



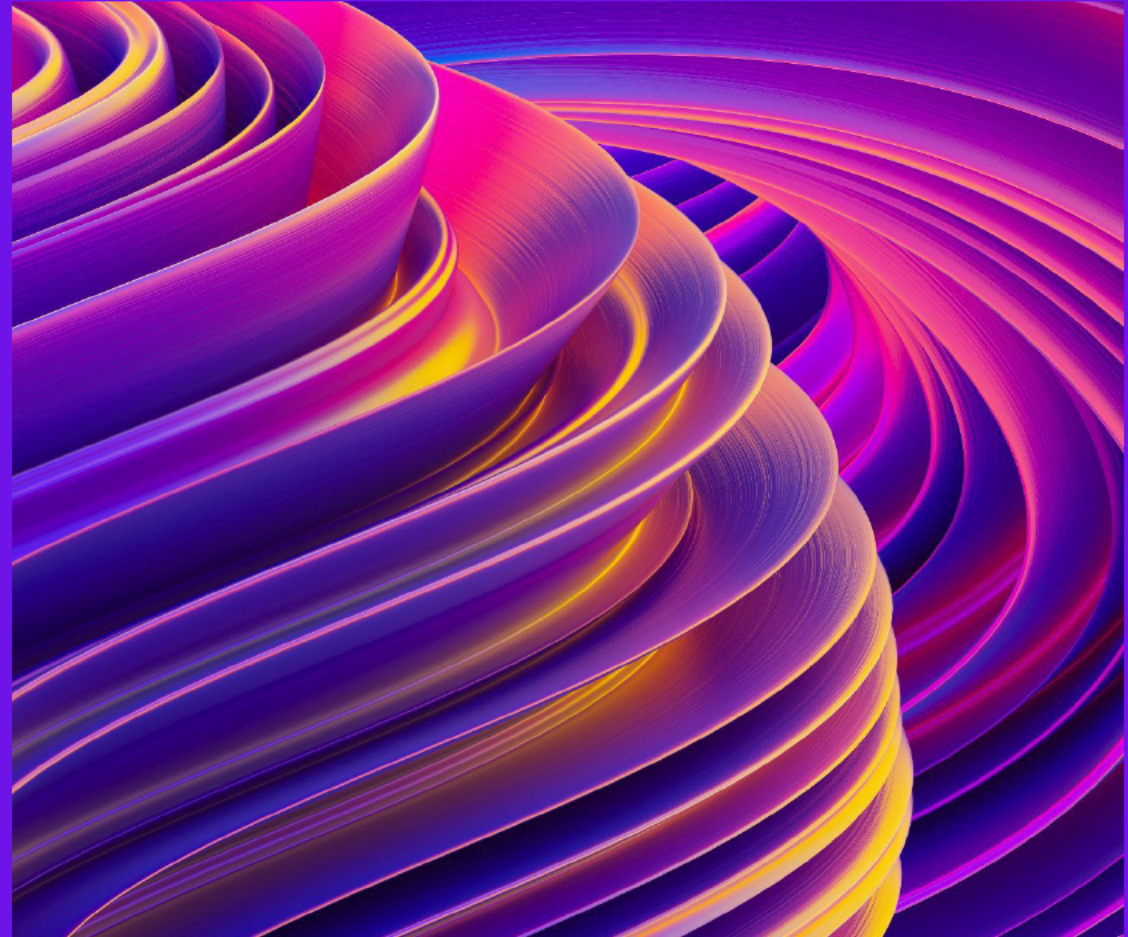
Halifax Regional Municipality ("HRM")

Audit Findings Report for the year ended March 31, 2024

KPMG LLP

Prepared as of August 12, 2024 for presentation to the Audit
Committee on August 21, 2024

