



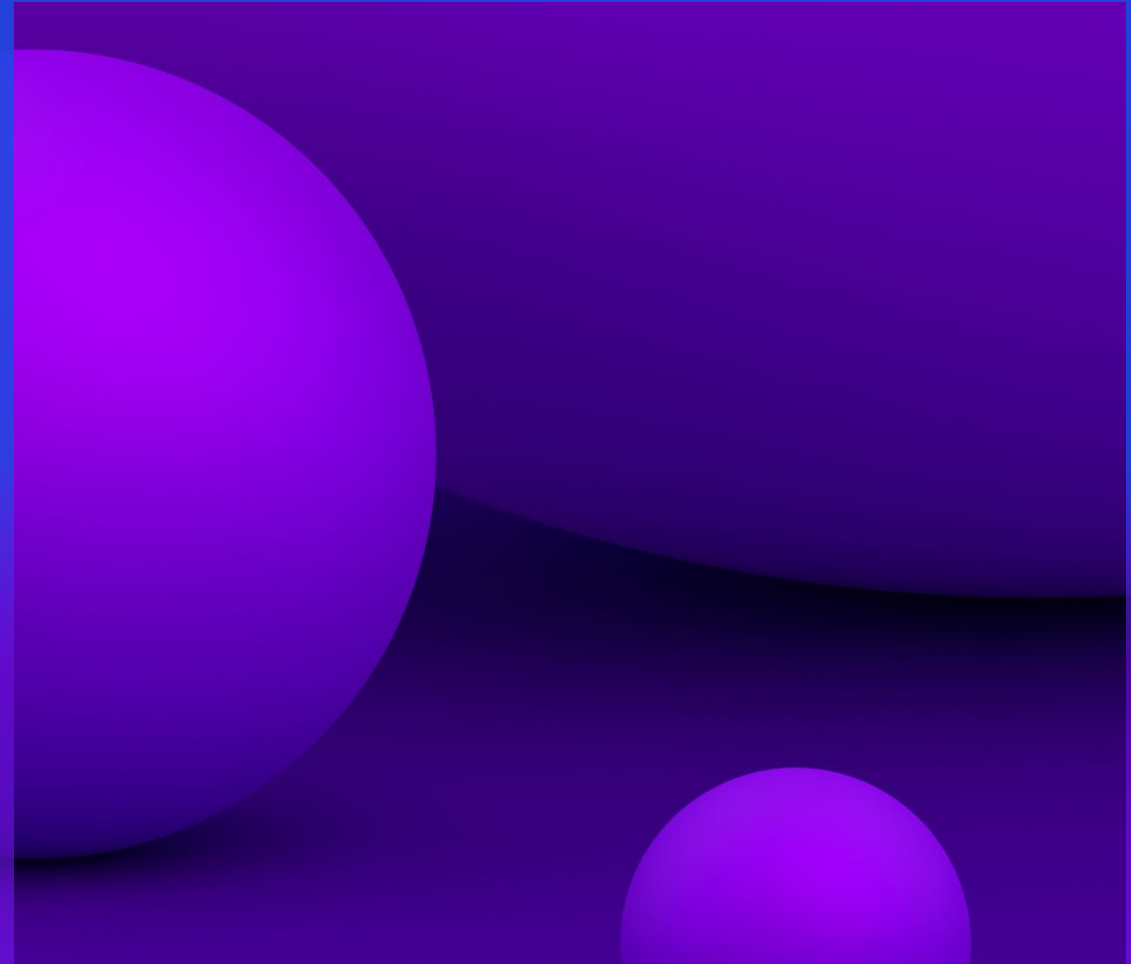
# The Corporation of the City of Guelph

**Audit Planning Report  
for the year ending  
December 31, 2025**

*KPMG LLP*

Prepared as of November 17, 2025, for presentation to the Council on  
December 2, 2025

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



# KPMG contacts

## Key contacts in connection with this engagement



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## Digital use information

This Audit Planning Report is also available as a “hyper-linked” PDF document.

If you are reading in electronic form (e.g. In “Adobe Reader” or “Board Books”), clicking on the home symbol on the top right corner will bring you back to this slide.



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

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# Audit highlights



No matters to report



Matters to report – see link for details

## Scope

Our audit of the consolidated financial statements (“financial statements”) of the Corporation of the City of Guelph and its subsidiaries (“the City”) as of and for the year, ending December 31, 2025, will be performed in accordance with Canadian generally accepted auditing standards.

## Audit strategy

**Materiality \$10,000,000**

Involvement of others

## Audit strategy - Group audit

Total	Total assets	Total revenue
Total tested	100%	99%

Involvement of non-KPMG firms

## Risk assessment

Risk of management override of controls

Other significant risks

Presumed risk of fraudulent revenue recognition

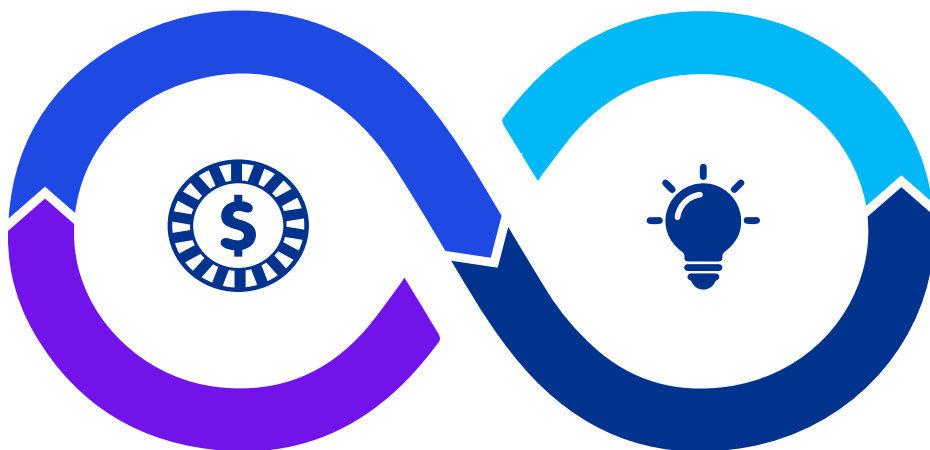
Other risks of material misstatement

- Post Employment Benefits
- Tangible Capital Assets
- Obligatory reserve fund revenue and deferred revenue
- Asset retirement obligation
- Cash & Investments
- Government Contributions

The purpose of this report is to assist you, as a member of the Council, in your review of the plan for our audit of the financial statements. This report is intended solely for the information and use of Management and the Council and should not be used for any other purpose or any other party. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this report to the Council has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.



