



Item 5

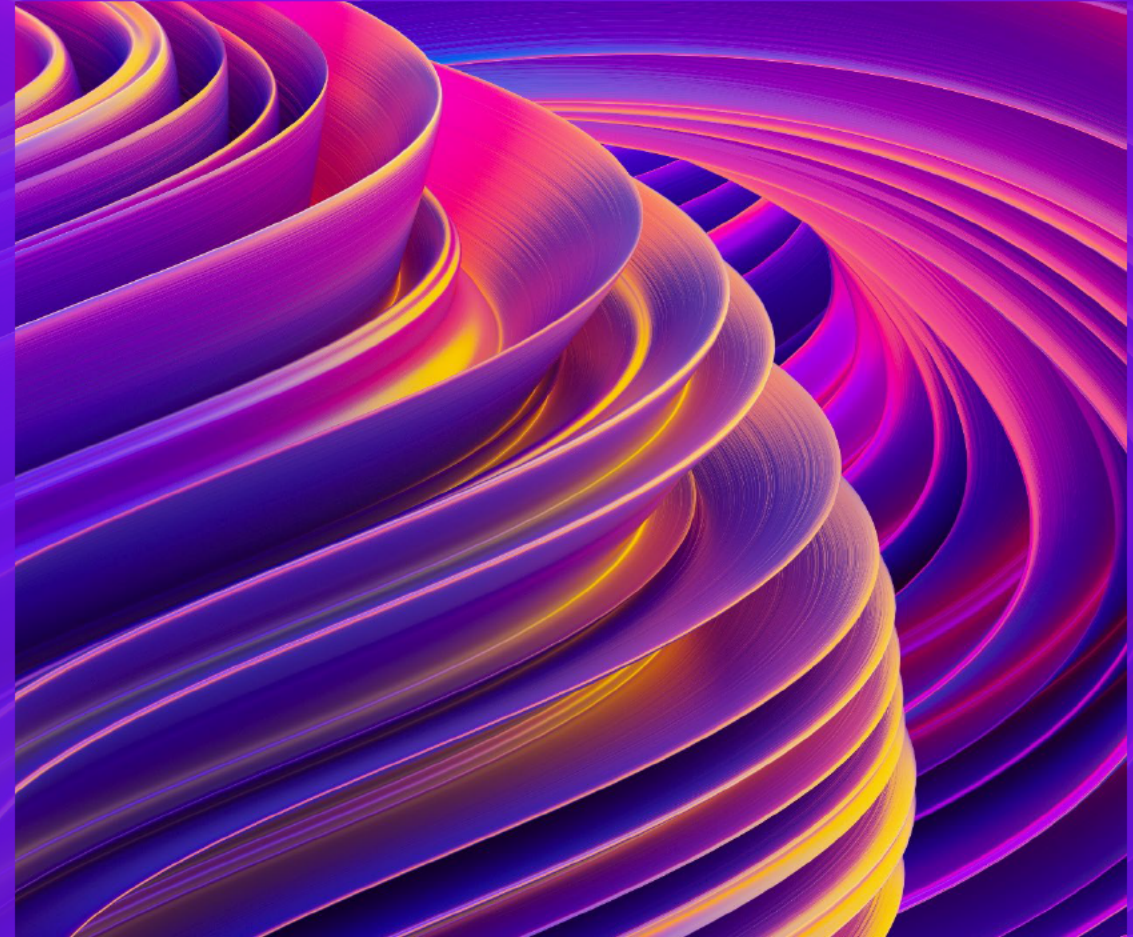
Halifax Regional Municipality ("HRM")

Audit Findings Report
for the year ended March 31, 2025

KPMG LLP

Prepared as of September 5, 2025 for presentation to the Audit
Committee on September 17, 2025

kpmg.ca/audit



KPMG contacts

Key contacts in connection with this engagement



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Engagement Quality Control Reviewer

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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.



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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 Management, the Audit Committee, and the Board of Directors 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



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 September 5, 2025, 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
- Obtaining management's signed representation letter
- Completing our discussion 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.

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 Clients (KCc)



Real-time collaboration and transparency

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

On our audit we used KCc to coordinate requests with management.

 [Learn more](#)



Significant risks and results

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



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 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 as 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

- These procedures are performed with no exceptions noted.



Corrected misstatements

Corrected misstatements include financial presentation and disclosure misstatements.



Impact of corrected misstatements

- The amount relates to expenditures for the capital project for Contract 2022-091 the Highway 107 Sackville Bedford Burnside projects. The invoice is dated November 28, 2024 and was paid on May 21, 2025. The invoice was not recorded in accruals during FY25.
- No impact on the bottom line as this was a balance sheet reclassification misstatement.
- Having considered the nature of the misstatement identified there is little concern for unidentified misstatements in the remaining population. KPMG has performed walkthroughs and referred to previous period audit files to gain an in depth understanding of the processes and controls in place at the HRM. From this understanding, we are comfortable in our conclusion that the any unidentified misstatements in accumulation would not be material.

Description of misstatement	\$	
	Debit	Credit
To correct for an expense related to a capital project that was not accrued for:		
DR. Tangible Capital Assets	\$4,171,440	
CR. Accruals		\$4,171,440



Corrected misstatements, continued

Corrected misstatements include financial presentation and disclosure misstatements.



Impact of corrected misstatements

- The amount relates to the HRWC, a restatement of accumulated depreciation on certain assets previously not depreciable under the NSUARB handbook, but should have been depreciated under IFRS, and were missed on adoption of IFRS in 2016.
- No impact on the bottom line as this was a balance sheet reclassification misstatement.
- Having considered the nature of the misstatement identified there is little concern for unidentified misstatements in the remaining population. KPMG has performed walkthroughs and referred to previous period audit files to gain an in depth understanding of the processes and controls in place at the HRM. KPMG has communicated with the component auditor, Grant Thornton, to ensure the misstatement is accurate and complete and that there is no remaining possibility of misstatement. From this understanding, we are comfortable in our conclusion that the any unidentified misstatements in accumulation would not be material.

Description of misstatement	\$	
	Debit	Credit
To restate a HRWC utility plant – amortization missing on select asset:		
DR. Accumulated Surplus	\$10,431,000	
CR. Investment in HRWC		\$10,431,000



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.

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.

Appendices

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Draft auditor's report

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Other required communications

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Management representation letter

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Audit quality

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Insights

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Environmental, social and governance (ESG)

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Current developments

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Thought leadership and insights





Appendix 1: Draft auditor's report



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Canada
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Fax 902 492 1307

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Councillors of the Halifax Regional Municipality

Opinion

We have audited the consolidated financial statements of the Halifax Regional Municipality (the Entity), which comprise:

- the consolidated statement of financial position as at March 31, 2025
- 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 remeasurement gains and losses 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 March 31, 2025, and its consolidated results of operations, its consolidated remeasurement of 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.

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Appendix 3: Management representation

KPMG LLP
Purdy's Wharf Tower One
1959 Upper Water Street, Suite 1000
Halifax, NS B3J 3N2
Canada

DATE, 2025

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 Halifax Regional Municipality ("the Entity") as at and for the period ended March 31, 2025.

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:

- We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated July 21, 2023 and subsequently amended on March 12, 2025, including for:
 - 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.
 - 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.
 - providing you with unrestricted access to such relevant information.
 - providing you with complete responses to all enquiries made by you during the engagement.



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

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