



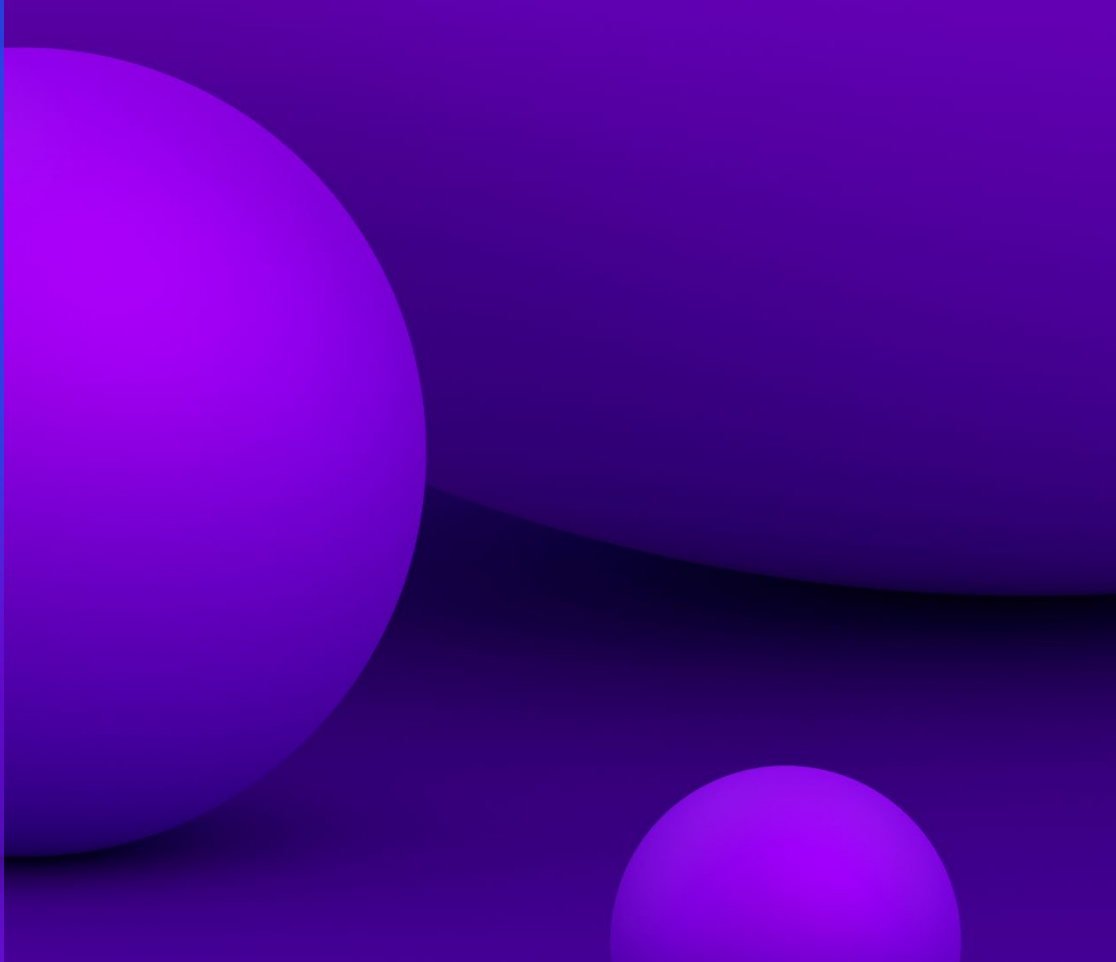
City of Edmonton

**Audit Planning Report
for the year ending
December 31, 2024**



Prepared as of November 7, 2024 for presentation to the Audit Committee on November 29, 2024

kpmg.ca/audit



KPMG contacts

Key contacts in connection with this engagement



Natalie Kinal
Lead Audit Engagement Partner
(780) 801 - 5929
nkinal@kpmg.ca



Brittany Walter
Engagement Quality Control Reviewer
(306) 934 - 6230
bwalter@kpmg.ca



Nico Fuerderer
Engagement Manager
(780) 429 - 6068
nfuerderer@kpmg.ca



Bailey Church
Partner – Accounting Advisory Services
(613) 212 - 3698
bchurch@kpmg.ca



Table of contents

Digital use information

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

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



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

4	Highlights	7	Audit strategy	9	Audit strategy - Group audit
10	Risk assessment	14	Key milestones and deliverables	15	Audit quality
16	Appendices				



Audit highlights

Scope

Our audit of the consolidated financial statements (“financial statements”) of the City of Edmonton (“the City”) as of and for the year, ending December 31, 2024, will be performed in accordance with Canadian generally accepted auditing standards (“CAS’s”). In addition to our audit of the financial statements of the City, we have also been engaged to report on the following for the year ending December 31, 2024.

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

Further, we have been separately engaged and will separately report on the following entities for the year ending December 31, 2024. The below entities are include 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;
- Explore Edmonton Corporation;
- Edmonton Unlimited; and
- Fort Edmonton Management Company.

The purpose of this report is to assist you, as a member of the Audit Committee, in your review of the plan for our audit of the financial statements. This report is intended solely for the information and use of Administration, the Audit Committee, the Mayor 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 to the Audit Committee 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



No matters to report



Matters to report – see link for details

Audit strategy

Materiality \$105,000,000

Involvement of others

Audit strategy - Group audit

Total	Total assets	Total revenue
Total tested	84%	82%

Collective approach

Throughout the audit process we work closely with the Office of the City Auditor to ensure that any findings are appropriately considered in our risk assessment and planned audit procedures.

