City of Edmonton

Audit Findings Report
for the year ended December 31, 2021

KPMG LLP

Prepared on April 1, 2022 for the Audit Committee meeting on April 12, 2022

kpmg.ca/audit

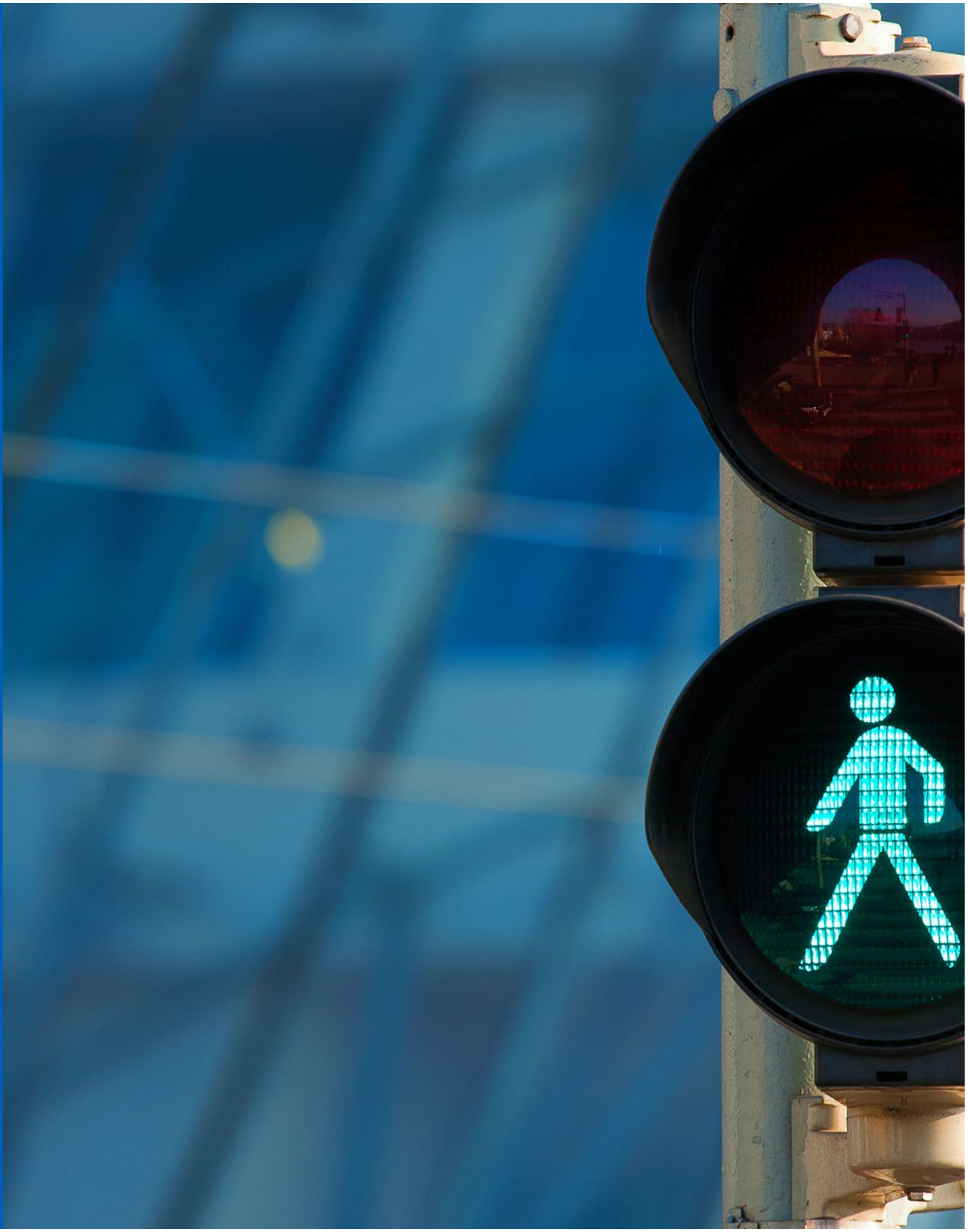
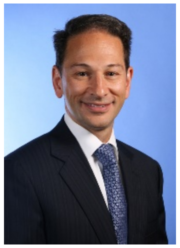


Table of contents

KPMG contacts

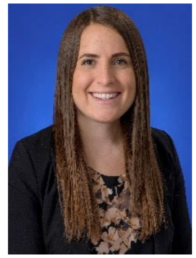
The contacts at KPMG in connection with this report are:



Robert Borrelli

Lead Audit Engagement Partner

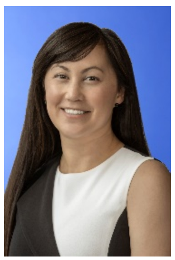
Tel: 780-429-6081
rborrelli@kpmg.ca



Caitlyn Cox

Audit Senior Manager

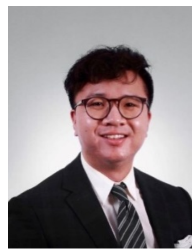
Tel: 613-541-7401
caitlyncox@kpmg.ca



Robyn Eeson

Engagement Quality Control Reviewer

Tel: 780-429-6074
reeson@kpmg.ca



Brian Law

Audit Manager

Tel: 780-429-6530
brianlaw@kpmg.ca

Our refreshed Values

What we believe

Integrity

We do what is right.

