The Corporation of the City of Kitchener

Audit Findings Report for the year ended

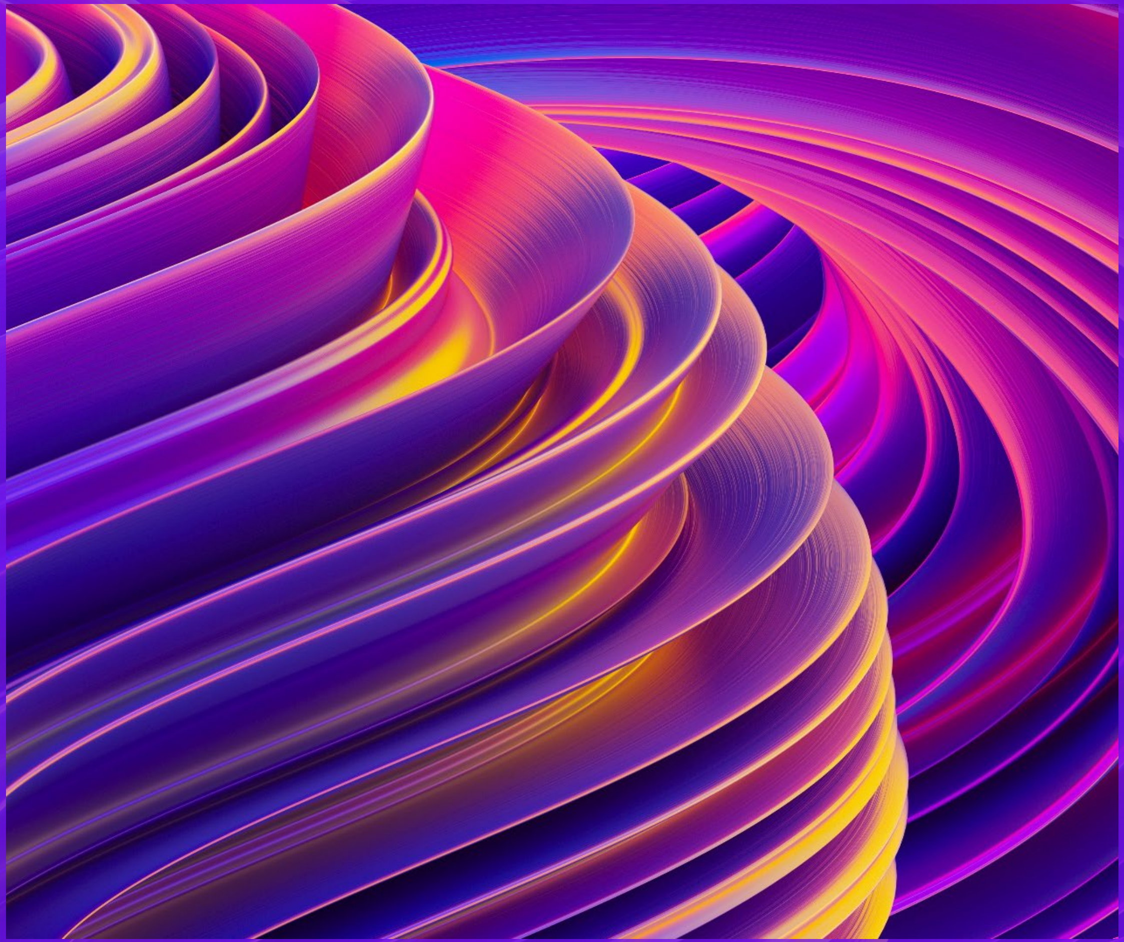
December 31, 2024

KPMG LLP

Licensed Public Accountants

Prepared as of June 19, 2025 for presentation to the Audit Committee on June 23, 2025.

kpmg.ca/audit



KPMG contacts

Key contacts in connection with this engagement

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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.

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

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 unusual transactions

Significant risks

- Management override of controls

Other risks of material misstatement

- Post employment benefits
- Obligatory reserve fund revenue and deferred revenue
- Asset retirement obligation

Going concern matters

Significant unusual transactions

Policies and practices & Specific topics

Accounting policies and practices

Other financial reporting matters

Specific topics

Misstatements

Uncorrected and corrected misstatements

Control deficiencies

Significant deficiencies

Audit Quality

Learn more about how we deliver audit quality.

Independence

Annual Statement of Compliance

Technology highlights

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

Summary of advanced technologies

KPMG Clara for Client

KPMG leveraged this tool to facilitate the sharing of information relevant to the audit in a secure and confidential manner.

DataSnipper

KPMG leveraged DataSnipper, an audit tool that uses optical character recognition and robotic process automation to automate vouching procedures, within the audit engagement. It automatically matched specified excel data to the corresponding documents, leaving an audit trail behind for review, enabling us to more efficiently analyze provided supporting documentation.

Confirmation.com

KPMG leveraged Confirmation.com, a platform for audit confirmations, enabling us to receive our confirmations efficiently and allowing us to manage the audit confirmation process effectively from start to finish.

