



City of Ottawa

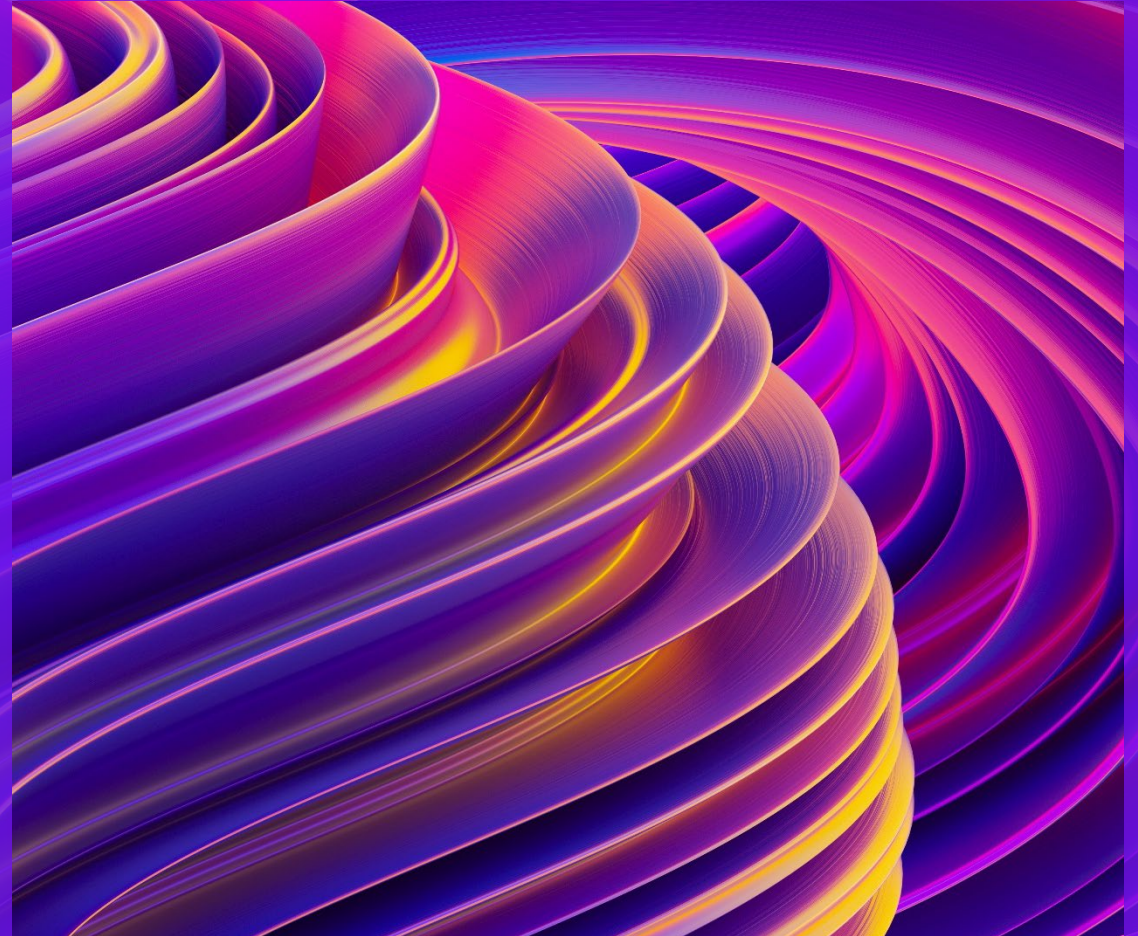
**Audit Findings Report
for the year ended
December 31, 2024**



Licensed Public Accountants

Prepared as of May 26, 2025 for presentation to the Audit Committee
on June 6, 2025

kpmg.ca/audit



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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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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



- Based on our assessment of year-end amounts, we determined that Hydro Ottawa would not be considered a significant component for audit purposes

Risks and results



Significant risks



- Consolidation process
- Presumed risk of fraudulent revenue recognition as per Canadian Auditing Standards
- Management override of controls



Other risks of material misstatement



- Public Private Partnerships (P3)

Policies and practices & Specific topics



Significant unusual transactions



Accounting policies and practices



Other financial reporting matters



Uncorrected misstatements



Uncorrected misstatements



During our audit, we have identified misstatements which remain uncorrected. We concur with management's evaluation that the misstatements are not material to the users of the financial statements. Refer to slide 12 for further details

Corrected misstatements



Corrected misstatements



During our audit, we have identified certain misstatements which management has corrected. Refer to slide 13 for further details.

