



# Corporation of the City of Kitchener

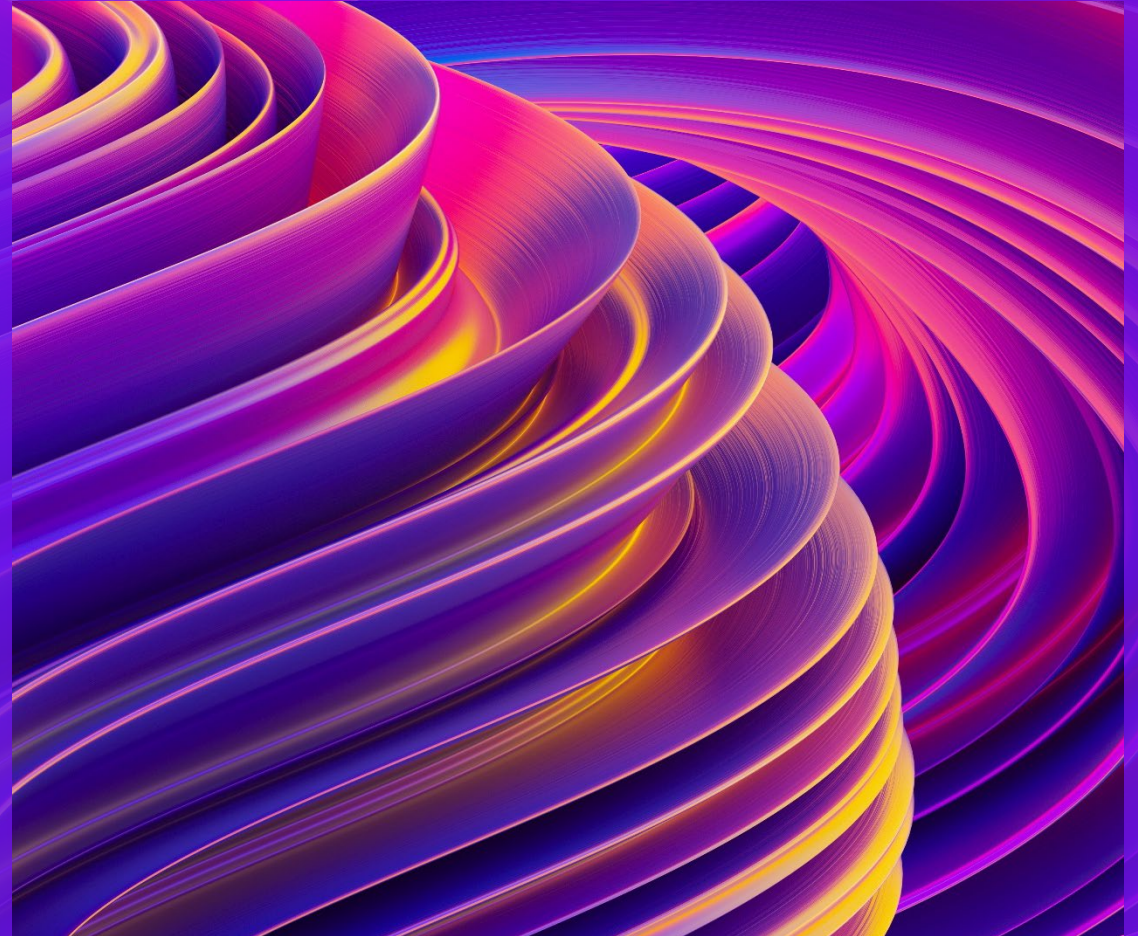
**Audit Findings Report  
for the year ended  
December 31, 2023**

*KPMG LLP*

Licensed Public Accountants

Prepared as of June 17, 2024, for presentation to the Audit Committee  
on June 24, 2024.

[kpmg.ca/audit](https://kpmg.ca/audit)