IDEA

KPMG leveraged IDEA, a data analytics tool, to import, prep, analyze, and visualize large amounts of data.

KPMG's software audit tools are intended to be used as internal enablement tools in conjunction with the performance of audit services. Information resulting from use of software audit tools may not be used as a basis for management's conclusions as to the fairness of presentation of its financial statements or form a part of the internal control.

Status

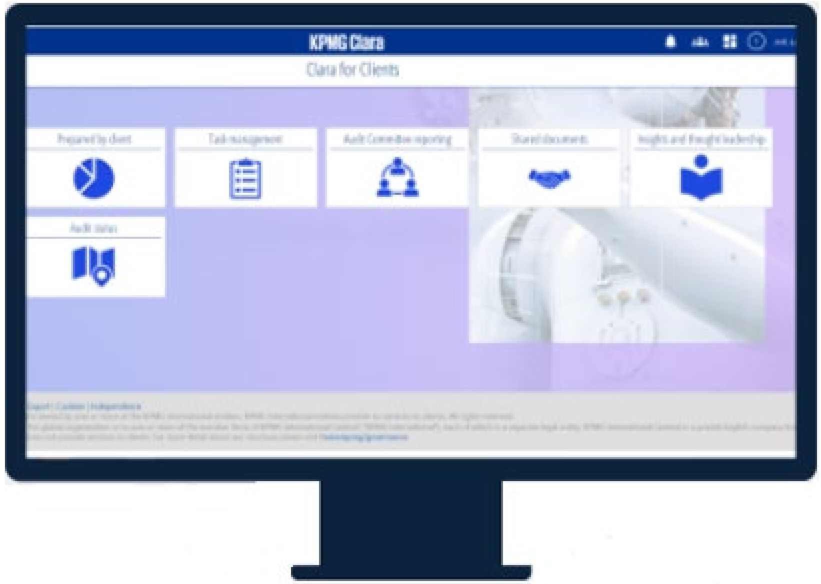
As of June 19, 2025, we have completed the audit of the consolidated financial statements, with the exception of certain remaining procedures, which include amongst others:

- Completion of manager and partner review and completion of certain audit procedures
- Receipt of legal confirmations
- Completion of financial statement tie-outs
- 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 (KCc)



Real-time collaboration and transparency

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

On our audit we used KCc to coordinate requests with management.

Learn more

Significant risks and results

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

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.
  - We selected a sample of random journal entries to test the business rationale, approval and appropriateness of the entry posted.
- No issues were noted in the performance of the above procedures.

Significant qualitative aspects of the Company’s accounting practices

No matters to report.

Other risks of material misstatement and results

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

Post-Employment Benefits

RISK OF
ERROR

Other matter	Estimate?
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.	Yes

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 post employee benefits in 2024 of 4.6% and WSIB in 2024 of 4.4%. The discount rates are consistent with the discount rates used in prior year to determine the obligation, due to the 2024 determination being an extrapolation. We considered the discount rates used to be reasonable and consistent with other rates with similar borrowing terms.
  - 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 the Company's accounting practices

No matters to report.

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

RISK OF **ERROR**

Other matter	Estimate?
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.	Yes

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 the Company's accounting practices

No matters to report.

Other risks of material misstatement and results

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

Asset Retirement Obligation

RISK OF

ERROR

Other matter	Estimate?
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.	Yes

Our response

- Our procedures included:
  - Ensured the accuracy of the asset retirement obligation continuity schedules.
  - Performed risk assessment procedures over changes in the asset, liability and depreciation values of the asset retirement obligation.
  - Inspected the asset retirement obligation working papers for changes in methodology or assumptions compared to prior year.

Significant qualitative aspects of the Company's accounting practices

No matters to report.

Accounting policies and practices

Initial selection of significant accounting policies and practices

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

- PS 3400 *Revenue*
- Public Sector Guideline 8 *Purchased intangibles*
- PS 3160 *Public private partnerships*

Description of new or revised significant accounting policies and practices

There are no revised 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 2024 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	No matters to report.
Concerns regarding application of new accounting pronouncements	No matters to report.
Significant qualitative aspects of financial statement presentation and disclosure	No matters to report.

Specific topics

We have highlighted the following that we would like to bring to your attention:

Topic title	Finding
Significant matters subject to correspondence with management	No matters to report.
Issues with sending external confirmation requests	No matters to report.
Illegal acts, including noncompliance with laws and regulations, or fraud (identified or suspected)	No matters to report.
Significant difficulties encountered during the audit	No matters to report.
Difficult or contentious matters for which the auditor consulted	No matters to report.
Disagreements with management	No matters to report.
Related parties	No matters to report.
Other matters that are relevant matters of governance interest	No matters to report.

Uncorrected and corrected misstatements

Uncorrected misstatements include financial presentation and disclosure omissions.   As required by professional standards, we request these misstatements be corrected.

Impact of uncorrected misstatements – Not material to the financial statements

- KPMG identified several uncorrected misstatements. Refer to the next slide and the management representation letter for more details.

Corrected misstatements include financial presentation and disclosure misstatements..

