Attachment 1

KPMG

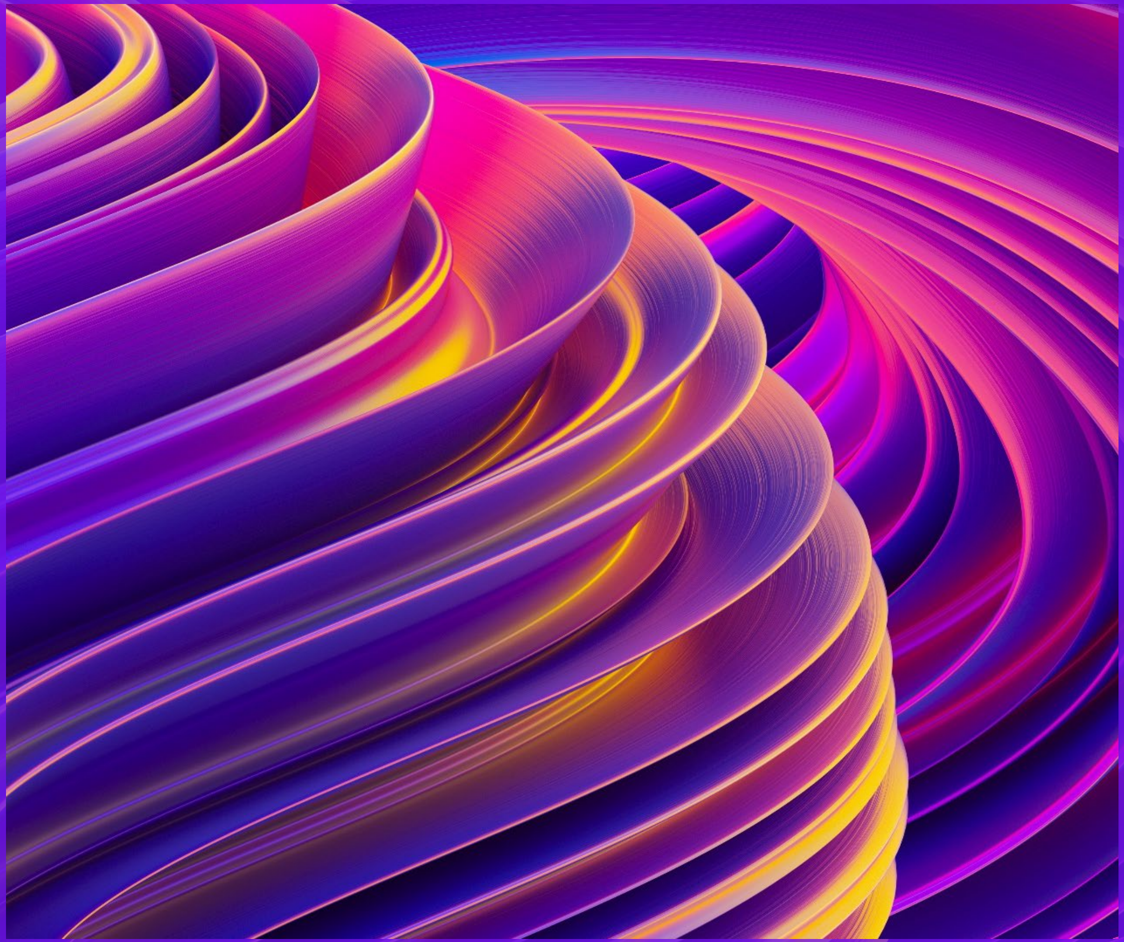
City of Edmonton

Audit Findings Report for the year ended December 31, 2023

KPMG LLP

Prepared as of April 3, 2024 for presentation to the Audit Committee on April 15, 2024

kpmg.ca/audit



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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 financial statements. This report is intended solely for the information and use of Administration, the Audit Committee, and City 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.

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.

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

Attachment 1

Audit highlights

No matters to report

Matters to report – see link for details

Status

We have completed the audit of the consolidated financial statements (“financial statements”), with the exception of certain remaining outstanding procedures, which are highlighted on the ‘Status’ slide of this report.

