



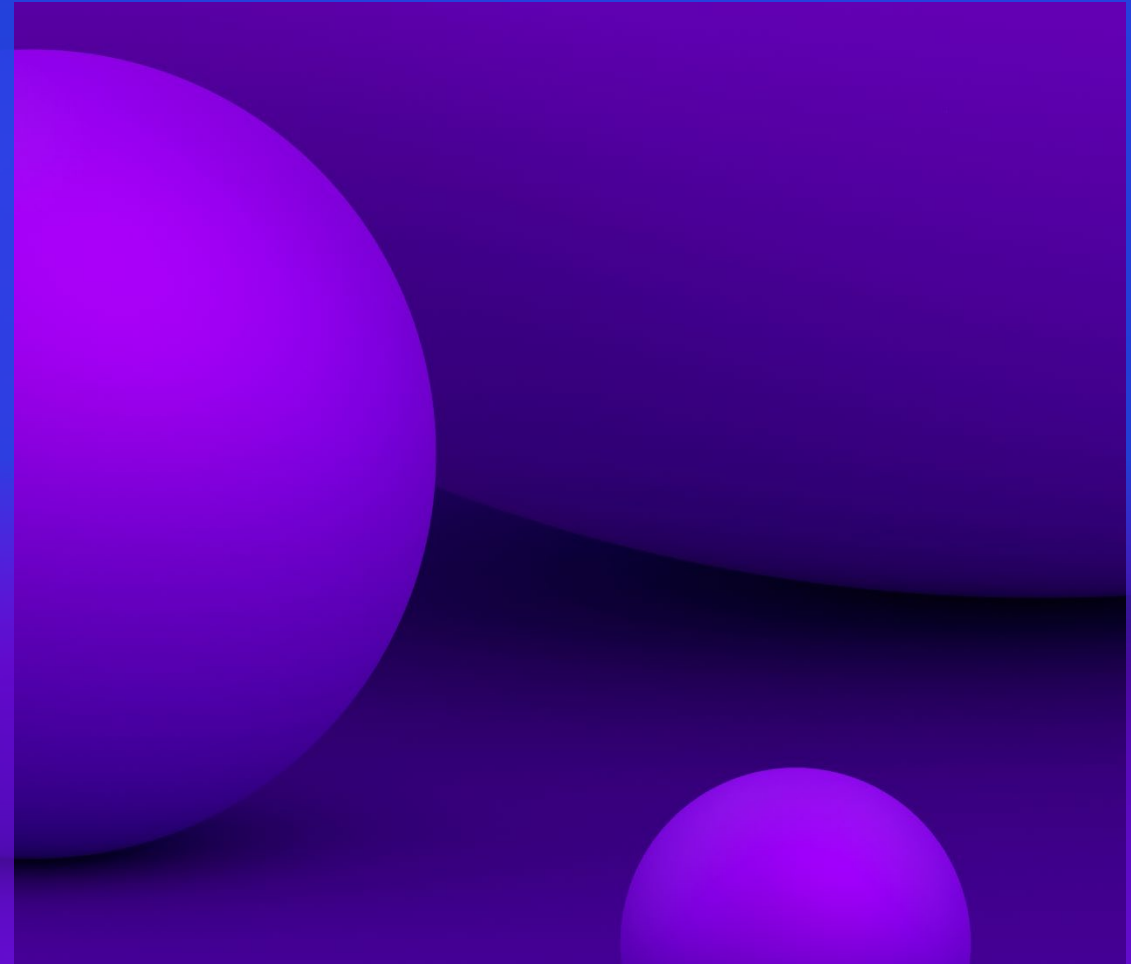
Capital Region Housing Corporation

Audit Planning Report
for the year ended
December 31, 2024

KPMG LLP

Prepared for the Board of Directors meeting on January 8, 2025

kpmg.ca/audit



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Table of contents

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.

4 Highlights

5 Audit strategy

8 Risk assessment

16 Key milestones and deliverables

17 Appendices



Audit highlights



No matters to report



Matters to report – see link for details

Scope

Our audit of the financial statements (“financial statements”) of Capital Region Housing Corporation (the “Entity” or “CRHC”) as of and for the year ended December 31, 2024, will be performed in accordance with Canadian generally accepted auditing standards.