Impact of corrected misstatements

- KPMG identified two misstatements that were subsequently corrected by management. Refer to the management representation letter for the adjustments.

Individually significant uncorrected misstatements

Uncorrected misstatements greater than $650,000 individually:

Presented in $	Income effect	Financial position		
Description of individually significant misstatements	**(Decrease) Increase**	**Assets (Decrease) Increase**	**Liabilities (Decrease) Increase**	**Equity (Decrease) Increase**
To record roll forward entry for deferred revenue that should have been recorded in previous years	1,100,000	-	-	-
To record roll forward entry for costs that should have been capitalized in prior years	(3,000,000)	-	-	-
To record roll forward entry for CCBF claims from prior years	1,200,000	-	-	-
To record roll forward entry for adjustment to ARO amortization expense for linear assets	782,000	-	-	-
To record roll forward entry to adjust for unaccrued utilities revenue.	(6,578,000)			
Total misstatements **(see Appendix: Management Representation Letter)**	**(6,496,000)**	**-**	**-**	**-**

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.

Control deficiencies – Significant deficiencies

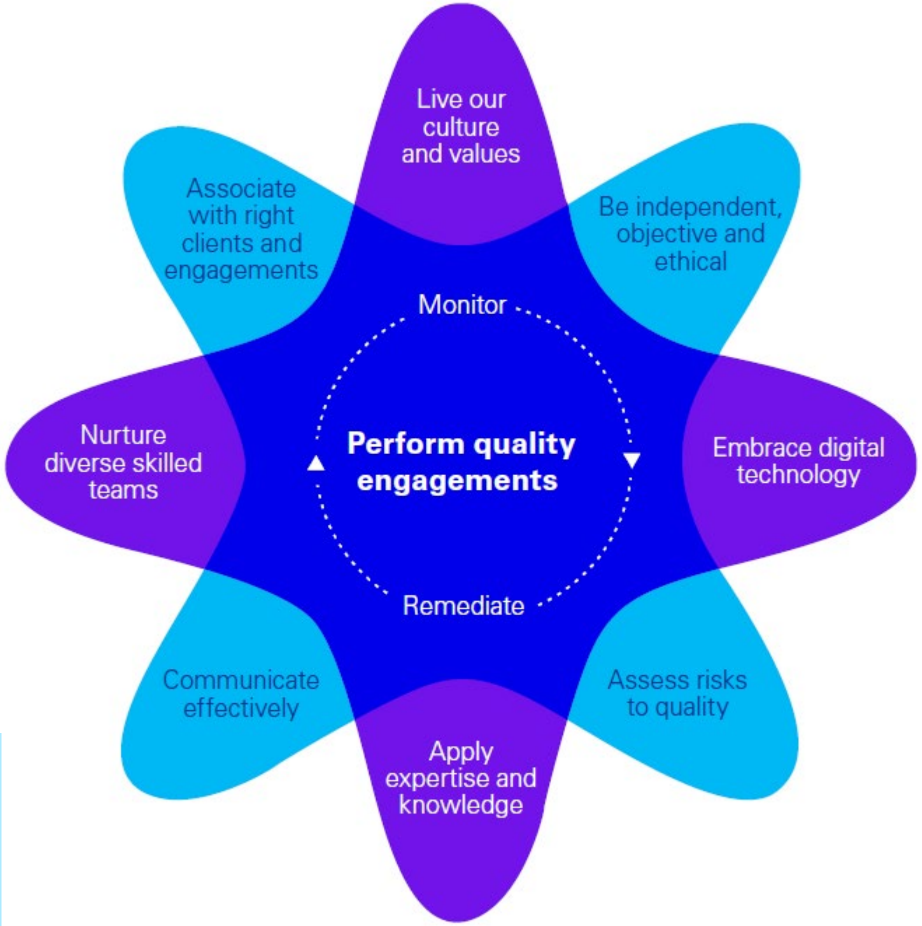
Description	Status	Potential effects
Error identified in journal entry testing – Internal order settlement rule was not processed correctly within the financial reporting system	Unremediated	KPMG notes that the transaction was initially recorded as a settlement document with related rules applied. The subsequent automated transaction which would reallocate the entry from assets under construction to expenses based on the settlement rule applied was not recorded in the financial reporting system. There is a risk that there are additional settlement transactions where the subsequent automated transaction related to the rule applied was not recorded due to no review of the settlements to ensure they are appropriate.

Audit quality - How do we deliver audit quality?

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

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

KPMG Canada Transparency Report



Doing the right thing. Always.

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.**

Independence

As a firm, we are committed to being and being seen to be independent. We have strict rules and protocols to maintain our independence that meet or exceed those of the IESBA Code[1] and CPA Code. The following are the actions or safeguards applied to reduce or eliminate threats to an acceptable level:

- Dedicated ethics & independence partners
- Process for reporting breaches of professional standards and policy, and documented disciplinary policy
- Ethics, independence and integrity training for all staff
- International proprietary system used to evaluate and document threats to independence and those arising from conflicts of interest
- Operating polices, procedures and guidance contained in our quality & risk management manual
- Mandated procedures for evaluating independence of prospective audit clients
- Restricted investments and relationships
- Annual ethics and independence confirmation for staff

Statement of compliance

We confirm that, as of the date of this communication, **we are independent** of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada.