Excellence

We never stop learning and improving.

Courage

We think and act boldly.

Together

We respect each other and draw strength from our differences.

For Better

We do what matters.

Audit highlights

Purpose of this report[1]

The purpose of this report is to assist you, as a member of the Audit Committee, in your review of the results of our audit of the consolidated financial statements for the City of Edmonton (the "City") as at and for the period ended December 31, 2021. This report builds on the Audit Plan we presented to the Audit Committee on December 3, 2021.

Significant changes from the audit plan

There have been no significant changes regarding our audit from the Audit Planning Report previously presented to you.

Status of the audit

We have completed the audit of the consolidated financial statements, with the exception of certain remaining procedures that are customarily done at or near the date the Council approves the consolidated financial statements, which include, amongst others:

- Obtaining evidence of Council's approval of the consolidated financial statements;
- Obtaining a signed management representation letter; and
- Completing our subsequent event review to the date of Council's approval of the consolidated 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.

Our auditors' report, a draft of which is provided in Appendix 3, will be dated upon the completion of any remaining procedures.

Financial statement presentation and disclosure

The presentation and disclosure of the consolidated financial statements are, in all material respects, in accordance with the City's relevant financial reporting framework. Misstatements, including omissions, if any, related to disclosure or presentation items are in the management representation letter in Appendix 4 and on page 8.

Independence

We have included a copy of our annual independence letter in Appendix 5, which notes that we are independent of the City in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada.

Significant accounting policies and practices

There have been no initial selections of, or changes to, significant accounting policies and practices to bring to your attention.

Areas of audit focus and results

In the Audit Planning Report previously presented to you, we highlighted certain areas of audit focus. These have been addressed in our audit. See pages 3 to 7.

[1] This report to the Audit Committee is intended solely for the information and use of Management, the Audit Committee, and 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 has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Audit highlights (continued)

Uncorrected audit misstatements

Professional standards require that we request of management and the audit committee that all identified audit misstatements be corrected. We have already made this request of management. A summary of the impact of the uncorrected audit misstatements is as follows:

Total expenses	(in $'000s)
As currently presented	$3,093,503
Uncorrected audit misstatements	$29,347
As a % of the balance	0.95%

See page 8 and Appendix 4.

Control deficiencies

We did not identify any control deficiencies that we determined to be significant deficiencies in internal control over financial reporting. A significant deficiency in internal control is a deficiency, or combination of deficiencies, in internal control that, in the auditor's professional judgment, is of sufficient importance to merit the attention of those charged with governance.

Current developments

There are a number of new accounting standards that are relevant to the City and will be applicable in future years. See Appendix 6.

Additional reporting responsibilities

We have been engaged to report on and have reported or will report on the following for the year ended December 31, 2021:

- City of Edmonton Municipal Financial Information Return (FIR) which is prepared to comply with Section 277 of the Municipal Government Act R.S.A 2000, C.M-26 as amended;
- City of Edmonton Employee Benefit Plans including individual statements for the Group Life Plan Fund, Dependent Group Life Plan, Dental Plan, Long Term Disability Plan, and Major Medical and Supplementary Hospital Plan Fund;
- City of Edmonton Combined Pension Fund financial statements;
- Financial Statements of the City of Edmonton Pension Fund Financial Statements for the Firefighters Supplementary Pension Plan Fund which is prepared to comply with Section 14(3) of the Employment Pension Plan Act (Alberta), R.S.A. 2000, C.E-8, as amended;
- Family and Community Support Services (FCSS) grant compliance reporting; and
- Social Supports to Communities for COVID-19 Response grant funding.

Further, we have been separately engaged and have previously reported or will report on the following entities for the year ended December 31, 2021 that are included within the consolidated financial statements of the City:

- EPCOR Utilities Inc.;
- The City of Edmonton Library Board;
- The City of Edmonton Non-Profit Housing Corporation;
- 2492369 Canada Corporation (o/a Waste RE-solutions Edmonton);
- Explore Edmonton Corporation; and
- Innovate Edmonton.

Areas of audit focus and results

We highlight our significant findings in respect of **areas of focus** as identified in our discussion with you in the Audit Plan, as well as any additional areas of focus identified.

