



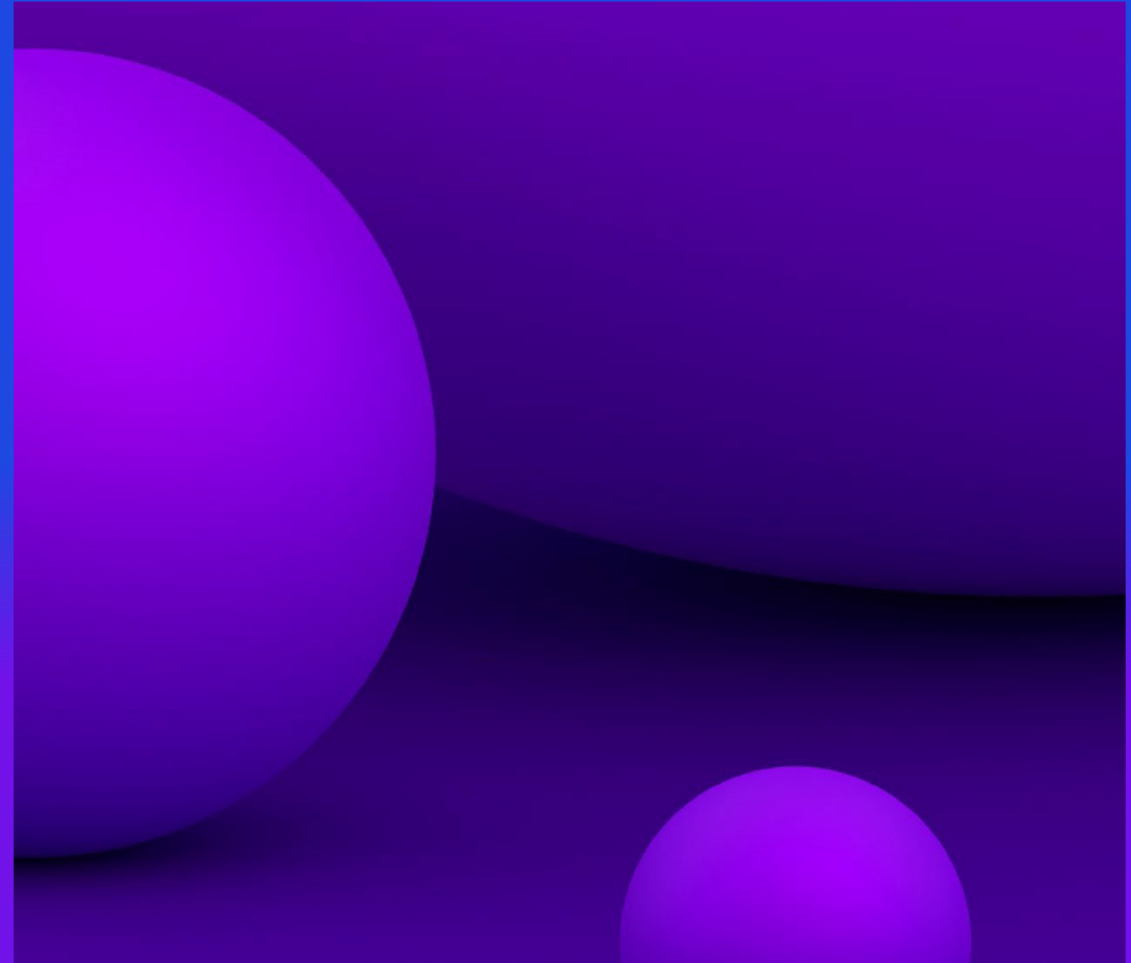
Halifax Regional Municipality ("HRM")

Audit Planning Report
for the year ending March 31, 2025

KPMG LLP

Prepared as of March 13, 2025 for presentation to the Audit
Committee on March 24, 2025

kpmg.ca/audit



KPMG contacts

Key contacts in connection with this engagement



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Audit highlights



No matters to report




Matters to report – see link for details

Scope

Our audit of the consolidated financial statements (“financial statements”) of the Halifax Regional Municipality and its subsidiaries (“the Company”) as of and for the year, ending March 31, 2025, will be performed in accordance with Canadian generally accepted auditing standards.