1 International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)

Independence: services – Additional detail

All other services

Detailed description of service	Potential effects of the proposed service on independence
• Consulting services to assist with valuation and peer review of certain business cases	• The proposed services are not prohibited CPA Code and ESBA independence rules. The firm may assist management with the identification and documentation of internal controls and accounting and operational policies, including identifying gaps and recommending remediation and improvement as long as management retains ultimate ownership and accountability of the internal controls and policies, selects and implements any recommendations and KPMG does not take the role of management.

Appendices

A Required communications

A Draft Audit Report

A Management Rep Letter

A Environmental, social and governance (ESG)

A Technology

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 Regulatory Oversight Report: 2023 Annual Inspections Results
- CPAB Audit Quality Insights Report: 2024 Interim Inspections Results
- CPAB Regulatory Oversight Report: 2024 Annual Inspections Results

Appendix: Draft auditor's report

KPMG LLP
120 Victoria Street South, Suite 600
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Canada
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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 financial position as at December 31, 2024
- 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 "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2024, and its consolidated results of operations, its consolidated remeasurement of gains and losses, its consolidated changes in net debt 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 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 financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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.

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 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 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 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 financial statements, including the disclosures, and whether the 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.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

DRAFT

Kitchener, Canada

June 23, 2025

Appendix: Management representation letter(s)

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

June 23, 2025

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, 2024.

General:

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 also 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:

Responsibilities:

- We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated October 22, 2024, including for:

  - 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.
  - providing you with all information of which we are aware that is relevant to the preparation of the financial statements (“relevant information”), such as financial records, documentation and other matters, including:
    - the names of all related parties and information regarding all relationships and transactions with related parties;
    - the 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. All significant actions are included in such summaries.
  - providing you with unrestricted access to such relevant information.
  - providing you with complete responses to all enquiries made by you during the engagement.

- providing you with additional information that you may request from us for the purpose of the engagement.
- providing you with unrestricted access to persons within the Entity from whom you determined it necessary to obtain audit evidence.
- such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We also acknowledge and understand that we are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.
- ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.
- ensuring that internal auditors providing direct assistance to you, if any, were instructed to follow your instructions and that we, and others within the Entity, did not intervene in the work the internal auditors performed for you.

Internal control over financial reporting:

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

Fraud & non-compliance with laws and regulations:

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

Subsequent events:

- 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:

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

Estimates:

- The methods, the data and the significant assumptions used in making accounting estimates, and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

Going concern:

- We have provided you with all information relevant to the use of the going concern assumption in the financial statements.
- We confirm that we are not aware of material uncertainties related to events or conditions that may cast significant doubt upon the Entity's ability to continue as a going concern.

Misstatements:

- The effects of the uncorrected misstatements described in Attachment II are immaterial, both individually and in the aggregate, to the financial statements as a whole.
- We approve the corrected misstatements identified by you during the audit described in Attachment II.

Non-SEC registrants or non-reporting issuers:

- 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).

Other:

- We confirm that we have provided you with a complete list of service organizations (SO) and sub-service organizations (SSO) and that the relevant complementary user entity controls (CUECs) related to each SO/SSO have been designed and implemented. For the purpose of this representation, a service organization is one as defined in CAS 402.

Yours very truly,

____

Jonathan Lautenbach, Treasurer

____

Katie Fischer, Director, Financial Reporting and ERP Solutions

Attachment I – Definitions

Materiality

Certain representations in this letter are described as being limited to matters that are material.

Information is material if omitting, misstating or obscuring it 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 perception of the needs of, or the characteristics of, the users of the financial statements and, the size or nature of a misstatement, or a combination of both while also considering the entity's own circumstances.

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.

Attachment II – Summary of Audit Misstatements Schedule(s)

Summary of Review Misstatements - Uncorrected

Entity: Corporation of the City of Kitchener
For Period Ended: December 31, 2024
Amounts in: Dollars
Method Used to Quantify Audit Misstatements: Rollover method