Area of focus	Why	Our response and significant findings
Recognition of revenue amounts subject to external restrictions	There is a risk of inappropriate revenue recognition of amounts received with external restrictions attached to them (special taxes and levies, government transfers and other amounts).	**Summary of audit approach:** • We tested the recognition of amounts subject to external restrictions to ensure they are recognized appropriately; • We confirmed all significant government transfers, and examined related agreements; and • On a sample basis, we validated that the expenses incurred in the period are in compliance with restrictions imposed by third parties through an inspection of signed agreements and related invoices. **Results:** • A tangible capital asset that was originally constructed through $29 million of provincial government contributions was removed from service as it is no longer in use. Through Administration's review of the terms of the contribution agreement, it was determined that assets funded through the program are required to remain in use for a minimum of ten years. Based upon this new information received in the current year and discussions with the provincial government, the cost of the asset was determined to be ineligible under the contribution agreement and the previously approved funding was re-allocated to other projects for future use. • Administration corrected this amount in the current year rather than adjusting previous periods. The amount relates to a re-allocation of contributions among projects with no impact on accumulated surplus at December 31, 2021.

Areas of audit focus and results (continued)

Area of focus	Why	Our response and significant findings
Valuation of investments	There is a risk that investments are not appropriately valued; specifically, impairment of investments is not appropriately assessed, and valuation adjustments are not recorded where appropriate.	**Summary of audit approach:** • We have tested the existence and accuracy of investment accounts through confirmation, including the cost and market value of investments; • We have recalculated investment premiums/discounts for investments recorded at amortized cost; and • We have tested Administration's assessment of impairment and considered if any potential impairment of the investments exists. **Results:** • No misstatements or other findings were identified as a result of performing the above procedures.
Completeness and accuracy of contributed tangible capital assets	There is a risk that contributions of tangible capital assets are not appropriately recorded in the consolidated financial statements.	**Summary of audit approach:** • We updated our understanding of the process by which departments capture tangible capital assets which are contributed from developers and other parties and assessed the consistency of the process applied across all departments; • We tested a sample of developments which were completed by the City during the year to assess whether contributed tangible capital assets have been appropriately recorded; • We tested the value ascribed to assets contributed and donated to the City; and • We reviewed a sample of developments currently ongoing at the City to ensure that they were appropriately not recorded as contributed during the year. **Results:** • No misstatements or other findings were identified as a result of performing the above procedures.
Completeness of transfer of tangible capital assets under construction to available for use	There is a risk that tangible capital assets under construction are not appropriately transferred to tangible capital assets and amortized once available for use.	**Summary of audit approach:** • We evaluated the City's capitalization process to ensure an adequate process is in place for timely communication between project managers and finance with respect to when a tangible capital asset is available for use; and • We performed a review of projects included in Tangible Capital Assets-Under-Construction ("AUC") to assess whether selected tangible capital assets are appropriately classified and amortized when available for use. **Results:** • No misstatements or other findings were identified as a result of performing the above procedures.

Areas of audit focus and results (continued)

Area of focus	Why	Our response and significant findings
Completeness and accuracy of accounts payable and accrued liabilities	There is a risk that appropriate cut-off of accounts payable and accrued liabilities is not achieved.	**Summary of audit approach:** • We updated our understanding of the City's operations, held discussions with Administration and reviewed City Council and various City Committee meeting minutes to evaluate the completeness of accruals as at December 31, 2020; and • Our year-end procedures included a search for unrecorded liabilities (primarily through review of unprocessed transactions and payments subsequent to year-end) and a detailed analysis of key accruals. **Results:** • No misstatements were identified as a result of performing the above procedures. • Through our review of accrued liabilities, it was noted that the vacation accrual increased by $5.5 million since the prior year. We understand that management is aware of this growing liability and is implementing measures to drawn down the balance in the future. We support management's plans and recommend that the City monitor adherence to vacation carry-forward limits and encourage employees to take their allotted vacation in the year it is earned to reduce the overall financial liability to the City and maintain the integrity of its internal controls.
Existence of developer obligation liabilities	There is a risk that developer obligation liabilities are not being appropriately derecognized as a liability upon project initiation.	**Summary of audit approach:** • We updated our understanding of the process of regular review performed over the developer obligation fund accounts, including Administration's monitoring of projects that the City has assumed responsibility over; and • We inspected a sample of developer obligation liabilities and verified the details of the associated project, including status and ownership. **Results:** • No misstatements or other findings were identified as a result of performing the above procedures.

Areas of audit focus and results (continued)

Area of focus	Why	Our response and significant findings
Upcoming asset retirement obligation ("ARO') standard	The ARO standard will have a significant impact on the public sector when it comes into effect in fiscal 2023.	**Summary of audit approach:** • We obtained an update on Administration's project plan for the implementation of this standard. • We understand that Administration is developing the inventory of all active and inactive sites to identify potential retirement obligations, with a focus on the buildings and facilities owned by the City. • Assessments and historical information are being reviewed to develop preliminary standard costing information for remediation, monitoring, and retirement costs. • We discussed the importance of implementing project milestones for the KPMG audit team and ARO experts to review the project as it progresses. Refer to Appendix 6 for suggested timelines for implementation. **Results:** • No misstatements or other findings were identified as a result of performing the above procedures. • We will continue to monitor the implementation of this standard and share Thought Leadership as it becomes available.

