



Corporation of the City of Guelph

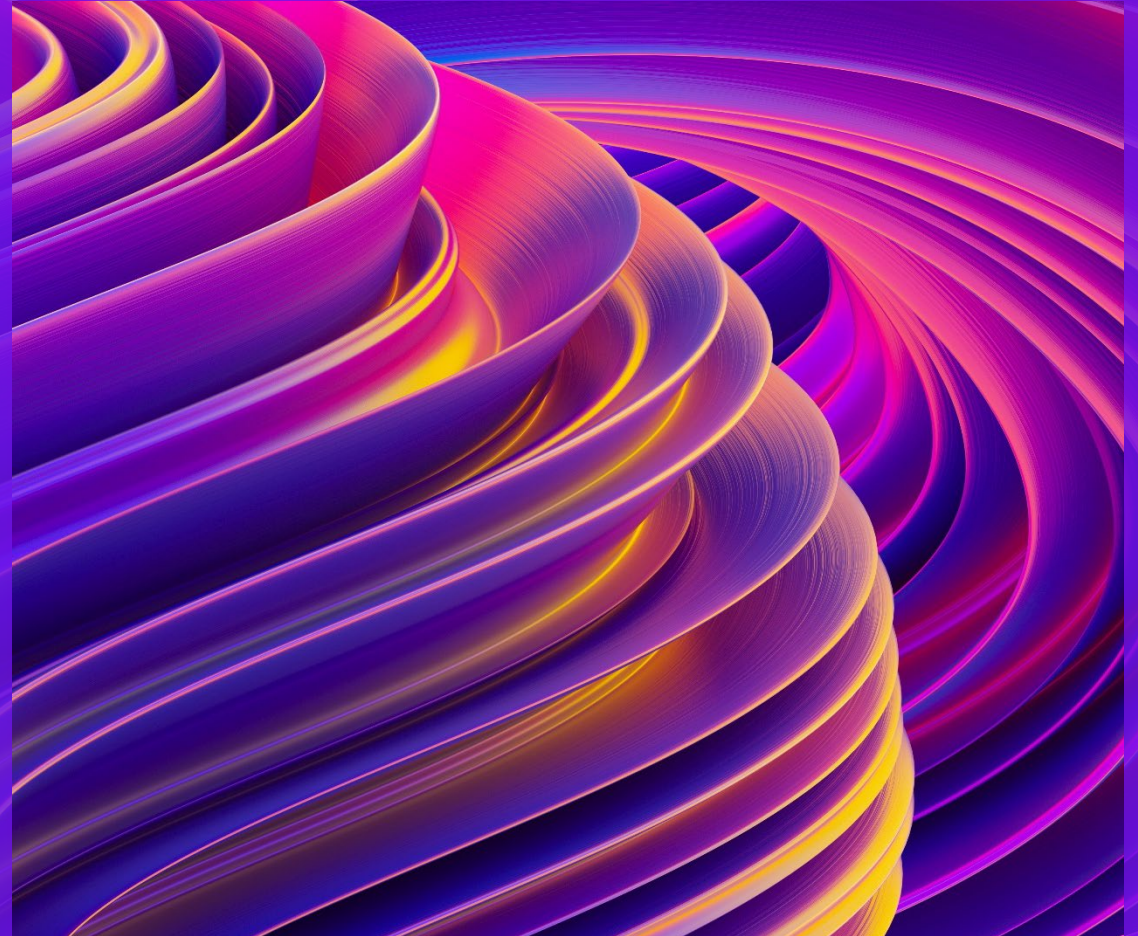
Audit Findings Report
for the year ended
December 31, 2024



Licensed Public Accountants

Prepared as of June 5, 2025, for presentation to the Audit Committee
on June 24, 2025.

kpmg.ca/audit



KPMG contacts

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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 not completed the audit of the consolidated financial statements (“financial statements”), due to certain remaining outstanding procedures, which are highlighted on the ‘Status’ slide of this report.