# KPMG contacts

## Key contacts in connection with this engagement



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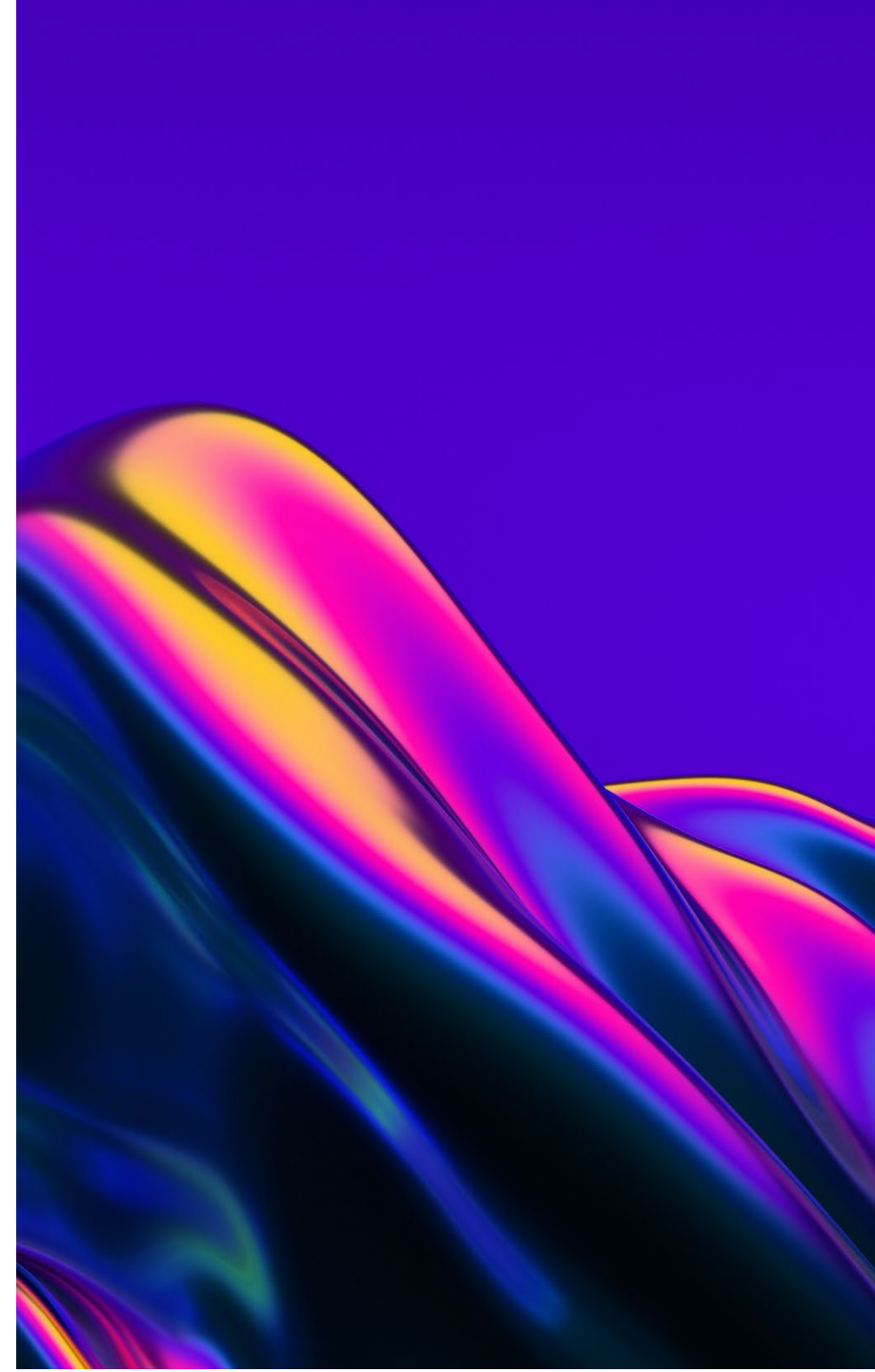


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## Digital use information

This Audit Findings 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.



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



# Audit highlights



No matters to report



Matters to report – see link for details

## Status

We have completed the audit of the consolidated financial statements (“financial statements”), with the exception of certain remaining outstanding procedures, which are highlighted on the ‘Status’ slide of this report.



## Significant changes

Significant changes since our audit plan

## Risks and results

Significant risks

- Management override of controls

Other risks of material misstatement

- Post-employment benefits
- Obligatory reserve fund revenue and deferred revenue
- Asset retirement obligations
- Tangible capital assets

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## Policies and practices & Specific topics