We confirm 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 changes

Significant changes since our audit plan

- Identification of complex financial instruments

Risks and results

Significant risks

- Management override of controls

Other risks of material misstatement

- Adoption of new accounting standards

Going concern matters

Policies and practices & Specific topics

Significant unusual transactions

Accounting policies and practices

Other financial reporting matters

Uncorrected misstatements

Uncorrected misstatements

During the course of the audit, we noted one misstatement that remains uncorrected in the current period. This relates to a prior period error that was noted by Administration and corrected in the current year through an out-of-period adjustment.

See Appendix 3: Management representation letter for details.

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

Corrected misstatements

Corrected misstatements

Control deficiencies

Significant deficiencies

Status

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

- Completion of quality control review procedures;
- Completion of our subsequent events procedures up to the date of our auditor’s report;
- Completing our discussions with the Audit Committee;
- Obtaining evidence of City Council’s approval of the financial statements; and
- 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 1: Draft Auditor’s Report.

Attachment 1

Significant changes

We highlight the following matters related to our audit strategy:

Audit strategy		More details
Identification of complex financial instruments	During the completion of Administration's analysis of the adoption of PS 3450 Financial Instruments, certain contracts with complex payment terms were identified. Given the complexity of these instruments, we adjusted our audit response to include technical topic specialists. Refer to slide 9 for further discussion of the implementation of this standard.	
Reassessment of materiality	Materiality was set at $98 million (2022: $98 million), which represents approximately 2.9% of total budgeted expenses. Current year actual total expenses were $3.7 billion, which were above budget. Therefore, materiality represents 2.7% of current year expenses. This falls within the acceptable range for our required benchmark of between 0.5% and 3.0%. No changes to materiality were required.	
Other areas of focus	Within our Audit Plan we identified certain areas of audit focus, including: • Recognition of revenue amounts subject to external restrictions. • Valuation of investments. • Completeness of transfers of tangible capital assets under construction to available for use. We did not identify any additional areas of audit focus and have no significant findings to report as a result of these procedures.	

Attachment 1

Significant risks and results

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

Management override of controls

RISK OF FRAUD

Significant risk	Estimate?
Administration 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	No

Our response

As this presumed risk of material misstatement due to fraud is not rebuttable, our audit methodology incorporated the required procedures in professional standards to address this risk. The following procedures were performed:

- Assessed the design and implementation of controls surrounding the journal entry process;
- Determined criteria to identify high-risk journal entries and other adjustments; and
- Tested high-risk journal entries and other adjustments.

We have no matters to report from the performance of the procedures described above.

Attachment 1

Other risks of material misstatement and results

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

Adoption of PS 3280 *Asset retirement obligations*

Other risk of material misstatement	Estimate?
PS 3280 *Asset retirement obligations* was adopted for the year ending December 31, 2023. Under PS 3280, asset retirement obligations associated with post-retirement maintenance and monitoring costs of tangible capital assets are required to be recognized within the financial statements. As described in Note 1(q) of the consolidated financial statements, Administration uses a present value technique to determine the amount of the obligation. Given that this is the first year of applying this standard, we identified an elevated risk of material misstatement with respect to the completeness of liabilities identified. Additionally, with respect to the estimate of the asset retirement obligations, we identified an elevated risk of material misstatement with respect to the selection and application of the cost of performing the retirement activities assumptions.	Yes

Our response

Our procedures over the initial adoption of PS 3280 included:

- Assessing Administration’s conclusions with respect to assets within the scope of the standard;
- Evaluating whether Administration’s use of the present value techniques was in compliance with the requirements of the standard;
- Obtaining sufficient evidence to support Administration’s estimate of the cost of performing the retirement activities;
- Obtaining sufficient evidence to support other assumptions used in Administration’s estimate, such as discount rates, the period over which expenditures are discounted, and inflation rates;
- Recalculating a sample of obligations to validate that the methods, assumption and data were applied appropriately; and
- Evaluating Administration’s application of the transitional provisions for compliance with the requirements of the standard.