Areas of audit focus and results (continued)

We highlight our significant findings in respect of **significant risks** as identified in our discussion with you in the Audit Plan.

Significant risk	New or changed?	Estimate?
Presumed risk of fraud from management override of controls	No	No

Our response

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.

We took the following steps to address this risk as required under professional standards:

– Evaluated the design and implementation of controls surrounding journal entries and other adjustments;
– Determined criteria to identify high-risk journal entries and other adjustments;
– Tested high-risk journal entries and other adjustments made at the end of the reporting period.

Significant findings

We have no significant findings to report.

Uncorrected and corrected audit misstatements

Audit misstatements include presentation and disclosure misstatements, including omissions.

Uncorrected audit misstatements

The management representation letter includes the Summary of Uncorrected Audit Misstatements, which discloses the impact of all uncorrected misstatements considered to be other than clearly trivial, including the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. The uncorrected audit misstatements identified in the current year are summarized below:

As at and year ended December 31, 2021	Statement of operations	Statement of financial position effect		
Description of misstatements greater than $4.7 million individually (in 000's)	**Income (Decrease) Increase**	**Assets (Decrease) Increase**	**Liabilities (Decrease) Increase**	**Accumulated surplus (Decrease) Increase**
To record the 2021 impact of correcting revenue that was recognized between 2011-2020 under a provincial contribution agreement and reallocated to a new project in 2021.	29,347	–	–	–
Total uncorrected misstatements	**29,347**	**–**	**–**	**–**

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.

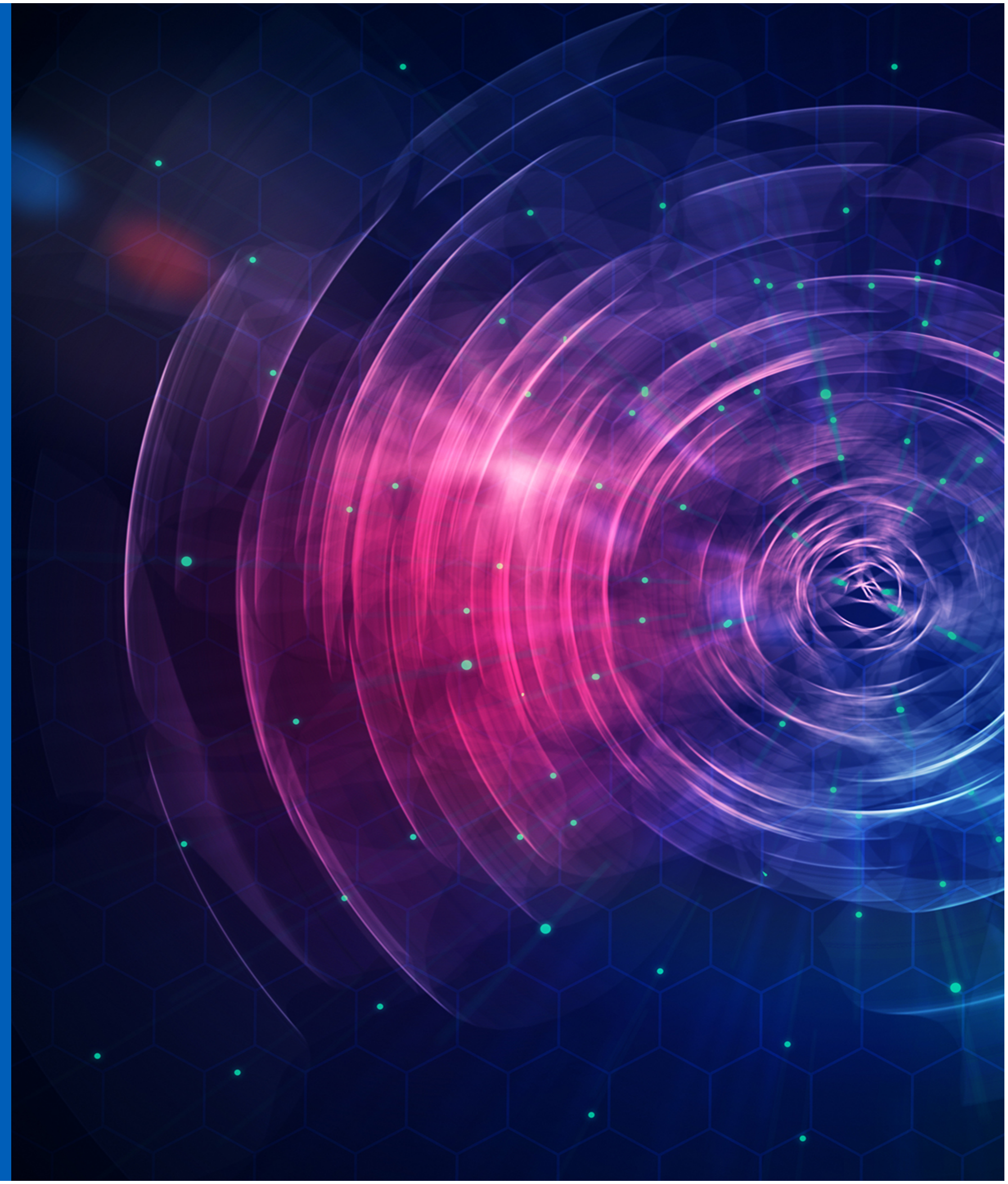
We concur with management's representation that the uncorrected misstatements are not material to the financial statements. Accordingly, the uncorrected misstatements have no effect on our auditors' report.