[Engagement letter](#)

Audit strategy




Materiality \$17 million Involvement of others 

Audit strategy - Group audit

Total	Total assets	Total expenses	Total revenue
Total tested	99%	96%	96%


Involvement of non-KPMG firms 

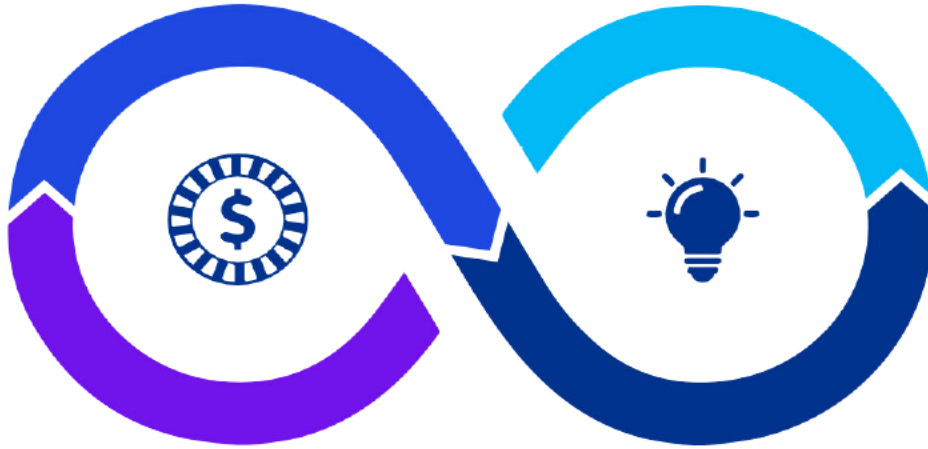
Risk assessment

Risk of management override of controls Other significant risks Presumed risk of fraudulent revenue recognition 

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 Management, the Audit Committee, and the HRM 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.



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.