# Materiality



We **initially determine materiality** at a level at which we consider that misstatements could reasonably be expected to influence the economic decisions of users. Determining materiality is a matter of **professional judgment**, considering both quantitative and qualitative factors, and is affected by our perception of the common financial information needs of users of the financial statements as a group. We do not consider the possible effect of misstatements on specific individual users, whose needs may vary widely.

We **reassess materiality** throughout the audit and revise materiality if we become aware of information that would have caused us to determine a different materiality level initially.

## Plan and perform the audit

We **initially determine materiality** to provide a basis for:

- Determining the nature, timing and extent of risk assessment procedures;
- Identifying and assessing the risks of material misstatement; and
- Determining the nature, timing, and extent of further audit procedures.

We design our procedures to detect misstatements at a level less than materiality in individual accounts and disclosures, to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

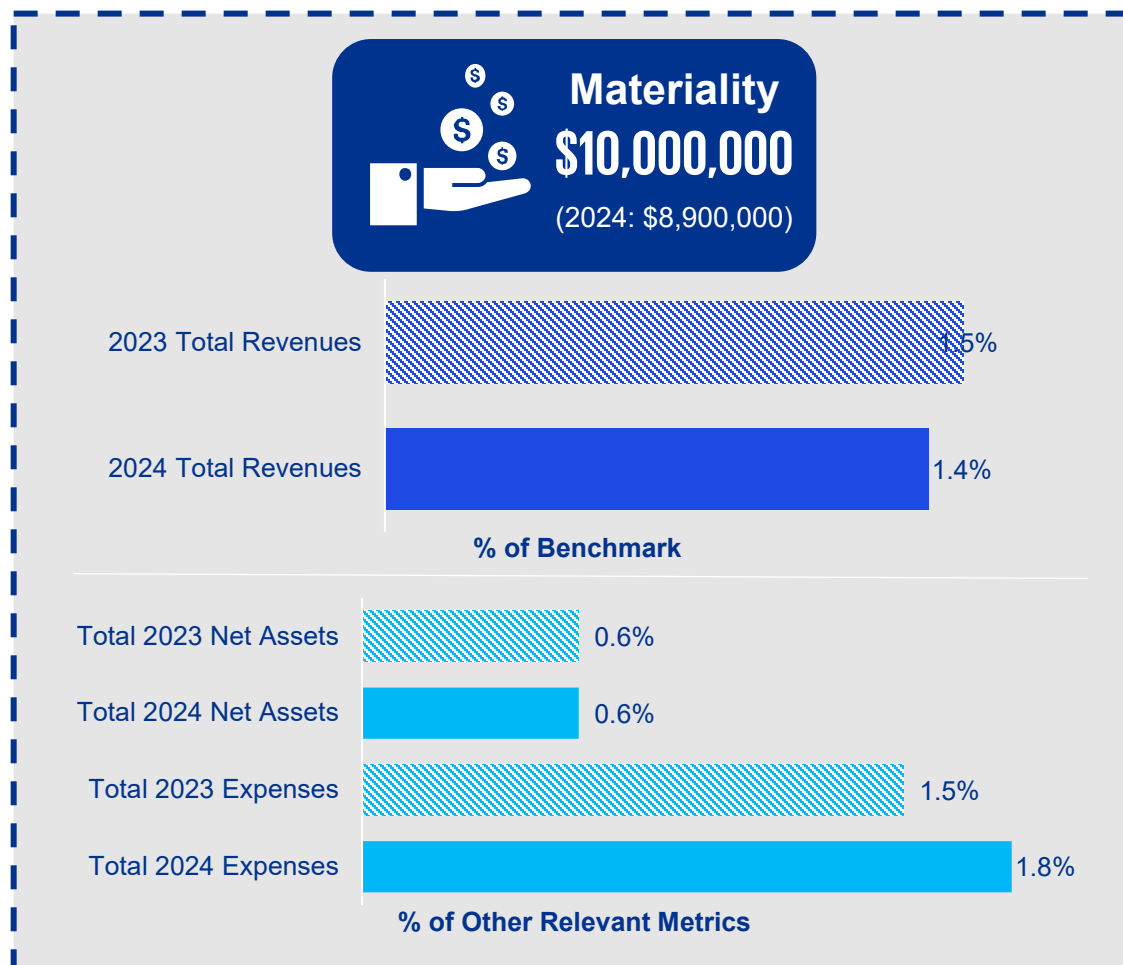
## Evaluate the effect of misstatements

We also **use materiality** to evaluate the effect of:

- Identified misstatements on our audit; and
- Uncorrected misstatements, if any, on the financial statements and in forming our opinion.



# Initial materiality



**Total 2024 Revenues**

**\$698,411,000**

(2023 : \$597,066,000)

**Total 2024 Expenses**

**\$591,676,000**

(2023 : \$545,184,000)

**Total 2024 Net Assets**

**\$1,634,071,000**

(2023 : \$1,527,336,000)

**KPMG notes materiality has been set based off previous years audited consolidated financial statements.**



# Involvement of others

The following parties are involved in the audit of the financial statements:

Involved party	Nature and extent of planned involvement
Nexus Actuarial Consultants	The actuary is engaged to prepare an actuarial valuation of the City's following liabilities: <ul style="list-style-type: none"><li>• WSIB liabilities</li><li>• Retirement benefits</li><li>• Sick leave</li></ul>
Contaminated Sites Specialist	Management specialist to complete a valuation of the Contaminated Sites Liability.



# Group audit - Scoping

We take a risk-based audit approach that requires an understanding of the group, its environment and system of internal control in order to appropriately identify, assess, and plan responses to risks of material misstatement to the group.

We perform group-wide risk assessment procedures, and when sufficient information is not available at the group level, we perform risk assessment procedures at a component level in order to appropriately identify, assess, and plan responses to risks of material misstatement to the group.

We plan to perform risk assessment procedures at a component level for the following components:

Components	Total assets	Total revenue
The City of Guelph	92.4%	92.0%
The Elliott Community	3.2%	1.1%
Downtown Guelph Business Association	0.1%	0.1%
Wellington-Dufferin-Guelph Public Health Unit (46.7% ownership)	2.0%	0.6%
Guelph Municipal Holdings Inc.	1.1%	5.2%
Guelph Junction Railway Limited	1.2%	1.0%
<b>Total</b>	<b>100%</b>	<b>100%</b>

**As noted above, KPMG will be performing stand-alone audits for all components listed within the group. However, the main City of Guelph audit will contain the majority of the risk assessment procedures for the group audit purposes, given it makes up such a high proportion of the consolidated financial statements.**



# Risk assessment summary

Our planning begins with an assessment of risks of material misstatement in your financial statements.