We will continue to liaise periodically with the Office of the City Auditor.

Risk assessment

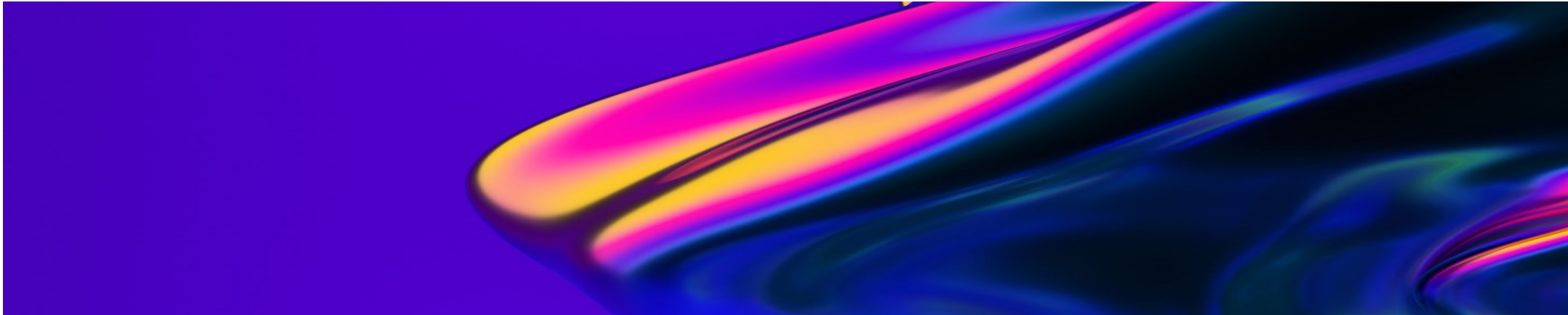
Risk of management override of controls

Presumed risk of fraudulent revenue recognition

Other risks of material misstatement

Independence

We confirm that we are independent of the City and have a robust and consistent system of quality control. We provide complete transparency on all services and follow all Council's approved protocols with respect to engagement between the City and KPMG.





Updates to our prior year audit plan

New significant risks



Significant risks



There are no changes to our risk assessments, either with respect to our identification of significant risks or our areas of focus. Refer to slide 10 for further discussion of our areas of focus for the current period audit.

Other significant changes



Newly effective accounting standards



The following standards are required to be adopted for the current fiscal period:

- PS 3400 *Revenue*
- PS 3160 *Public Private Partnerships*
- PSG-8 *Purchased intangibles*

Refer to slides 12 and 22 for further discussion on the planned response to these new standards.

Newly effective
accounting
standards



Newly effective auditing standards

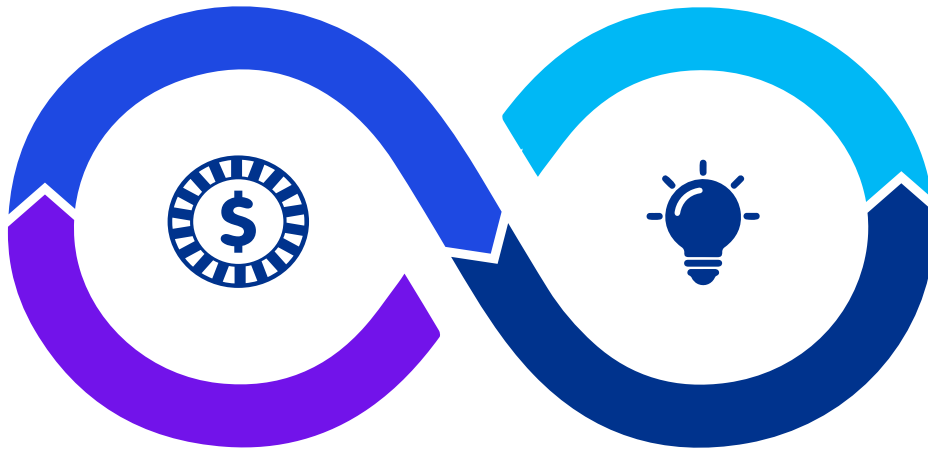


ISA 600/CAS 600 *Revised special considerations – Audits of group financial statements* is effective for the year ending December 31, 2024.

ISA 600/CAS 600 requires a greater focus on taking a risk-based approach to group audit scoping. The group auditor is responsible for identifying and assessing risks of material misstatement and performing audit procedures in response, rather than identifying 'significant' vs. 'non-significant' components and performing a 'full-scope audit' or 'audit of an account balance'. This has an impact on group scoping decisions and increased documentation requirements with respect to risk assessment performed. These changes have been incorporated into our audit approach.