Audit strategy

Materiality \$800,000

Updates to our prior year audit plan

- Implementation of new accounting standards

Involvement of others

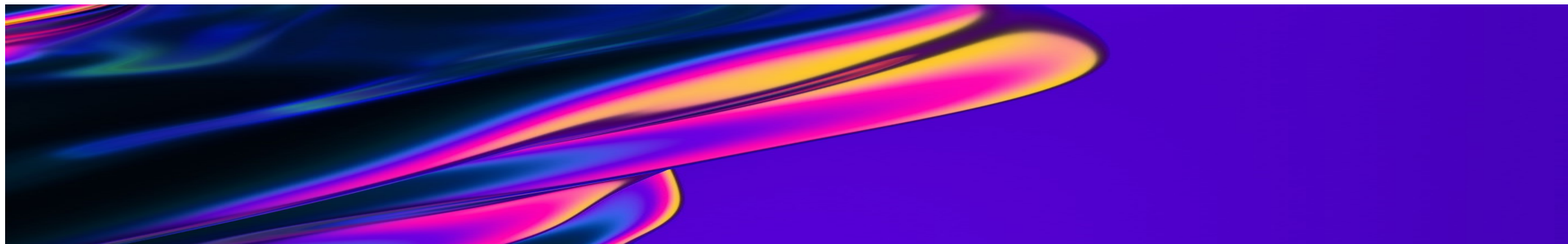
Required communications

Risk assessment

Risk of management override of controls

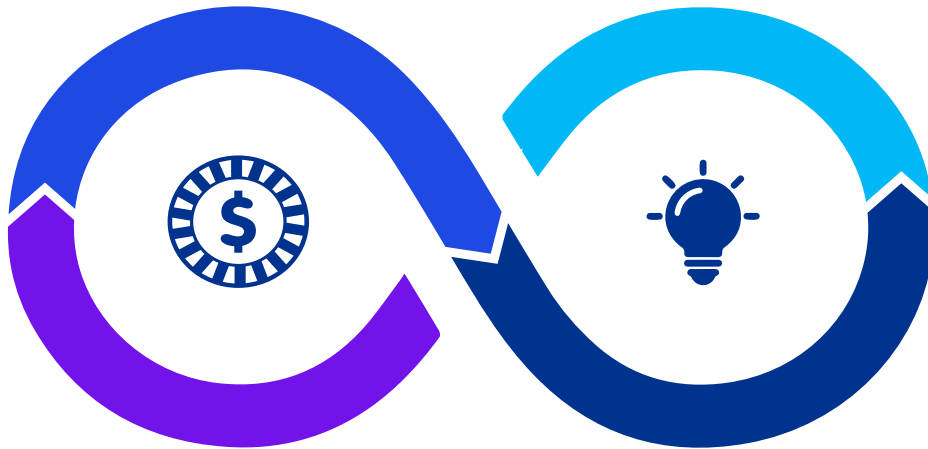
Other significant risks

Other risks of material misstatement





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.



Materiality



Prior year normalized revenues*

\$27.9 million

(2023: \$31.5 million)

% Benchmark

2.9%

(2023: 2.2%)

Audit Misstatement Posting Threshold

\$40,000

(2023: \$35,000)

*Normalized for one-time, non-recurring grants received



Updates to our prior year audit plan

New significant risks



No significant risks noted



We have not identified significant risks of material misstatement, except for the presumed risk of management override of controls, which is required by professional standards. This assessment is consistent with previous years. Any changes to the audit plan will be communicated to Management and the Board.

Other significant changes



No significant changes noted



There are no significant changes noted.



Newly effective accounting standards



New accounting standards effective for the year ended December 31, 2024 include:

- *PS 3400, Revenues*

See Appendix 4 for further details.


Newly effective accounting standards 



Newly effective auditing standards



There are no new auditing standards effective for year ended December 31, 2024.

Newly effective auditing standards 



Audit approach

Our planning begins with an assessment of risks of material misstatement in your financial statements based on our understanding and risk assessment procedures. In assessing inherent risk, the auditor uses professional judgment in determining the significance of the combination of the likelihood and magnitude of a misstatement along a spectrum. We assess inherent risk at one of three levels: Base, Elevated, or Significant, depending on where it is on the spectrum.

Based on our assessment, we have identified the following areas of audit focus at other than base risk. Risk assessment is iterative in nature rather than something we perform only at the beginning of the audit. As we perform the audit, we will continue to consider our risk assessment throughout the audit.

| | | Risk of fraud | Risk of error | Risk rating |
|---|---|---------------|---------------|-------------|
| ● | Management override of controls | ✓ | | Significant |
| ● | Government contributions | | ✓ | Elevated |
| ● | Capital assets (new building developments and redevelopments) | | ✓ | Elevated |