We draw upon our understanding of the City and its environment (e.g. the industry, the wider economic environment in which the business operates, etc.), our understanding of the City's components of its system of internal control, including our business process understanding.

	Risk of fraud	Risk of error	PY risk rating
● Management Override of Controls	✓		Significant
● Post employment benefits		✓	Base
● Tangible capital assets		✓	Base
● Obligatory reserve funds & deferred revenue		✓	Base
● Asset retirement obligation		✓	Base
● Cash & Investments		✓	Base
● Government Contributions		✓	Base

● SIGNIFICANT RISK ● PRESUMED RISK OF MATERIAL MISSTATEMENT ● OTHER RISK OF MATERIAL MISTATEMENT



# Significant risks



Management Override of Controls (non-rebuttable significant risk of material misstatement)

RISK OF



FRAUD

## Why is it significant?

**Presumption  
of the risk of fraud  
resulting from  
management  
override of  
controls**

Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk nevertheless is present in all entities.

## Our planned response

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. These procedures include:

- testing of journal entries and other adjustments,
- performing a retrospective review of estimates
- evaluating the business rationale of significant unusual transactions.

## Advanced technologies

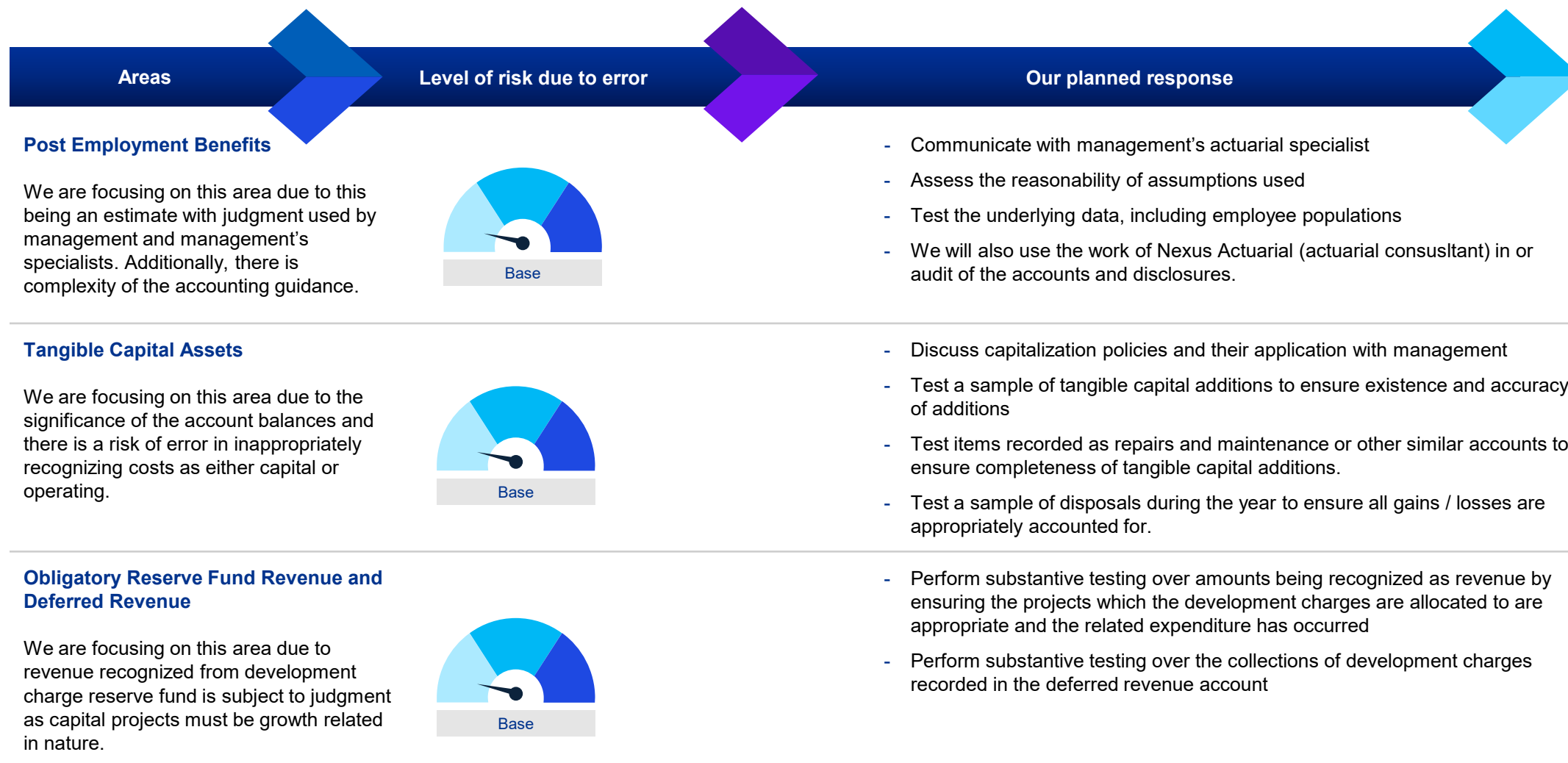
Our KPMG Clara Journal Entry Analysis Tool assists in the performance of detailed journal entry testing based on engagement-specific risk identification and circumstances. Our tool provides auto-generated journal entry population statistics and focusses our audit effort on journal entries that are riskier in nature.



[Click to learn more](#)