Significant unusual transactions

Accounting policies and practices

Other financial reporting matters

## Uncorrected misstatements

Uncorrected misstatements

- There were no misstatements identified that were not corrected

## Corrected misstatements

Corrected misstatements

## Control deficiencies

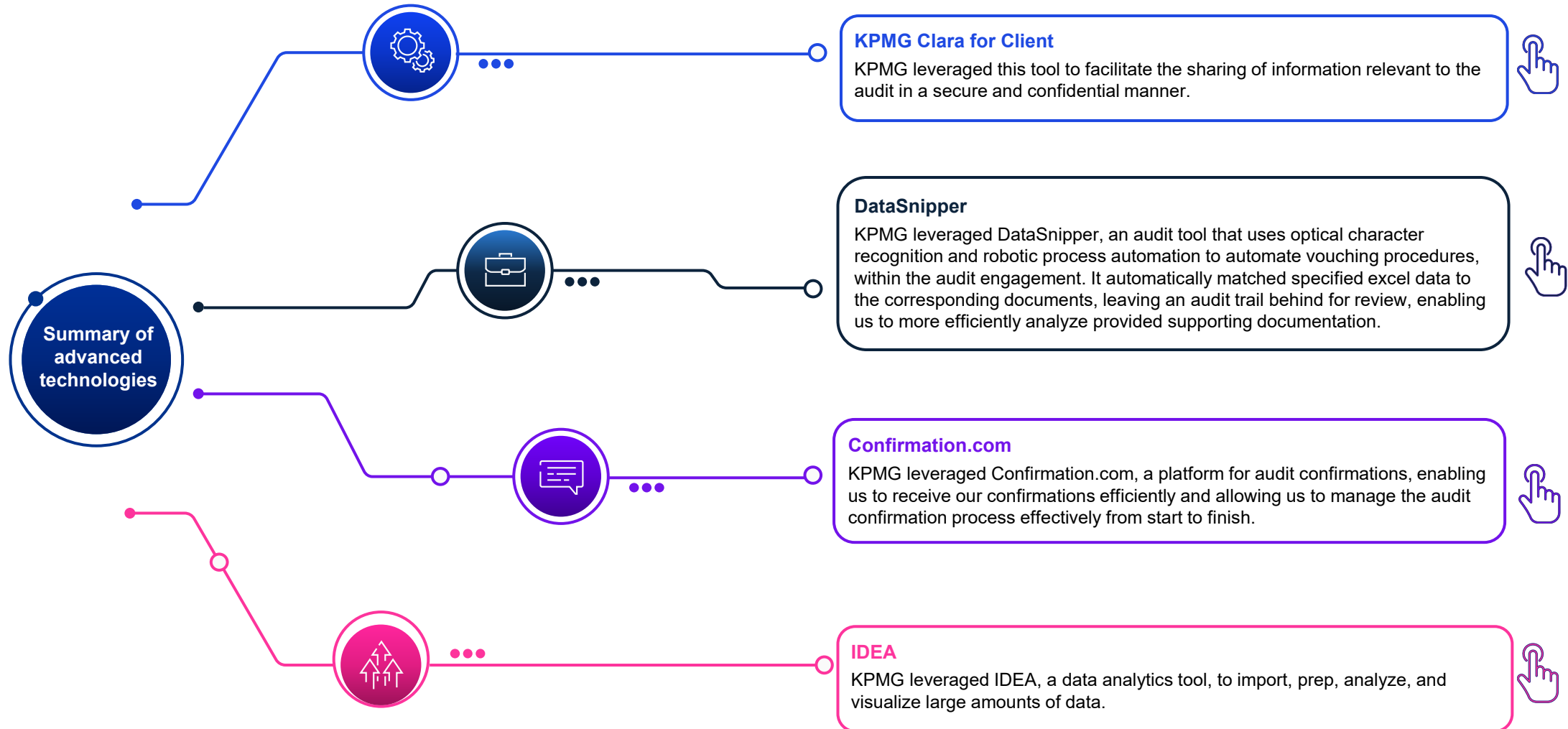
Significant deficiencies

- There were no significant deficiencies identified during the audit



# Technology highlights

As previously communicated in our audit planning report, we have utilized technology to enhance the quality and effectiveness of the audit.





# Status

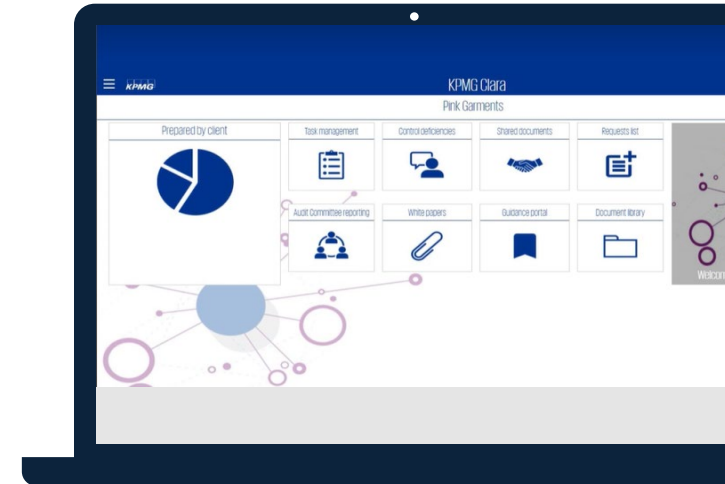
As of June 17, 2024, we have completed the audit of the consolidated financial statements, with the exception of certain remaining procedures, which include amongst others:

- Remaining audit procedures to be completed:
  - Asset retirement obligations
- Receipt of legal confirmations
- Completion of note tie out
- Completing our final quality control and review procedures
- Completing our discussions with the Audit Committee
- Obtaining evidence of the Council's approval of the financial statements
- Receipt of the signed management representation letter

We will update the Audit Committee, and not solely the Chair, on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures.

A draft of our auditor's report is provided in Appendix: Draft Auditor's Report.

## KPMG Clara for Clients (KCfc)



### Real-time collaboration and transparency

We leveraged **KCfc** to facilitate real-time collaboration with management and provide visual insights into the status of the audit!

On our audit we used KCfc to coordinate requests from management.





# Significant risks and results

We highlight our significant findings in respect of **significant risk**.



## Management Override of Controls

RISK OF



FRAUD

### Significant risk

### Estimate?

There is a risk of a material misstatement due to fraud resulting from management override of controls. 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.

No

### Our response

- Our procedures included:
  - We tested the design and implementation of controls surrounding the review of journal entries, and the business rationale for significant entries.
  - Using our KPMG Clara Journal Entry Analysis Tool, we obtained 100% of the journal entries posted during the year.
  - In responding to risks of fraud and management override of controls, we set specific criteria to isolate high risk journal entries and adjustments in order to analyze for further insights into our audit procedures and findings. We focused on journal entries that could possibly be related to override activities.
- No issues were noted in the performance of the above procedures.

### Significant qualitative aspects of Kitchener's accounting practices

No significant qualitative aspects to note.



# Other risks of material misstatement and results

We highlight our significant findings in respect of **other risks of material misstatement**.



## Post-Employment Benefits

### Other risk of material misstatement

### Estimate?

Post-employment benefits

Yes

We are focusing on this area due to this being an estimate with significant judgment used by management and management's specialists. Additionally, there is complexity of the accounting guidance.