Significant changes



Significant changes since our audit plan



Risks and results



Significant risks



- Management override of controls



Other risks of material misstatement



- Post-employment benefits
- Tangible capital assets
- Obligatory Reserve Fund Revenue and Deferred Revenue
- Liabilities for contaminated sites
- Tax and user charges revenues
- Payroll and Other operating expenses



Going concern matters

Policies and practices & Specific topics



Significant unusual transactions



Accounting policies and practices



Other financial reporting matters



Uncorrected misstatements



Uncorrected misstatements



Corrected misstatements



Corrected misstatements



Control deficiencies



Significant deficiencies

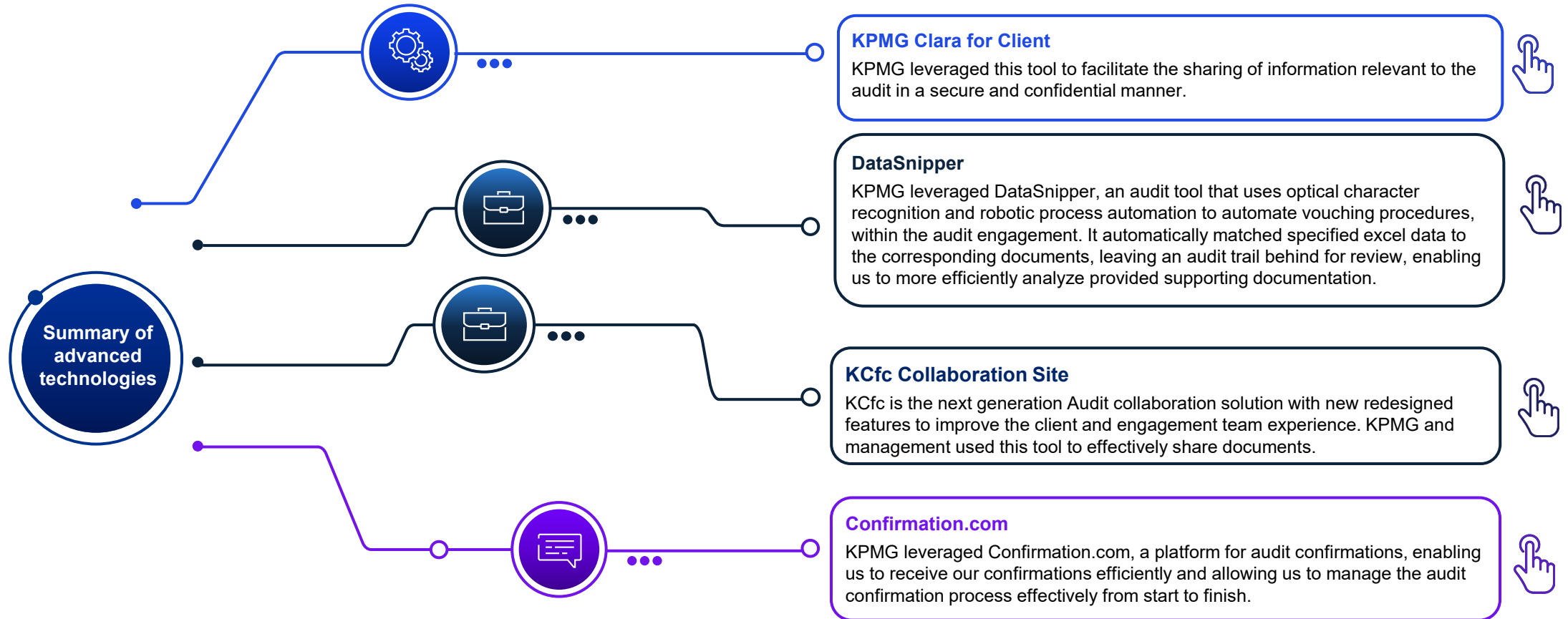


- There were no significant deficiencies identified during the audit



Technology highlights

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





Status

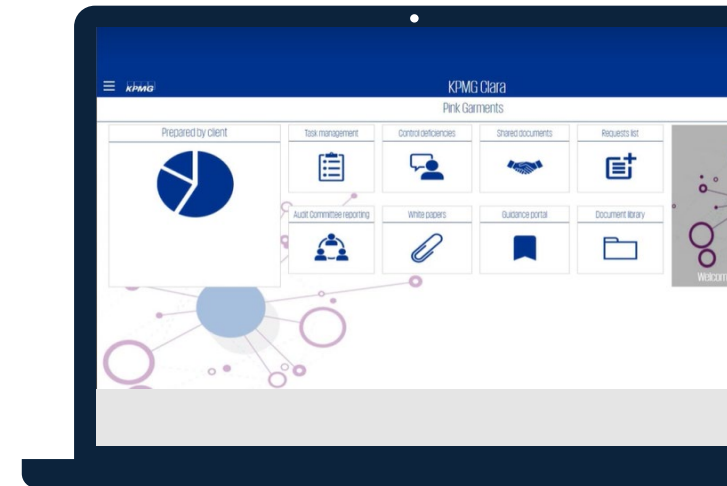
As of June 5, 2025, we have completed the audit of the consolidated financial statements, with the exception of certain remaining procedures, which include amongst others:

- Receipt of legal confirmations
- Completion of consolidation and note tie outs on financial statements
- Completing our final quality control and review procedures
- Completing our discussions with the Audit Committee
- Obtaining evidence of the Council's approval of the financial statements
- Receipt of the signed management representation letter

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

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

KPMG Clara for Clients (KCfc)



Real-time collaboration and transparency

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

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





Significant risks and results

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



Management Override of Controls

RISK OF



FRAUD

Significant risk

Estimate?

There is a risk of a material misstatement due to fraud resulting from management override of controls. As this presumed risk of material misstatement due to fraud is not rebuttable, our audit methodology incorporates the required procedures in professional standards to address this risk.

No

Our response

- Our procedures included:
 - We tested the design and implementation of controls surrounding the review of journal entries, and the business rationale for significant entries.