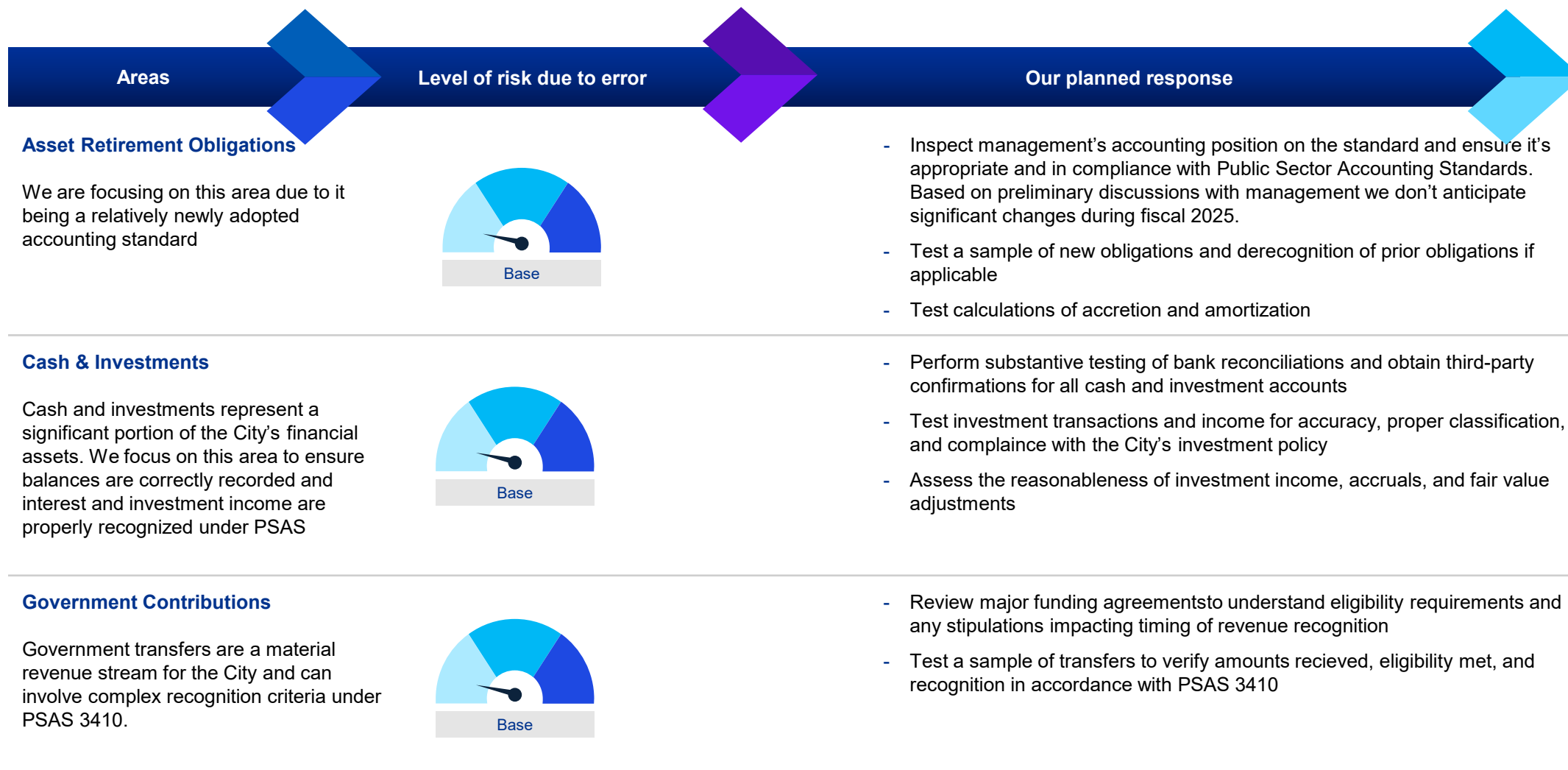


# Other risks of material misstatement





# Other risks of material misstatement





# Required inquiries of the Council



## Inquiries regarding risk assessment, including fraud risks

- What are the Council's views about fraud risks, including management override of controls, in the City? And have you taken any actions to respond to any identified fraud risks?
- Is the Council aware of, or has the Council 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 Council exercise oversight over management's assessment of fraud risk and the establishment of controls to address/mitigate fraud risks?
- Is the Council aware of any instances of actual or possible violations of laws and regulations, including illegal acts (irrespective of materiality threshold)?
- Is the Council aware of any correspondence with regulators or licensing authorities?
- Is the Council aware of any additional matters relevant to the audit?



## Inquiries regarding City processes

- Is the Council aware of or have they received tips or complaints regarding the City's financial reporting (including those received through the Council's internal whistleblower program, if such programs exist)? If so, what was the Council's responses to such tips and complaints?
- Has the City complied with all covenants during the financial statement period and before the date of the auditor's report?
- Have there been any events of default during the financial statement period and before the dates of the auditor's report?



## Inquires regarding related parties and significant unusual transactions

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



# Key milestones and deliverables

## November 2025

### Planning & Risk Assessment

- Debrief prior year with management
- Kick-off with management
- Planning and initial risk assessment procedures, including:
  - Involvement of others
  - Identification and assessment of risks of misstatements and planned audit response for certain processes
- Obtain and update an understanding of the City and its environment
- Inquire of the Council, management and others within the City about risks of material misstatement
- Complete group audit scoping

## Nov 2025 – Jan 2026

### Interim Work

- Perform process walkthroughs for remaining business processes
- Identify process risk points for remaining business processes
- Evaluate D&I of controls for remaining business processes (control activity component)
- Perform TOE of control activities
- Perform interim substantive audit procedures
- Perform site visits
- Provide update on audit progress

## March - June 2026

### Year-end Work

- Complete year-end data extraction and processing activities
- Perform remaining substantive audit procedures
- Evaluate results of audit procedures, including control deficiencies and audit misstatements identified
- Review financial statement disclosures
- Present audit results to the Council and perform required communications
- Issue audit reports on financial statements
- Closing meeting with management
- Filing date: issue audit reports on financial statements



# Our commitment to delivering audit quality

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**.

KPMG is committed to fulfilling our public interest role in providing robust assurance that can benefit investors and other stakeholders.

Businesses are integrating technology in ways once unimaginable. Geopolitical changes and inflationary pressures continue to drive uncertainty, and businesses need to take action to respond to societal threats like climate change.

The pace and scale of change only strengthens our resolve to ensure the quality, consistency and adaptability of our services are fit for this new future. Audit and assurance quality remains the highest priority at KPMG.

Through sustained innovation, we aim to consistently deliver superior audit quality. Across the global organization:

- KPMG firms have implemented a consistent risk-based approach to our system of quality management to drive audit and assurance quality, enabling us to meet the requirements of the International Standard on Quality Management 1 (ISQM 1).
- We are utilising powerful technologies on audit and assurance engagements, including artificial intelligence, and leveraging our alliances with technology leaders such as Microsoft to further enhance quality and provide even more value through deeper analysis of businesses, no matter their size.
- We believe the same level of rigour, quality, consistency and trust that is applied to financial statement information by companies should also apply to ESG reporting. Therefore, across the global organization we have deployed an assurance methodology, KPMG Clara workflow and learning tools to upskill and build teams to provide assurance on ESG reporting that helps our clients build a more sustainable future.

We encourage you to read our Transparency Report to learn more about our system of quality management and our firm's statement on the effectiveness of our SoQM:



[KPMG Canada Transparency Report](#)



# How do we deliver audit quality?

Quality essentially means doing the right thing and remains our highest priority.