Corrected audit misstatements

We did not identify any misstatements that were communicated to management and subsequently corrected in the financial statements.

Appendices

Content



Appendix 1: Other required communications

Auditors' Report	Representations of management
The conclusion of our audit is set out in our draft auditors' report as attached in Appendix 3.	In accordance with professional standards, a copy of the management representation letter is provided to the Audit Committee. The management representation letter is attached in Appendix 4 for your review.

Audit Quality in Canada

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 Audit Quality Insights Report: 2021 Interim Inspections Results
- CPAB Audit Quality Insights Report: 2020 Annual Inspections Results

Appendix 2: Audit and assurance insights

Our latest thinking on the issues that matter most to audit committees, Boards and Management.

Featured insight	Summary	Reference
Accelerate 2022	The key issues driving the audit committee agenda in 2022	Learn more
Audit Committee Guide – Canadian Edition	A practical guide providing insight into current challenges and leading practices shaping audit committee effectiveness in Canada	Learn more
Unleashing the positive in net zero	Real solutions for a sustainable and responsible future	Learn more
KPMG Audit & Assurance Insights	Curated research and insights for audit committees and boards.	Learn more
Board Leadership Centre	Leading insights to help board members maximize boardroom opportunities.	Learn more
KPMG Climate Change Financial Reporting Resource Centre	Our climate change resource centre provides insights to help you identify the potential financial statement impacts to your business.	Learn more
The business implications of coronavirus (COVID 19)	Resources to help you understand your exposure to COVID-19, and more importantly, position your business to be resilient in the face of this and the next global threat.	Learn more
	KPMG Global IFRS Institute - COVID-19 financial reporting resource center.	Learn more
Momentum	A quarterly Canadian newsletter which provides a snapshot of KPMG's latest thought leadership, audit and assurance insights and information on upcoming and past audit events – keeping management and board members abreast on current issues and emerging challenges within audit.	Sign-up now
Current Developments	Series of quarterly publications for Canadian businesses including Spotlight on IFRS, Canadian Securities & Auditing Matters and US Outlook reports.	Learn more
KPMG Learning Academy	Technical accounting and finance courses designed to arm you with leading-edge skills needed in today's disruptive environment.	Learn more

Appendix 3: Draft auditors' report

INDEPENDENT AUDITORS' REPORT

To his Worship the Mayor and Members of Council of the City of Edmonton

Opinion

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

- the consolidated statement of financial position as at December 31, 2021
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes and schedules 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, 2021, and its consolidated results of operations, its consolidated changes in 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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Financial Statement Discussion and Analysis
- the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled the "2021 Annual Report"

- the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled the "2021 Financial Report to Citizens"

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Financial Statement Discussion and Analysis as at the date of this auditors' report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

The information, other than the financial statements and the auditors' report thereon, included in the documents likely to be entitled "2021 Annual Report" and "2021 Financial Report to Citizens" is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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.

Auditors' 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 auditors' 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 auditors' 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 auditors' 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

DRAFT

Edmonton, Canada

April 19, 2022

Appendix 4: Management representation letter

KPMG LLP
Chartered Professional Accountants
Enbridge Centre
2200, 10175 – 101 Street
Edmonton, AB T5J 0H3

April 19, 2022

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 Edmonton (“the Entity”) as at and for the period ended December 31, 2021.

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 statement of work #2021-01, including for:

   a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework.

   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 Entity 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.

Internal control over financial reporting:

2) 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:

3) 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:

4) 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:

5) We have disclosed to you the identity of the Entity's related parties.

6) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.

7) All related party relationships and transactions/balances have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

Estimates:

8) 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:

9) We have provided you with all information relevant to the use of the going concern assumption in the financial statements.

10) We confirm that we are not aware of material uncertainties related to events or conditions that may cast significant doubt upon the Entity's ability to continue as a going concern.

Accounting policies:

11) The accounting policies selected and applied are appropriate in the circumstances.

12) There have been no changes in, or newly adopted, accounting policies that have not been disclosed to you and appropriately reflected in the financial statements.

Provisions:

13) Provisions, when material, have been made for losses to be sustained as a result of other-than-temporary declines in the fair market value of investments.

Commitments & *contingencies:*

14) There are no other liabilities that are required to be recognized or contingent liabilities that are required to be disclosed in the financial statements in accordance with the relevant financial reporting framework; including liabilities or contingent liabilities arising from illegal acts or possible illegal acts, or possible violations of human rights legislation

Employee future benefits:

15) The employee future benefits costs, assets and obligation, if any, have been determined, accounted for and disclosed inaccordance with the financial reporting framework.