 - Using our KPMG Clara Journal Entry Analysis Tool, we obtained 100% of the journal entries posted during the year.
 - In responding to risks of fraud and management override of controls, we set specific criteria to isolate high risk journal entries and adjustments in order to analyze for further insights into our audit procedures and findings. We focused on journal entries that could possibly be related to override activities.
- If there are any findings after the completion of these audit procedures we will report this to you in an update to the audit findings report.

Significant qualitative aspects of Guelph's accounting practices

No significant qualitative aspects to note.



Other risks of material misstatement and results

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



Post-Employment Benefits

Other risk of material misstatement

Estimate?

Post-employment benefits

Yes

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

Our response

- Our procedures included:
 - We communicated with management’s actuarial specialists.
 - We assessed management’s process for identification and making accounting estimates, which are consistent with prior year.
 - We assessed the reasonableness of assumptions used, and we tested the appropriateness of the underlying data, including employee populations.
 - We assessed the discount rate used in calculating the employee future benefits in 2024 of 4.5% (3.75% for WSIB), which we considered to be reasonable, and is consistent with similar term borrowing rate.
 - We used the work of the Nexus 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 Guelph’s accounting practices

No significant qualitative aspects to note.



Other risks of material misstatement and results

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



Tangible Capital Assets

Other risk of material misstatement

Estimate?

Tangible capital assets

Yes

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

Our response

- Our procedures included:
 - We discussed capitalization policies and their application with management.
 - We performed statistical sampling to select tangible capital asset additions and retirements in the year.
 - We tested expense accounts to ensure that items related to tangible capital assets were not inappropriately expensed in 2024.
 - We tested the reasonableness of amortization expense.
 - We have also assessed the financial statement presentation and disclosure of capital assets.
- No issues were noted in the performance of the above procedures.