We have strengthened the consistency and robustness of our system of quality management to meet the requirements of ISQM 1 (CSQM 1), issued by the International Audit and Assurance Standards Board. Foundational for quality management, KPMG's globally consistent approach to ISQM 1 drives compliance with the standard and our efforts to strengthen trust and transparency with clients, the capital markets and the public we serve.

Aligned with ISQM 1 (CSQM 1), our SoQM meets the requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA) and the relevant rules of professional conduct / code of ethics applicable to the practice of public accounting in Canada, which apply to professional services firms that perform audits of financial statements.

Our **Global Quality Framework** outlines how we deliver quality and how every KPMG professional contributes to its delivery.



'Perform quality engagements' sits at the core, along with our commitment to continually monitor and remediate to fulfil our quality drivers.



Our **quality value drivers** are the cornerstones to our approach underpinned by the **supporting drivers** and give clear direction to encourage the right behaviours in delivering audit quality.



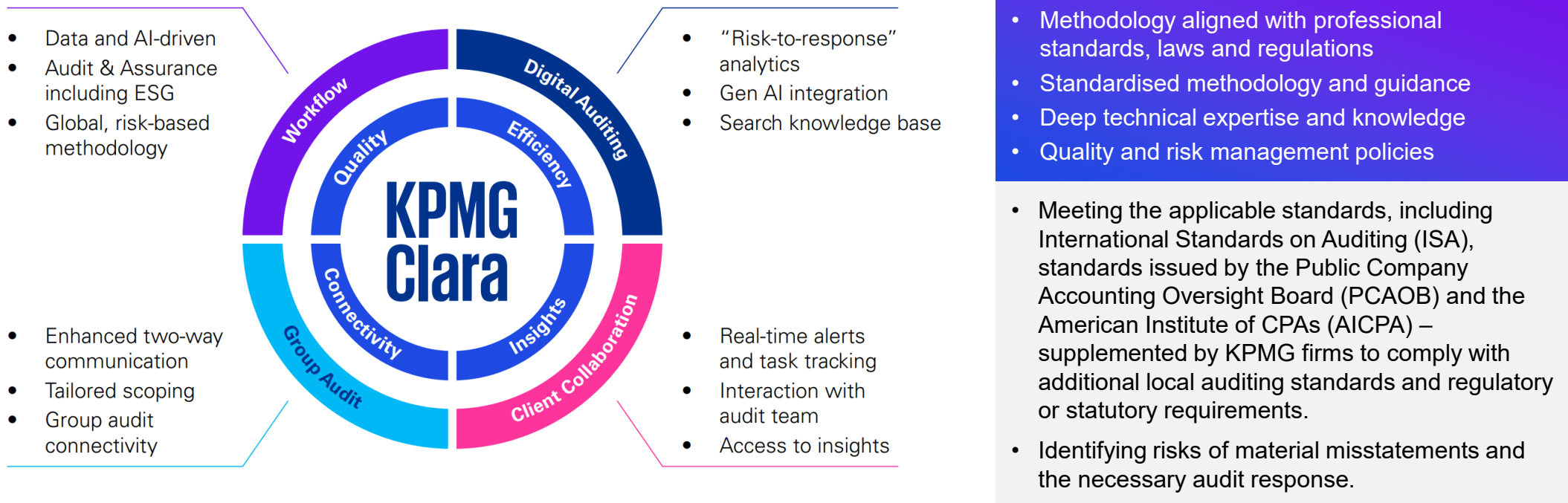
## Doing the right thing. Always.



# The KPMG Audit

## Globally consistent audit and assurance methodology and tools

As a scalable, intuitive cloud-based platform, KPMG Clara is driving globally consistent execution across all KPMG member firms. It enables delivery of KPMG audit and assurance methodologies through data-enabled workflows, which align with the applicable audit and assurance standards and provide an improved experience to audit and assurance professionals.





# Indicators of audit quality (AQIs)

The objective of these measures is to provide more in-depth information about factors that influence audit quality within an audit process. Below are the AQIs that we have agreed with management are relevant for the audit. We would like to obtain agreement of the Council that these are the relevant AQIs.

We will communicate the status of the below AQIs on an annual basis.



## Team composition

### Experience of the team

- Role – number of years experience in the industry, number of years on this engagement



## Technology in the audit

### Implementation of Technology in the Audit

- Increase in use of Software Audit Tools in the audit year over year



## Engagement focus

### Time as a percentage of total time spent by level and phase of the audit

- Proportion of Partner time as a percentage by significant risk.
- Proportion of Manager time as a percentage by significant.
- Proportion of Staff and Seniors time as a percentage of total time by significant risk.
- Proportion of Professionals time as a percentage of total time with specialized skills and knowledge hours by significant risk.



## Timing of prepared by client (PBC) items

### Timeliness of PBC items

- Number of timely and overdue items received by the audit team.



## Quality reviews

### Results of internal and external reviews

- Number and nature of findings specific to the audit engagement



# Independence: Shared responsibilities

Auditor independence is a shared responsibility and most effective when management, audit committees, and audit firms work together in considering compliance with relevant independence rules. In order for KPMG to fulfill its professional responsibility to maintain and monitor independence, management, the audit committee, and KPMG each play an important role. We apply the following ethical requirements, including independence requirements, in:

- the rules of professional conduct / code of ethics applicable to the practice of public accounting issued by various professional accounting bodies in Canada (“CPA code”) that are relevant to audits of financial statements of reporting issuers; and
- the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (“IESBA independence rule”) that are relevant to audits of financial statements of public interest entities.



The firm maintains a system of quality control over compliance with independence rules and firm policies. Timely information before the effective date of transactions or other business changes is necessary to effectively maintain the firm’s independence in relation to:

- New related entities
- Any former KPMG professional who are directors, officers, or employee in a position to exert significant influence over the preparation of the client’s accounting records or the financial statements.



- The CPA Code and IESBA independence rules require the audit committee to pre-approve all audit and permitted non-audit services to be provided by the auditor.
- IESBA also has requirements to obtain the audit committee’s concurrence with the provision of non-assurance services and the auditor’s conclusion on the impact to independence.



- We are required report to the audit committee all relationships that may reasonably be thought to bear on our independence, including fees charged, and discuss the potential effects of such relationships on our independence. We are also required report to the related safeguards that have been applied, as applicable, to eliminate identified threats to independence or reduce them to an acceptable level.
- This communication will be provided during our year-end communications.