Materiality



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

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

Plan and perform the audit

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

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

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

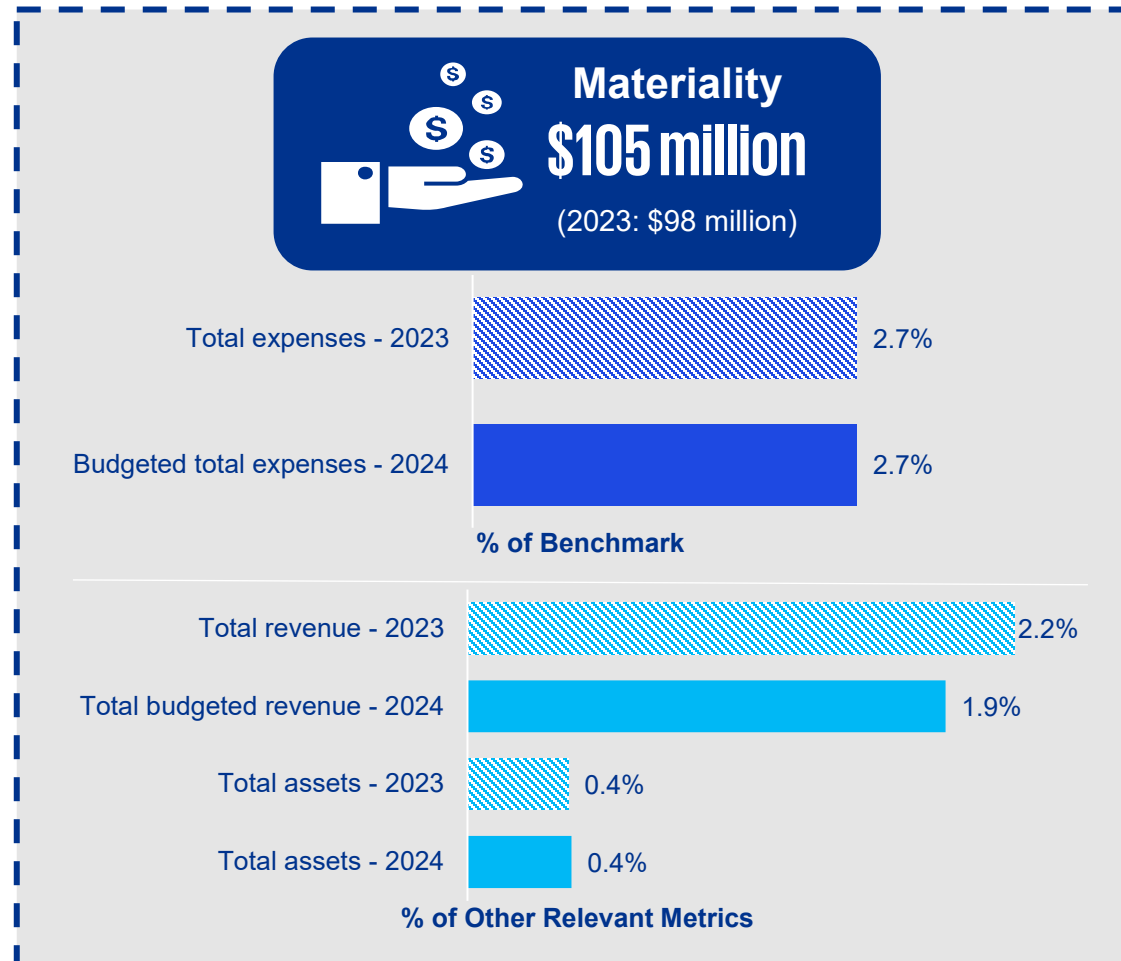
Evaluate the effect of misstatements

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

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



Initial materiality



Budgeted total expenses
\$3.9 billion
(2023: \$3.7 billion)

Budgeted total revenue
\$5.4 billion
(2023: \$4.4 billion)

Total assets
\$25.0 billion
(2023: \$24.0 billion)

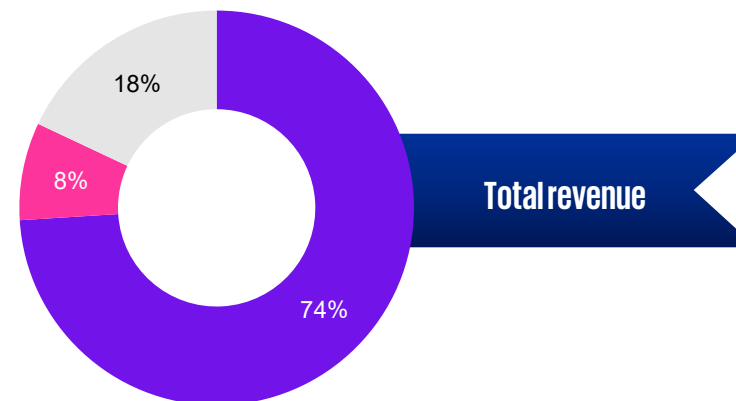
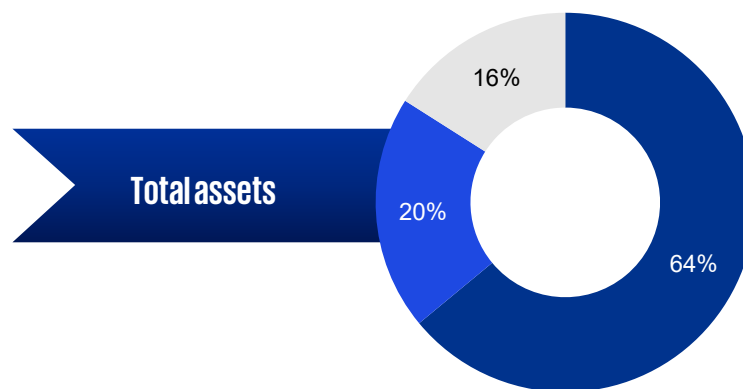


Group audit – Scoping

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

Refer to the [Appendix: Group audit](#) for further information on group scoping matters.