The City has applied the modified retroactive transitional provisions on initial implementation of PS 3280. This required the restatement of the prior year comparative balances in the financial statements. As a result, our auditor’s report includes emphasis of matter and other matter paragraphs noting the change in the comparative balances and our audit of the restatement.

Our procedures over the ending liability (as at December 31, 2023) were limited to analytical procedures, given the immaterial mature of adjustments from the period of initial adoption, consistent with our expectation.

We have no findings to report with respect to the adoption of PS 3280.

Attachment 1

Other risks of material misstatement and results

Adoption of PS 3450 *Financial instruments and related standards*

Other risk of material misstatement

As outlined in Note 1(t) of the consolidated financial statements, Administration has implemented several new accounting standards concerning financial instruments, including:

- PS 3450 *Financial instruments*
- PS 3041 *Portfolio investments*
- PS 1201 *Financial statement presentation*
- PS 2601 *Foreign currency translation*

These standards were applied prospectively, with no adjustments made to the comparative period.

Our response

The adoption of PS 3041, PS 1201 and PS 2601 did not have a significant impact on the financial statements. We assessed management's conclusions with respect to the impact on these standards, noting no findings.

Our procedures over the initial adoption of PS 3450 included:

- Assessing Administration's conclusions with respect to assets within the scope of standard;
- Assessing the impact on the recognition and measurement of financial instruments;
- Evaluating the measurement basis applied to the City's portfolio investments; and
- Assessing disclosures within the consolidated financial statements for consistency with the authoritative guidance.

During the completion of Administration's analysis of the adoption of PS 3450, certain contracts with complex payment terms were identified. Administration determined that these contracts contained derivative instruments. Given the complexity of these instruments, we adjusted our audit response to include Financial Instrument Technical Topic Specialists and Financial Risk Management Specialists, in addition to the PSAS Technical Topic Specialists previously mentioned in our Audit Plan.

We have no findings to report from the completion of these procedures.

Other financial reporting matters

We also highlight the following:

Financial statement presentation - form, arrangement, and content	No matters to report.
Concerns regarding application of new accounting pronouncements	No other matters to report.
Significant qualitative aspects of financial statement presentation and disclosure	No matters to report.

Uncorrected misstatements

Misstatements include financial presentation and disclosure omissions.

Impact of uncorrected misstatements – Not material to the financial statements

- The management representation letter includes the Summary of Uncorrected Misstatements, which discloses the impact of all uncorrected misstatements considered to be other than clearly trivial. This includes 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.
- During the year, Administration identified an error relating to the prior period, where a funding agreement with deferred payment terms was not recognized, although the stipulations surrounding the funding had been met. A correction has been made in the current period to recognize the government transfer receivable and the corresponding capital revenue.
- Based on both qualitative and quantitative considerations, Administration 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 representation is included in the management representation letter.
- We concur with Administration's representation that the uncorrected misstatements are not material to the financial statements. Accordingly, the uncorrected misstatements have no effect on our auditor's report.
- We considered whether an adjustment was required to our risk assessment or planned audit response based on the finding above, noting that no adjustment was required.

Attachment 1

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.

Conclusion

We have no matters to report to the Audit Committee.

Appendices

Attachment 1

Appendix 1: Draft auditor's report

INDEPENDENT AUDITOR'S REPORT

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

Opinion

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

- the consolidated statement of financial position as at December 31, 2023;
- the consolidated statement of operations and accumulated surplus for the year then ended;
- the consolidated statement of remeasurement gains and losses 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, 2023, and its consolidated results of operations, its consolidated remeasurement gains and losses, 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 "***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.

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

Emphasis of Matter – Comparative Information

We draw attention to Note 1(t) to the financial statements ("Note 1(t)"), which explains that certain comparative information presented for the year ended December 31, 2022 has been restated.

Note 1(t) explains the reason for the restatement and also explains the adjustments that were applied to restate certain comparative information.

Our opinion is not modified in respect of this matter.