16) There are no arrangements (contractual or otherwise) by which programs have been established to provide employee future benefits other than disclosed in the financialstatements.

17) For employee future benefit plans, each actuarial assumption used reflects management's best estimate solely with respect to that individual assumption, determined on a basis that the planwill continue to be in effect in the absence of evidence to the contrary.

18) The discount rate used to determine the accrued benefit obligation for each plan wasdetermined by reference to market interest rates at the measurement date based on management's best estimates of expected long-term experience and short-termforecasts.

19) The assumptions included in the actuarial valuation are those that management instructed the Actuary to use in computing amounts to be used by us in determining pension costs and obligations and in making required disclosures in the above-named financial statements, in accordance with the relevant financial reporting framework.

20) The source data and plan provisions provided to the actuary for preparation of theactuarial valuation are accurate and complete.

21) All changes to plan provisions or events occurring subsequent to the date of the actuarialvaluation and up to the date of this letter have been considered in the determination of pension costs and obligations and such have been communicated to you as well as to the actuary.

Segment disclosures:

22) The Entity's operating segments have been appropriately identified and the related segment and enterprise-wide disclosures have been made in the financial statements in accordance with the relevant financial reporting framework.

Misstatements:

23) The effects of the uncorrected misstatements described in **Attachment II** are immaterial, both individually and in the aggregate, to the financial statements as a whole.

Other information:

24) We confirm that the final version of the documents likely to be entitled “2021 Annual Report” and “2021 Financial Report to Citizens” will be provided to you when available, and prior to issuance by the Entity, to enable you to complete your required procedures in accordance with professional standards.

Non-SEC registrants or non-reporting issuers:

25) We confirm that the Entity is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission (“SEC”) Issuer (as defined by the Sarbanes-Oxley Act of 2002).

26) We also confirm that the financial statements of the Entity 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.

Yours very truly,

Andre Corbould
City Manager

Stacey Padbury
Deputy City Manager and Chief Financial Officer

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 entity's own circumstances.

Fraud & error

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization.

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Attachment II – Summary of Audit Misstatements Schedule

Summary of Uncorrected Audit Misstatements (in 000's)

Description	Statement of Financial Position effect[1] Assets $	Liabilities $	Accumulated Surplus $	Statement of Operations effect[1] $
Audit misstatements greater than $4,700 individually				
Dr. Government contributions – capital	-	-	29,347	29,347
Cr. Opening accumulated surplus	-	-	(29,347)	-
To record the impact of correcting revenue that was recognized between 2011-2020 under a provincial contribution agreement and reallocated to a new project in 2021.				
TOTAL UNCORRECTED AUDIT MISSTATEMENTS	**-**	**-**	**-**	**29,347**

[1] Debit (Credit)

Appendix 5: Independence letter

Audit Committee
City of Edmonton
2nd Floor, City Hall
1 Sir Winston Churchill Square
Edmonton, Alberta T5J 2R7

April 19, 2022

To the Members of the Audit Committee of the City of Edmonton:

Professional standards specify that we communicate to you in writing all relationships between the Entity and our firm that, in our professional judgment, may reasonably be thought to bear on our independence.

In determining which relationships to report, we consider relevant rules and related interpretations prescribed by the relevant professional bodies and any applicable legislation or regulation, covering such matters as:

a) provision of services in addition to the audit engagement

b) other relationships such as:

- holding a financial interest, either directly or indirectly, in a client
- holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client
- personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client
- economic dependence on a client

PROVISION OF SERVICES

- The following summarizes the fees paid or payable to our firm relating to our audit of the 2021 consolidated financial statements and the fees for other professional services billed in 2021:

Description of Professional Services
Audit Audit of the December 31, 2021 consolidated financial statements of the City of Edmonton (and certain related entities) as set out in the terms of the statement of work #2021-01 relating to the City of Edmonton contract for audit services dated October 28, 2020, including: - Municipal Financial Information Return for the City of Edmonton - Employee Benefit Plan Financial Statements for each of: o Group Life Plan o Dependent Group Life Plan o Dental Plan o Long-term Disability Plan o Major Medical and Supplementary Hospital Plan - Combined Pension Fund Financial Statements

- Individual Financial Statement - Firefighters Supplementary Pension Fund - Family and Community Support Services (FCSS) grant schedules - Local Authorities Pension Plan compliance report - Special Forces Pension Pan compliance reporting In addition, KPMG has been separately appointed by and has separately reported matters related to independence to the board of directors of EPCOR Utilities Inc. KPMG has also been separately appointed to audit the financial statements of the following entities related to the consolidated financial statements of the City of Edmonton: - The City of Edmonton Library Board - The City of Edmonton Non-Profit Housing Corporation (HomeEd) - 2492369 Canada Corporation (operating as Waste RE-Solutions Edmonton) - Explore Edmonton Corporation - Innovate Edmonton
Advisory - Comprehensive Tax Review - Reimagine Services Review Project - Edmonton Fire Rescue Services Review - Way Ahead Program Service Review - The City of Edmonton Non-Profit Housing Corporation (HomeEd) indirect tax advisory services - Innovate Edmonton indirect tax advisory services

Professional standards require that we communicate the actions that have been taken to eliminate identified threats to independence to reduce threats to independence to an acceptable level. We have not provided any prohibited services. We have taken the following actions or applied the following safeguards regarding threats to independence created by the services listed above:

– We instituted policies and procedures to prohibit us from making management decisions or assuming responsibility for such decisions.