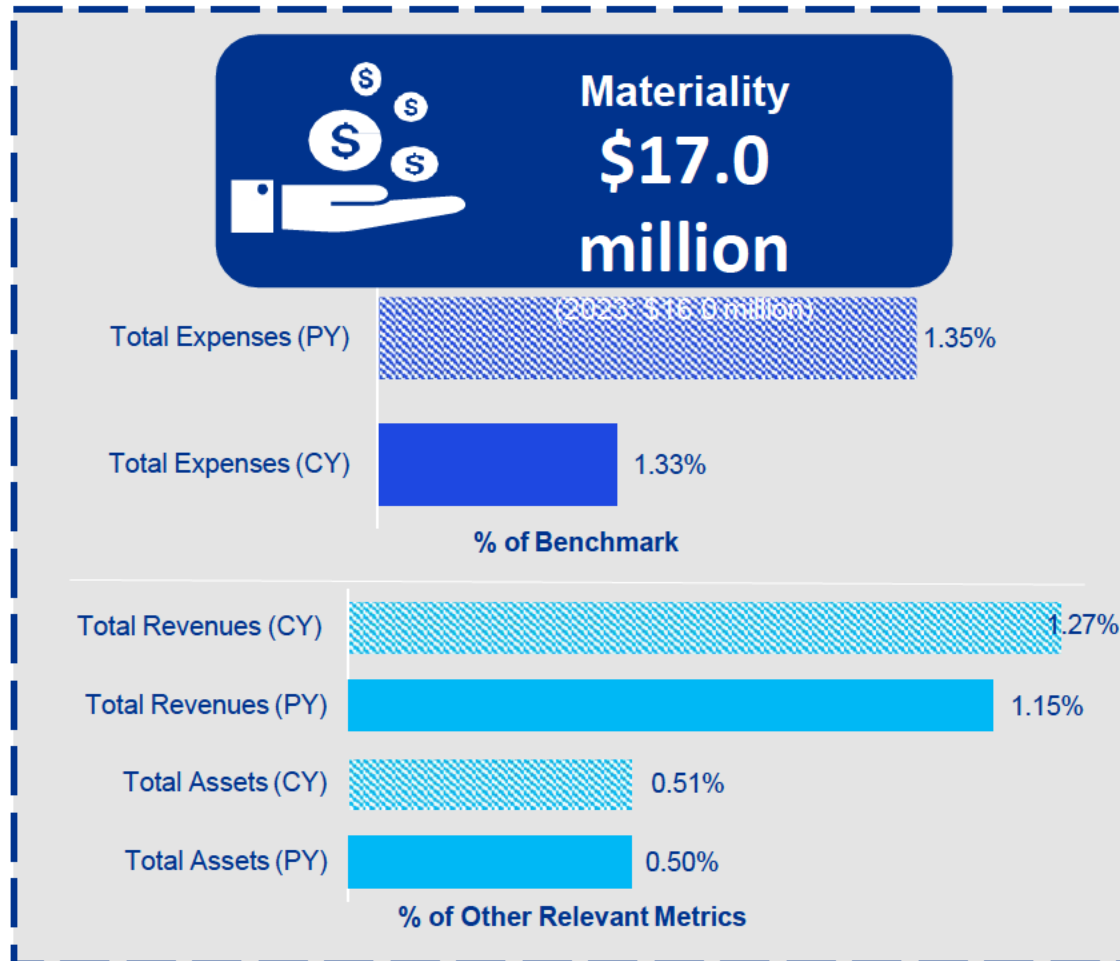
Evaluate the effect of misstatements

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



Total Expenses
\$1,275 million
(2023: \$1,181 million)

Total Revenues
\$1,340 million
(2023: \$1,390 million)

Total Assets
\$3,317 million
(2023: \$3,212 million)



Involvement of others

The following parties are involved in the audit of the financial statements:

Involved party	Nature and extent of planned involvement
Management's specialists	<p>Use of the work of management's specialists to assess the appropriateness of key assumptions used in the determination of employee future benefits including discount rates.</p> <p>Actuary specialists to assist with the assessment of risk related to the liabilities for employee future benefits, including understanding the impact of rising interest rates and in our audit of the key assumptions used by management in the determination of these liabilities.</p>



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 perform group-wide risk assessment procedures, and when sufficient information is not available at the group level, we perform risk assessment procedures at a component level in order to appropriately identify, assess, and plan responses to risks of material misstatement to the group.

We plan to perform risk assessment procedures at a component level for the following components:

Component	Total assets	Total expenses	Total revenues	Scope
HRM	53%	82%	82%	Full scope audit
Halifax Regional Water Commission ("HRWC")	46%	14%	14%	Full scope audit, completed by component auditor – GT Halifax
Total	99%	96%	96%	
Components not subject to procedures at a component level: <ul style="list-style-type: none">• HRM ABC's	1%	4%	4%	Stand alone audits completed separate of the main HRM audit
Total consolidated	100%	100%	100%	

Nature of our planned involvement in the work of component auditors

Our approach is summarized as follows:

Determine the nature and extent of involvement	<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.
Robust direction through instructions and two-way communications	<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>
Comprehensive supervision and review through two-way communications	<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 certain component auditors, either remotely or physically, based on quantitative factors (e.g., size of the components total assets or revenue to the group) and qualitative factors (e.g., the significance of the risks of material misstatement being addressed at the component).</p>



Risk assessment summary

Our planning begins with an assessment of risks of material misstatement in your financial statements.

We draw upon our understanding of the Company and its environment (e.g. the industry, the wider economic environment in which the business operates, etc.), our understanding of the Company's components of its system of internal control, including our business process understanding.