Correcting Entry Necessary at Current Period End							Income Statement Effect - Debit(Credit)			Balance Sheet Effect - Debit (Credit)						Cash Flow Effect - Increase (Decrease)			
ID	Description of misstatement	Factual, judgmental or projected misstatement?	Misstatement in accounts or in disclosure?	Accounts (if applicable)	Debit	(Credit)	Income effect of correcting the balance sheet in prior period (carryforward from PY - Column C)	Income effect of correcting current period balance sheet	Income effect according to Rollover (Income Statement) method	Equity	Remeasurement gains/losses	Financial Assets	Non Financial Assets	Current Liabilities	Noncurrent Liabilities	Operating Activities	Capital Activities	Investing Activities	Financing Activities
							B (only Income Statement accounts)	C=A (Only Income Statement accounts)	D=C-B	E = (B + D = C) + OCI entries									
PY#1	PY rollforward to adjust side walk revenue to recognize deferred portion for previous years	Factual	Account	*Revenue*	*1,100,000*		1,100,000		(1,100,000)										
PY#2	PY rollforward to capitalize project costs	Factual	Account	*Materials and services expense*		*(3,000,000)*	(3,000,000)		3,000,000										
PY#3	PY rollforward to reallocate ineligible CCBF claims	Factual	Account	*Revenue*	*1,200,000*		1,200,000		(1,200,000)										
PY#4	PY rollforward to adjust ARO amortization to actual for linear assets	Factual	Account	*Amortiation of TCA*	*782,000*		782,000		(782,000)										
PY#5	PY rollforward to adjust for unaccrued utilities revenue.	Factual	Account	*Revenue*		*(6,578,226)*	(6,578,226)		6,578,226										
						Aggregate effect of uncorrected audit misstatements:	**(6,496,226)**	-	**6,496,226**	-	-	-	-	-	-	-	-	-	-

Summary of Review Misstatements - Uncorrected

Entity: Corporation of the City of Kitchener
For Period Ended: December 31, 2023
Amounts in:
Method Used to Quantify Audit Misstatements: **Rollover method**

Correcting Entry Necessary at Current Period End							Income Statement Effect - Debit(Credit)			Balance Sheet Effect - Debit (Credit)					Cash Flow Effect - Increase (Decrease)			
ID	Description of misstatement	Factual, judgmental or projected misstatement?	Misstatement in accounts or in disclosure?	Accounts (if applicable)	Debit	(Credit)	Income effect of correcting the balance sheet in prior period (carryforward from PY - Column C)	Income effect of correcting current period balance sheet	Income effect according to Rollover (Income Statement) method	Equity	Remeasurement gains/losses	Financial Assets	Non Financial Assets	Liabilities	Operating Activities	Capital Activities	Investing Activities	Financing Activities
							B (only Income Statement accounts)	C=A (Only Income Statement accounts)	D=C-B	E = (B + D = C) + OCI entries								
PY#1	To adjust side walk revenue to recognize deferred portion	Factual	Account	*Revenue*	*1,100,000*			1,100,000	1,100,000	1,100,000					(1,100,000)			
				Deferred revenue		*(1,100,000)*								(1,100,000)	1,100,000			
PY#2	To capitalize project costs	Factual	Account	*TCA*	*3,000,000*								*3,000,000*			(3,000,000)		
				Materials and services expense		*(3,000,000)*	-	(3,000,000)	(3,000,000)	(3,000,000)					3,000,000			
PY#3	To reallocate ineligible CCBF claims	Factual	Account	*Revenue*	*1,200,000*		1,000,000	1,200,000	200,000	1,200,000					(1,200,000)			
				Deferred revenue - Obligatory reserve funds		*(1,200,000)*								(1,200,000)	1,200,000			
PY#4	To adjust ARO amortization to actual for linear assets	Factual	Account	*Amortiation of TCA*	*782,000*			782,000	782,000	782,000					*(782,000)*			
				Accumulated amortization - linear assets ARO		*(782,000)*							*(782,000)*			*782,000*		
PY#5	To adjust for unbilled revenue accruals for water and sanitary sewer utilities	Factual	Account	*Accounts Receivable*	*6,578,226*							*6,578,226*			(6,578,226)			
				Revenue		*(6,578,226)*		*(6,578,226)*	(6,578,226)	*(6,578,226)*					6,578,226	-		
Aggregate effect of uncorrected audit misstatements:							**1,000,000**	**(6,496,226)**	**(7,496,226)**	**(6,496,226)**	**0**	**6,578,226**	**2,218,000**	**(2,300,000)**	**2,218,000**	**(2,218,000)**	**0**	**0**
Financial statement amounts (per final financial statements):									(114,540,846)	(1,932,128,425)	(896,958)	829,790,388	1,581,694,640	(478,459,645)	146,254,679	(102,820,773)	(2,506,200)	(5,109,327)
Uncorrected audit misstatements as a percentage of financial statement amounts:									6.54%	0.34%		0.79%	0.14%	0.48%	1.52%		0.00%	0.00%

Summary of Audit Misstatements - Corrected

Entity: Corporation of the City of Kitchener
For Period Ended: December 31, 2024
Amounts in: Dollars

Entry											
								Balance sheet		Income statement	
ID	Description of misstatement	Factual, judgmental or projected misstatement?	Misstatement in accounts and/or in disclosure?	Disclosure (if applicable)	Accounts (if applicable)	Debit	Credit	Debit	(Credit)	Debit	(Credit)
CY#1	To correct for holdbacks accrual on a capital project	Factual	Accounts	N/A	Tangible Capital Assets	1,042,483		1,042,483			
					Accounts Payable and Accrued Liabilities		*(1,042,483)*		(1,042,483)		
CY#2	To correct for adjustments to accrued AR for water and sewer accounts.	Factual	Accounts	N/A	Water, sewer and storm water revenue	785,319				785,319	
					Trade and other accounts receivable		*(785,319)*		(785,319)		
								1,042,483	(1,827,802)	785,319	-

Appendix: Canadian ESG reporting activities

What's here and what's coming?