kpmg.ca/audit



KPMGcontacts

Key contacts in connection with this engagement



Carey Blair

Lead Audit Engagement Partner



Paul Janes

Engagement Partner



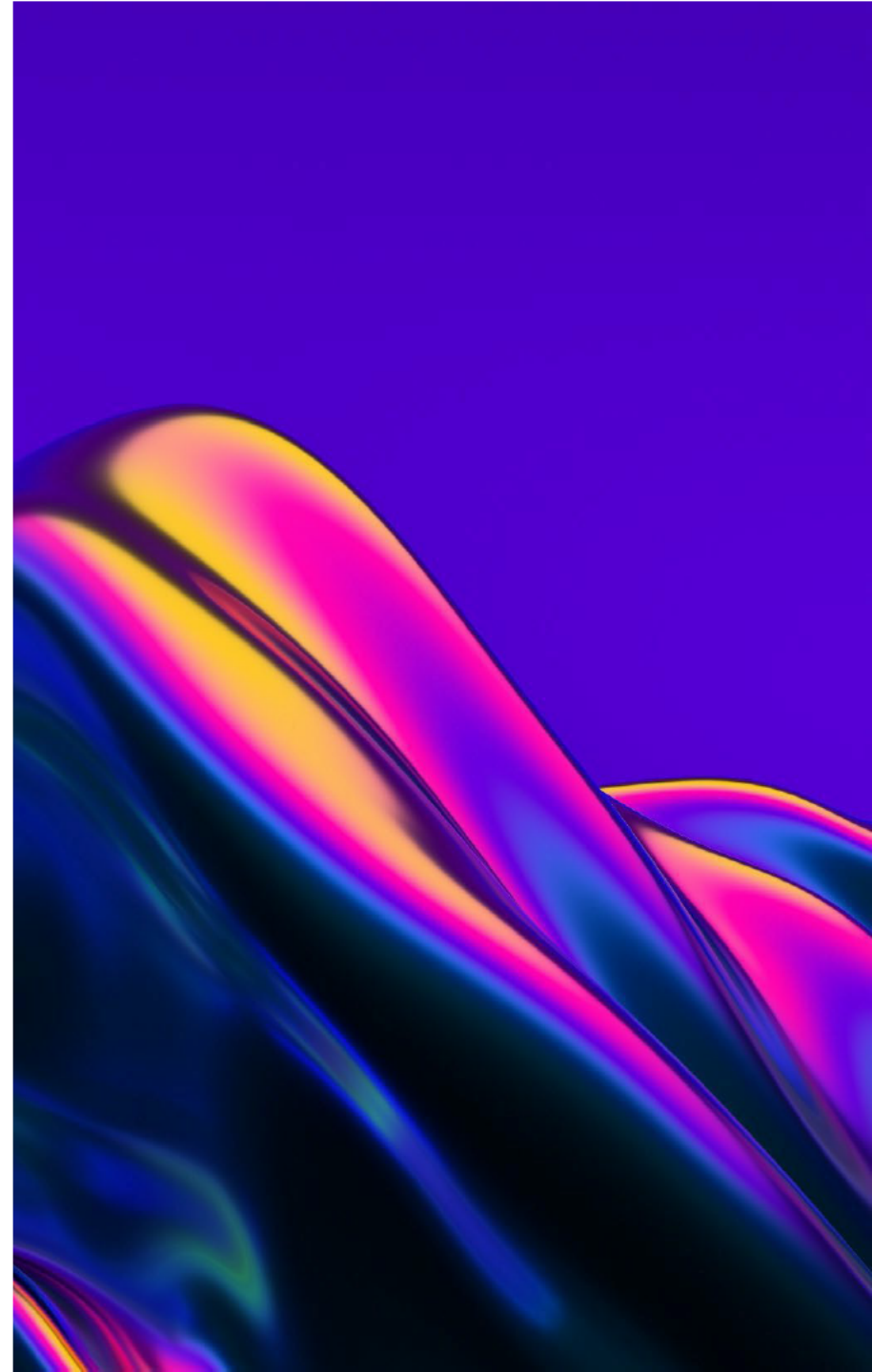
Matthew Betik

Engagement Quality Control Reviewer



Loan Hong

Audit Senior Manager





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.

Significant changes

Significant changes since our audit plan

- There were no significant changes to our audit plan which was originally communicated to you in the audit planning report.

Risks and results

Significant risks

- Management override of controls

Other risks of material misstatement

Going concern matters

Policies and practices & Specific topics

Significant unusual transactions

Accounting policies and practices

Other financial reporting matters

Uncorrected misstatements

Uncorrected misstatements

- We did not identify any misstatements that remain uncorrected.

Corrected misstatements

Corrected misstatements

- The management representation letter includes all misstatements identified as a result of the audit, communicated to management, and subsequently corrected in the audited financial statements.

Control deficiencies

Significant deficiencies

- We did not identify any control deficiencies that we determined to be significant deficiencies in internal control over financial reporting.



Status

As of August 12, 2024 we have completed the audit of the consolidated financial statements, with the exception of certain remaining procedures, which include amongst others:

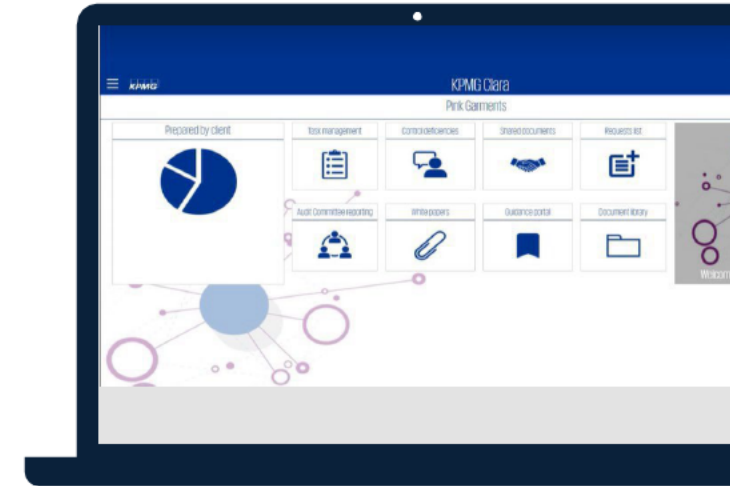
- Completing our quality review procedures
- Receipt of legal letters.
- Obtaining management's signed representation letter
- Completing our discussions with the Audit Committee
- Obtaining evidence of the Council's approval of the financial statements

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.