We use advanced technologies in performing our risk assessment procedures.

		Risk of fraud	Risk of error	PY risk rating
●	Management Override of Controls	✓		Significant

● SIGNIFICANT RISK ● PRESUMED RISK OF MATERIAL MISSTATEMENT ● OTHER RISK OF MATERIAL MISSTATEMENT

Advanced Technologies

Our **KPMG Clara Dynamic Risk Assessment** tool gives us a more sophisticated, forward-looking and multi-dimensional approach to assessing audit risk.

[Learn more](#)

Our **KPMG Clara Business Process Mining** provides immediate visualization of how 100% of your transactions are processed to complement your process narratives & flow charts.

[Learn more](#)

KPMG Clara Account Analysis allows us to analyze the flow of transactions through your business to drive a more meaningful risk assessment.

[Learn more](#)

KPMG Clara AI allows us to layer AI into our auditing platform, allowing us to scan 100% of your data and pull all of the risky transactions and anomalies out for further analysis.

[Learn more](#)



Significant risks



Management Override of Controls (non-rebuttable significant risk of material misstatement)

RISK OF



FRAUD

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

Why is it significant?

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.

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](#)



Key milestones and deliverables

March - April 2025 Planning & Risk Assessment	April – July 2025 Risk assessment & Fieldwork	July - August 2025 Final Fieldwork & Reporting
<ul style="list-style-type: none"> • Debrief prior year with management • Kick-off with management • Planning and initial risk assessment procedures, including: <ul style="list-style-type: none"> • Involvement of others • Identification and assessment of risks of misstatements and planned audit response for certain processes • Obtain and update an understanding of the Company and its environment • Inquire of the Audit Committee, management and others within the Company about risks of material misstatement • Complete group audit scoping. 	<ul style="list-style-type: none"> • Evaluate the Entity's components of internal control, other than the control activities component • Perform process walkthroughs for certain business processes • Identify process risk points for certain business processes • Complete data extraction and processing activities • Complete initial risk assessment • Communicate audit plan • Identify IT applications and environments • Evaluate D&I of controls for certain business processes (control activity component) • Evaluate D&I of general IT controls • Communicate group audit instructions to component audit teams • Provide update on audit progress 	<ul style="list-style-type: none"> • Perform process walkthroughs for remaining business processes • Review financial statement disclosures • Present results to the Audit Committee and perform required communications • Issue audit report on financial statements • Closing meeting with management • Filing date: issue audit reports on financial statements



Audit quality - How do we deliver audit quality?