Further audit procedures to be performed by:	Total assets	Total revenue
Total audited by your City of Edmonton team (group auditor)	64% 	74% 
Total audited by EPCOR Utilities Inc. audit team (component auditor)	20% 	8% 
Total tested	84%	82%
Not subject to further audit procedures (i.e., untested)	16% 	18% 
Total consolidated	100%	100%





Significant risks



Management Override of Controls (non-rebuttable significant risk of material misstatement)
Risk of fraud in revenue recognition (rebuttable significant risk of material misstatement)

RISK OF



FRAUD

Why is it significant?

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

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

Our planned response

As this presumed risk of material misstatement due to fraud is not rebuttable, our audit methodology incorporates the required procedures in professional standards to address this risk. These procedures include:

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

Description of risk

Risk of fraudulent revenue recognition

There is a presumed risk of fraud with respect to revenue recognition. This risk of fraud in revenue recognition is a rebuttable significant risk under the auditing standards. We have rebutted this risk for the current period for all revenue streams of the City.

Factors considered when rebutting this risk include:

- Limited opportunities to fraudulently adjust revenue recognition due to high predictability of revenues from budgeting processes or the ability to agree revenues to third party objective evidence.
- Revenue recognition is non-complex and does not involve subjectivity.

Advanced technologies

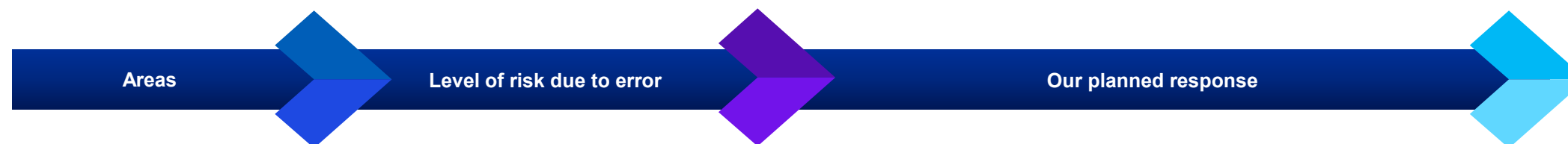
Our KPMG Clara Journal Entry Analysis Tool assists in the performance of detailed journal entry testing based on engagement-specific risk identification and circumstances. Our tool provides auto-generated journal entry population statistics and focusses our audit effort on journal entries that are riskier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



[Click to learn more](#)

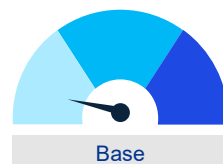


Other risks of material misstatement



Recognition of revenue amounts subject to external restrictions

Revenue may not be appropriately recognized for amounts received with external restrictions attached to them, such as government transfers and user fees.

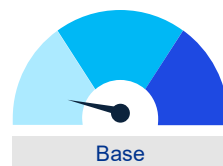


Our planned audit response includes:

- Testing the recognition of amounts subject to external restrictions to ensure they are recognized appropriately and within the terms of the external restrictions.
- Confirming all significant government transfers and other similar inflows received with third party funders.
- For government transfers, validating that the expenses incurred in the period are in compliance with the restrictions imposed by third parties through the inspection of signed agreements and related invoices. This will be done on a sample basis.

Portfolio investments

There is a risk that investments are not accurately recognized or measured.

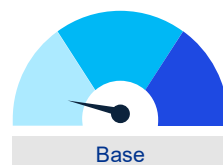


Our planned response includes:

- Confirming investment accounts with third party custodians.
- With the assistance of IT Auditors, understand the system of controls in place at the third party custodian through obtaining controls over the custodian's system of controls (SOC 1 reports).
- Where investments are recorded at fair value, validate the pricing information used by management to assess the fair value.

Tangible capital assets

There is a risk that capital asset additions are not accurately measured or recognized. This includes the risk that assets under construction are not appropriately transferred into services and amortized once available for use.

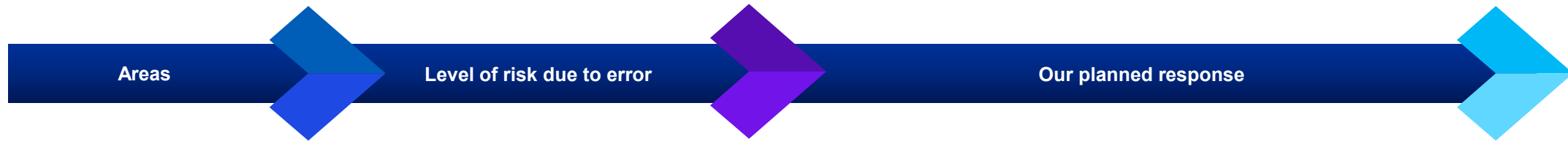


Our planned response includes:

- Updating our understanding of the City's capitalization process to ensure appropriate communication is taking place between managers and finance with respect to tangible capital assets under construction and available for use.
- Testing a sample of additions in the current period.
- Assess whether a sample of projects included in tangible capital assets – under construction are appropriately classified and amortized once available for use.



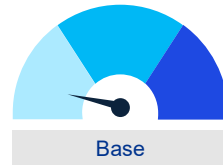
Other risks of material misstatement



Implementation of new accounting standards

The following standards are required to be adopted for the current fiscal period:

- PS 3400 *Revenue*
- PS 3160 *Public Private Partnerships (P3)*
- PSG-8 *Purchased intangibles*



We understand that management is currently assessing the impact of the adoption of these standards.