# Appendices

**A**

Regulatory communications

**B**

New accounting standards

**C**

New auditing standards

**D**

Insights

**E**

Technology





# Appendix: Regulatory 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:

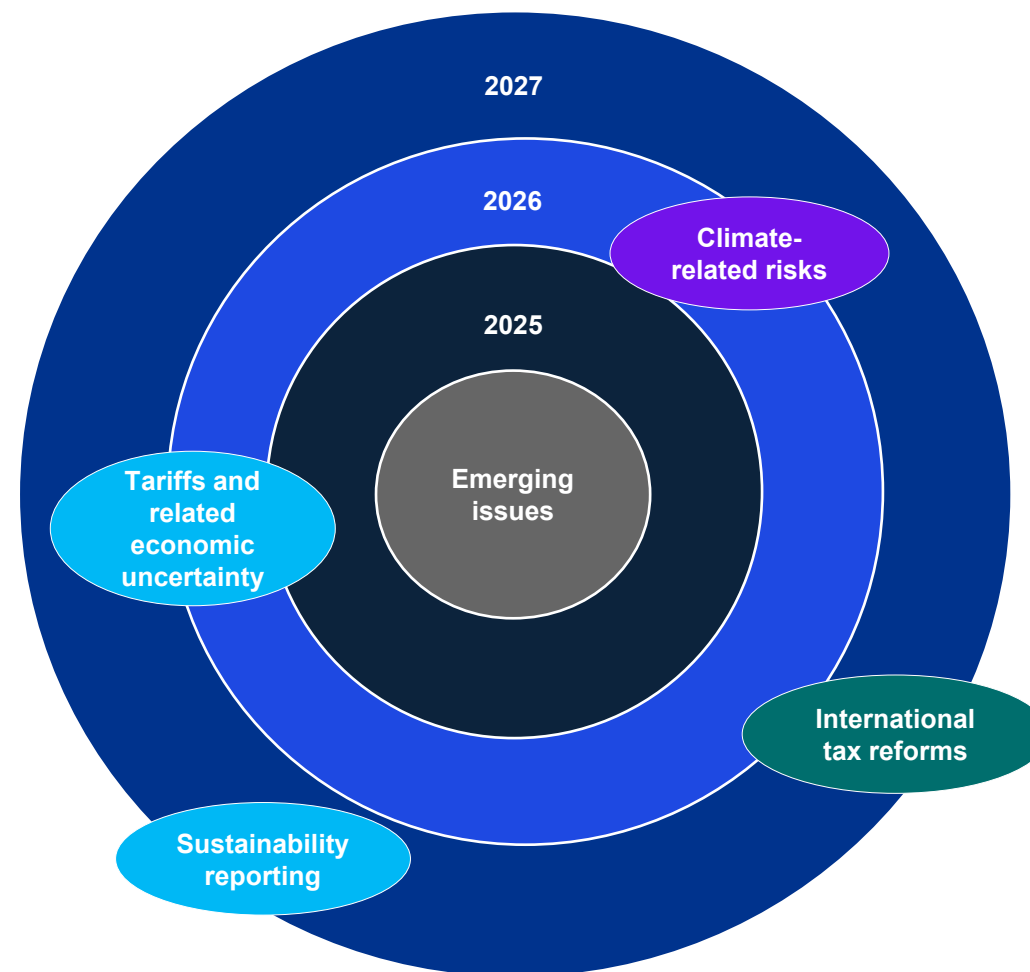
- [CPAB Regulatory Oversight Report: 2022 Annual Inspections Results](#)
- [CPAB Audit Quality Insights Report: 2023 Interim Inspections Results](#)
- [CPAB Regulatory Oversight Report: 2023 Annual Inspections Results](#)
- [CPAB Audit Quality Insights Report: 2024 Interim Inspections Results](#)
- [CPAB Regulatory Oversight Report: 2024 Annual Inspections Results](#)



# Horizon scanning for emerging accounting and financial reporting matters

We highlight potential emerging accounting and financial reporting matters that the council may find useful to consider. The indicative priorities to the entity are based on management's assessment.

Issue	Impact	Priority
<b>Tariffs and related economic uncertainty</b>	May indirectly affect the City through higher prices for imported goods (construction materials, equipment, vehicles, etc.), leading to increased capital project costs or budget pressures.	Medium priority
<b>International tax reforms</b>	Minimal to no direct impact for municipalities, as the City is not engaged in cross-border profit activities.	Low priority
<b>Climate-related risks</b>	Potential financial statement disclosure implications under PSAS 1201 and PS 3300 (Contingent Liabilities) if climate events cause significant infrastructure impairment, site remediation, or contingent obligations.	Immediate priority
<b>Sustainability/ESG reporting</b>	Currently not mandated under PSAS, but many municipalities are beginning to incorporate voluntary sustainability disclosures or integrated reporting to align with public expectations and investor/lender transparency.	Medium priority



● Immediate priority  
 ● Medium priority  
 ● Low priority  
  Other forthcoming activity



# Appendix: Newly effective and upcoming changes to auditing standards

Effective for periods beginning on or after December 15, 2024

## ISA 260/CAS 260

.....  
Communications  
with those charged  
with governance

Summary of Changes:

New requirements for the auditor to communicate:

- about the relevant ethical requirements, including those related to independence, that the auditor applied to the audit of the financial statements; and
- any enhanced independence requirement that the auditor applied specific to the audit of financial statements of certain entities.

## ISA 700/CAS 700

.....  
Forming an opinion  
and reporting on  
the financial  
statements

Summary of Changes:

New requirements for the auditor to publicly disclose when the auditor applied independence requirements specific to audits of financial statements of certain entities WHEN the ethical requirements require public disclosure.



# Appendix: Audit and assurance insights

Our latest thinking on the issues that matter most to Audit Committees, board of directors and management.

## KPMG Audit & Assurance Insights

Curated research and insights for audit committees and boards.

## Board Leadership Centre

Leading insights to help board members maximize boardroom opportunities

## Accelerate - The key issues driving the audit committee agenda

Discover the most pressing risks and opportunities that face audit committees, boards and management teams.

