



City of Ottawa

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

A handwritten signature in blue ink, appearing to read 'KPMG LLP', with a horizontal line drawn underneath it.

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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Audit highlights

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.	
	Uncorrected misstatements	Uncorrected misstatements
Significant changes		Significant changes since our audit plan
	Risks and results	Based on our assessment of year-end amounts, we determined that Hydro Ottawa would not be considered a component for audit purposes
Policies and practices & Specific topics		Significant risks
	Control deficiencies	Consolidation process
Significant unusual transactions		Presumed risk of fraudulent revenue recognition as per Canadian Auditing Standards
	Accounting policies and practices	Management override of controls
Other financial reporting matters		Other risks of material misstatement
	Public Private Partnerships (P3)	



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
- Receiving and reviewing management's assessment of certain service organizations
- 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.



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

In accordance with the new Canadian Auditing Standard 600 *Group Audits*, 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.

Hydro Ottawa is subject to a separate statutory audit of its consolidated financial statements.

Component X has been assessed as not significant. This conclusion is based on its limited financial impact—representing only 2% of the group's total assets—the use of the modified equity basis of accounting, which reduces complexity, and other qualitative factors indicating a lower overall risk profile.



Significant risks and results

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

Presumed risk of fraud involving improper revenue recognition

Significant risk

Estimate?

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.

No

Our response

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.

Findings

We did not identify any new information that could change our assessment of this risk, thus we have nothing to report.



Significant risks and results

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

Fraud risk from management override of controls

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		
We took the following steps to address this risk as required under professional standards:		
<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; and• Tested high-risk journal entries and other adjustments made at the end of the reporting period.		
<ul style="list-style-type: none">• Performed a review of key estimates for management bias• Evaluating the business rationale of significant unusual transactions, if any• Performed enquiries of Management and Those Charged with Governance (the Audit Committee)		
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**.

Consolidation Process

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

We obtained an understanding of the process by completing the following:

- 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	\$11,537
Investment income		



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.

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.

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.

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.

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.

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.



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:

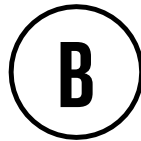
- We did not identify any significant, unusual transactions; changes in accounting policies other than the new accounting standards; or any significant other financial reporting matters
- We did not identify any corrected or uncorrected misstatements
- We did not identify any significant control deficiencies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



Appendices



Required
communications



Management Rep
Letter



New auditing
standards



Insights



Environmental, social
and governance (ESG)



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



KPMG LLP
Performance Court
150 Elgin Street, Suite 180
Ottawa, Ontario
K2P 2P8

June 6, 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 City of Ottawa (“the City”) 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:

- 1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated November 8, 2023, including for:
 - a) the preparation and fair presentation of the financial statement, in English and in French, 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 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.
 - c) providing you with unrestricted access to such relevant information.
 - d) providing you with complete responses to all enquiries made by you during the engagement.
 - e) providing you with additional information that you may request from us for the purpose of the engagement.

- f) providing you with unrestricted access to persons within the City from whom you determined it necessary to obtain audit evidence.
- g) 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.
- h) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.
- i) ensuring that internal auditors providing direct assistance to you, if any, were instructed to follow your instructions and that we, and others within the City, did not intervene in the work the internal auditors performed for you.

Adjustments:

- 2) We acknowledge that amounts and balances were adjusted by management throughout the entire financial statement close and audit process, and that these adjustments were identified, analysed and corrected collectively by management. We have provided you all the information relevant to these adjustments. We approve all of these adjustments related to the 2024 financial statements.

Internal control over financial reporting:

- 3) 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:

- 4) 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 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.
 - c) all information in relation to allegations of fraud, or suspected fraud, affecting the 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.

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 City'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.
- 9) The list of related parties disclosed in the financial statements accurately and completely describes the City's related parties and the relationships with such parties.

Estimates:

- 10) 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:

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

Misstatements:

- 13) We approve the corrected misstatements related to the 2024 financial statements identified by you during the audit described in Attachment II.
- 14) The effects of the uncorrected misstatements related to the 2024 financial statements described in Attachment II are immaterial, both individually and in the aggregate, to the financial statements as a whole.

Other information:

- 15) We confirm that the final version of Annual Financial Report 2024 will be provided to you when available, and prior to issuance by the City, to enable you to complete your audit procedures in accordance with professional standards.