### Our response

- Our procedures included:
  - We communicated with management's actuarial specialists.
  - We assessed management's process for identification and making accounting estimates, which are consistent with prior year.
  - We assessed the reasonableness of assumptions used, and we tested the appropriateness of the underlying data, including employee populations.
  - We assessed the discount rate used in calculating the employee future benefits in 2023 of 4.6%, which we considered to be reasonable, and is consistent with similar term borrowing rate.
  - We used the work of the Mondelis Actuarial (Actuarial Consultant) in our audit of the accounts and disclosures.
- No issues were noted in the performance of the above procedures.

### Significant qualitative aspects of Kitchener's accounting practices

No significant qualitative aspects to note.





# Other risks of material misstatement and results

We highlight our significant findings in respect of **other risks of material misstatement**.



## Obligatory Reserve Fund Revenue and Deferred Revenue

### Other risk of material misstatement

### Estimate?

Obligatory reserve fund revenue and deferred revenue

No

We are focusing on this area due to revenue recognized from development charge reserve fund is subject to judgment as capital projects must be growth related in nature. Additionally, we will focus on deferred revenue from the federal and provincial governments.

### Our response

- Our procedures included:
  - Obtained management's continuity schedule for deferred development charges and ensured the spreadsheet was accurate We will perform substantive testing over amounts being recognized as revenue
  - Agreed a sample of development charges collected from developers during the current fiscal year
  - Obtained a sample of costs that related to development charge revenue to ensure they were appropriate, were allocated to the appropriate project, and were "growth-related" in nature.
  - Assessed the accounting for waived development charges
- No issues were noted in the performance of our above procedures.

### Significant qualitative aspects of Kitchener's accounting practices

No significant qualitative aspects to note.



# Other risks of material misstatement and results

We highlight our significant findings in respect of **other risks of material misstatement**.



## Asset Retirement Obligations

### Other risk of material misstatement

### Estimate?

Asset retirement obligations

Yes

We are focusing on this area due to this being an estimate with significant judgment used by management and management's specialists. Additionally, there is complexity of the accounting guidance.

The transition to PS 3280 has required management to retrospectively apply PS 3280 with adjustments to financial information of the comparative year of 2022, which has involved making numerous policy decisions, judgments, and estimates.

### Our response

- Our procedures included:
  - Assessed management's accounting position over the new standard and ensured it is appropriate and in compliance with Public Sector Accounting Standards.
  - Tested a sample of obligations to ensure the accuracy and existence of the obligation is appropriate.
  - Tested a sample of assets that have no obligation attached to them to ensure the completeness of the overall obligation.
  - Inspected the journal entries booked to record the initial obligation as at the transition date.
- If there are any findings after the completion of the audit procedures over asset retirement obligations we will report this to you in an update to the audit findings report.

### Significant qualitative aspects of Kitchener's accounting practices

No significant qualitative aspects to note.



# Other risks of material misstatement and results

We highlight our significant findings in respect of **other risks of material misstatement**.



## Tangible Capital Assets

### Other risk of material misstatement

### Estimate?

Tangible capital assets

No

We are focusing on this area due to the significance of the account balances and the fact that there is a risk of error in inappropriately recognizing costs as either capital or operating.

### Our response

- Our procedures included:
  - We discussed capitalization policies and their application with management.
  - We performed statistical sampling to select tangible capital asset additions and retirements in the year.
  - We reviewed expense accounts to ensure that items related to tangible capital assets were not inappropriately expensed in 2023.
  - We tested the reasonableness of amortization expense.
- No issues were noted in the performance of the above procedures.

### Significant qualitative aspects of Kitchener's accounting practices

No significant qualitative aspects to note.



# Other risks of material misstatement and results

We highlight our significant findings in respect of **other risks of material misstatement**.



## Financial Instruments

### Other risk of material misstatement

### Estimate?

Financial instruments

No

Financial instruments and financial statement presentation - Risk of error over completeness, existence, accuracy and presentation of financial instruments.

### Our response

- We gained an understanding of the City's process for identifying financial instruments.
- We obtained and reviewed management's policy for financial instruments; equity instruments quoted in an active market and free-standing derivatives are to be carried at fair value. All other financial instruments, including bonds, are recorded at cost or amortized cost.
- The City has principal protected notes (PPN) that have an embedded derivative attached to them. The City has elected to bifurcate the embedded derivative and measure it at fair value.
- The identification of embedded derivatives are allowed and will be prospectively applied as of the date of transition, January 1, 2023. One PPN was purchased during 2023 and the equity index attached to the instrument was bifurcated and measured at fair value. The return on the index was in a loss position and therefore the fair value of the instrument was Nil. KPMG agrees with this measurement.
- The remaining PPNs are measured at amortized cost as of December 31, 2023. We have assessed this as reasonable and appropriately included in the notes to the financial statements.
- We confirmed investments with Custodians

### Significant qualitative aspects of Kitchener's accounting practices

No significant qualitative aspects to note.



# Uncorrected misstatements

Uncorrected misstatements include financial presentation and disclosure omissions.



## Impact of uncorrected misstatements – Not material to the financial statements

- KPMG did not identify any misstatements that remain uncorrected



# Corrected misstatements

Corrected misstatements include financial presentation and disclosure misstatements.