Other Matter – Comparative Information

As part of our audit of the financial statements for the year ended December 31, 2023, we also audited the adjustments that were applied to restate certain comparative information presented for the year ended December 31, 2022. In our opinion, such adjustments are appropriate and have been properly applied.

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 auditor's report thereon, included in a document likely to be entitled the "2023 Annual Report"; and
- the information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled the "2023 Financial Report to Residents."

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 auditor's 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 auditor's report.

We have nothing to report in this regard.

The information, other than the financial statements and the auditor's report thereon, included in the documents likely to be entitled "2023 Annual Report" and "2023 Financial Report to Residents" is expected to be made available to us after the date of this auditor's 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.

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.
- 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]

Chartered Professional Accountants

Edmonton, Canada

April 23, 2024

Appendix 2: Other required communications

Engagement terms

The City's administration has access to a copy of the Contract for External Audit Services between the City of Edmonton and KPMG.

Matters pertaining to independence and confidentiality

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

Confidentiality of our clients' information is an on-going professional and business requirement of both KPMG and our overall profession. In addition to our internal confirmation of independence of team members, we request confirmation and acknowledgement of our policies regarding confidentiality of the City's information.

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 Audit Quality Insights Report: 2021 Annual Inspections Results
- CPAB Audit Quality Insights Report: 2022 Interim Inspections Results
- CPAB Audit Quality Insights Report: 2022 Annual Inspections Results
- CPAB Audit Quality Insights Report: 2023 Interim Inspections Results

Attachment 1

Appendix 3: Management representation letter

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

April 23, 2024

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, 2023.

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 #2023-01, 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.
- i) ensuring that internal auditors providing direct assistance to you, if any, were instructed to follow your instructions and that we, and others within the entity, did not intervene in the work the internal auditors performed for you.

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, short sellers, or others.
   - d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements or illegal acts, 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.

Misstatements:

11) 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:

12) We confirm that the final version of the documents likely to be entitled "2023 Annual Report" and "2023 Financial Report to Residents" 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:

13) 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).

14) 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.

Accounting policies:

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

16) 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:

17) 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:

18) 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:

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

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

21) 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 plan will continue to be in effect in the absence of evidence to the contrary.

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

23) 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.

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

25) All changes to plan provisions or events occurring subsequent to the date of the actuarial valuation 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:

26) 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.

Yours very truly,

____

[NAME], Interim 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.

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

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

Fraud & error

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

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

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

Attachment II – Summary of Audit Misstatements Schedules

Uncorrected misstatement schedule – December 31, 2023

For the year-ended December 31, 2023	Statement of Financial Position			Statement of Operations
Description	Assets	Liabilities	Accumulated Surplus	Excess of Revenues over Expenses
To record the roll forward impact of prior period errors in revenue recognition from grants with deferred payment terms, as identified by management.				
Government transfers - capital	$ -	$ -	$ -	$ 60,292,193
TOTAL MISSTATEMENTS	**$ -**	**$ -**	**$ -**	**$ 60,292,193**

[1] Debit (Credit)

Uncorrected misstatement schedule – December 31, 2022

For the year-ended December 31, 2022	Statement of Financial Position			Statement of Operations
Description	Assets	Liabilities	Accumulated Surplus	Excess of Revenues over Expenses
To correct for the recognition of revenue and receivables from grants with deferred payment terms, as identified by management.				
Government transfers - capital	$ -	$ -	$(60,292,193)	$ (60,292,193)
Receivables	60,292,193	-	-	-
To correct for the overstatement of expropriation liabilities.				
Tangible capital assets	(11,540,000)	-	-	-
Accounts payable and accrued liabilities	-	11,540,000	-	-
TOTAL MISSTATEMENTS	**$ 60,292,193**	**$ -**	**$(60,292,193)**	**$ (60,292,193)**

[1] Debit (Credit)

Appendix 4: Audit quality - How do we deliver audit quality?