Non-SEC registrants or non-reporting issuers:

- 16) We confirm that the City 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).
- 17) We also confirm that the financial statements of the City will not be included in the group financial statements of a Canadian reporting issuer audited by KPMG, or an SEC Issuer audited by any member of the KPMG organization.

Sinking fund:

- 18) We have appropriately recognized and disclosed the balances related to the sinking fund as per the term sheet that provides details related to the issuance of the sinking fund. We confirm that the issuance of the sinking fund debt is in accordance with the most recent financing policy approved by the council.

Accounting policies:

- 19) We confirm that we have reviewed the City's accounting policies and, having regard to the possible alternative policies, our selection and application of accounting policies and estimation techniques used for the preparation and presentation of the consolidated financial statements is appropriate in the City's particular circumstances.

Minutes

- 20) All matters requiring disclosure to or approval of Council, the Executive Committee, and the Audit Committee have been brought before them at appropriate meetings and are reflected in the minutes.

Completeness of transactions

- 21) All contractual arrangements entered into by the City with third parties have been properly reflected in the accounting records or/and, where material (or potentially material) to the consolidated financial statements, have been disclosed to you. the City has complied with all aspects of contractual agreements that could have a material effect on the consolidated financial statements in the event of non-compliance. There are no side agreements or other arrangements (either written or oral) undisclosed to you.

Assets and liabilities

- 22) We have satisfactory title or control over all assets. All liens or encumbrances on the City's assets and assets pledged as collateral, to the extent material, have been disclosed in the consolidated financial statements.
- 23) We have recorded or disclosed, as appropriate, all liabilities, in accordance with Canadian public sector accounting standards. All liabilities and contingencies, including those associated with guarantees, whether written or oral, under which the City is contingently liable in accordance with CPA Canada Public Sector Accounting Handbook Section PS 3300, Contingent Liabilities, have been disclosed to you and are appropriately reflected in the consolidated financial statements.

- 24) With respect to the accruals for outstanding claims, we believe that the accrual recorded in the financial statements reflects a reasonable estimate of the likelihood and magnitude of the settlement of the claim and the amounts covered for the claim by the City's insurance. We have consulted our legal counsel in determining these estimates.

Litigation and claims

- 25) All known actual or possible litigation and claims, which existed as at December 31, 2023, or exist now, have been disclosed to you and accounted for and disclosed in accordance with Canadian public sector accounting standards, whether or not they have been discussed with legal counsel.

Cash and banks

- 26) The books and records properly reflect and record all transactions affecting cash funds, bank accounts and bank indebtedness of the City.

All cash balances are under the control of the City, free from assignment or other charges, and unrestricted as to use, except as disclosed to you. The amount shown for cash on hand or in bank accounts excludes trust or other amounts, which are not the property of the City. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements have been properly disclosed. All cash and bank accounts and all other properties and assets of the City are included in the consolidated financial statements.

Restricted assets and revenues

- 27) All assets and revenues subject to externally imposed restrictions are disclosed in the consolidated financial statements.

All externally restricted inflows, other than those that relate to government transfers received or trusts under administration, have been recognized as revenue in the year/period in which the resources were used for the purpose specified. All externally restricted inflows received before this criterion has been met have been reported as liabilities until the resources are used for the purpose specified.

Condensed supplementary financial information relative to internally restricted entities has been disclosed in the consolidated financial statements, by entity and as a whole.

Accounts receivable

- 28) All amounts receivable by the City were recorded in the books and records.

Amounts receivable are not subject to discount except for normal cash discounts which are appropriately provided for.

All receivables were free from hypothecation or assignment as security for advances to the City, except as hereunder stated.

We have disclosed to you all transfers of receivables (including securitizations) that have occurred during the year.

Receivables, other than transfers receivable accounted for in accordance with the CPA Canada Public Sector Accounting Handbook Section PS 3410, *Government Transfers* and taxes receivable accounting for in accordance with CPA Canada Public Sector Accounting Handbook Section PS 3510, *Tax Revenue*, recorded in the consolidated financial statements, represent bona fide claims against debtors for sales or other charges arising on or before year end and are not subject to discount except for normal cash discounts.

Loans receivable

- 29) We have disclosed to you all loan agreements containing forgivable conditions, significant concessionary terms and those that are to be repaid through future appropriations.