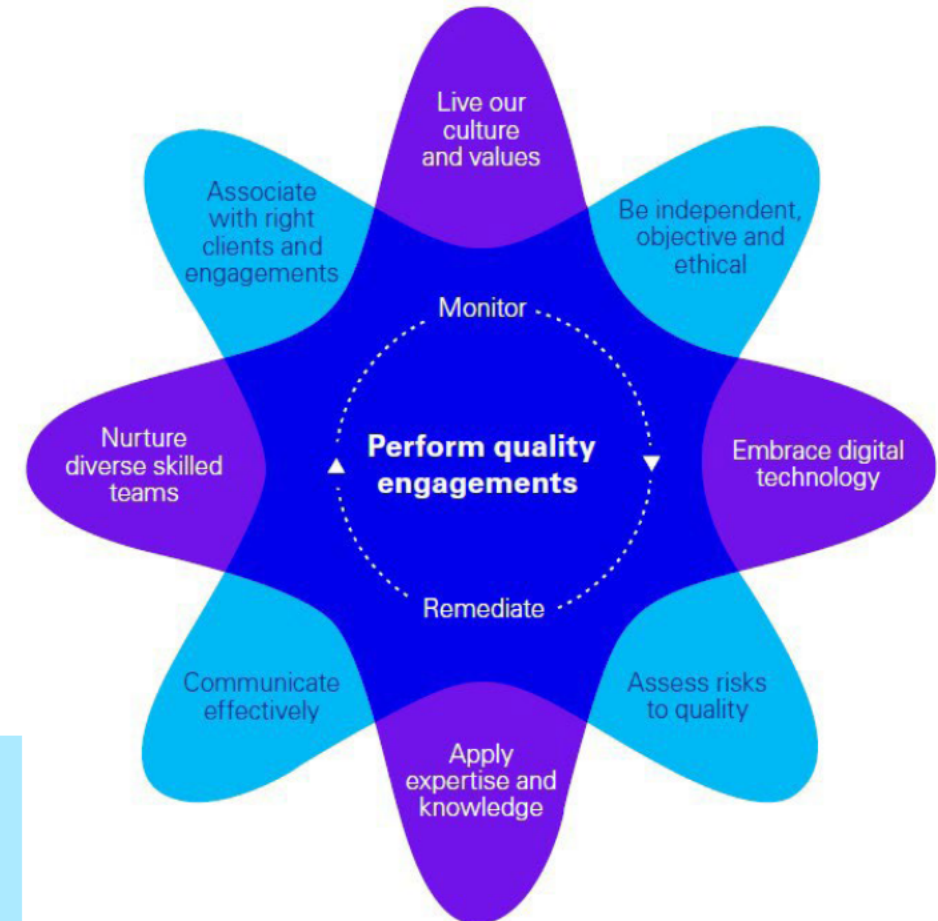
Quality essentially means doing the right thing and remains our highest priority. Our Global Quality Framework outlines how we deliver quality and how every partner and staff member contributes to its delivery.

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. Learn more about our system of quality management and 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



Regulatory
communications



New auditing
standards



Insights



Technology





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](#)



Appendix: 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, 2023

ISA 600/CAS

600

Revised special considerations – Audits of group financial statements

Effective for periods beginning on or after December 15, 2024

ISA 260/CAS

260

Communications with those charged with governance

ISA 700/CAS

700

Forming an opinion and reporting on the financial statements



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.

[Accelerate - The key issues driving the audit committee agenda](#)

Discover the most pressing risks and opportunities that face audit committees, boards and management teams.

[Sustainability Reporting](#)

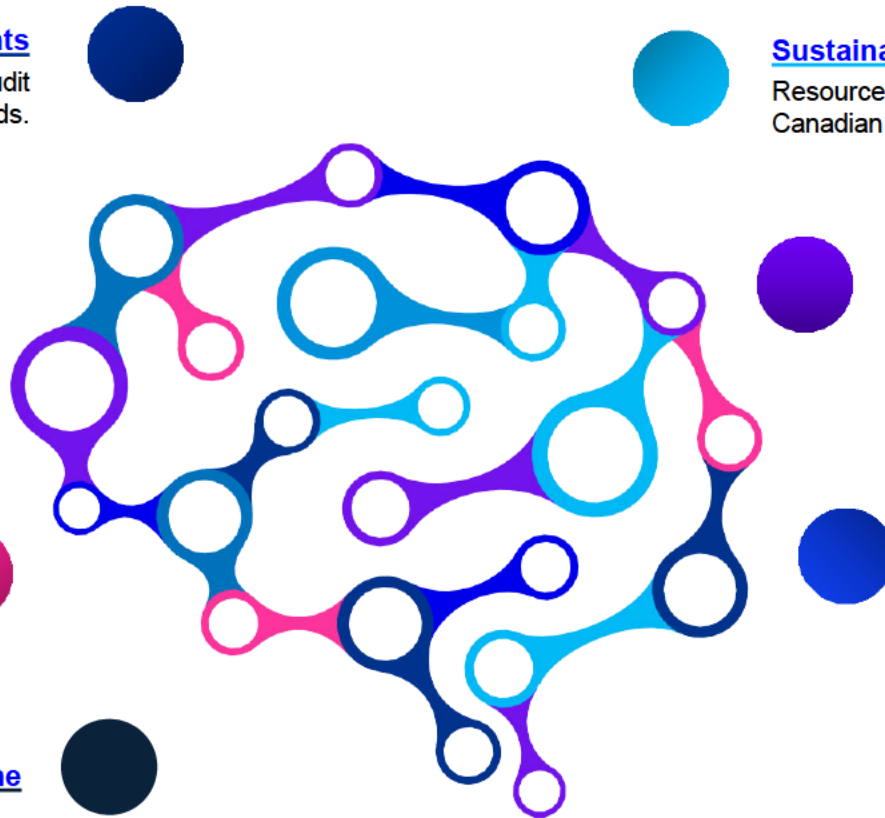
Resource centre on implementing the new Canadian reporting standards