Control deficiencies



Significant deficiencies



Status

As of the date of this report, we have completed the audit of the consolidated financial statements, with the exception of certain remaining procedures, which include amongst others:

- Completing our discussions on certain outstanding audit items and or findings with management
- Receipt of certain remaining sample items and other supporting documentation
- Receipt of our actuary report
- Completing our subsequent event procedures up until the date of the issuance of our auditor's report
- Receiving and reviewing final legal letter from external counsel
- Receiving and reviewing the final financial statements
- Completing our discussions with the Audit Committee
- Obtaining evidence of Council's approval of the financial statements, and obtaining the management representation letter thereafter.

We anticipate completing the audit on time for the Council's approval of the financial statements. 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.

Our auditor's report has been modified from the standard report as a result of:

- Prospective adoption of the new accounting standard relating to Public Private Partnership.

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.



Significant changes

We have made no significant changes to our audit approach documented in the Audit Planning Report provided to the Committee. Below, we provide a summary of any updates throughout our audit process.

Audit strategy

 Significant changes to materiality	 Nothing to report as no changes to materiality were required.
 Management and the KPMG audit team	 There were no key management team member changes from the Audit Plan. Management were available as needed to assist the Audit Team. The senior audit team remained consistent with the team presented in the Audit Plan.
 <Fraud risk>	 We performed the planned procedures relating to risk that the financial statements may be material misstated due to fraud. Nothing to report.
 Other areas	 <p>In accordance with the new Canadian Auditing Standard 600 <i>Group Audits</i>, we assessed Hydro Ottawa as a non-significant component for the purposes of the audit of the consolidated financial statements. This conclusion is based on its limited financial impact—representing only 2% of the City's total reported assets on the financial statements, the use of the modified equity basis of accounting which reduces complexity, and other qualitative factors indicating a lower overall risk profile.</p> <p>Hydro Ottawa is subject to a separate statutory audit of its consolidated financial statements.</p>

Significant risks and results

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

<div></div> <div>Presumed risk of fraud involving improper revenue recognition</div>		<div>RISK OF</div> <div> </div> <div>ERROR FRAUD</div>
<div>Significant risk</div> <div>As is common with government organizations, we have not identified any risk of material misstatement resulting from fraudulent revenue recognition, and as a result have rebutted this fraud risk.</div>		<div>Estimate?</div> <div>No</div>
<div>Our response</div> <div>Fraud risk from revenue recognition is presumed but has been rebutted for City of Ottawa. Generally, this is a presumed fraud risk if there are pressures or incentives on management to commit fraudulent financial reporting through inappropriate revenue recognition when performance is measured in terms of year-over-year revenue growth or profit. The City is not subject to external or market expectations on its revenue. Therefore, we have rebutted this fraud risk.</div>		
<div>Findings</div> <div>We did not identify any new information that could change our assessment of this risk, thus we have nothing to report.</div>		

Significant risks and results

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

<div></div> <div>Fraud risk from management override of controls</div> <div><div>RISK OF</div><div> </div><div>ERROR FRAUD</div></div>		
Significant risk	Estimate?	Key audit matter?
In all entities, Management is in a unique position to perpetrate fraud because of management’s ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities.	No	No
Our response		
<div>We took the following steps to address this risk as required under professional standards:</div> <div><div><ul style="list-style-type: none">Evaluated the design and implementation of controls surrounding journal entries and other adjustments;Determined criteria to identify high-risk journal entries and other adjustments; andTested high-risk journal entries and other adjustments made at the end of the reporting period.</div><div><ul style="list-style-type: none">Performed a review of key estimates for management biasEvaluating the business rationale of significant unusual transactions, if anyPerformed enquiries of Management and Those Charged with Governance (the Audit Committee)</div></div>		
Significant findings		

We did not uncover any issues during the performance of the procedures described above