Our anticipated procedures will include the following:

- With respect to PS 3400, we will examine management's analysis of the impact of this standard, including management's scoping analysis and the identification of revenue with and without performance obligations. Where material adjustments to the financial statements are noted, we will perform procedures over key conclusions drawn.
- With respect to PS 3160, we note that the City current has a P3 with TransEd Partners General Partnership. We will inspect management's analysis of the impact of this standard on the recognition and measurement of the P3 obligation and any corresponding assets.
- With respect to PSG-8, we will inspect management's analysis of the impact of the guidance on the financial statements and validate that any conclusions drawn are consistent with the authoritative literature.
- For all standards, we will assess management's disclosures for compliance with the standards.

Should there be any changes from the aforementioned procedures, we will update you on completion of the audit.



Required inquiries of the audit committee



Inquiries regarding risk assessment, including fraud risks

- What are the Audit Committee's views about fraud risks, including management override of controls, in the City? And have you taken any actions to respond to any identified fraud risks?
- Is the Audit Committee aware of, or has the Audit Committee identified, any instances of actual, suspected, or alleged fraud, including misconduct or unethical behavior related to financial reporting or misappropriation of assets?
 - If so, have the instances been appropriately addressed and how have they been addressed?
- How does the Audit Committee exercise oversight of the City's fraud risks and the establishment of controls to address fraud risks?



Inquiries regarding City processes

- Is the Audit Committee aware of tips or complaints regarding the City's financial reporting (including those received through the Audit Committee's internal whistleblower program, if such programs exist)? If so, the Audit Committee's responses to such tips and complaints?

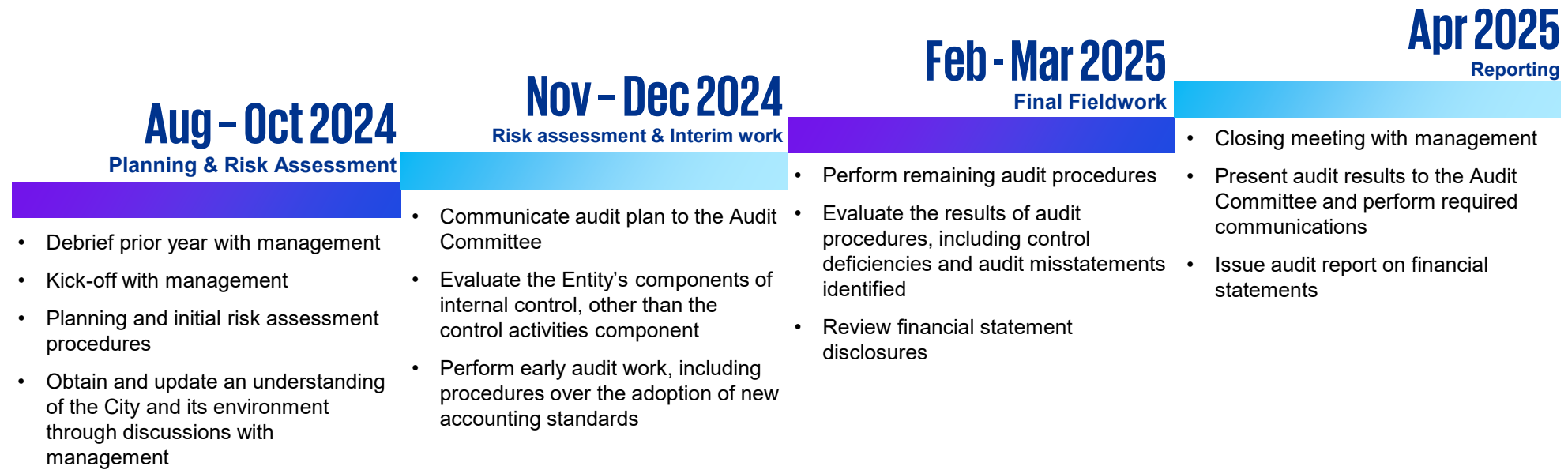


Inquires regarding related parties and significant unusual transactions

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



Key milestones and deliverables





How do we deliver audit quality?