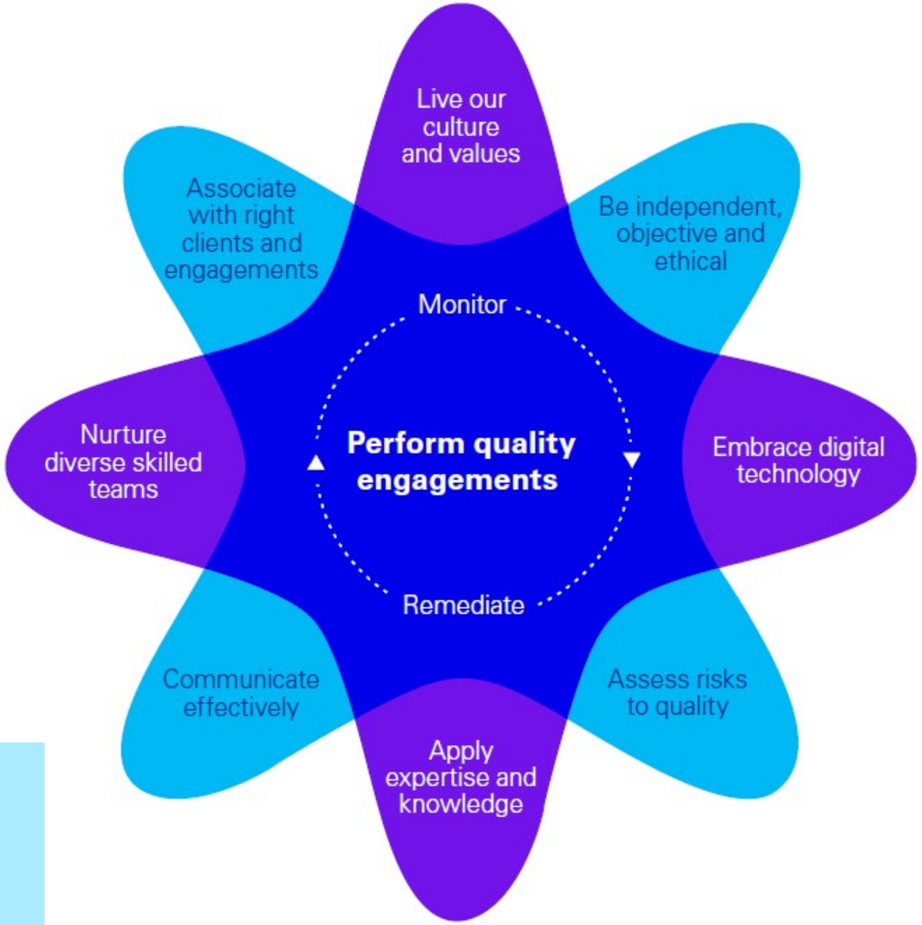
Quality essentially means doing the right thing and remains our highest priority. Our Global Quality Framework outlines how we deliver quality and how every partner and staff member contributes to its delivery.

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. Our Transparency Report includes our firm's Statement on the Effectiveness of our SoQM.

KPMG 2023 Audit Quality and 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.

Appendix 5: Newly effective and upcoming changes to auditing standards

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

Effective for periods beginning on or after December 15, 2022

ISA/CAS 220

(Revised) Quality management for an audit of financial statements

ISQM1/CSQM1

Quality management for firms that perform audits or reviews of financial statements or other assurance or related services engagements

ISQM2/CSQM2

Engagement quality reviews

Effective for periods beginning on or after December 15, 2023

ISA 600/CAS 600

Revised special considerations – Audits of group financial statements

Appendix 6: New and upcoming accounting standards

The following accounting standards will be in effect for fiscal years beginning on or after April 1, 2023:

PS 3400 *Revenue*

This section establishes standards on how to account for and report revenue. Specifically, it differentiates between revenue arising from transactions that include performance obligations, referred to as “exchange transactions,” and transactions that do not have performance obligations, which fall within the scope of PS 3410 *Government transfers.*

The standard states that revenues from an exchange transaction are recognized as or when the public-sector entity satisfies the performance obligation, which may be satisfied at a point in time or over a period of time, depending on which method best depicts the transfer of goods or services to the payor.