● ELEVATED RISK ● PRESUMED RISK OF MATERIAL MISSTATEMENT





Audit approach

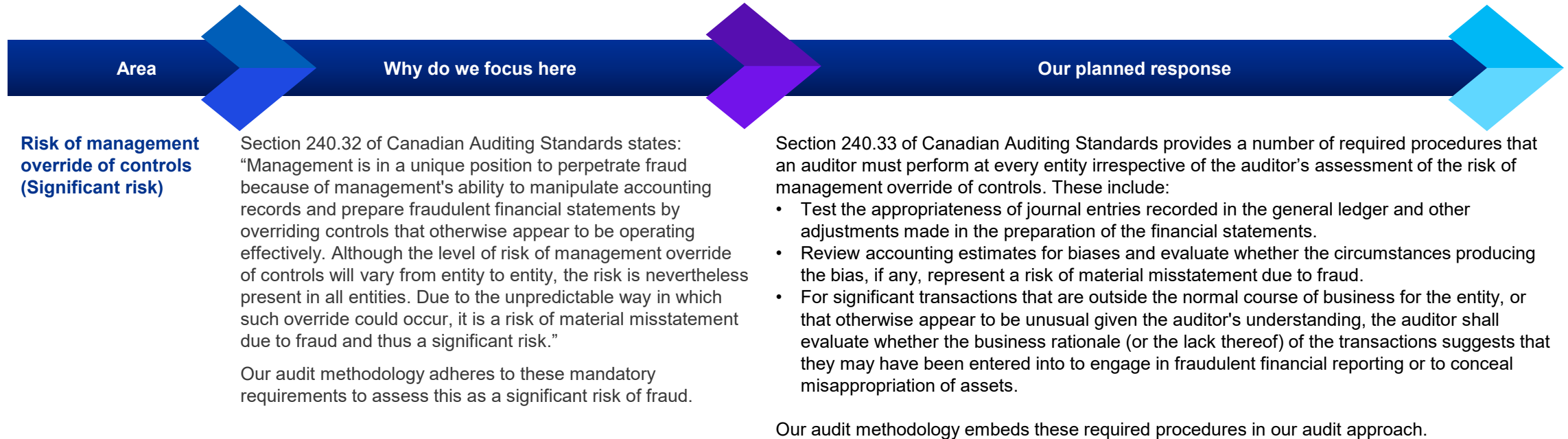
We highlight below examples of audit procedures we will perform to obtain an understanding of the organization and its internal controls to inform our risk assessment and design procedures to address where material errors could occur.

Procedures

- Obtain an understanding of the Entity and its environment (industry, economic environment, regulatory and legislative requirements).
- Identify key business processes (Treasury and Debt, Revenue, Purchases and Payments, Payroll) and where material errors in the financial statements could arise, including from error and fraud.
- Validate our understanding of key business processes by performing a walkthrough of each significant process to determine if the process operates as described.
- Obtain an understanding of the Entity's internal controls and risk assessment processes and evaluate their suitability based on the nature and complexity of the organization.
- Evaluate if a culture of honesty and ethical behaviour has been created and maintained.
- Evaluate if appropriate policies and procedures for communications and information systems are in place to support accurate and timely preparation of the financial statements.
- Documents inspected will include Code of Conduct, Reporting of Serious Misconduct Policy and Procedure, Quarterly financial reporting and management updates.



Significant risks





Significant risks (continued)

The following are inquiries that we are required to make to those charged with governance:



Inquiries regarding risk assessment, including fraud risks

- What is the Board's views about fraud risks, including management override of controls, in the Entity? And have you taken any actions to respond to any identified fraud risks?
- Is the Board aware of, or has the Board 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 Board exercise oversight of the Entity's fraud risks and the establishment of controls to address fraud risks?