## Sustainability Reporting

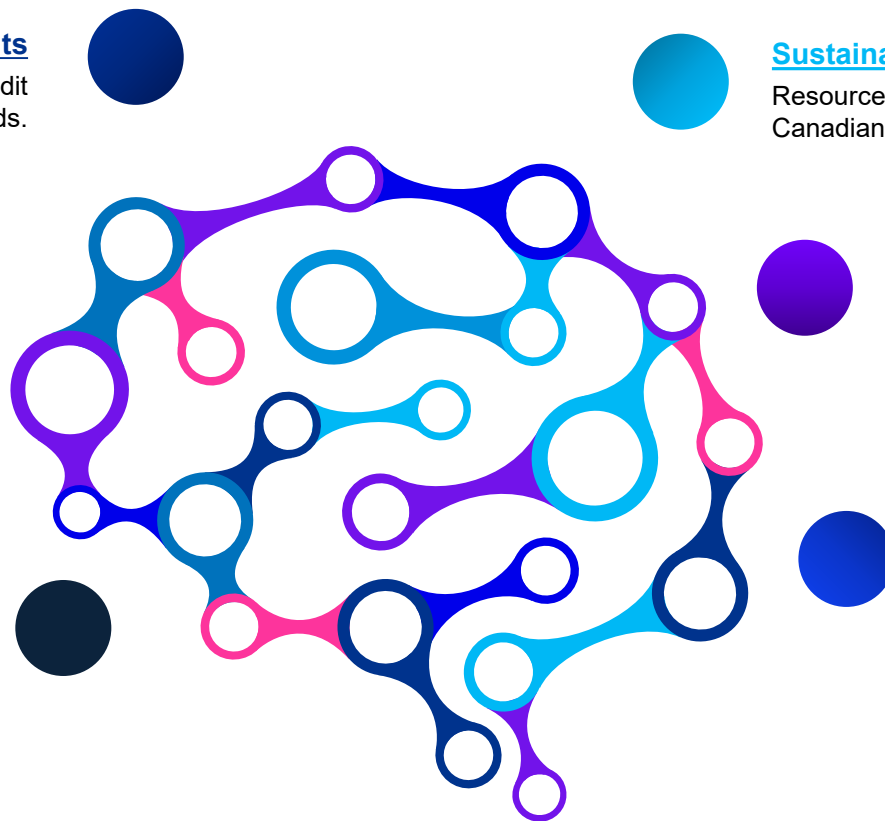
Resource centre on implementing the new Canadian reporting standards

## Government and public sector insights

A monthly Canadian newsletter that provides the latest insights on accounting, financial reporting and sustainability reporting.

## Audit Committee Guide – Canadian Edition

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





# Appendix: Our technology story



## Streamlined client experience

And deeper insights into your business, translating to a better audit experience.



## Secure

A secure client portal provides centralized, efficient coordination with your audit team.



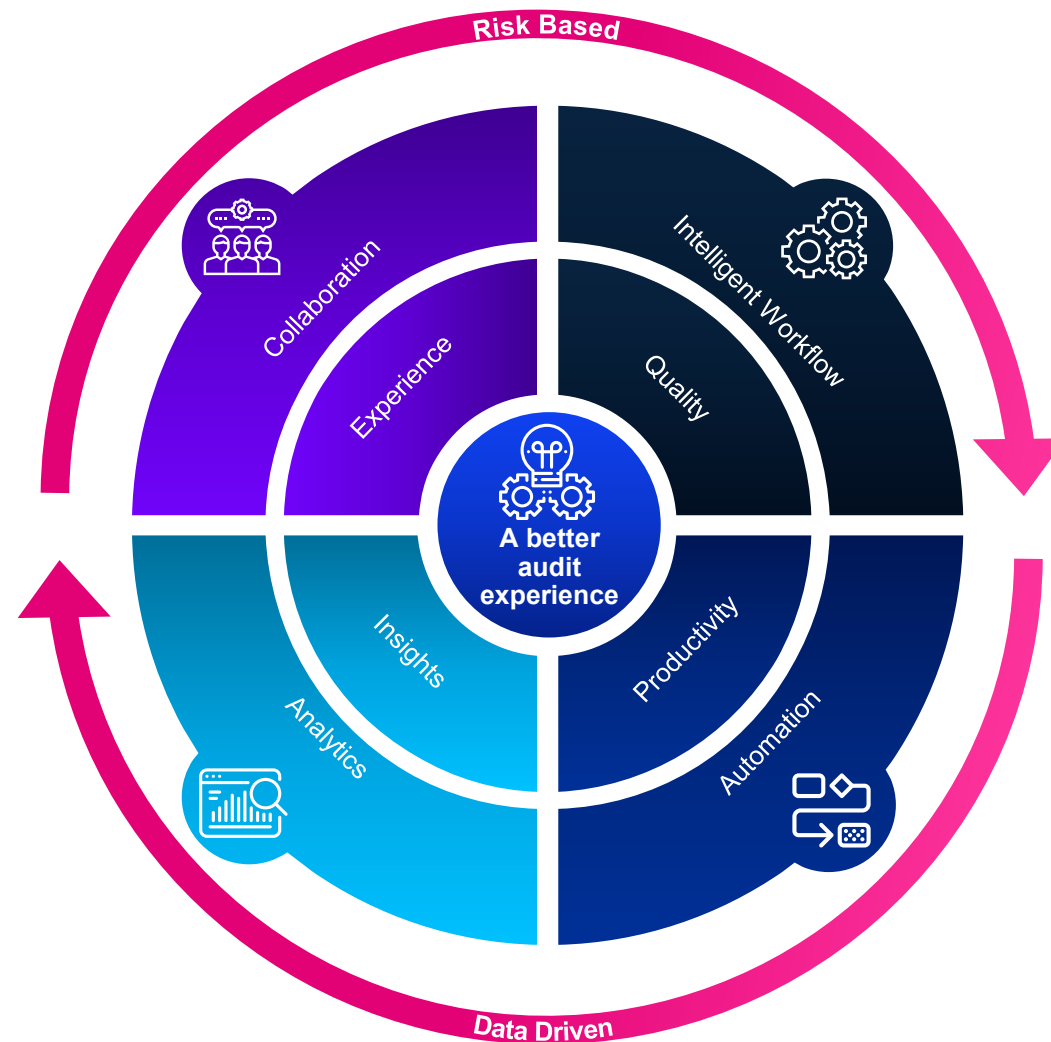
## Intelligent workflow

An intelligent workflow guides audit teams through the audit.



## Increased precision

Advanced data analytics and automation facilitate a risk-based audit approach, increasing precision and reducing your burden.