Loans receivable that are not to be repaid through future appropriations, nor contain forgivable conditions have been accounted for as financial assets, in accordance with CPA Canada Public Sector Accounting Handbook PS 3050, *Loans Receivable*. The cost of loans receivable excludes any portion of the loan that will be repaid through future appropriations and any grant portion relating to significant concessionary terms of the loan. We have reviewed loans receivable for collectability, risk of loss and expected forgiveness, and made appropriate valuation allowances or write-offs thereon, if necessary, in accordance with CPA Canada Public Sector Accounting Handbook PS 3050, *Loans Receivable*. The valuation allowance for loan losses and/or forgiveness encompasses probable credit losses related to specifically identified loans as well as probable credit losses inherent in the remainder of the loan portfolio that have been incurred as at year end.

Portfolio investments and other financial assets

- 30) All securities and other financial assets that were owned by the City were recorded in the accounts.

All income earned on the financial assets has been recorded in the accounts, and any interest income has been accrued using the effective interest rate method.

We are not aware of any objective evidence of impairment that would result in the recognition of an impairment loss on any financial assets.

You have been informed of the acquisition of or the formation of all government units, business enterprises, partnerships, joint ventures, or other participations during the year.

All transactions with subsidiaries, business enterprises, partnerships or joint ventures have been recorded in the accounts presented to you. All investments in and advances to subsidiaries, business enterprises, partnerships, joint ventures, or other participations are appropriately recorded, and there is no evidence of impairment in value below the resulting balances shown in the consolidated financial statements.

There has been no activity in any dormant or inactive subsidiaries, business enterprises, partnerships, joint ventures, or other participations, except as disclosed to you.

The Hydro Ottawa Holding Corporation meets the definition of government business enterprise (GBE) in accordance with PS 3070, *Investments in Government Enterprises*. The

modified equity method has been used to account for the City's investment in the above-mentioned GBE.

Inventory

- 31) Provision has been made to reduce excess or obsolete inventories held for resale to their estimated net realizable value.

There have been no events conditions or changes in circumstances that indicate inventory held for consumption will no longer be used or consumed in the City's operations.

Tangible capital assets

- 32) All charges to tangible capital asset accounts represented the actual cost of additions to tangible capital assets.

All contributed tangible capital assets have been recorded at fair value at the date of the contribution.

No significant tangible capital asset additions were charged to repairs and maintenance or other expense accounts.

Book values of tangible capital assets sold, destroyed, abandoned, or otherwise disposed of have been eliminated from the accounts.

Tangible capital assets owned by the City are being depreciated on a systematic basis over their estimated useful lives, and the provision for depreciation was calculated on a basis consistent with that of the previous date.

All lease agreements covering assets leased by or from the City have been disclosed to you and classified as leased tangible capital assets or operating leases.

Leased tangible capital assets are being amortized on a systematic basis over the period of expected use.

There have been no events, conditions or changes in circumstances that indicate that a tangible capital asset no longer contributes to the City's ability to provide goods and services or that the value of future economic benefits associated with the tangible capital asset is less than its net book value. We believe that the carrying amount of the City's long-lived tangible capital assets is fully recoverable in accordance with CPA Canada Public Sector Accounting Handbook PS 3150, *Tangible Capital Assets*.

Long-term debt

- 33) All borrowings and financial obligations of the City of which we are aware are included in the consolidated financial statements as at year end, as appropriate. We have fully disclosed to you all borrowing arrangements of which we are aware.

The City has not violated any covenants on its long-term debt during the year. We have fully disclosed to you all covenants and information related to how we determined our compliance with the terms of the covenants.

Deferred revenue and deferred contributions

- 34) All material amounts of deferred revenue and deferred contributions were appropriately recorded in the books and records.

Retirement benefits, post-employment benefits, compensated absences, and termination benefits

- 35) All arrangements to provide retirement benefits, post-employment benefits, compensated absences and termination benefits have been identified to you and have been included in the actuarial valuation as required.