– We obtained pre-approval of non-audit services and during this pre-approval process we discussed the nature of the engagement and other independence issues related to the services.

– We obtained management's acknowledgement of responsibility for the results of the work performed by us regarding non-audit services and we have not made any management decisions or assumed responsibility for such decisions.

OTHER RELATIONSHIPS

We evaluated the family and personal relationships of KPMG employees. We are not aware of any other relationships between our firm and the Entity that, in our professional judgement, may reasonably be thought to bear on our independence.

CONFIRMATION OF INDEPENDENCE

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

OTHER MATTERS

This letter is confidential and intended solely for use by those charged with governance in carrying out and discharging their responsibilities and should not be used for any other purposes.

KPMG shall have no responsibility for loss or damages or claims, if any, to or by any third party as this letter has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Yours very truly,

KPMG LLP

Chartered Professional Accountants

Appendix 6: Current developments

Title	Details	Link
Public Sector Update – connection series	Public Sector Accounting Standards are evolving – Get a comprehensive update on the latest developments from our PSAB professionals. Learn about current changes to the standards, active projects and exposure drafts, and other items.	Contact your KPMG team representative to sign up for these webinars. Public Sector Minute Link

Public Sector Accounting Standards

Standard	Summary and implications
Asset Retirement Obligations *See page 27 for additional information.*	– The new standard is effective for fiscal years beginning on or after April 1, 2022. – The new standard addresses the recognition, measurement, presentation and disclosure of legal obligations associated with retirement of tangible capital assets in productive use. Retirement costs will be recognized as an integral cost of owning and operating tangible capital assets. PSAB currently contains no specific guidance in this area. – The ARO standard will require the public sector entity to record a liability related to future costs of any legal obligations to be incurred upon retirement of any controlled tangible capital assets (“TCA”). The amount of the initial liability will be added to the historical cost of the asset and amortized over its useful life. – As a result of the new standard, the public sector entity will have to: • Consider how the additional liability will impact net debt, as a new liability will be recognized with no corresponding increase in a financial asset; • Carefully review legal agreements, senior government directives and legislation in relation to all controlled TCA to determine if any legal obligations exist with respect to asset retirements; • Begin considering the potential effects on the organization as soon as possible to coordinate with resources outside the finance department to identify AROs and obtain information to estimate the value of potential AROs to avoid unexpected issues.
Revenue	– The new standard is effective for fiscal years beginning on or after April 1, 2023. The effective date was deferred by one year due to COVID-19. – The new standard establishes a single framework to categorize revenues to enhance the consistency of revenue recognition and its measurement. – The standard notes that in the case of revenues 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 revenues arise 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.

Appendix 6: Current developments (continued)

Standard	Summary and implications
Financial Instruments and Foreign Currency Translation	– The accounting standards, PS3450 *Financial Instruments*, PS2601 *Foreign Currency Translation*, PS1201 *Financial Statement Presentation* and PS3041 *Portfolio Investments* are effective for fiscal years commencing on or after April 1, 2022. The effective date was deferred by one year due to COVID-19. – Equity instruments quoted in an active market and free-standing derivatives are to be carried at fair value. All other financial instruments, including bonds, can be carried at cost or fair value depending on the public sector entity's choice and this choice must be made on initial recognition of the financial instrument and is irrevocable. – Hedge accounting is not permitted. – A new statement, the Statement of Remeasurement Gains and Losses, will be included in the financial statements. Unrealized gains and losses incurred on fair value accounted financial instruments will be presented in this statement. Realized gains and losses will continue to be presented in the statement of operations. – In July 2020, PSAB approved federal government narrow-scope amendments to PS3450 *Financial Instruments* which will be included in the Handbook in the fall of 2020. Based on stakeholder feedback, PSAB is considering other narrow-scope amendments related to the presentation and foreign currency requirements in PS3450 *Financial Instruments*. The exposure drafts were released in summer 2020 with a 90-day comment period.
Employee Future Benefit Obligations	– PSAB has initiated a review of sections PS3250 *Retirement Benefits* and PS3255 *Post-Employment Benefits, Compensated Absences and Termination Benefits*. In July 2020, PSAB approved a revised project plan. – PSAB intends to use principles from International Public Sector Accounting Standard 39 *Employee Benefits* as a starting point to develop the Canadian standard. – Given the complexity of issues involved and potential implications of any changes that may arise from the review of the existing guidance, PSAB will implement a multi-release strategy for the new standards. The first standard will provide foundational guidance. Subsequent standards will provide additional guidance on current and emerging issues. – PSAB released an exposure draft on proposed section PS3251, Employee Benefits in July 2021. Comments to PSAB on the proposed section are due by November 25, 2021. Proposed Section PS 3251 would apply to fiscal years beginning on or after April 1, 2026 and should be applied retroactively. Earlier adoption is permitted. The proposed PS3251 would replace existing Section PS 3250 and Section PS 3255. This proposed section would result in organizations recognizing the impact of revaluations of the net defined benefit liability (asset) immediately on the statement of financial position. Organizations would also assess the funding status of their post-employment benefit plans to determine the appropriate rate for discounting post-employment benefit obligations.