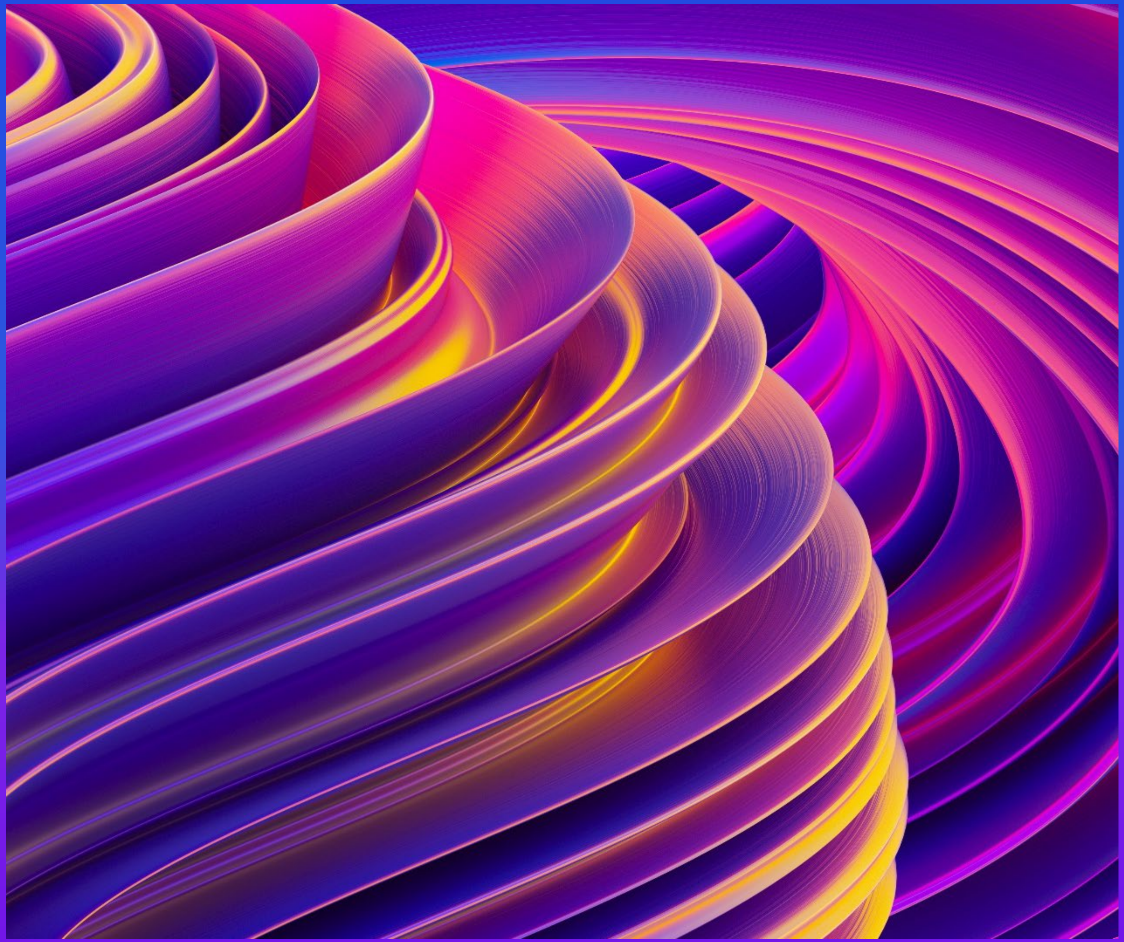
PS 3160 *Public private partnerships*

This Section establishes standards on accounting for public private partnerships (“P3”) between public and private sector entities where the public sector entity procures infrastructure using a private sector partner.

The standard outlines the scope and recognition criteria for infrastructure acquired from P3 arrangements, measurement guidance, and presentation and disclosure requirements that highlight to the users of the financial statements the key terms of the P3 arrangements.

PSG-8 *Purchased intangibles*

This section provides guidance with respect to the recognition of intangibles purchased through exchange transactions. This includes guidance on the general recognition criteria and the GAAP hierarchy used to account for purchased intangibles.



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