Inquiries regarding organization processes

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

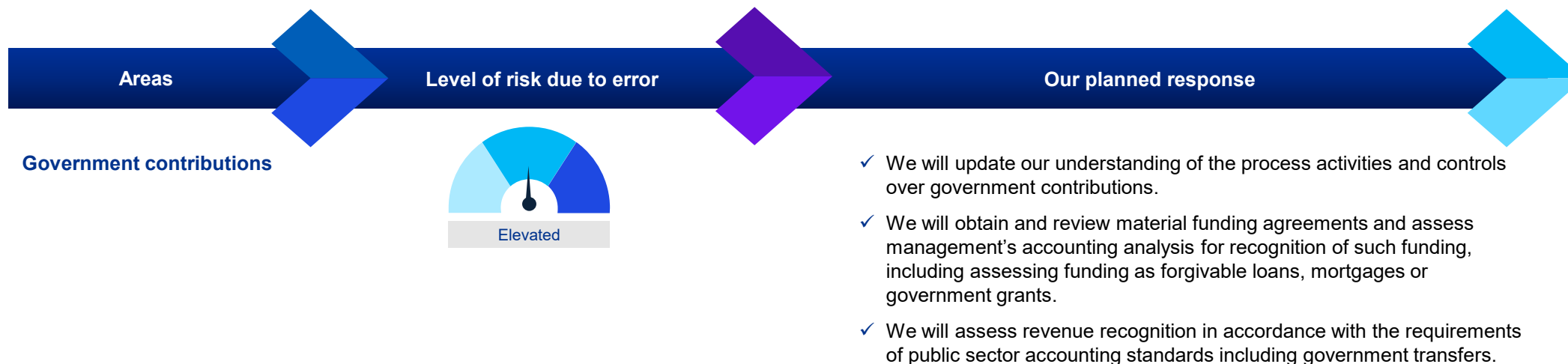


Inquires regarding related parties and significant unusual transactions

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

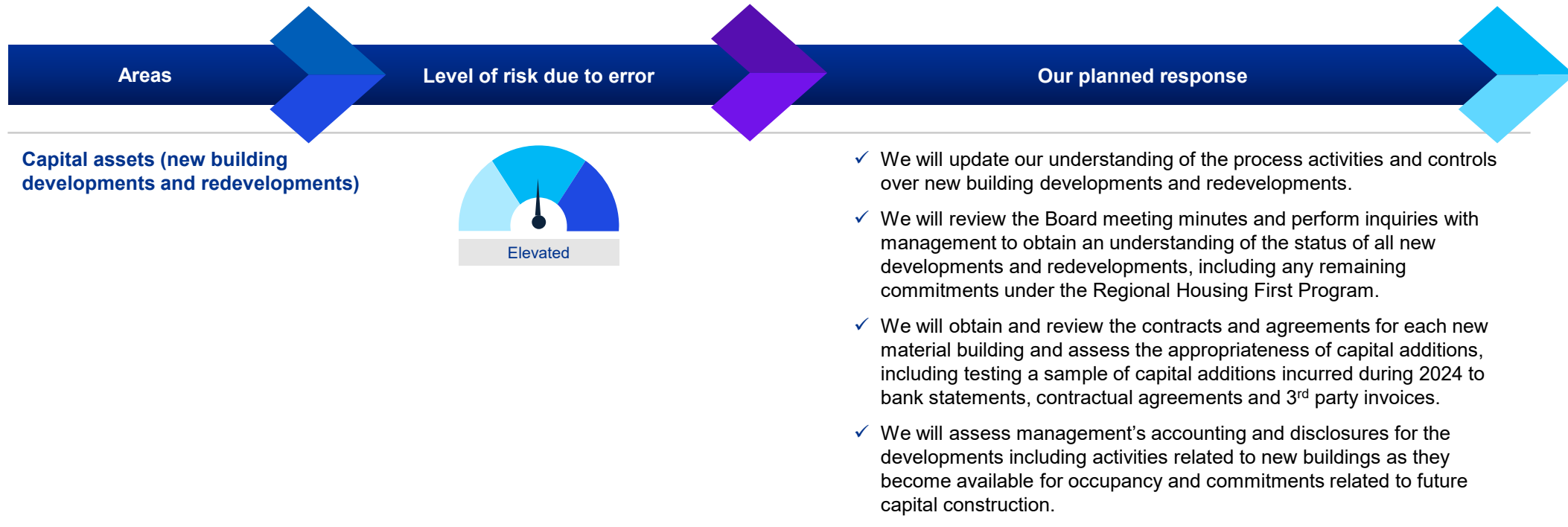


Other risks of material misstatement





Other risks of material misstatement





Other substantive audit procedures

In addition to the areas of focus previously described, we highlight below examples of audit procedures we will perform to obtain evidence over the existence, accuracy and completeness of the financial statements, including presentation and disclosure.

Substantive Audit Procedures

- Cash, investments and debt balances will be confirmed with the respective financial institutions.
- A sample of capital asset additions, disposals, and work in progress transfers will be compared to underlying source documents. An estimate of amortization expense will be compared to actual.
- A sample of payments made after year end will be tested to determine if they were recorded in the appropriate fiscal year.
- Revenues and expenses will be tested by way of analytical procedures, developing an expectation based on prior year and budget, and comparing to actual.
- A sample of new subsidized tenants will be tested to determine if the Subsidized Tenant Selection Process was followed to verify qualification and ordering of tenant selection.



Concluding and Reporting

We highlight below examples of audit procedures we will perform to conclude on the reasonability of financial statements as a whole.

Concluding and Reporting Procedures

- Evaluate management bias in the preparation of financial statements, based on patterns in the selection and application of accounting policies and principles.
- Financial statement presentation and disclosure will be evaluated for compliance with accounting standards and comparability to industry leading practice, for example financial reporting award requirements of Government Finance Officers Association International.
- Legal exposure and estimates of contingency provisions will be evaluated against supporting documentation including direct confirmation with external legal counsel.
- Disclosures in the financial statement notes will be evaluated for completeness based on our knowledge of the Entity's ability to continue as a going concern, related party transactions, future contractual commitments and events occurring after year end.
- Deficiencies in internal control and other control observations will be discussed with management, and if significant, communicated to the Board through a separate communication entitled Management Letter.



Key milestones and deliverables



Appendices

1

Required communications

2

Audit quality

3

New auditing standards

4

New accounting standards

5

Thought leadership and insights





Appendix 1: Required communications



Auditor's report

A copy of our draft auditor's report setting out the conclusion of our audit will be provided at the completion of the audit.

Engagement letter

The objectives of the audit, our responsibilities in carrying out our audit, as well as management's responsibilities, are set out in the engagement letter.