# Appendix: Expanding the use of audit technology



## Analytics

- AI Transaction Scoring
- Audit Routine Catalogue
- Data Visualization
- Group Scoping Tool
- Matching Routines
- Process Mining Analytics
- KPMG Forecast Analytics Suite



## Automation

- Agentic AI with Clara AI - Chat
- Automated Industry Routines
- Confirmation
- Data Extraction Scripts
- DataShare
- DataSnipper
- Inventory Counter App
- iRadar and iNav
- Offset Remover



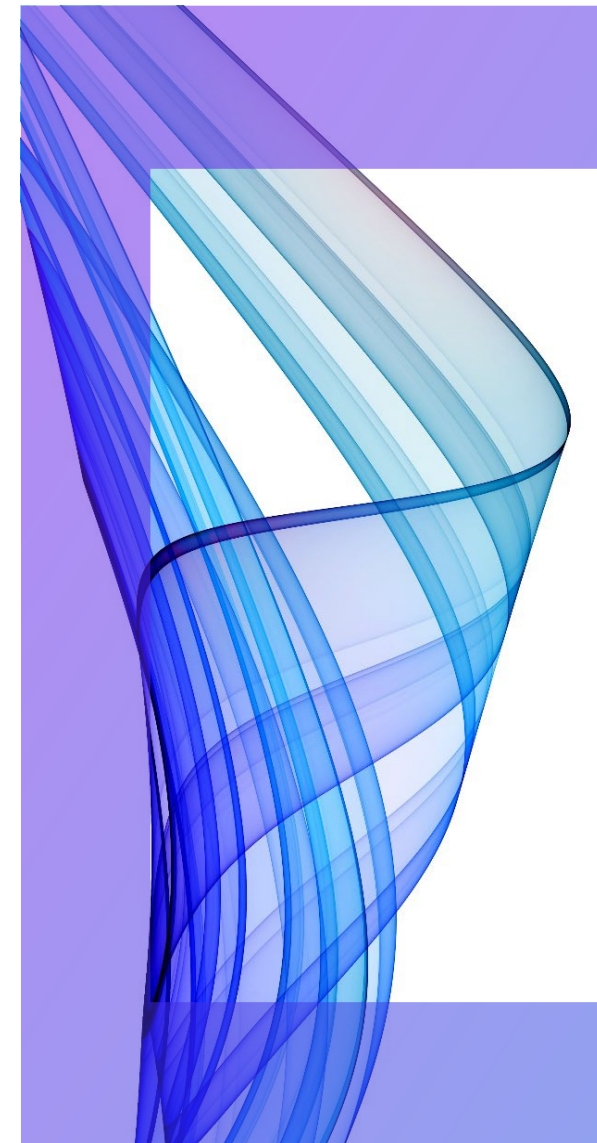
## Collaboration

- DocuSign™
- KPMG Clara for Clients



## Workflow

- KPMG Clara Workflow
- Account Analysis
- Journal Entry Analysis
- Planning Analytics





# Appendix: Continuous evolution

## Our continued investment

We continue to expand our strategic alliance partnerships with Microsoft and MindBridge to bring AI to the future of audit.

## Responsive delivery model

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

## Result: A better experience

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





# Next-generation technology

## AI empowerment leading to focused insights

### Insights

### Now

### Near

### Next

#### AI boosting Insights

- Generative AI Chat embedded directly in the workflow
- AI enabled assistants (compare, prepare, summarize, review)
- AI Transaction scoring and D&A to provide targeted insights

#### A better audit experience

#### AI Agents working to enhance the audit experience

- AI agents embedded in the workflow
- Expanded AI transaction scoring and D&A
- AI generated process documentation

#### AI Vision

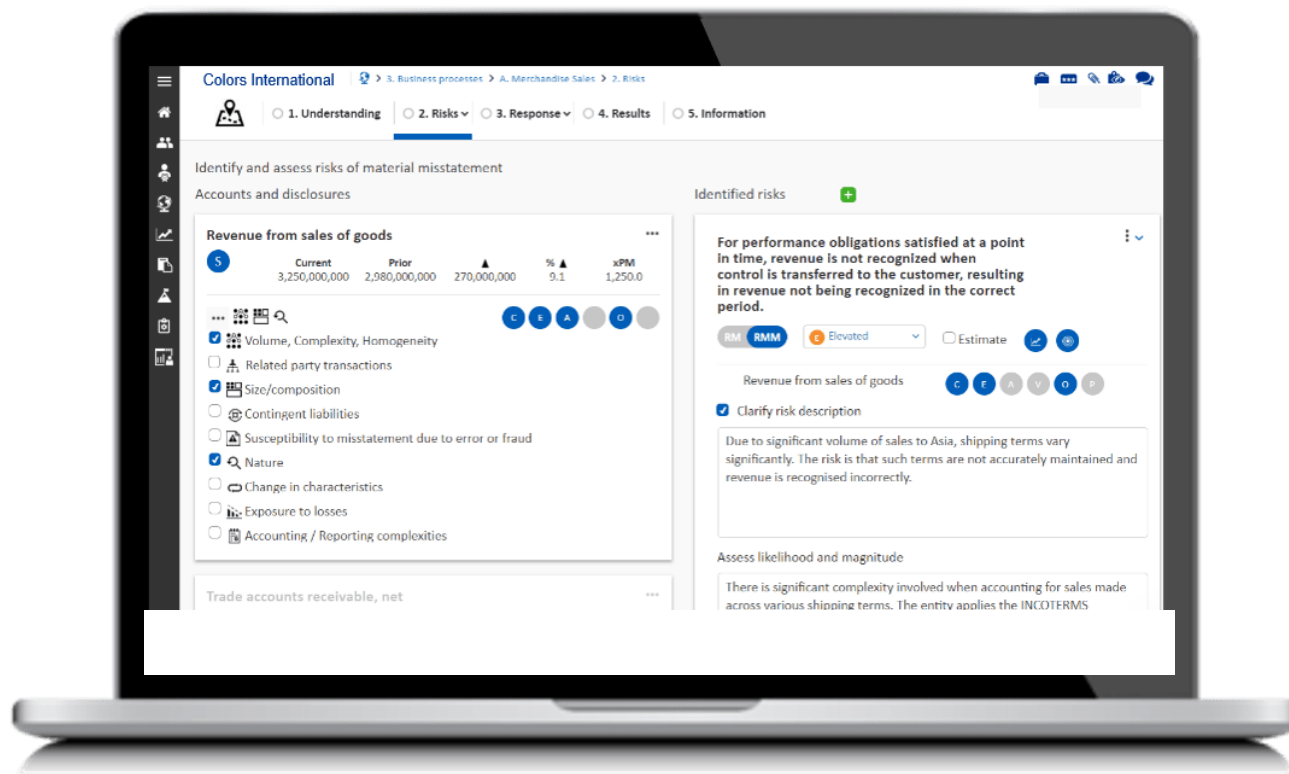
- Automated data extraction maximizing algorithmic testing approach
- AI enabled workflow for enhanced real-time insights
- A data driven audit that leverages embedded knowledge to help the audit team design a customized audit approach

We maximize quality and insights through a data-enabled, AI-powered platform



# Appendix: KPMG Clara Generative AI

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



## AI done right

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



## Bolstered productivity

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



## Quality at our fingertips

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



## Secure integration

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



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

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