[IFRS Breaking News](#)

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

[Audit Committee Guide – Canadian Edition](#)

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





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.



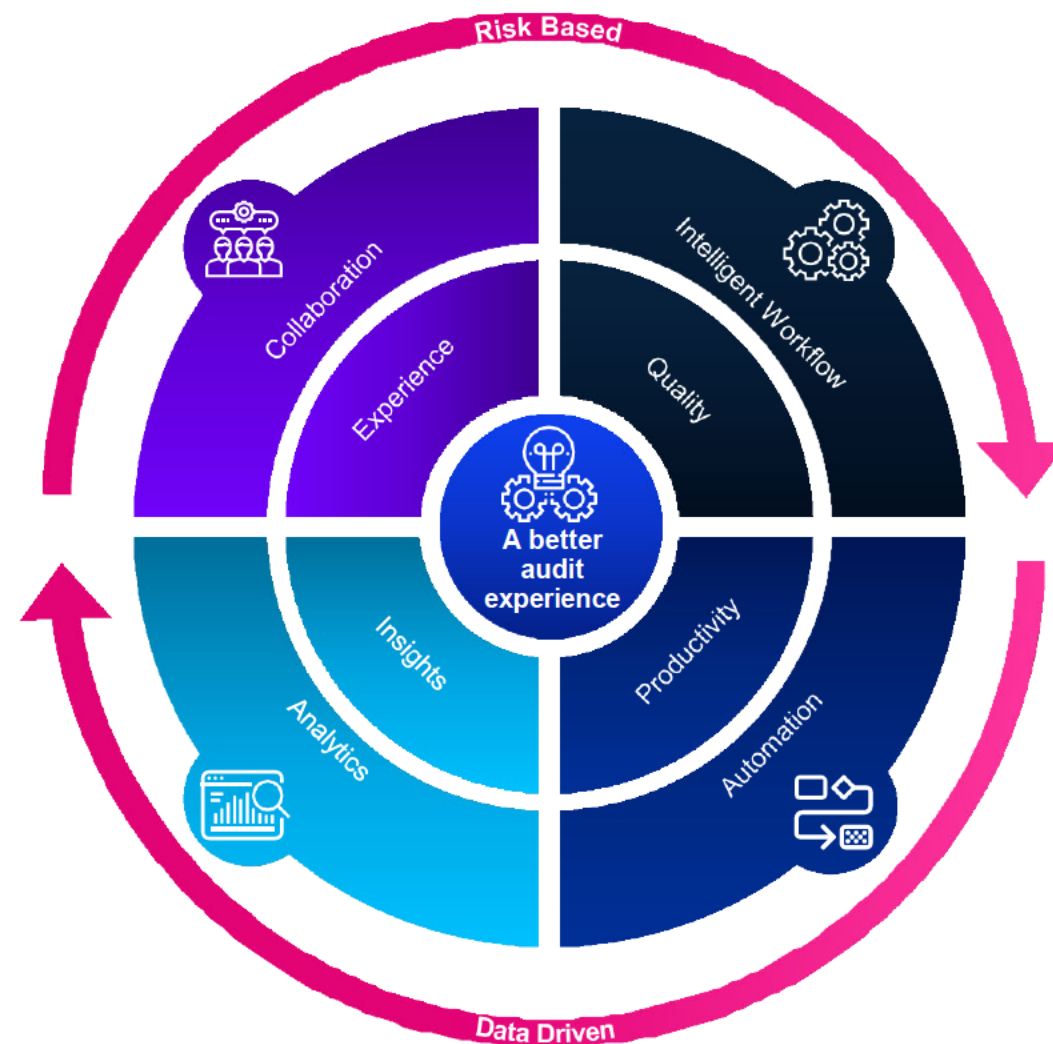
Intelligent workflow

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



Analytics

- AI Transaction Scoring
- Audit Routine Catalogue
- Data Visualization
- Group Scoping Tool
- Matching Routines
- Process Mining Analytics
- KPMG Forecast Analytics Suite



Automation

- Automated Industry Routines
- Confirmation
- Data Extraction Scripts
- DataShare
- DataSnipper
- Inventory Counter App
- iRadar and iNav