Audit findings report

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

Management representation letter

We will obtain from management certain representations at the completion of the audit. In accordance with professional standards, a copy of the representation letter will be provided to the Finance Committee.



Independence

We are independent and have a robust and consistent system of quality control. We provide complete transparency on all services and follow the Finance Committee's approved protocols. At the completion of our audit, we will re-confirm our independence to the Finance Committee.

Internal control deficiencies

Significant control deficiencies identified during the audit will be communicated to management and the Finance Committee.



Appendix 2: How do we deliver audit quality?

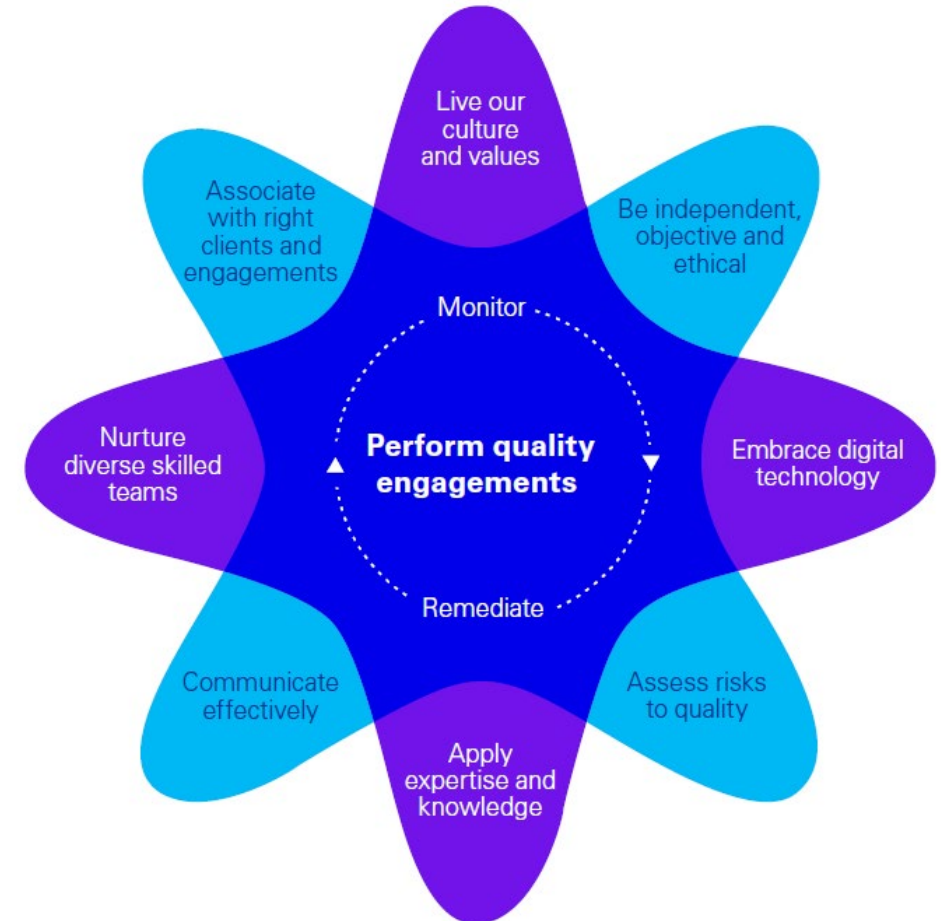
Quality essentially means doing the right thing and remains our highest priority. Our Global Quality Framework outlines how we deliver quality and how every partner and staff member contributes to its delivery.

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. Our Transparency Report includes our firm's Statement on the Effectiveness of our SoQM.

 [KPMG Canada Transparency Report](#)

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.



Appendix 3: 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 current year (periods beginning on or after December 15, 2023)

None that are applicable for the entity.

Effective for next year (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

Click here for information about CAS 260 and CAS 700 from CPA Canada:
[Amended CAS 260 and CAS 700](#)



Appendix 4: New accounting standards

| Standard | Summary and implications |
|------------------------------|---|
| Revenue | <ul style="list-style-type: none"> The new standard PS 3400 <i>Revenue</i> is effective for fiscal years beginning on or after January 1, 2024. The new standard establishes a single framework to categorize revenue to enhance the consistency of revenue recognition and its measurement. The standard notes that in the case of revenue 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 revenue arises 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. |
| Purchased Intangibles | <ul style="list-style-type: none"> The new Public Sector Guideline 8 <i>Purchased intangibles</i> is effective for fiscal years beginning on or after January 1, 2024 with earlier adoption permitted. The guideline allows public sector entities to recognize intangibles purchased through an exchange transaction. The definition of an asset, the general recognition criteria and GAAP hierarchy are used to account for purchased intangibles. Narrow scope amendments were made to PS 1000 <i>Financial statement concepts</i> to remove the prohibition to recognize purchased intangibles and to PS 1201 <i>Financial statement presentation</i> to remove the requirement to disclose purchased intangibles not recognized. The guideline can be applied retroactively or prospectively. |