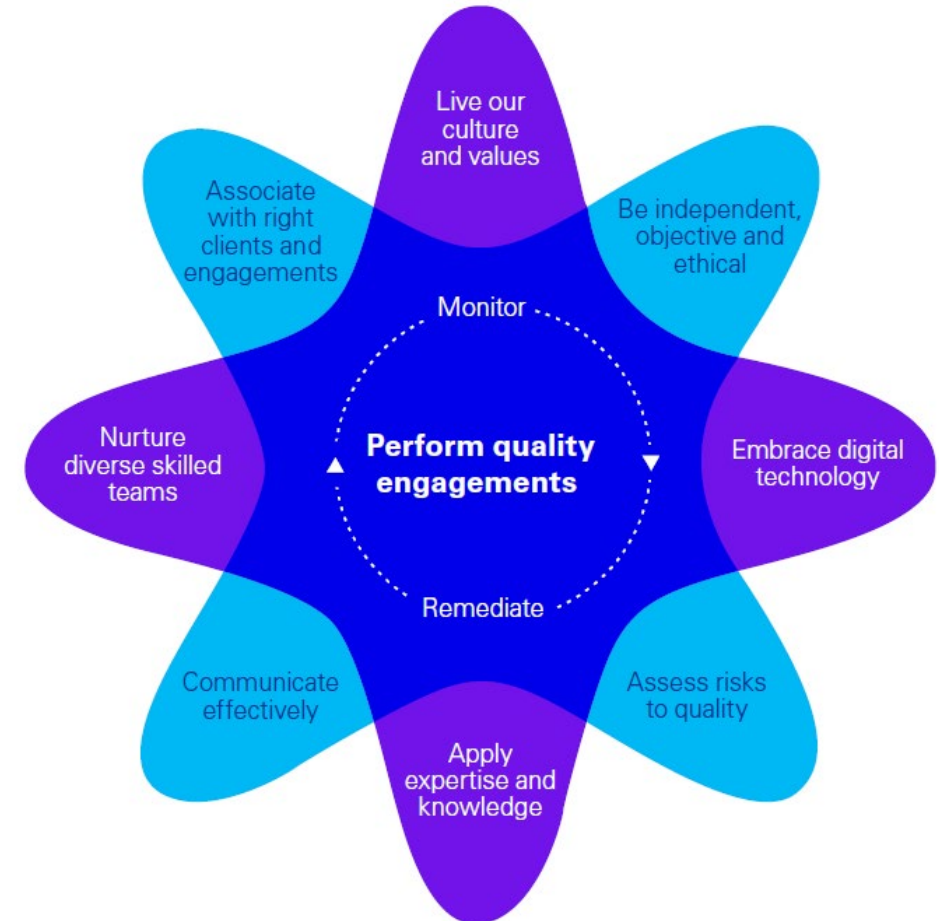
Quality essentially means doing the right thing and remains our highest priority. Our Global Quality Framework outlines how we deliver quality and how every partner and staff member contributes to its delivery.

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 Canada Transparency Report](#)

We define 'audit quality' as being the outcome when:

- audits are **executed consistently**, in line with the requirements and intent of **applicable professional standards** within a strong **system of quality management**; and
- all of our related activities are undertaken in an environment of the utmost level of **objectivity, independence, ethics and integrity**.



Doing the right thing. Always.



Appendices



Group audit



Regulatory communications



Technology



New accounting standards



Insights





Appendix: Group audit

Components of the Group where further audit procedures are planned to be performed	Subject to further audit procedures	
	Total assets (in millions)	Total revenue (in millions)
Corporate Programs, Ed Tel Endowment Fund and Balanced Fund	\$2,902,580	\$2,911,956
Transportation Services and Integrated Infrastructure Services	\$9,529,651	\$ -
Facility Services	\$2,517,420	\$ -
EPCOR Utilities Inc. (audited separately by KPMG Canada – Edmonton)	\$4,791,712	\$361,250
Police Services	\$260,157	\$40,600
City Centre Airport Lands, Land for Municipal Services and Land Enterprise	\$234,269	\$ -
Citizen Services	\$ -	\$74,491
Waste Services	\$ -	\$230,277
Total for Group Auditor (\$)	\$15,444,077	\$3,257,324
Total for Group Auditor (%)	64%	74%
Total for Component Auditor (\$)	\$4,791,712	\$361,250
Total for Component Auditor (%)	20%	8%



Appendix: Group audit - Planned involvement in the work of EPCOR Utilities Inc. audit

Our approach to collaborate with the audit team of EPCOR Utilities Inc. is summarized as follows:

<p>Determine the nature and extent of involvement</p>	<p>We plan to direct, supervise and review the work of all component auditors. The nature and extent of our direction, supervision and review of the work performed by component auditors is affected by:</p> <ul style="list-style-type: none"> • whether the risk assessment procedures that we perform at the group level provide us with enough information to identify and assess the group risks at the component; • the nature and circumstances (e.g. significance of the risks, judgements and size) of the component to the group audit; • the competence and capabilities of the component auditor; and • significant matters arising from communications with the component auditor.
<p>Robust direction through instructions and two-way communications</p>	<p>As part of our direction, we plan to issue detailed group audit instructions to component auditors, which will cover:</p> <ul style="list-style-type: none"> • the component auditor's responsibilities, including: <ul style="list-style-type: none"> • compliance with the relevant ethical requirements, including those related to independence, applicable to the group audit • the performance of risk assessment procedure at the component (when the risk assessment procedures that we perform at the group level do not provide us with enough information to identify and assess group risks of materiality misstatement at the component) • the performance of further audit procedures (e.g., control testing and/or substantive testing) on specific risks of material misstatement to the group financial statements, such as the significant risks communicated to you in the Risk Assessment section of this Audit Planning Report. • matters relevant to their work and instructions relating to its performance. <p>As part of our direction, we plan to involve component auditors in the group audit risk assessment and planning discussions.</p>
<p>Comprehensive supervision and review through two-way communications</p>	<p>As part of our supervision and review, we plan to request the component auditor to communicate matters throughout the audit process that are relevant to the group audit, including:</p> <ul style="list-style-type: none"> • confirmations relating to having appropriate resources to perform the work • compliance with relevant ethical requirements including independence • the results of the performance of the work requested in our instructions, including those related to risk assessment and further audit procedures • significant matters arising from their work, such as control deficiencies and misstatements identified. <p>In addition, we plan to review the underlying documentation of component auditors.</p>



Appendix: Regulatory communications



CPAB communication protocol

The reports available through the following links were published by the Canadian Public Accountability Board to inform Audit Committees and other stakeholders about the results of quality inspections conducted over the past year:

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



Engagement letter

This audit is governed under the Contract for External Audit Services between the City of Edmonton and KPMG. Management has access to a copy of the contract.