Significant risks and results

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

<div></div> <div>Consolidation Process</div>		RISK OF ERROR
Significant risk	Estimate?	
Risk of material misstatement related to the consolidation process due to complex organizational structure and the manual process (in excel spreadsheets) followed by the City.	No	
Our response		
<p>We obtained an understanding of the process by completing the following:</p> <ul style="list-style-type: none">• Obtaining a detailed listing of legal entity ownership to assess completeness of related parties• Involving individuals from KPMG’s Internal Audit & Risk Compliance Services group to assist in completing walkthroughs of the process• Assessing management’s process by obtaining an understanding of the process and relevant controls• We evaluated the design and implementation of selected relevant controls in place over the consolidation and financial reporting process.• Performed substantive procedures over the consolidation adjustments, including but not limited to those completed outside of SAP periods (i.e. paper entries), those relating to Government Business Entities and their impact on the financial statements, along with removal of intercompany transactions at the group level• We obtained the consolidation workbook and performed recalculation and reperformance of the key aspects of consolidation exercise.		
Significant qualitative aspects of the City’s accounting practices		
The consolidation process requires significant qualitative understanding of the City’s operations and associated transactions with its related parties.		
Significant findings		
We have not identified a misstatement, nor a significant control deficiency related to the process.		



New Accounting Standards

We highlight our significant findings in respect of the implementation of new accounting standards that had an impact on the financial statements. In the current year, the City implemented Public Sector Accounting Standard 3160 Public Private Partnerships



Public Private Partnerships (P3)

Other risk of material misstatement

Estimate?

The risk of material misstatement linked to public private partnerships is, in our view, primarily linked to:

No

- Application of new P3 accounting standard and its presentation in the financial statements, on a prospective basis
- Assessment of the recognition criteria

Our response

Our audit approach consisted of the following:

- Obtained management’s final assessment of the P3, including support for the asset and corresponding liability recorded relating to the contractual agreement.
- Assessing accounting treatment is in accordance with PS 3160 and if periodic repayments to the private partner have been accounted for.

Significant findings

We have not identified any significant control deficiencies nor any corrected or uncorrected misstatements as a result of our audit work on the implementation of this new accounting standard..

Uncorrected misstatements

Uncorrected misstatements include financial presentation and disclosure omissions.



Impact of uncorrected misstatements – Not material to the financial statements

- The management representation letter includes the Summary of Uncorrected Misstatements, which discloses the impact of all uncorrected misstatements considered to be other than clearly trivial
- Based on both qualitative and quantitative considerations, management have decided not to correct certain misstatements and represented to us that the misstatements—individually and in the aggregate—are, in their judgment, not material to the financial statements. This management representation is included in the management representation letter.
- We concur with management’s representation that the uncorrected misstatements are not material to the financial statements. Accordingly, the uncorrected misstatements have no effect on our auditor's report.

Uncorrected misstatement (\$ Thousands):

Currently, the City presents its associated liabilities with employee future benefits amounting to \$9,856 and prepaid rents amounting to \$6,208 relating to Ottawa Community Housing Corporation in its Accounts Payable and Accrued Liabilities. In our view, these should be presented in line with other employee future benefits and deferred revenue respectively. A summary is presented below:

Financial Statement Caption	As currently presented	Uncorrected misstatement	Uncorrected presentation	% of account
Accounts payable and accrued liabilities	\$1,228,695	(\$16,064)	\$1,212,631	1.3%
Employee future benefits & pension agreements liability	\$802,201	\$9,856	\$812,057	1.2%
Deferred revenue	\$1,405,018	\$6,208	\$1,411,227	0.4%

Corrected misstatements

Corrected misstatements greater than \$6.5M individually

To appropriately reflect the presentation of realized gains on the City’s endowment fund investments, the City should remove these realized gains from the accumulated remeasurement gains and losses and reclassify them to the statement of operations.

Entry to correct Current Year Misstatement 2024 Fiscal Year	\$ Thousands	
	Debit	Credit
Accumulated remeasurement of gains & losses - realized gains	\$11,537	
Investment income		\$11,537

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.

No significant deficiencies in internal control over financial reporting were identified in the audit.



Other financial reporting matters

We also highlight the following:



Financial statement presentation - form, arrangement, and content



The presentation and disclosure included in the financial statements is in accordance with the required financial reporting framework as disclosed in the notes to the financial statements.



Concerns regarding application of new accounting pronouncements



The following new accounting standards were implemented in the year by the City:

PSAS 3160 – Public Private Partnerships (P3)
PSAS 3400 – Revenue
PSG-8 – Purchased Intangibles

The implementation of new accounting standards are disclosed in note 26 to the financial statements.

Refer to slides 11 of this audit findings report for the audit procedures completed over the implementation of the new accounting standard on public private partnerships.

The implementation of the new standards on revenue and purchased intangibles did not have an impact on the consolidated financial statements.

No matters to report.



Significant qualitative aspects of financial statement presentation and disclosure



No matters to report.