Appendix 4: New accounting standards (continued)

| Standard | Summary and implications |
|--|--|
| Concepts Underlying Financial Performance | <ul style="list-style-type: none"> The revised Conceptual Framework is effective for fiscal years beginning on or after January 1, 2027 with early adoption permitted. The framework provides the core concepts and objectives underlying Canadian public sector accounting standards. The ten chapter conceptual framework defines and elaborates on the characteristics of public sector entities and their financial reporting objectives. Additional information is provided about financial statement objectives, qualitative characteristics and elements. General recognition and measurement criteria, and presentation concepts are introduced. |
| Financial Statement Presentation | <ul style="list-style-type: none"> Section PS 1202 <i>Financial statement presentation</i> will replace the current section PS 1201 <i>Financial statement presentation</i>. PS 1202 <i>Financial statement presentation</i> will apply to fiscal years beginning on or after January 1, 2027 to coincide with the adoption of the revised conceptual framework. Early adoption is permitted. The section includes the following: <ul style="list-style-type: none"> Relocation of the net debt indicator to its own statement called 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 total assets followed by total 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. |



Appendix 4: New accounting standards (continued)

| Standard | Summary and implications |
|--|--|
| Employee Future Benefit Obligations | <ul style="list-style-type: none"> • The Public Sector Accounting Board has initiated a review of sections PS 3250 <i>Retirement benefits</i> and PS 3255 <i>Post-employment benefits, compensated absences and termination benefits</i>. • The intention is to use principles from International Public Sector Accounting Standard 39 <i>Employee benefits</i> 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, the new standards will be implemented in a multi-release strategy. The first standard will provide foundational guidance. Subsequent standards will provide additional guidance on current and emerging issues. • The proposed section PS 3251 <i>Employee benefits</i> will replace the current sections PS 3250 <i>Retirement benefits</i> and PS 3255 <i>Post-employment benefits, compensated absences and termination benefits</i>. • An initial exposure draft was issued in 2021, and based on public feedback, a re-exposure draft focused on discount rates will be issued with a due date of January 20, 2025. • The proposed changes will apply to fiscal years beginning on or after April 1, 2029. Early adoption will be permitted and guidance applied retroactively. • This proposed section would result in public sector entities 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. |



Appendix 5: Thought leadership and insights

2024 Canadian CEO Outlook

KPMG interviewed more than 800 business owners and C-suite leaders across Canada on a variety of topics ranging from their top-of-mind concerns to their acquisition plans, the risks and rewards of artificial intelligence (AI), productivity, the omnipresent threat of cybercrime, and the impact of aging demographics on the workforce.

[Click here](#) to access KPMG's portal.

Future of Risk

Enterprises are facing an array of reputational, environmental, regulatory and societal forces. To navigate this complex landscape, the C-suite should seek to embrace risk as an enabler of value and fundamentally transform their approach. KPMG's global survey of 400 executives reveals that their top priorities for the next few years are adapting to new risk types and adopting advanced analytics and AI. As organizations align risk management with strategic objectives, closer collaboration across the enterprise will be essential.

[Click here](#) to access KPMG's portal.

Resilience Amid Complexity

In today's rapidly evolving and interconnected business landscape, organizations face unprecedented challenges and an increasingly complex and volatile risk landscape that can threaten their competitiveness and future survival. We share revealing real-world examples of how companies have overcome their challenges and emerged stronger as the rapid pace of change accelerates and look at the key components of KPMG's enterprise resilience framework and how it is helping these businesses build resilience and achieve their strategic objectives in an increasingly uncertain world.

[Click here](#) to access KPMG's portal.

Future of Procurement

Procurement is at an exciting point where leaders have the opportunity to recast their functions as strategic powerhouses. In this global report we examine how these forces may affect procurement teams and discuss how procurement leaders can respond – and the capabilities they will need to thrive. Our insights are augmented by findings from the KPMG 2023 Global Procurement Survey, which captured the perspectives of 400 senior procurement professionals around the globe, representing a range of industries.

[Click here](#) to access KPMG's portal.



Appendix 5: Thought leadership and insights

Artificial Intelligence in Financial Reporting and Audit

Artificial intelligence (AI) is transforming the financial reporting and auditing landscape, and is set to dramatically grow across organizations and industries. In our new report, KPMG surveyed 1,800 senior executives across 10 countries, including Canada, confirming the importance of AI in financial reporting and auditing. This report highlights how organizations expect their auditors to lead the AI transformation and drive the transformation of financial reporting. They see a key role for auditors in supporting the safe and responsible rollout of AI, including assurance and attestation over the governance and controls in place to mitigate risks.

