrastructure procured through a public private partnership. The standard has an effective date of April 1, 2023, and may be applied retroactively or prospectively. – The standard notes that recognition of infrastructure by the public sector entity would occur when it controls the purpose and use of the infrastructure, when it controls access and the price, if any, charged for use, and it controls any significant interest accumulated in the infrastructure when the P3 ends. – The public sector entity recognizes a liability when it needs to pay cash or non-cash consideration to the private sector partner for the infrastructure. – The infrastructure would be valued at cost, which represents fair value at the date of recognition with a liability of the same amount if one exists. Cost would be measured in reference to the public private partnership process and agreement, or by discounting the expected cash flows by a discount rate that reflects the time value of money and risks specific to the project.
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 released four exposure drafts in early 2021 for the proposed conceptual framework and proposed revised reporting model, and their related consequential amendments. The Board is in the process of considering stakeholder comments received. – PSAB is proposing 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. – In addition, PSAB is proposing: • Relocation of the net debt indicator to its own statement and the statement of net financial assets/liabilities, with the calculation of net debt refined to ensure its original meaning is retained. • Separating liabilities into financial liabilities and non-financial liabilities. • Restructuring the statement of financial position to present non-financial assets before liabilities. • Changes to common terminology used in the financial statements, including re-naming accumulated surplus (deficit) to net assets (liabilities). • 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), including a new component called "accumulated other". • 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.

Standard	Summary and implications
Purchased Intangibles	– In October 2019, PSAB approved a proposal to allow public sector entities to recognize intangibles purchased through an exchange transaction. Practitioners are expected to use the definition of an asset, the general recognition criteria and the GAAP hierarchy to account for purchased intangibles. – PSAB has approved Public Sector Guideline 8 which allows recognition of intangibles purchased through an exchange transaction. Narrow-scope amendments were made to Section PS 1000 Financial statement concepts to remove prohibition on recognition of intangibles purchased through exchange transactions and PS 1201 Financial statement presentation to remove the requirement to disclose that purchased intangibles are not recognized. – The effective date is April 1, 2023 (Toronto Public Library Board's fiscal year ending December 31, 2024) with early adoption permitted. Application may be retroactive or prospective.
Government Not-for-Profit Strategy	– PSAB is in the process of reviewing its strategy for government not-for-profit ("GNFP") organizations. PSAB intends to understand GNFPs' fiscal and regulatory environment, and stakeholders' financial reporting needs. – PSAB released a second consultation paper in January 2021 which summarizes the feedback received to the first consultation paper. It also describes options for the GNFP strategy and the decision-making criteria used to evaluate the options. PSAB recommends incorporating the PS4200 series with potential customizations into PSAS. This means reviewing the existing PS4200 series to determine if they should be retained and added to PSAS. Incorporating the updated or amended PS4200 series standards in PSAS would make the guidance available to any public sector entity. Accounting and/or reporting customizations may be permitted if PSAB determines there are substantive and distinct accountabilities that warrant modification from PSAS. – PSAB is in the process of considering stakeholder comments.
2022 – 2027 Strategic Plan	– PSAB's Draft 2022 – 2027 Strategic Plan was issued for public comment in May 2021. Comments were requested for October 6, 2021. – The Strategic Plan sets out broad strategic objectives that help guide PSAB in achieving its public interest mandate over a multi-year period, and determining standard-setting priorities – The Strategic Plan emphasizes four key priorities: – Develop relevant and high-quality accounting standards - Continue to develop relevant and high-quality accounting standards in line with PSAB's due process, including implementation of the international strategy (focused on adapting International Public Sector Accounting Standards for new standards) and completion of the Conceptual Framework and Reporting Model project. – Enhance and strengthen relationships with stakeholders - Includes increased engagement with Indigenous Governments and exploring the use of customized reporting. – Enhance and strengthen relationships with other standard setters – In addition to continued collaboration with other standard setters, this emphasizes strengthened relationship with the IPSASB. – Support forward-looking accounting and reporting initiatives – Supporting and encouraging ESG reporting, and consideration of the development of ESG reporting guidance for the Canadian public sector.

Appendices

Content

Appendix 1: Other required communications

Reports to the Members of the Board

Audit planning report – as attached.

At the completion of the audit, we will provide our findings report to the Members of the Board.

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 provided by City's management.

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 recent quality inspections in Canada:

- Audit Quality Insights Report: 2020 Annual Audit Quality Assessments
- CPAB 2020 Annual Report - Regulatory Oversight in a Global Pandemic
- CPAB Audit Quality Insights Report: 2021 Interim Inspections Results

Representations of management

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

Matters pertaining to independence

All matters related to independence are dealt with directly by the Group audit team.

Control deficiencies

On a timely basis, identified significant deficiencies will be communicated to the audit committee in writing. Other control deficiencies identified that do not rise to the level of a significant deficiency will be communicated to management.