There continues to be activity in the Canadian ESG reporting space along with regulations introduced in other jurisdictions that may impact Canadian companies, such as the Corporate Sustainability Reporting Directive (CSRD) and California Climate Laws.

CSSB released its first two final Canadian Sustainability Disclosure Standards

Voluntary standards rollout

- In December 2024, the Canadian Sustainability Standards Board (CSSB) released its first two Canadian Sustainability Disclosure Standards (CSDS).
- The standards are aligned with the IFRS Sustainability Disclosure Standards, with the exception of a Canadian-specific effective date and incremental transition reliefs.
- The standards are effective, on a *voluntary basis* only, for annual reporting periods beginning on or after January 1, 2025.

Road to mandatory application?

- Canada's regulators and legislators will determine if and when application of the standards should be mandated.
- The Canadian Securities Administrators (CSA) issued a statement that it is working towards a revised climate-related disclosure rule that will consider the Canadian Sustainability Disclosure Standards.

Why should you prepare?

Momentum toward standardized, transparent and comparable sustainability reporting continues.

- Federally regulated financial institutions are already required to comply with OSFI B-15 which is broadly based on the ISSB standards.
- Despite the CSSB standards being voluntary, legislation and rules continue to evolve in other jurisdictions such as the CSRD and California Climate Laws.
- Canadian government anti-greenwashing regulations introduced (Bill C-59).

What could you be doing now?

1 **(Re) Establish reporting strategy**

- Undertake a regulatory impact assessment to determine the sustainability reporting requirements that apply to your organization.
- Document your reporting strategy, including any planned voluntary reporting and assurance.
- Conduct a materiality assessment considering the frameworks you plan to comply with.

2 **Assess current state**

- Identify the differences between applicable regulations and/or standards and current reporting.
- Conduct a current state maturity analysis of processes, controls, people, technology and governance structures.
- Complete data gap assessment and develop plan to close gaps.

3 **Design reporting policies & target operating model (TOM)**

- Develop and/or adapt policies, regarding identified material risks and opportunities.
- Develop standard Key Performance Indicator (KPI) definitions and calculation methodologies.
- Determine TOM and solutions to support sustainability reporting and assurance.

4 **Implement sustainability reporting roadmap**

- Develop roadmap for delivery, identify milestones, interim and final targets.
- Design future reports.
- Rollout of TOM, including implementation and training required.

Appendix: Climate-related risks

Annual report

Stakeholders increasingly expect to see climate-related disclosures in the front part of the annual report and in the financial statements. Management assesses climate-related reporting risk in the context of business risk.

Climate-related risk

Physical risk

- The exposure of the business to the possible physical effects of climate change.

Transition risk

- The exposure of the business to policy and legal, market, technology and other changes in response to climate-related risk.

Business risk

Risks and opportunities to the business, for example resulting in the following.

- Stranded assets.
- Changes to the viability of certain business activities.
- Changes to market demand.
- Changes to supply chain continuity.

Businesses with a modest carbon footprint may still be exposed to climate-related risks.

Reporting risk

MD&A

- Climate-related risks and opportunities described?
- Local regulatory disclosure requirements met?

Financial statement impacts

- Provisions?
- Asset impairment/measurement?

Financial statement disclosures

- Financial instrument risk?
- Key accounting judgments?

Current-period financial impact is only one potential indicator that information is material.

Appendix: Climate-related risks

Financial statements

Investors need information about how climate-related risks and opportunities impact an entity when such information could affect their assessments of the entity's prospects.

Information gap

- Certain stakeholders have expressed concerns about a perceived ‘information gap’ in how climate-related risks are reflected in the financial statements.
- They want to understand how climate-related risks and opportunities may affect an entity, and to understand the entity’s objectives and strategies on climate-related matters.

Some stakeholders have concerns about the following

- An apparent lack of evidence that material climate-related risks are reflected in the financial statements.
- A deemed lack of transparency regarding climate-related assumptions and judgments made in preparing the financial statements.
- Perceived inconsistency in the narrative on climate-related matters in the front part of the annual report compared with the narrative in the financial statements.
- Certain market data used preparing the financial statements that does not appear to be aligned with the regulatory changes and other actions required to achieve the commitments embedded in the Paris Agreement[1].

1. The Paris Agreement is a legally binding international treaty on climate change signed in April 2016. Signatories have committed to limiting global warming to well below 2°C, and preferably to 1.5°C, compared with pre-industrial levels.

Appendix: Climate-related risks

What are some of the reasons for the 'information gap'?