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Control System Cybersecurity Annual Report 2024

Based on a survey of more than 630 industry members (13% from government organizations), this report reveals that while the increase in cyberattacks is concerning, organizations have become more proactive in their cybersecurity budgets, focused on prevention, and acknowledging the threat of supply chain attacks. Furthermore, the report highlights a pressing need for skilled cybersecurity professionals in the face of escalating cyber threats. Explore the full report to help gain a clearer understanding of the growing cyber threat landscape and learn how to overcome the roadblocks to progress.

[Click here](#) to access KPMG's portal.

Cybersecurity Considerations 2024: Government and Public Sector

In every industry, cybersecurity stands as a paramount concern for leaders. Yet, for government and public sector organizations, the game of digital defense takes on a whole new level of intensity. The reason? The sheer volume and sensitivity of data they manage, which can amplify the potential fallout from any breach. These agencies are the custodians of a vast array of personal and critical data, spanning from citizen welfare to public safety and national security. This article delves into the pivotal cybersecurity considerations for the government and public sector. It offers valuable perspectives on critical focus areas and provides actionable strategies for leaders and their security teams to fortify resilience, drive innovation, and uphold trust in an ever-changing environment.

[Click here](#) to access KPMG's portal.



Appendix 5: Thought leadership and insights

Why the Public Sector Must Take the Lead in Sustainability Reporting

As the world prepares for the implementation of sustainability reporting standards from the International Sustainability Board (ISSB), the need for public sector leadership is pronounced. While governments around the world have collaborated on vital policy and regulatory solutions, they have yet to provide sustainability reporting for their own government reporting entities. This presents a major obstacle to global sustainability ambitions, particularly considering the vast physical infrastructure, non-renewable resources, rare earth elements, water and natural assets controlled by governments around the world. .

[Click here](#) to access KPMG's portal.

Fighting Modern Slavery in Canadian Supply Chain

The deadline for the first year of reporting under Canada's Fighting Forced Labour and Child Labour in Supply Chains Act (the Act) was May 31, 2024. Under the Act, eligible entities are required to publicly report on steps taken to reduce the risk of forced labour and child labour in their business and supply chain. KPMG in Canada reviewed 5,794 report submissions for the act to identify key takeaways.

[Click here](#) to access KPMG's portal.

ESG for Cities Webinar Series

Cities and municipalities play a crucial role to drive climate action and resilience measures, acting as stewards for the communities they serve – including their constituents, and public, private and non-profit organizations. With the physical impacts of climate changes – including floods, wildfires and droughts – accelerating in terms of both increased frequency and severity, city and municipal leaders are increasingly considering how they can tackle the multifaceted challenge of achieving net zero greenhouse gas (GHG) emissions by 2050. KPMG in Canada's Public Sector and ESG practices completed a three-part national webinar series focusing on the journey to net zero – from strategic planning and stakeholder engagement to the implementation at the asset and operational level, and subsequent reporting obligations.

[Click here](#) to access KPMG's portal.



Appendix 5: Thought leadership and insights

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

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

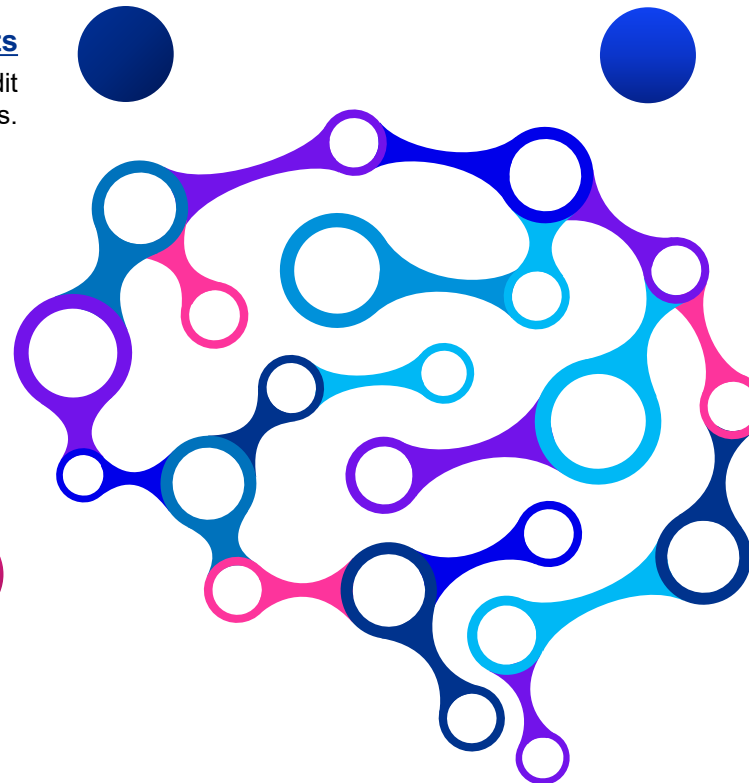
A practical guide providing insight into current challenges and leading practices shaping audit committee effectiveness in Canada.

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.