Significant qualitative aspects of Guelph's accounting practices

No significant qualitative aspects to note.



Other risks of material misstatement and results

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



Obligatory Reserve Fund Revenue and Deferred Revenue

Other risk of material misstatement

Estimate?

Obligatory reserve fund revenue and deferred revenue

No

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

Our response

- Our procedures included:
 - Obtained management's continuity schedule for deferred development charges and ensured the spreadsheet was accurate and performed 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 appropriateness of accounting for development charges
- No issues were noted in the performance of the above procedures.

Significant qualitative aspects of Guelph's accounting practices

No significant qualitative aspects to note.



Other risks of material misstatement and results

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



Liabilities for contaminated sites

Other risk of material misstatement

Estimate?

Liabilities for contaminated sites

Yes

We are focusing on this area due to the significance of the account balance and complexity, judgement, and estimate involved.

Our response

Our procedures included:

- Assessed the appropriateness of the City's internal expert used for determining the contaminated sites liability by assessing their competence, capabilities, and objectivity so we can rely on their work for our audit.
- Focused review of calculations and inputs used in the calculation, such as the discount rate and budgeted expenditures.
- Performed a retrospective review and compared actual expenditures to 2024 expected budgeted expenditures used in the calculation for the liability.
- Compared forecasted expenditures in prior years to the current year forecast for consistency.
- The liability decreased in 2024 to \$24M from \$26M.
- No issues were noted in the performance of the above procedures.

Significant qualitative aspects of Guelph's accounting practices

No significant qualitative aspects to note.



Other risks of material misstatement and results

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



Taxation and user charges revenues

Other risk of material misstatement

Estimate?

We are focusing on this area due to the magnitude of revenues.

No

Our response

- Our procedures included:
 - Update understanding of various data elements driving the various revenues e.g. rates and users, prior year revenues etc.
 - Developed expectations by recalculations using the various independent inputs, trends, etc. and measure against actuals to evaluate reasonableness.
 - For taxation revenue, obtained MPAC assessment values and by-law enacted tax rates to develop expectations.
 - Investigate outliers and variances outside or predetermined acceptable thresholds.
 - No issues noted in performance of procedures.

Significant qualitative aspects of Guelph's accounting practices

No significant qualitative aspects to note.



Other risks of material misstatement and results

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



Payroll and other operating expenses

Other risk of material misstatement

Estimate?

We are focusing on this area due to the magnitude of these costs in comparison to total expenses.

No

Our response

- Our procedures included:
 - Update understanding of various data elements driving the various expenses.
 - Developed expectations by recalculations using the various independent inputs, trends, etc. and measure against actuals to evaluate reasonableness.
 - Investigate outliers and variances outside or predetermined acceptable thresholds.
 - Performed statistical and attributes sampling and agreed samples to appropriate source documentation.
 - No issues noted in performance of procedures.

Significant qualitative aspects of Guelph's accounting practices

No significant qualitative aspects to note.



Accounting policies and practices



Initial selection

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

- PS 3400

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

- The new standard establishes a single framework to categorize revenue to enhance the consistency of revenue recognition and its measurement.
- The standard notes that in the case of revenue arising from an exchange transaction, a public sector entity must ensure the recognition of revenue aligns with the satisfaction of related performance obligations.
- The standard notes that unilateral revenue arises when no performance obligations are present, and recognition occurs when there is authority to record the revenue and an event has happened that gives the public sector entity the right to the revenue.

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



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 Guelph's specialists and noted no indication of 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 have been appropriately applied and disclosed.



Other financial reporting matters

We also highlight the following:



Financial statement presentation - form, arrangement, and content



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



Concerns regarding application of new accounting pronouncements



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



Significant qualitative aspects of financial statement presentation and disclosure



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



Misstatements

Corrected and Uncorrected misstatements include financial presentation and disclosure omissions.