## Impact of corrected misstatements

- Misstatement was identified related to an internal order settled to the income statement that should not have occurred
- Misstatement resulted in an overstatement of revenue and expenses
- Refer to the management representation letter for the corrected misstatement details



# Control deficiencies

## Consideration of internal control over financial reporting (ICFR)

In planning and performing our audit, we considered ICFR relevant to the Entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on ICFR.

Our understanding of internal control over financial reporting was for the limited purpose described above and was not designed to identify all control deficiencies that might be significant deficiencies. The matters being reported are limited to those deficiencies that we have identified during the audit that we have concluded are of sufficient importance to merit being reported to those charged with governance.

Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing, and extent of audit procedures performed, as well as other factors. Had we performed more extensive procedures on internal control over financial reporting, we might have identified more significant deficiencies to be reported or concluded that some of the reported significant deficiencies need not, in fact, have been reported.

## A deficiency in internal control over financial reporting

A deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed, or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

## Significant deficiencies in internal control over financial reporting

A deficiency, or a combination of deficiencies, in internal control over financial reporting that, in our judgment, is important enough to merit the attention of those charged with governance.

**KPMG has not identified any significant control deficiencies as a result of our audit.**



# Accounting policies and practices



## Initial selection

The following new material accounting policies and practices were selected and applied during the period.

- PS 3280 *Asset retirement obligations*
- PS 3450 *Financial instruments*
- PS 2601 *Foreign currency translation*
- PS 3041 *Portfolio investments*

Changes to material accounting policies and practices and the impact on the financial statements will be disclosed in the notes to the financial statements.

For financial instruments, the potential impact would relate to investments. Within the new accounting standard certain investments, specifically derivatives and portfolio investments quoted in an active market, are required to be recorded at fair value and not amortized cost. Based on review of the investments held at year end, management noted no investments that should be recorded at fair value. Based on our audit procedures, we concur with management's assessment.

The new accounting standard for asset retirement obligations will have a significant impact on the financial statements. At adoption, there will be an adjustment to lower the opening equity to set up the asset retirement obligation.

The remaining new standards did not have a significant impact on the City's financial statements.



## Revised

There are no revised accounting policies and practices





# Accounting policies and practices



## Significant qualitative aspects

Discussion about qualitative aspects of material accounting policies and practices

- *Appropriateness*: We have reviewed the accounting policies and practices as a result of the adoption of the aforementioned standards and have concluded that they are appropriate.
- *Management bias*: Our review of management's judgments did not indicate any management bias.
- *Estimates*: We have evaluated the estimates determined by Kitchener's specialists and noted no indication of possible bias on the part of management.
- *Effect on the financial statements or disclosures*: We believe the impact on the 2023 financial statements due to the aforementioned standards has been appropriately recorded and all required disclosures relating to their adoption and all retrospective adjustments have been appropriately applied and disclosed.



# Other financial reporting matters

We also highlight the following:



**Financial statement presentation - form, arrangement, and content**



The form, arrangement, and content of the financial statements are appropriate for the size, scope, and industry of the organization.



**Concerns regarding application of new accounting pronouncements**



The application of the new accounting standards is considered appropriate for the organization.



**Significant qualitative aspects of financial statement presentation and disclosure**



There are no concerns with respect to the presentation or disclosure of the financial statements; the financial statement presentation and disclosure is considered appropriate for the organization.

# Appendices



Draft Auditor's  
report



Required  
communications



Management  
representation letter



Audit quality



Audit and  
assurance insights



ESG



Technology





# Appendix: Draft auditor's report



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## INDEPENDENT AUDITOR'S REPORT

To the Mayor and Members of Council, Inhabitants and Ratepayers of the Corporation of the City of Kitchener

### ***Opinion***

We have audited the consolidated financial statements of the Corporation of the City of Kitchener (the Entity), which comprise:

- the consolidated statement of the financial position as at December 31, 2023
- the consolidated statement of operations for the year then ended
- the consolidated statement of remeasurement gains for the year then ended
- the consolidated statement of change in net financial assets for the year then ended
- the consolidated statement of cash flow for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2023, and its consolidated results of operations, its consolidated remeasurement gains, its changes in consolidated net financial assets, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***” section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.



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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

***Emphasis of Matter - comparative information***

We draw attention to Note 2 to the financial statements (“Note 2”), which explains that certain comparative information presented for the year ended December 31, 2022 has been restated.

Note 2 explains the reason for the restatement and also explains the adjustments that were applied to restate certain comparative information.

Our opinion is not modified in respect of this matter.

***Other Matter – Comparative Information***

As part of our audit of the financial statements for the year ended December 31, 2023, we also audited the adjustments that were applied to restate certain comparative information presented for the year ended December 31, 2022 and as at January 1, 2022.

In our opinion, such adjustments are appropriate and have been properly applied.

***Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Entity’s ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity’s financial reporting process.

***Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion.



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Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group Entity to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Chartered Professional Accountants, Licensed Public Accountants

Kitchener, Canada

DRAFT





# Appendix: Other required communications



## Engagement terms

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



## 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: 2021 Annual Inspections Results](#)
- [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](#)



# Appendix: Management representation letter(s)

KPMG LLP  
120 Victoria Street South, Suite 600  
Kitchener, ON  
N2G 0E1

[date]

Ladies and Gentlemen:

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the consolidated financial statements (hereinafter referred to as “financial statements”) of The Corporation of the City of Kitchener (“the Entity”) as at and for the period ended December 31, 2023.

We confirm that the representations we make in this letter are in accordance with the definitions as set out in **Attachment I** to this letter.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

**GENERAL:**

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated December 18, 2022 for:
  - a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework
  - b) providing you with all relevant information, such as all financial records and related data, including the names of all related parties and information regarding all relationships and transactions with related parties, and complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of shareholders, board of directors and committees of the board of directors that may affect the financial statements, and access to such relevant information
  - c) such internal control as management determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error

- d) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.

**INTERNAL CONTROL OVER FINANCIAL REPORTING:**

- 2) We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over financial reporting of which management is aware.

**FRAUD & NON-COMPLIANCE WITH LAWS AND REGULATIONS:**

- 3) We have disclosed to you:
  - a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud
  - b) all information in relation to fraud or suspected fraud that we are aware of and that affects the Entity and involves: management, employees who have significant roles in internal control, or others, where the fraud could have a material effect on the financial statements
  - c) all information in relation to allegations of fraud, or suspected fraud, affecting the Entity's financial statements, communicated by employees, former employees, analysts, regulators, or others
  - d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements, whose effects should be considered when preparing financial statements
  - e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements

**COMMITMENTS & CONTINGENCIES:**

- 4) There are no:
  - a) other liabilities that are required to be recognized and no other contingent assets or contingent liabilities that are required to be disclosed in the financial statements in accordance with the relevant financial reporting framework, including liabilities or contingent liabilities arising from illegal acts or possible illegal acts, or possible violations of human rights legislation
  - b) guarantees, whether written or oral, under which the Entity is contingently liable.

**SUBSEQUENT EVENTS:**

- 5) All events subsequent to the date of the financial statements and for which the relevant financial reporting framework requires adjustment or disclosure in the financial statements have been adjusted or disclosed.

**RELATED PARTIES:**

- 6) We have disclosed to you the identity of the Entity's related parties.
- 7) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.
- 8) All related party relationships and transactions/balances have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

**ESTIMATES:**

- 9) Measurement methods and significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

**GOING CONCERN:**

- 10) We have provided you with all relevant information regarding all of the key risk factors, assumptions and uncertainties of which we are aware that are relevant to the Entity's ability to continue as a going concern.

**MISSTATEMENTS:**

We approve the corrected misstatements identified by you during the audit described in **Attachment II**.

**NON-SEC REGISTRANTS OR NON-REPORTING ISSUERS:**

- 11) We confirm that the Entity is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission ("SEC") Issuer (as defined by the Sarbanes-Oxley Act of 2002). We also confirm that the financial statements of the Entity will not be included in the consolidated financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

Yours very truly,

---

Jonathan Lautenbach, Treasurer

---

Katie Fischer, Director, Financial Reporting and ERP Solutions

cc: Audit Committee

## Attachment I – Definitions

### **MATERIALITY**

Certain representations in this letter are described as being limited to matters that are material. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both.

### **FRAUD & ERROR**

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization.

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

### **RELATED PARTIES**

In accordance with public sector accounting standards *related party* is defined as:

- A related party exists when one party has the ability to exercise control or shared control over the other. Two or more parties are related when they are subject to common control or shared control. Related parties also include key management personnel and close family members.

In accordance with public sector accounting standards a *related party transaction* is defined as:

- A related party transaction is a transfer of economic resources or obligations between related parties, or the provision of services by one party to a related party. These transfers are related party transactions whether or not there is an exchange of considerations or transactions have been given accounting recognition. The parties to the transaction are related prior to the transaction. When the relationship arises as a result of the transaction, the transaction is not one between related parties.

## Attachment II – Summary of Audit Misstatements Schedule(s)

### Summary of Audit Misstatements - Corrected

**Entity:** Corporation City of Kitchener

**For Period Ended:**

Amounts in:                      CDN

<u>Entry</u>					<u>Balance sheet</u>		<u>Income statement</u>	
ID	Description of misstatement	Factual, judgmental or projected misstatement?	Misstatement in accounts or in disclosure?	Accounts (if applicable)	Debit	(Credit)	Debit	(Credit)
SAM1	to adjust income statement and balance sheet for an incorrect settlement for Kitchener AUD revenues and expenses	Factual	accounts	User fees materials and services accounts payable		(35,230)	10,857,773	(10,822,543)
					-	(35,230)	10,857,773	(10,822,543)