Appendix 5: Thought leadership and insights



KPMG research shows that:

Eighty-seven percent of IT decision makers believe that technologies powered by AI should be subject to regulation.

- Of that group, 32 percent believe that regulation should come from a combination of both government and industry.
- Twenty-five percent believe that regulation should be the responsibility of an independent industry consortium.

Ninety-four percent of IT decision makers feel that firms need to focus more on corporate responsibility and ethics while developing AI solutions.

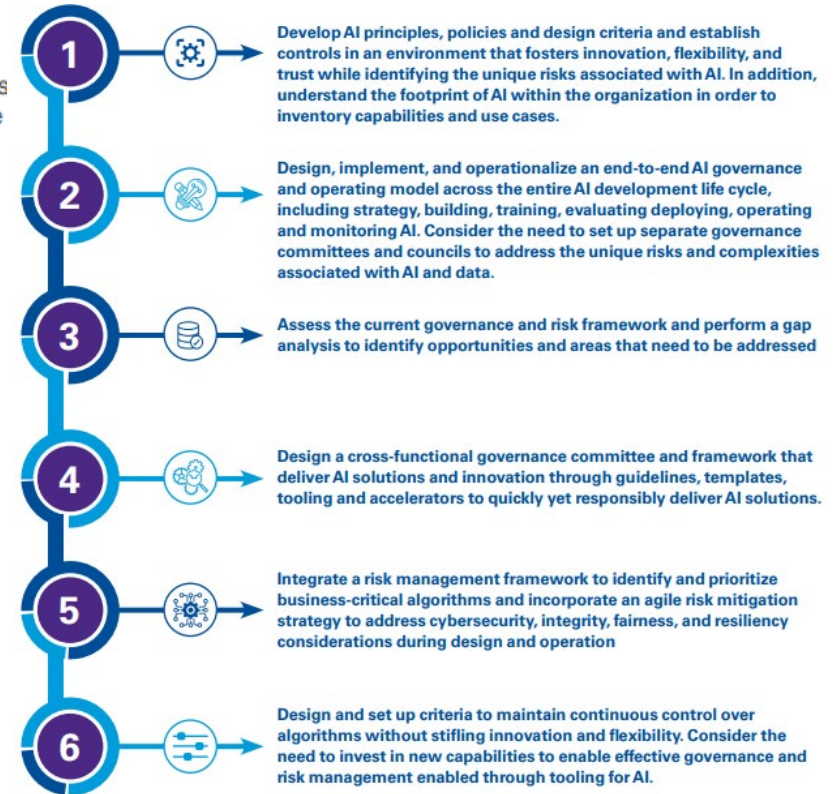
Source:

Per a study of 300 ITDMs from the UK and the US, conducted by Vanson Bourne on behalf of SnapLogic:

<https://www.businesswire.com/news/home/20190326005362/en/AI-Ethics-Deficit-%E2%80%94-94-Leaders-Call>

For AI solutions to be transformative, trust is imperative. This trust rests on four main anchors: integrity, explainability, fairness, and resilience. These four principles (enabled through governance) will help organizations drive greater trust, transparency, and accountability.

- 1. Integrity** — algorithm integrity and data validity including lineage and appropriateness of how data is used
- 2. Explainability** — transparency through understanding the algorithmic decision-making process in simple terms
- 3. Fairness** — ensuring AI systems are ethical, free from bias, free from prejudice and that protected attributes are not being used
- 4. Resilience** — technical robustness and compliance of your AI and its agility across platforms and resistance against bad actors



home.kpmg/ShapeofAIGovernance



Appendix 5: Thought leadership and insights

Current trends in internal audit

Organizations continually face a wide spectrum of risks beyond the already complex financial and regulatory compliance risks. Many organizations are recognizing the impact and benefit of internal audit activity that is agile, properly resourced, effectively managed, and aligned with strategic priorities, which can improve risk management and control processes and drive better efficiencies.

Examples of internal audits are noted below.

Cost reduction / efficiency planning

Review the governance arrangements for the monitoring and efficiency delivery of programs / services as required. This includes considering how efficiency requirements have been apportioned and communicated to support planning.

Fraud risk management

Internal Audit assesses whether a fraud risk management framework exists and whether fraud risk assessment is performed at these levels. Internal Audit reviews the overall governance surrounding this process and review the communication and reporting protocols in place.

Staff inclusion and diversity

Assess the strategy and plan in place for inclusion and diversity amongst staff, the governance of them and the measures in place to measure achievement of the goals. Training and awareness programs are offered to staff and faculty to provide understanding of roles and responsibilities and material is updated on a regular basis.

Asset management / maintenance

Review the processes and controls in place to ensure assets are adequately managed based on an appropriate schedule.

Well being (staff)

Review processes in place to develop and promote employee wellness programs and mental health strategies for staff. Areas of focus include overall program framework, communication to faculty and staff, feedback mechanisms and management's approach to assessing the suitability of the current wellness offerings version faculty and staff needs.



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