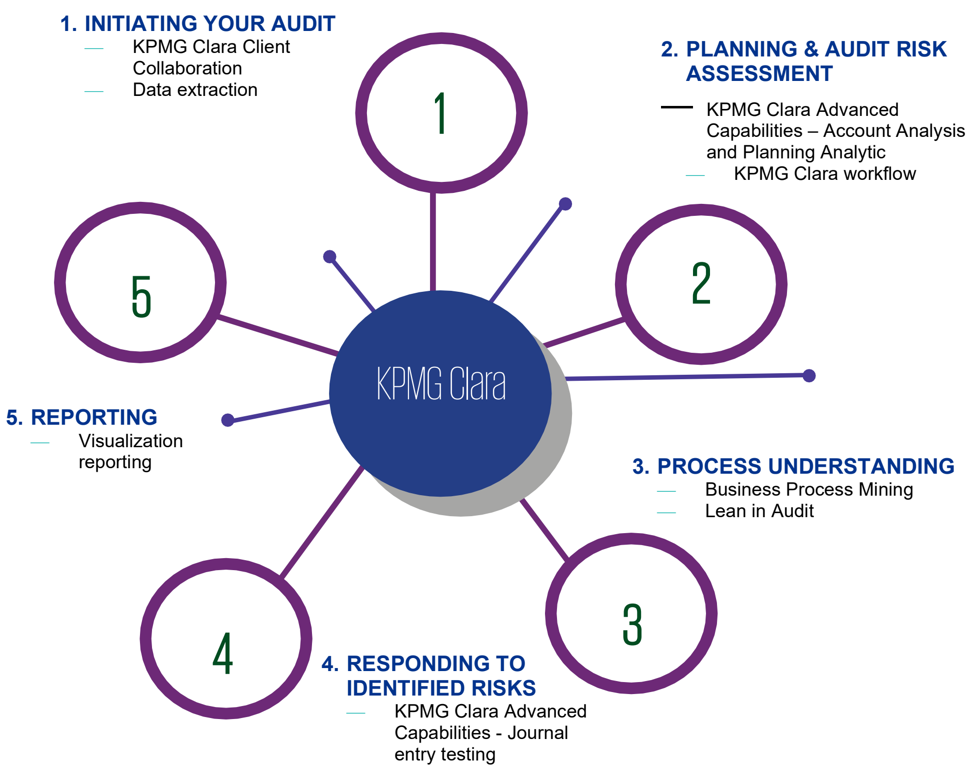
Appendix 2: Use of technology in the audit

KPMG Clara is our integrated, smart global audit platform that allows our teams globally to work simultaneously on audit documentation while sharing real time information. KPMG Clara embeds analytics throughout all phases of the audit and allows us to visualise the flow of transactions through the system, identify risks in your financial data and perform more specific audit procedures. 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 and identifying areas to embed robotic process automation ("KPMG Bots").

Our five-phased audit approach



Appendix 2: Use of technology in the audit (continued)

Phase 1: Initiating your audit
To ensure that you are involved in every step of the audit, management and the audit committee will have access to **KPMG Clara Client Collaboration (KCCC)**. KCCC is our secure audit platform and a one-stop shop through which we plan, execute and manage the audit. KCCC supports seamless collaboration between our audit team and your finance team, including exchange of information and access to the real time reporting you need in one central location, reducing the impact to your people in coordinating and overseeing the audit. It ensures there are no surprises during the execution of the audit and the ability to efficiently track issues and outstanding matters with a single click.
Phase 2: Planning and audit risk assessment
KPMG Clara Advanced Capabilities – account analysis and planning analytics incorporates structured rules, specific to your industry, to review your financial data and assist the engagement team in obtaining a more thorough understanding of the business processes and underlying flow transactions. Our advanced analytic tool enables a more precise risk assessment and development of a tailored audit approach. *Want to know more about **Clara Advanced Capabilities**?*
Phase 3: Process understanding
As part of understanding your processes, KPMG uses our **Lean in Audit methodology**. Our Lean in Audit methodology allows our team to work collaboratively with you to gain an in-depth understanding of selected end-to-end processes.
We also incorporate **Business Process Mining (BPM)** technology. BPM provides immediate visualization of how 100% of your transactions are processed to complement your process narratives & flow charts. A deeper understanding of your processes enhances our understanding of your business. This will ensure our team is focused on auditing the right risks & leveraging your team's resources efficiently. It helps us identify inefficiencies or manual workarounds in a process and highlights where the process is under stress. *Want to know more about **Business Process Mining**?*
Phase 4: Responding to identified risks
Our KPMG advanced capabilities **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.

Appendix 3: Audit and Assurance Insights

Our latest thinking on the issues that matter most to audit committees, board of directors and management.

Featured insight	Summary
KPMG Audit & Assurance Insights	Curated research and insights for audit committees and boards
Accelerate	The key issues driving the audit committee agenda in the time of COVID-19
Board Leadership Centre	Supporting you in your Director role
Current Developments	Series of quarterly publications for Canadian businesses including Spotlight on IFRS, Canadian Securities & Auditing Matters and US Outlook.
KPMG Global IFRS Institute	The latest news, insights and guidance for boards, audit committee members, investors and all stakeholders about the evolving global financial reporting framework.
KPMG Climate Change Financial Reporting Resource Centre	Our climate change resource centre provides FAQs to help you identify the potential financial statement impacts for your business.
You can't go green without blue - The blue economy is critical to all companies' ESG ambitions	In this report, we consider how leading corporates and investors can take action to capture the value that can be found in a healthy, sustainable ocean economy.

kpmg.ca/audit

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