# Appendix: Audit quality - How do we deliver audit quality?

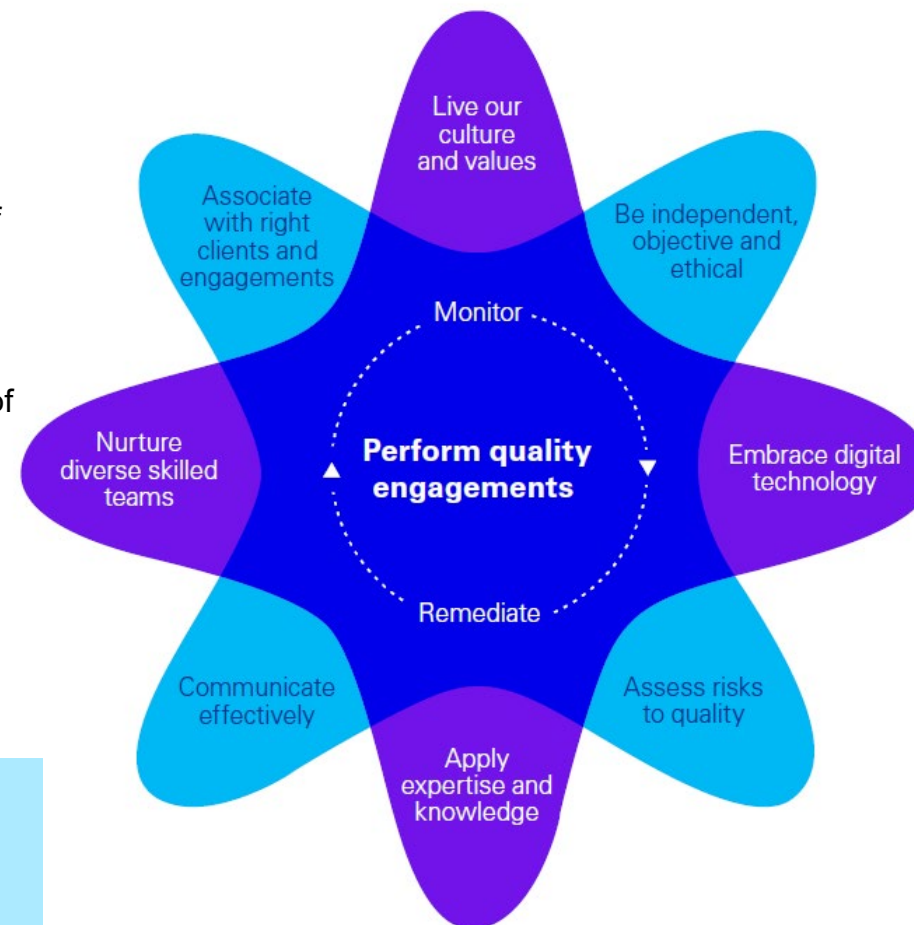
Quality essentially means doing the right thing and remains our highest priority. Our Global Quality Framework outlines how we deliver quality and how every partner and staff member contributes to its delivery.

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

[▶ KPMG 2023 Audit Quality and 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: Audit quality - Indicators (AQIs)

The objective of these measures is to provide the Audit Committee and management with more in-depth information about factors that influence audit quality within an audit process. Below you will find the current status of the AQIs that we have agreed with management are relevant for the audit.



## Team composition



### Experience of the team

- Engagement Partner – 15+ years on this engagement
- Engagement Senior Manager - 9 years on this engagement
- Engagement Manager – 3 years on this engagement



## Technology in the audit



### Implementation of Technology in the Audit

- We have implemented the following in the audit:
  - **KPMG Clara for Clients Site (“KCfc”)** – secure PBC document sharing site
  - **KPMG Clara Workflow (“KCw”)** – new audit workflow to allow us to deliver globally consistent engagements
  - **KPMG Clara Advanced Capabilities – Journal Entry Analysis** – focuses audit effort on journal entries that are riskier in nature
  - **DataSnipper** – Excel based tool, which allows us to automatically match Excel data with underlying source documents and form data extraction from documents with the same layout



## Timing of prepared by client (PBC) items



### Timeliness of PBC items

All requested PBC items were received in a timely manner and were of excellent quality.



Nothing to report



Some matters to report



Specific matters to report



# Appendix: Audit and assurance 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

## [Audit Committee Guide – Canadian Edition](#)

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

## [Accelerate 2023](#)

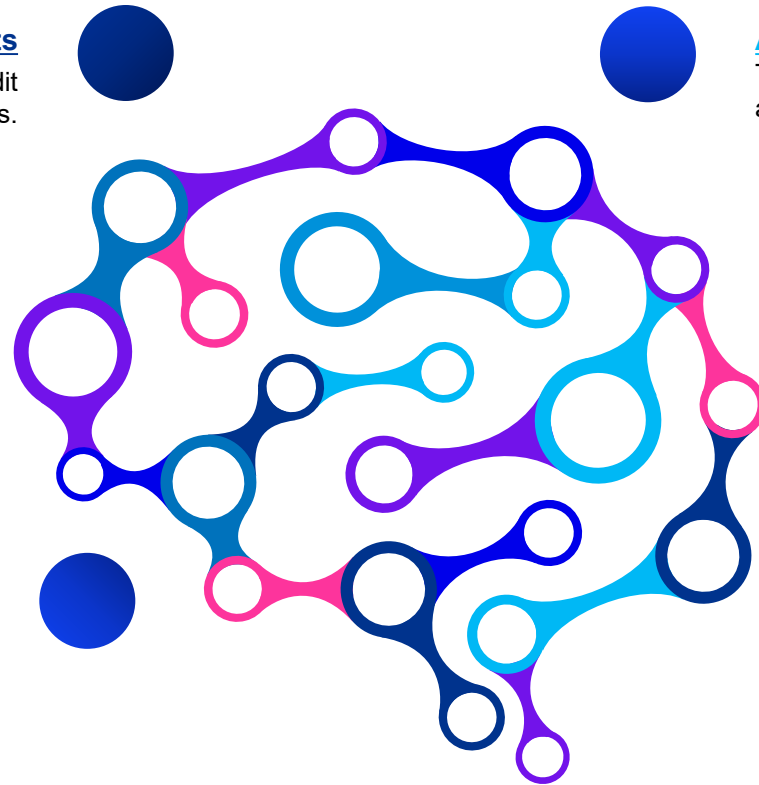
The key issues driving the audit committee agenda in 2023.