Information gap	Reason	Examples
Market-based assumptions/data used in preparing the financial statements may not be aligned to the Paris Agreement goals	• There is no single agreed path to meeting commitments/goals set out in the Paris Agreement. • Under IFRS Accounting Standards, fair value is a market-based measurement using assumptions/data that market participants would use, reflecting market conditions at the measurement date. Impairment testing of non-financial assets requires the use of reasonable and supportable assumptions and is determined as the higher of fair value less costs of disposal and value in use. The data is required to be market-based and supportable but no particular data source is required.	• Some investors may expect assumptions and data used to prepare the financial statements to be aligned to a specific path to meeting the Paris Agreement goals. For example, if oil prices are a significant input, then investors might expect an entity to use the 'International Energy Agency Net Zero by 2050 scenario' for forecast oil prices (which forecasts oil prices to decline to 2050). However, market-based data for oil price forecasts over this period may be considerably higher.
Difficulties isolating the impacts of climate-related risks on market-based assumptions	• The impacts of climate-related risks on market-based assumptions may not be readily or easily isolated. It may be impracticable to separate the climate-related element from key assumptions that are commonly used in financial statement measurements, which makes the disclosure of climate-related effects a challenge.	• Market-based assumptions include the market's assessment of known risks, including climate-related risks. However, it may be impracticable to isolate the effects of climate-related risks on inputs – e.g. discount rates, growth rates or market-based commodity price forecasts.
Future events or conditions may not qualify to be recognized in, or have a significant impact on, the financial statements for the current period	• Long term climate-related commitments or impacts do not necessarily impact current financial statements because the commitments or intended actions may not yet meet recognition requirements under IFRS Accounting Standards. • In many circumstances, the impacts may be sufficiently far into the future that, when incorporated into cashflow forecasts used in estimates, the effects on measurement are not significant. • The remaining useful lives of non-financial assets for many companies are often shorter compared with 2050 goals on a path to net zero.	• The 'potential' restructuring of an entity's business or a future carbon tax discussed in the front part of the annual report may not lead to the recognition of obligations in the financial statements. • The recoverable amount of an asset is based on management's best estimate of future cash flows generated by the asset in its current condition. Management use reasonable and supportable assumptions for the estimated useful life of the asset, which may not readily capture longer-term impacts of climate-related risks.
Disclosure requirements focus on the near term	• IAS 1 *Presentation of Financial Statements* requires disclosure of information about the assumptions an entity makes at the reporting date about the future and other major sources of estimation uncertainty, which have a significant risk of material adjustment to the carrying amount of assets and liabilities within the next financial year. • Changes in key assumptions connected to climate-related risks may not be expected to result in material adjustments in the measurement of assets and liabilities in the next financial year.	• A jurisdiction may be contemplating significant legislative actions in future years to achieve its climate-related commitments. These potential actions would only need to be disclosed as sources of estimation uncertainty if they give rise to a significant risk of a material adjustment in the next financial year (e.g. because changed expectations of legislative action might affect a future impairment assessment).

Appendix: Climate-related risks

What can be done to close the 'information gap'?

Our view

Improving connectivity between the financial statements and the front part of the annual report is key.

The financial statements can be a useful source of information about the effects that climate-related risks and opportunities may have on an entity, and preparers, audit committees and auditors each have a role to play.

Although the nature of the information in the front part of the annual report and the financial statements may differ, it needs to be consistent when appropriate.

Standard setters

- The International Accounting Standards Board (IASB) has established a maintenance project to consider stakeholder concerns about the inconsistent application of IFRS Accounting Standards in relation to climate-related risks, including whether the IASB's actions (e.g. standard setting or developing illustrative examples and/or educational material) address those concerns.
- The project will consider what, if any, amendments to existing IFRS Accounting Standards may be needed. The IASB has emphasized that it does not expect to develop specific requirements for the treatment of climate-related risks in the financial statements.

Preparers

- Disclose how material climate-related risks are reflected in the financial statements.
- Remember to consider materiality from a quantitative and qualitative perspective for disclosures relating to climate-related risks.
- Provide clear and robust disclosures, ensuring climate-related assumptions and estimates in the financial statements are visible.
- When significant assumptions and judgments made in the financial statements are inconsistent with information related to climate-related risks elsewhere in the annual report, consider providing additional explanation in the annual report as to why, including possibly providing sensitivity analyses.

Audit committees

- Read, understand and challenge management's climate-related risk assessment and strategy, and where necessary, encourage this to be improved or progressed.
- Consider whether the information provided to the auditors provides a clear response by the business to climate-related matters.
- What else should audit committees consider?
  - Understand investor expectations on the level of climate-related disclosure and what information could be material to your stakeholders.
  - Provide meaningful and consistent narrative and financial reporting that allows stakeholders to make decisions.
  - Be aware of existing and upcoming climate regulations.

Auditors

- We apply professional scepticism when making inquiries of management and TCWG regarding the potential implications of climate-related matters for the financial statements.
- When climate-related matters have a significant impact on the assessed risks of material misstatement, we consider whether these matters affecting the risks are adequately disclosed in the financial statements.
- We may encourage management and TCWG to consider additional disclosures beyond the minimum required by laws, regulations and standards.

Appendix: Climate-related risks

Climate-related and other uncertainties in the financial statements

The IASB has a project to explore actions to improve the application of the requirements in IFRS Accounting Standards about the effects of climate-related and other uncertainties in the financial statements*.