Audit plan debrief – audit fees

We discuss matters that could impact our professional fees that were acknowledged at the planning Audit Committee meeting and inform the Committee of any revisions to our professional fees.

Audit planning consideration	Our response and significant findings
Audit readiness	Based on the audit timeline, there were no delays in management delivering audit requests upon the requested dates. There were no significant delays noted that had an impact on meeting our agreed-upon deadlines.
Availability of the Entity's team members	Key team members were available and responsive to the audit team in a timely manner throughout the audit.
Identification of control deficiencies	There were no significant control deficiencies identified during the audit.
Significant changes in the nature or size of operations	There were no other significant changes in the nature or size of the operations noted in the audit plan, nor were there any significant changes noted throughout the audit.
Changes to professional standards	There were no changes to professional standards that impacted our audit approach.
Changes in the timing of the audit work	There were no delays to the timing of our audit work than from what was agreed-upon in the audit plan.
Significant one-time transactions	We did not note any significant one-time transactions entered into relating to the financial statements.
Committee meeting attendance	We attended 2 meetings as planned.

Revision to audit fees:

Professional fees for the audit of the consolidated financial statements, as provided in the audit plan, remain 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.

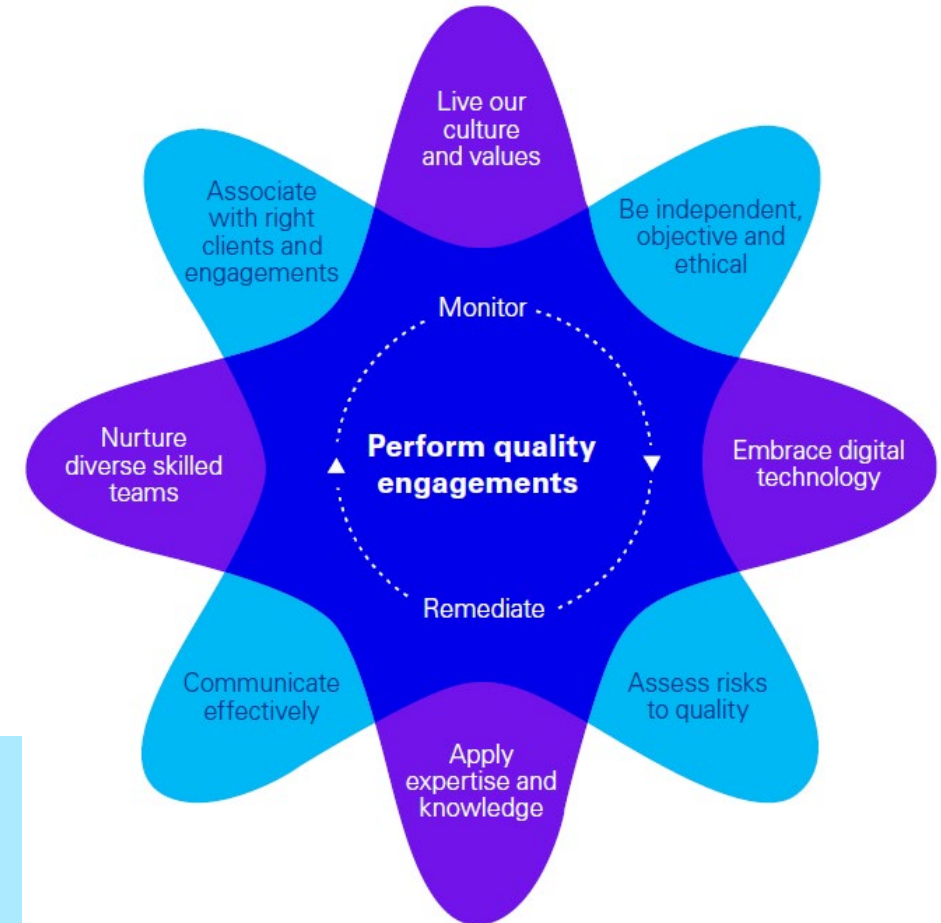
The drivers outlined in the framework are the ten components of the KPMG System of Quality Management (SoQM). Aligned with ISQM 1/CSQM 1, our SoQM components also meet the requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued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

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.



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

- Experience, commitment and knowledge of the broader Local Government sector.
- A combination of continuity and fresh perspectives this year.



Technology in the audit



Implementation of Technology in the Audit

- Increased use of technology in the audit year over year.
- Used secure KPMG portal for transfer of electronic documents.