## [Momentum](#)

A quarterly newsletter with the latest thought-leadership from KPMG's subject matter leaders across Canada and valuable audit resources for clients.

## [KPMG Climate Change Financial Reporting Resource Centre](#)

Our climate change resource center provides insights to help you identify the potential financial statement impacts to your business.





# Appendix: ESG - Global regulatory reporting standards

	ISSB <sup>1</sup> and CSSB	Canadian regulators (CSA)	US (SEC <sup>2,3</sup> and California <sup>4</sup> )	EU <sup>5,6</sup>
Recent Activity	<ul style="list-style-type: none"> <li>On March 13, 2024 the Canadian Sustainability Standards Board (CSSB) released proposals on its first two Canadian Sustainability Disclosure Standards (CSDS): Exposure Draft CSDS 1 (proposed general requirements standard) and Exposure Draft CSDS 2 (proposed climate standard).</li> <li>The proposed standards are aligned with the global baseline disclosure standards IFRS S1 and IFRS S2 with the exception of a Canadian-specific effective date for annual reporting periods beginning on or after January 1, 2025 and incremental transition relief.</li> <li>In June 2023, the International Sustainability Standards Board (ISSB) issued its first two IFRS Sustainability Disclosure Standards – IFRS S1 (general requirements standard) and IFRS S2 (climate standard).</li> <li>The ISSB standards are effective for annual periods beginning on or after January 1, 2024 – subject to local jurisdiction adoption.</li> </ul>	<ul style="list-style-type: none"> <li>In parallel with the CSSB's release of its proposals on March 13, 2024, the Canadian Securities Administrators (CSA) issued a statement noting that they will seek consultation on a revised climate-related disclosure rule following the finalization of CSDS 1 and 2.</li> <li>In October 2021, the CSA issued their original proposed rule, proposed National Instrument 51-107 <i>Disclosure of Climate-related Matters</i>.</li> <li>Bill S-211, Canada's new Act on fighting against forced labor and child labour will take effect on January 1, 2024. Canadian and foreign businesses impacted by the Act will be required to file a report on their efforts to prevent and reduce the risk of forced labour and child labour in their supply chain, by May 31<sup>st</sup> of each year.</li> </ul>	<ul style="list-style-type: none"> <li>The SEC's final climate rule was issued on March 6, 2024.</li> <li>The final rule will generally apply to all SEC registrants; <i>including</i> foreign private issuers (Form 20-F filers); <i>excluding</i> Canadian issuers reporting under the Multijurisdictional Disclosure System (Form 40-F filers) and asset-backed issuers.</li> <li>The earliest compliance date is the fiscal year beginning in Calendar year 2025 for large accelerated filers.</li> <li>The SEC also issued its final rules on cybersecurity in July 2023 and expects to release proposed disclosure rules on human capital management in spring 2024 and corporate board diversity in fall 2024.</li> <li>On October 7, 2023, the California Governor signed two climate disclosure laws that will shape climate disclosure practices beyond the state's borders. The laws will apply to US businesses (including US subsidiaries of non-US companies) that meet specified revenue thresholds and do business in California. The Governor also signed the California voluntary carbon market disclosures bill.</li> </ul>	<ul style="list-style-type: none"> <li>The European Financial Reporting Advisory Group (EFRAG) was mandated to develop European Sustainability Reporting Standards (ESRSs) setting out the detailed disclosure requirements under the Corporate Sustainability Reporting Directive (CSRD).</li> <li>On July 31, 2023, the European Commission published the final text of its first set of twelve ESRSs as delegated acts</li> <li>The ESRSs will become effective as early as 2024 reporting periods for some companies.</li> <li>There are potentially considerable ESG reporting implications for Canadian entities – as most EU-listed companies and large subsidiaries of Canadian companies with significant operations in the EU are in scope. Non-EU parent entities with substantial activity in the EU may also be in scope, with separate standards to be developed for these entities, with an effective date of 2028 reporting periods</li> </ul>

1. Refer to our [ISSB Resource Centre](#) for resources on implementing the IFRS Sustainability Disclosure Standards
2. Refer to our [Defining Issues](#) publication for more information on the SEC's final climate rule
3. Refer to our [Defining Issues](#) publication for more information on the SEC's cybersecurity rules
4. Refer to our [publication](#) on California's introduction of climate disclosures and assurance requirements
5. Refer to our [ESRS Resource Centre](#) for resources on implementing the ESRSs
6. Refer to our [publication](#) on the impact of EU ESG reporting on non-EU companies



# Appendix: 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.





<https://kpmg.com/ca/en/home.html>

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