Appendix 6: Current developments (continued)

Standard	Summary and implications
Public Private Partnerships (“P3”)	– PSAB has introduced Section PS3160, which includes new requirements for the recognition, measurement and classification of infrastructure procured through a public private partnership. The standard has an effective date of April 1, 2023, and may be applied retroactively or prospectively. – The standard notes that recognition of infrastructure by the public sector entity would occur when it controls the purpose and use of the infrastructure, when it controls access and the price, if any, charged for use, and it controls any significant interest accumulated in the infrastructure when the P3 ends. – The public sector entity recognizes a liability when it needs to pay cash or non-cash consideration to the private sector partner for the infrastructure. – The infrastructure would be valued at cost, which represents fair value at the date of recognition with a liability of the same amount if one exists. Cost would be measured in reference to the public private partnership process and agreement, or by discounting the expected cash flows by a discount rate that reflects the time value of money and risks specific to the project.
Concepts Underlying Financial Performance	– PSAB is in the process of reviewing the conceptual framework that provides the core concepts and objectives underlying Canadian public sector accounting standards. PSAB released four exposure drafts in early 2021 for the proposed conceptual framework and proposed revised reporting model, and their related consequential amendments. The Board is in the process of considering stakeholder comments received. – PSAB is proposing a revised, ten-chapter conceptual framework intended to replace PS 1000 *Financial Statement Concepts* and PS 1100 *Financial Statement Objectives*. The revised conceptual framework would be defined and elaborate on the characteristics of public sector entities and their financial reporting objectives. Additional information would be provided about financial statement objectives, qualitative characteristics and elements. General recognition and measurement criteria, and presentation concepts would be introduced. – In addition, PSAB is proposing: • Relocation of the net debt indicator to its own statement and the statement of net financial assets/liabilities, with the calculation of net debt refined to ensure its original meaning is retained. • Separating liabilities into financial liabilities and non-financial liabilities. • Restructuring the statement of financial position to present non-financial assets before liabilities. • Changes to common terminology used in the financial statements, including re-naming accumulated surplus (deficit) to net assets (liabilities). • Removal of the statement of remeasurement gains (losses) with the information instead included on a new statement called the statement of changes in net assets (liabilities). This new statement would present the changes in each component of net assets (liabilities), including a new component called “accumulated other”. • A new provision whereby an entity can use an amended budget in certain circumstances. – Inclusion of disclosures related to risks and uncertainties that could affect the entity’s financial position.

Appendix 6: Current developments (continued)

Asset retirement obligations: implementation milestones

PHASE #1:

- **Step #1 – Development of a PS3280 compliant policy** ***(by June 30, 2022).*** Include a definition for in-scope assets, productive and non-productive assets, and document known sources of legal obligations (such as regulations and contracts) as well as key roles and responsibilities for retirement obligation identification, measurement and reporting.

- **Step #2 – Identification of TCA/sites inventory** ***(by June 30, 2022).*** Develop an inventory of potential in-scope assets or sites based on existing TCA listings, and inventories used for PS3260 contaminated sites. Reconcile the listing of TCA items to the audited financial statements. Assess in-scope assets against PS3280 recognition criteria.

- ***Milestone – Audit team review of PS3280 policy, asset listings and in-scope assets during Summer 2022.***

PHASE #2:

- **Step #3 – Measure the estimated liability** ***(by September 30, 2022).*** Assess available information, and consider the need for additional environmental assessment of any sites. Document key assumptions and variables, and selection of transition method. Determine if discounting will be applied for any assets. Consider impacts on useful life assumptions for in-scope assets. Document measurement methodology and range of estimate for in-scope assets at April 1, 2022 (and any expected changes to March 31, 2023).

- ***Milestone – Audit team review of measurement methodology and range of estimates in Fall 2022.***

- **Step #4 – Reporting** ***(by December 31, 2022).*** Prepare a library of documentation and assumptions supporting each retirement obligation for audit purposes, and comprehensive documentation of the process followed for implementation. Prepare template financial statements and related note disclosure for 2023 year end.

- ***Milestone – Audit team review of working papers and template financial statements in January 2023***

kpmg.ca/audit