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

Our auditor's report, a draft of which is provided in Appendix: Draft Auditor's Report, will be dated upon the completion of any remaining procedures.

KPMG Clara for



Real-time collaboration and transparency

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

On our audit we used KCfc to coordinate 87 requests from management.





Significant risks and results

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



Management Override of Controls

RISK OF
 
ERROR FRAUD

Significant risk

Estimate?

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.

No

Our 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 using the KPMG KCA tool; this listing was reconciled for completeness and key journal entry attributes used in our identification of high-risk journal entries were tested for accuracy and appropriateness. High risk criteria based on journal entry attributes were used to identify the potential existence of an override of controls and these entries were selected for further investigation. Support for the journal entries was obtained to assist in the evaluation of this fraud risk.
- performing a retrospective review of estimates,
- evaluating the business rationale of significant unusual transactions

Significant findings

- The procedures are performed with no exception noted.



Corrected misstatements

Corrected misstatements include financial presentation and disclosure misstatements.



Impact of corrected misstatements

- Discuss the effect on the financial reporting process
 - Discussion about the cause of the corrected misstatements (e.g. control deficiencies)
 - Discussion about that the matters underlying the corrected misstatements (e.g. control deficiencies) could potentially cause future-period financial statements to be materially misstated.

| Description of misstatement | \$ | |
|---|----------------|----------------|
| | Debit | Credit |
| To adjust the overstatement of deferred revenue and account receivable DR. Deferred revenue CR. Accounts receivable | \$1,810,770.93 | \$1,810,770.93 |



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.



Significant accounting policies and practices



Initial selection

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

- The new standard PS 3400 Revenue is effective for fiscal years beginning on or after April 1, 2023.
- The new standard establishes a single framework to categorize revenue to enhance the consistency of revenue recognition and its measurement.
- The standard notes that in the case of revenue arising from an exchange transaction, a public sector entity must ensure the recognition of revenue aligns with the satisfaction of related performance obligations.
- The standard notes that unilateral revenue arises when no performance obligations are present, and recognition occurs when there is authority to record the revenue and an event has happened that gives the public sector entity the right to the revenue.



Description of new or revised significant accounting policies and practices

Changes to significant accounting policies and practices and the impact on the financial statements are disclosed in Note 2 to the financial statements. The standard had no significant impact on the presentation of the financial statements.



Independence

As a firm, we are committed to being and being seen to be independent. We have strict rules and protocols to maintain our independence that meet or exceed those of the IESBA Code¹ and CPA Code. The following are the actions or safeguards applied to reduce or eliminate threats to an acceptable level:



Dedicated ethics & independence partners



Process for reporting breaches of professional standards and policy, and documented disciplinary policy



Ethics, independence and integrity training for all staff



International proprietary system used to evaluate and document threats to independence and those arising from conflicts of interest



Operating policies, procedures and guidance contained in our quality & risk management manual



Mandated procedures for evaluating independence of prospective audit clients



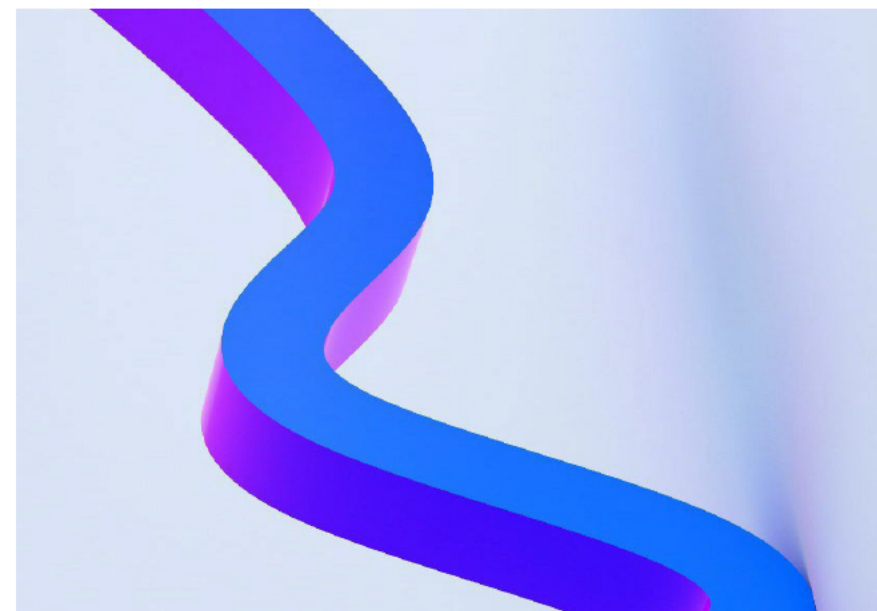
Restricted investments and relationships



Annual ethics and independence confirmation for staff

Statement of compliance

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



¹International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)



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

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