- OffsetRemover



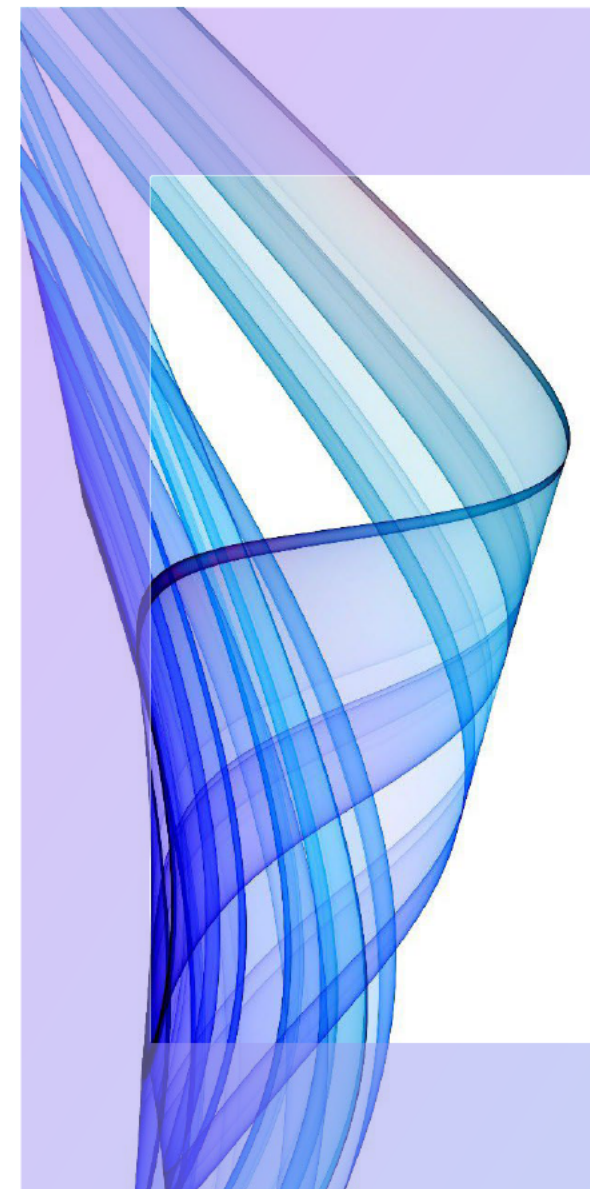
Collaboration

- DocuSign™
- KPMG Clara for Clients



Workflow

- KPMG Clara Workflow
- Account Analysis
- Journal Entry Analysis
- Planning Analytics





Appendix: Continuous evolution

Our investment: \$5B

We are in the midst of a five-year investment to develop our people, digital capabilities, and advanced technology.

Responsive delivery model

Tailored to you to drive impactful outcomes around the quality and effectiveness of our audits.

Result: A better experience

Enhanced quality, reduced disruption, increased focus on areas of higher risk, and deeper insights into your business.





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