Independence



We will not audit our own work

- We applied the most rigorous standards to our professional services in order to ensure our continued independence in our role.



Timing of prepared by client (PBC) items



Timeliness of PBC items

- The financial records were provided in the first week of field work fieldwork.
- Client-prepared documentation was prepared accurately and provided to us on timely basis.
- Participation of all client personnel as required in the audit process, such as IT, HR, Legal, etc.



Audit Committee



Interactions with those charged with governance

- Members participate fully in the discussion with auditors, including meeting in camera.
- KPMG provided current industry trends and updates to accounting and audit standards as applicable.
- Committee members are fully supportive of the audit process and the work required under Canadian Auditing Standards.



Voice of the client



Measure our success from your perspective

- We take deep personal accountability, individually and as a team, to fulfill our commitments to you.
- We measure our success from the only perspective that matters—yours.



Nothing to report



Some matters to report



Specific matters to report



Required inquiries of the audit committee



Inquiries regarding risk assessment, including fraud risks

- What are the Audit Committee's views about fraud risks, including management override of controls, in the Entity? And have you taken any actions to respond to any identified fraud risks?
- Is the Audit Committee aware of, or has the Audit Committee identified, any instances of actual, suspected, or alleged fraud, including misconduct or unethical behavior related to financial reporting or misappropriation of assets?
 - If so, have the instances been appropriately addressed and how have they been addressed?
- How does the Audit Committee exercise oversight of the Entity's fraud risks and the establishment of controls to address fraud risks?



Inquiries regarding Entity processes

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



Inquires regarding related parties and significant unusual transactions

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

These topics were discussed in a confidential discussion with the Audit Committee Chair prior to the meeting.



Appendix: City of Ottawa Sinking Fund



Financial Reporting and Audit Highlights

KPMG also performs an audit of the financial statements of the City of Ottawa Sinking Fund, a draft of which is provided to the Committee. The following are the status and highlights of this audit as of the date of this report:

Status:

As of the date of this report, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include amongst others:

- Completing certain file review procedures
- Completing our subsequent event procedures up until the date of the issuance of our auditor's report
- Completing our discussions with the Audit Committee
- Obtaining evidence of Council's approval of the financial statements, expected on June 6, 2025; and obtaining the management representation letter thereafter

Highlights:

- We did not identify any significant, unusual transactions; changes in accounting policies other than the new accounting standards; or any significant other financial reporting matters
- We did not identify any corrected or uncorrected misstatements
- We did not identify any significant control deficiencies during our audit

Appendices

A

Required communications

B

Management Rep Letter

C

New auditing standards

D

Insights

E

Environmental, social and governance (ESG)

F

Technology





Appendix A: Other required communications



CPAB communication protocol

The reports available through the following links were published by the Canadian Public Accountability Board to inform Audit Committees and other stakeholders about the results of quality inspections conducted over the past year:

- [CPAB Regulatory Oversight Report: 2023 Annual Inspections Results](#)
- [CPAB Audit Quality Insights Report: 2024 Interim Inspections Results](#)
- [CPAB Regulatory Oversight Report: 2024 Annual Inspections Results](#)



Independent Auditor's Report

A draft auditor's report has been attached to the consolidated financial statements accompanying this report.

The signed auditor's report will be provided upon the approval of the financial statements by Council, the receipt of the signed management representation letter from Management, payment of all outstanding invoices (if any), and the completion of all required audit procedures.



Representations of management

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



Matters pertaining to independence and confidentiality

We are independent of the Entity and we have a robust and consistent system of quality control.



Engagement Terms

Unless you inform us otherwise, we understand that you acknowledge and agree to the terms of the engagement set out in the engagement letter and any subsequent amendments.



Control deficiencies

Other control deficiencies identified that do not rise to the level of a significant deficiency will be communicated to management.

Appendix B: Management representation letter



Appendix C: Newly effective and upcoming changes to auditing standards

For more information on newly effective and upcoming changes to auditing standards - see Current Developments



Effective for periods beginning on or after December 15, 2023

ISA 600/CAS 600

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Revised special considerations – Audits of group financial statements.

This standard was implemented for the current year, which resulted in Hydro Ottawa being assessed as a non-significant component for audit purposes.

Effective for periods beginning on or after December 15, 2024

ISA 260/CAS 260

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Communications with those charged with governance

ISA 700/CAS 700

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Forming an opinion and reporting on the financial statements



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

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