The actuarial valuation dates December 31, 2024, incorporates management's best estimates, detailed as follows:

- a) The actuarial assumptions and methods used to measure liabilities and costs for financial accounting purposes for pension and other post-retirement benefits are appropriate in the circumstances; and
- b) The City does not plan to make frequent amendments to the pension of other post-retirement benefits.
- c) All changes to the plan provisions and the employee group, or events that impact the plan's performance since the last actuarial valuation have been reviewed, communicated to you as well as to the actuary, and considered in determining the pension plan costs and the estimated actuarial present value of accrued pension benefits and value of pension plan asset.
- d) The City's actuaries have been provided with all information required to complete their valuation as at December 31, 2024.
- e) We confirm that the extrapolations are accurate and include the proper reflection of the effects of changes and events occurring subsequent to the most recent valuation that had a material effect on the extrapolation.
- f) The employee future benefit costs, assets and obligations have been determined, accounted for, and disclosed in accordance with CPA Canada Public Sector Accounting Handbook PS 3250, *Retirement Benefits* and CPA Canada Public Sector Accounting Handbook PS 3255, *Post-employment Benefits, Compensated Absences and Termination Benefits*. In particular:
- g) The significant accounting policies that the City has adopted in applying CPA Canada Public Sector Accounting Handbook Section PS 3250, *Retirement Benefits*, and CPA Canada Public Sector Accounting Handbook Section PS 3255, *Post-employment Benefits, Compensated Absences and Termination Benefits*, are accurately and completely disclosed in the notes to the consolidated financial statements.
- h) Each of the best estimate assumptions used reflects management's judgment of the most likely outcomes of future events.
- i) The best estimate assumptions used are, as a whole, internally consistent, and

consistent with the asset valuation method adopted.

- j) The discount rate used to determine the accrued benefit obligation was determined by reference to the City's borrowing rate or the plan asset earnings using assumptions that are internally consistent with other actuarial assumptions used in the calculation of the accrued benefit obligation and plan assets.
- k) The assumptions included in the actuarial valuation are those that management instructed Mercer to use in computing amounts to be used by management in determining pension costs and obligations and in making required disclosures in the above-named consolidated financial statements, in accordance with CPA Canada Public Sector Accounting Handbook Section PS 3250, Retirement Benefits.
- l) In arriving at these assumptions, management has obtained the advice of consulting actuaries who assisted in reaching best estimates, but has retained the final responsibility for them.
- m) The source data and plan provisions provided to the actuary for preparation of the actuarial valuation are accurate and complete.
- n) A full valuation allowance has been recorded on the plan surplus of the Ottawa-Carleton Regional Transit Commission Employee's Pension Plan and the City of Ottawa Superannuation Fund because it is uncertain that the City will have the unconditional right to benefit from the surplus at the time of windup of the pension plans.

Consolidated statements of operations, changes in net debt

- 36) All transactions entered into by the City have been recorded in the books and records presented to you. All amounts have been appropriately classified within the statements of operations and net debt.

The accounting principles and policies followed throughout the year were consistent with prior period practices (except as disclosed in the consolidated financial statements).

Liabilities for contaminated sites

- 37) Liabilities for remediation of contaminated sites were recognized and accounted for in accordance with CPA Canada Public Sector Accounting Handbook PS 3260, *Liabilities for Contaminated Sites*. We believe that such estimate is reasonable based on available information and that the liabilities have been adequately described in the City's consolidated financial statements.

Environmental matters

- 38) There are no liabilities or contingencies arising from environmental matters that have not already been disclosed to the auditor.

Liabilities or contingencies related to environmental matters have been recognized, measured, and disclosed, as appropriate, in the consolidated financial statements.

We have considered the effect of environmental matters and the carrying value of the relevant assets is recognized, measured, and disclosed, as appropriate, in the consolidated financial statements.

All commitments related to environmental matters have been measured and disclosed, as appropriate in the consolidated financial statements.

Use of a specialist

- 39) We assume responsibility for the findings of specialists in evaluating the employee benefits obligation, contaminated sites liability and landfill closure and post-closure liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the consolidated financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.

General

- 40) There are no proposals, arrangements or actions completed, in process, or contemplated that would result in the suspension or termination of any material part of the City's operations.

Information relative to any matters handled on behalf of the City by any legal counsel, including all correspondence and other files, has been made available to you.