Appendix: Our technology story



Streamlined client experience

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



Secure

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



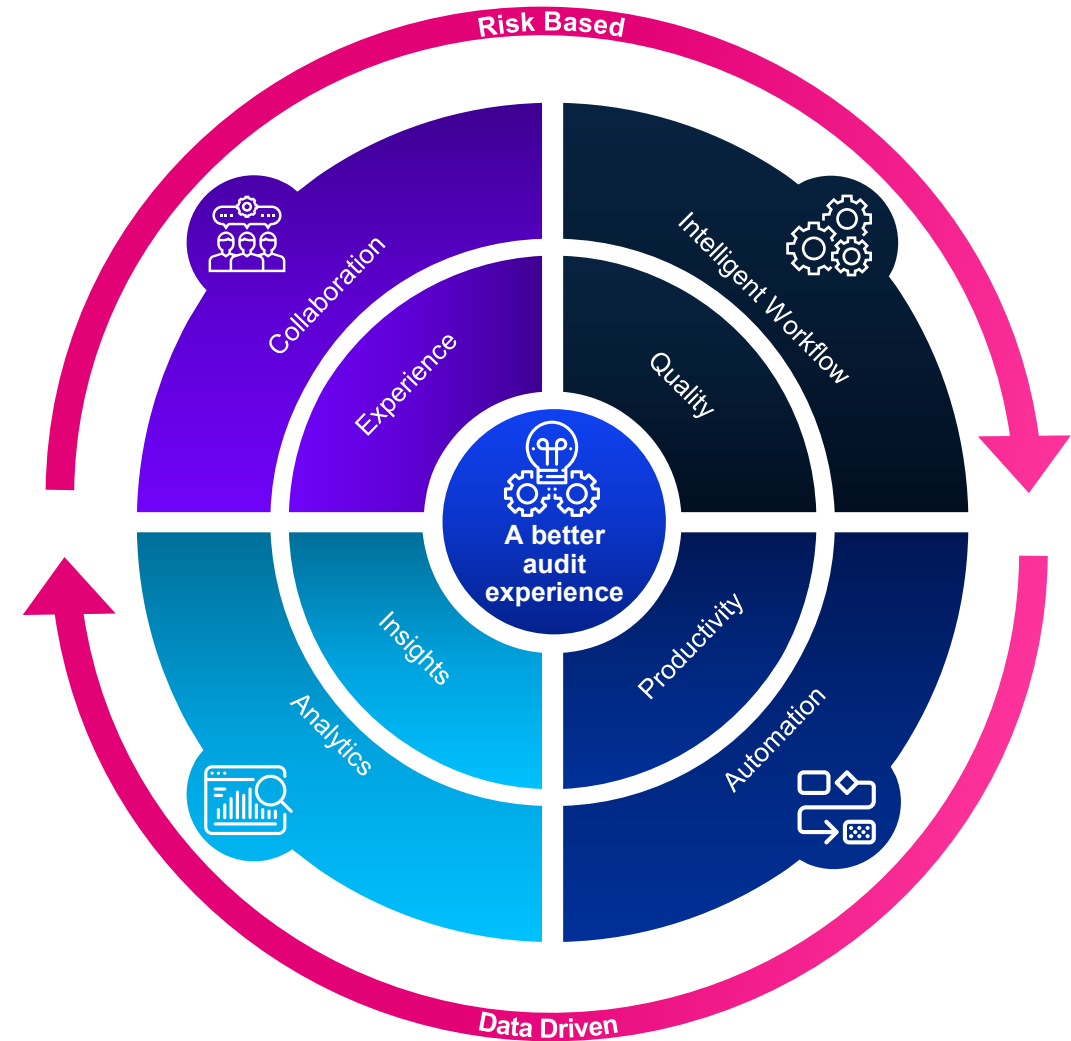
Intelligent workflow

An intelligent workflow guides audit teams through the audit.



Increased precision

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



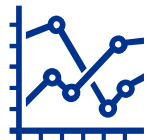


Appendix: Expanding the use of audit technology

The combination of our innovative tools and automated audit procedures, enables us to provide you with an audit with distinct advantages:

- **Higher quality audit** – looking at 100% of selected data.
- **A more efficient audit** – as we are focused on the transactions that are considered higher risk and manual procedures are removed.
- **An audit that is less disruptive to your organization** – we will automate certain procedures that would otherwise require management support and intervention.
- **A timelier audit** – as we will leverage technology to provide flexibility in when audit work is conducted throughout the year.
- **Real time insights into your organization** – as our combined use of technology in your audit with our industry knowledge.

Below we have outlined some of the ways that we will integrate technology into your audit.