Impact of corrected and uncorrected misstatements

- KPMG did not identify any misstatements that was above reporting thresholds.



Control deficiencies

Consideration of internal control over financial reporting (ICFR)

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

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

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

A deficiency in internal control over financial reporting

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

Significant deficiencies in internal control over financial reporting

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

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



Audit quality - How do we deliver audit quality?

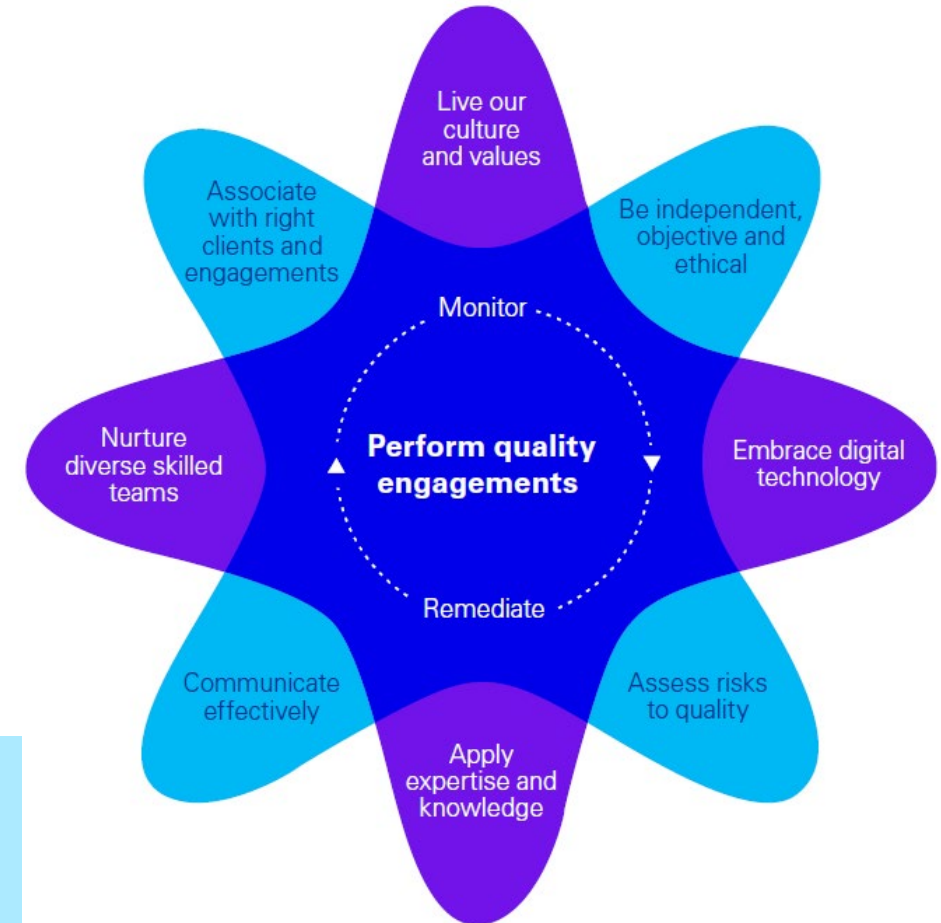
Quality essentially means doing the right thing and remains our highest priority. Our Global Quality Framework outlines how we deliver quality and how every partner and staff member contributes to its delivery.

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.



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communications

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Management Rep
Letter





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

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Members of Council, Inhabitants and Ratepayers of the City of Guelph

Opinion

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

- the consolidated statement of the financial position as at December 31, 2024
- the consolidated statement of operations for the year then ended
- the consolidated statement of change in net financial assets for the year then ended
- the consolidated statement of cash flows 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 changes in consolidated net financial assets, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “**Auditor’s Responsibilities for the Audit of the 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.

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.

Chartered Professional Accountants, Licensed Public Accountants

Kitchener, Canada

June 24, 2025



Appendix: Management representation letter(s)



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

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