Segment disclosures

- 41) Pursuant to CPA Canada Public Sector Accounting Handbook Section PS 2700, *Segment Disclosures*, in identifying segments, management has considered the definition of a segment and other factors, including:
- a) the objectives of disclosing financial information by segment;
 - b) the expectations of members of the community and their elected or appointed representatives regarding the key activities and accountabilities of the government;
 - c) the qualitative characteristics of financial reporting as set out in CPA Canada Public Sector Accounting Handbook Section PS 1000, Financial Statement Concepts;
 - d) the homogeneous nature of the activities, service delivery, or recipients of the services;
 - e) whether the activities relate to the achievement of common outcomes or services as reflected in government performance reports and plans;

- f) whether discrete financial information is reported or available; and
- g) the nature of the relationship between the government and its organizations (within the reporting entity).
- h) Management has identified following operating segments: General Government, Protection, Roads, Traffic and Parking, Transit, Environmental Services, Health Services, Social and Family Services, Social Housing, Recreation and Cultural Services, and Planning and Development.
- i) The consolidated financial statements disclose all the relevant factors used to identify the City's reportable segments.

Government transfers

42) Transferring organization

- a) Transfers have only been recognized as an expense in the year the transfer has been authorized and all eligibility criteria have been met by the recipient.

43) Recipient organization

- a) We have disclosed all significant terms and agreements in respect of transfers received from governments.
- b) Transfers without eligibility criteria or stipulations have been recognized as revenue once the transfer has been authorized.
- c) Transfers with eligibility criteria but without stipulations have been recognized as revenue once the transfer has been authorized and all eligibility criteria have been met.
- d) Transfers with or without eligibility criteria but with stipulations have been recognized as revenue in the year the transfer has been authorized and all eligibility criteria have been met, except when, and to the extent that, the transfer gives rise to an obligation that meets the definition of a liability for the recipient government in accordance with CPA Canada Public Sector Accounting Handbook PS 3200, Liabilities.

44) Disclosure

- a) The major kinds of transfers recognized have all been disclosed in the consolidated financial statements as well as the nature and terms of liabilities arising from government transfers received.

Budgetary data

- 45) We have included budgetary data in our consolidated financial statements, which is relevant to the users of consolidated financial statements. Planned results were presented for the same scope of activities and on a basis consistent with that used for actual results

Other

- 46) We believe that the risks associated with our financial instruments are appropriately disclosed in the financial statement.
- 47) We are responsible for the filing of our tax and information returns, as required by the Canada Revenue Agency and the provincial and federal governments

Yours very truly,

Wendy Stephanson, City Manager

Cyril Rogers, Chief Financial Officer and Treasurer

Isabelle Jasmin, Deputy City Treasurer, Corporate Finance

cc: Audit Committee

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 City's own circumstances.

Information is obscured if it is communicated in a way that would have a similar effect for users of financial statements to omitting or misstating that information. The following are examples of circumstances that may result in material information being obscured:

- a) information regarding a material item, transaction or other event is disclosed in the financial statements but the language used is vague or unclear;
- b) information regarding a material item, transaction or other event is scattered throughout the financial statements;
- c) dissimilar items, transactions or other events are inappropriately aggregated;
- d) similar items, transactions or other events are inappropriately disaggregated; and
- e) the understandability of the financial statements is reduced as a result of material information being hidden by immaterial information to the extent that a primary user is unable to determine what information is material.

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) - 2024

Summary of corrected misstatements – 2024 Financial Statements

Corrected misstatements	Operating	Assets	Liabilities	Equity
<u>Realized Gains on Endowment Investments</u> 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. Dr. Accumulated remeasurement of gains and losses \$11,537 Cr. Investment Income \$11,537	(\$11,537)			\$Nil
As a result of the items above, the net impact is:	(\$11,537)	\$Nil	\$Nil	\$Nil

**Attachment II – Summary of Audit Misstatements Schedule(s) – 2024
(Continued)**

Summary of uncorrected misstatements – 2024 Financial Statements

Uncorrected misstatements	Income	Assets	Liabilities	Equity
<p><u>Reclassification of consolidation entries with OCHC</u></p> <p>To correct the presentation of employee future benefits and deferred revenue-rent advances currently presented as accounts payable and accrued liabilities.</p> <p>Dr. Accounts payable and accrued liabilities \$16,604 Cr. Employee future benefits (\$9,856) Cr. Deferred revenue (\$6,208)</p>			\$Nil	\$Nil
As a result of the items above the net impact is:	\$Nil	\$Nil	\$Nil	\$Nil

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
.....
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
.....
Communications with those charged with governance

ISA 700/CAS 700
.....
Forming an opinion and reporting on the financial statements





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

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