Analytics

- [AI Transaction Scoring](#)
- Data Visualization



Automation

- Confirmation
- [DataSnipper](#)
- Offset Remover



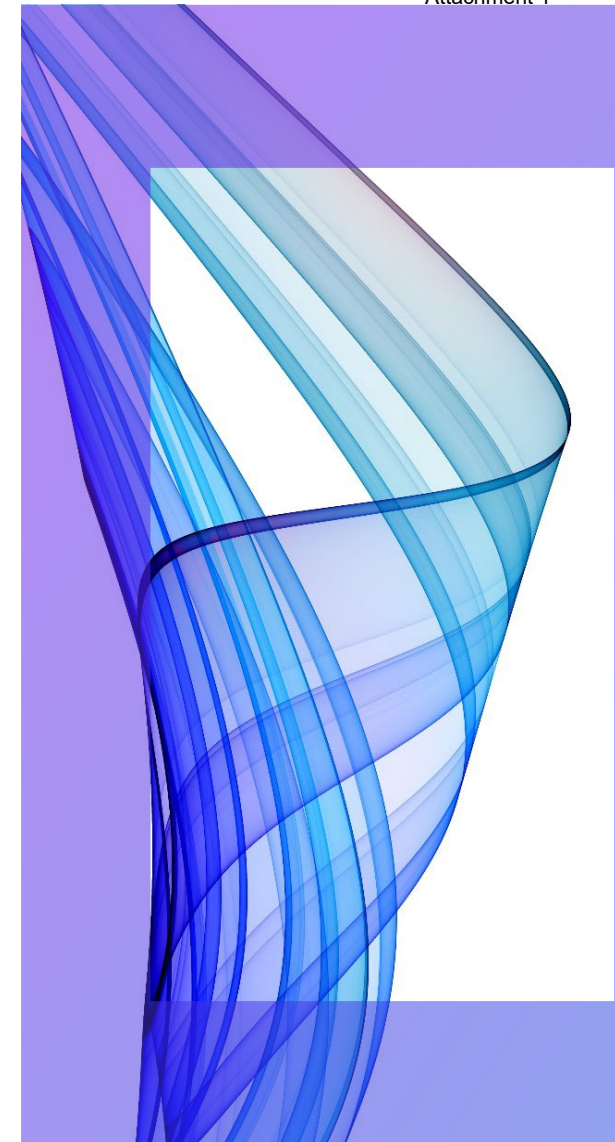
Collaboration

- DocuSign™
- [KPMG Clara for Clients](#)



Workflow

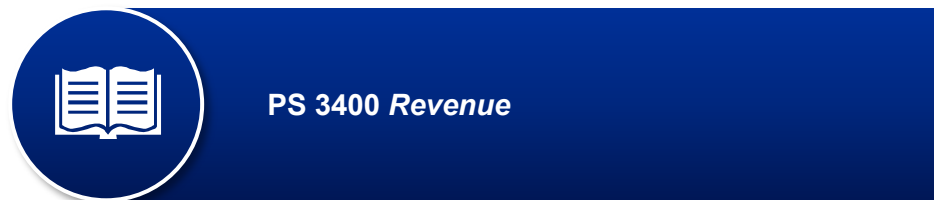
- KPMG Clara Workflow
- Journal Entry Analysis
- Planning Analytics





Appendix: New and upcoming accounting standards

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



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.



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.



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.



Appendix: Audit and assurance insights

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

KPMG Audit & Assurance Insights

Curated research and insights for audit committees and boards.

Board Leadership Centre

Leading insights to help board members maximize boardroom opportunities

Current Developments

Series of quarterly publications for Canadian businesses including Spotlight on IFRS, Canadian Assurance & Related Services, Canadian Securities Matters, and US Outlook reports.

Audit Committee Guide – Canadian Edition

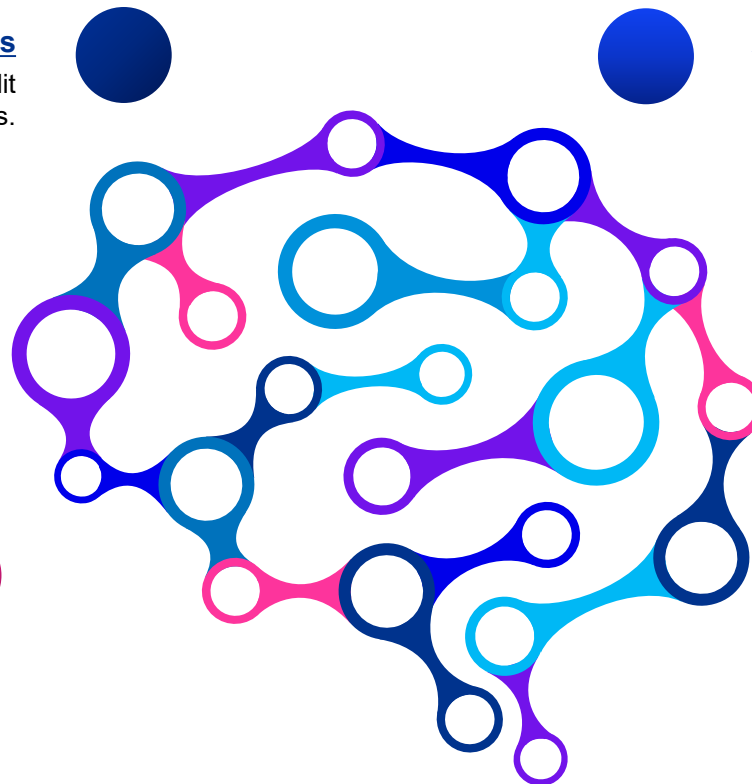
A practical guide providing insight into current challenges and leading practices shaping audit committee effectiveness in Canada.

Sustainability Reporting

Resource centre on implementing the new Canadian reporting standards

IFRS Breaking News

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





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

© 2024 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