The IASB plans to work with the International Sustainability Standards Board (ISSB) to identify and address common issues and to identify opportunities to use common language and concepts.

In doing so, the IASB aims to ensure that there is compatibility of concepts and that there are no gaps or unintended overlaps between IASB and ISSB Standards and digital taxonomies.

For example, the IASB and ISSB are planning to work together on the project on climate-related and other uncertainties in the financial statements.

Given the pace of change in this area, the IASB will also continue to monitor developments to determine whether to take further action.

IASB project

- **Educational materials**
- **Illustrative examples**
- **Targeted amendments to IFRS Accounting Standards**

Expected to occur before 2025

* Originally, the project was targeted at climate-related risks, but the IASB subsequently decided to modify the objective to generalize the scope beyond climate and include other uncertainties.

Appendix: Continuous evolution

Our investment:

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

Responsive delivery model

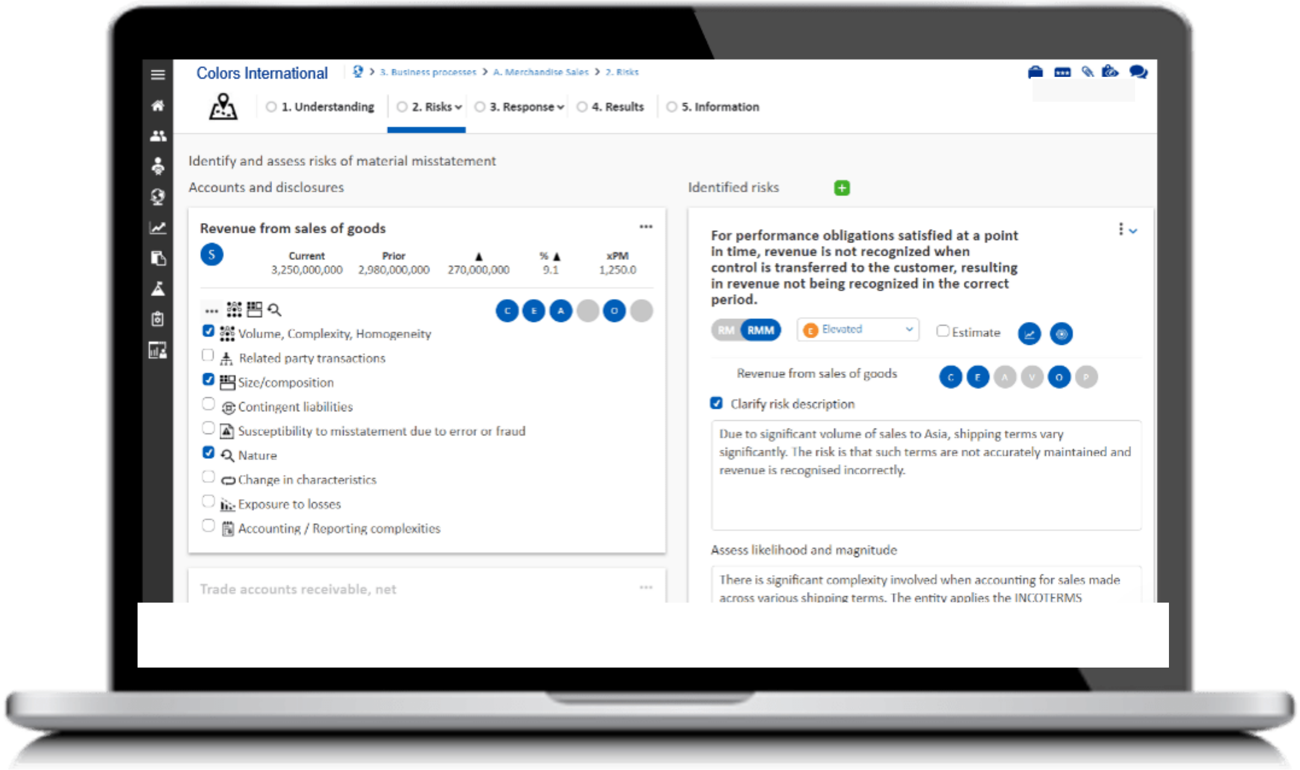
Tailored to you to drive impactful outcomes around the quality and effectiveness of our audits.

Result: A better experience

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

Appendix: KPMG Clara Generative AI

With our global alliance partner Microsoft, we have embarked on a journey to embed Generative AI into our smart audit platform—KPMG Clara. This will make our auditors more productive and give them the tools to provide quicker feedback, make more insightful connections, and deliver a better audit experience.



AI done right

Although early adoption is key, we are focused on avoiding reliance on a 'black box' so we're building 'explainability' and 'traceability' at the core.

Bolstered productivity

Focused on removing time-consuming low value tasks, we'll apply our skills in other, more judgmental areas or in order to give insights to you.

Quality at our fingertips

We are teaching our model with our knowledge databases to capture our vast experience. This means quality information accessible in seconds.

Secure integration

KPMG Clara has been built on a solid and secure Azure Cloud backbone, allowing us to easily integrate Generative AI in partnership with Microsoft.

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