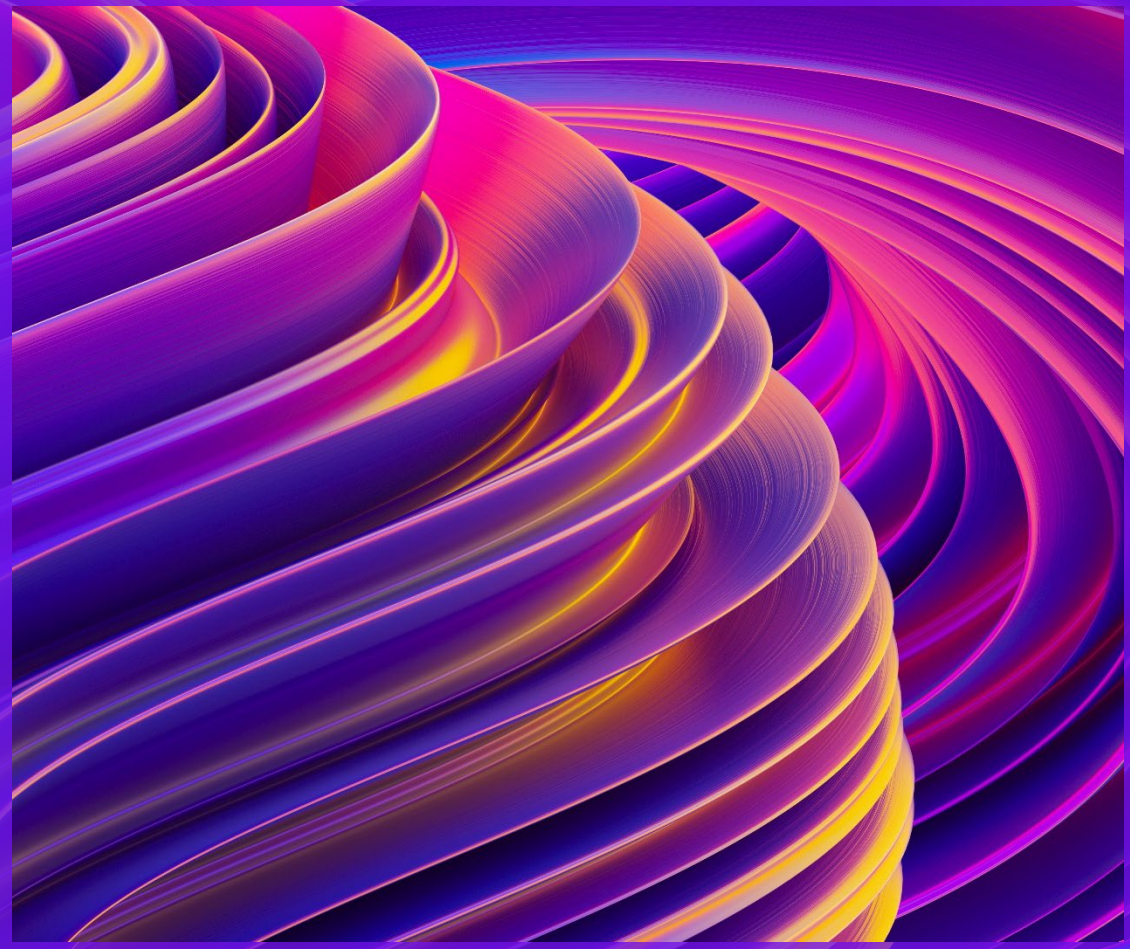
KPMG

The City of Winnipeg



Audit Findings Report for the year ended December 31, 2024

KPMG LLP

Prepared as of April 29, 2025 for presentation to the Audit Committee on May 13, 2025

kpmg.ca/audit

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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.

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

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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") of the City of Winnipeg ("the City"), with the exception of certain remaining outstanding procedures, which are highlighted on the 'Status' slide of this report.

Audit strategy

- Materiality
- Updates to our prior year audit plan

Risks and results & Significant unusual transactions

- Significant risks
  - Risk of management override of controls
- Other risks of material misstatement
  - Asset retirement obligation
  - Financial instruments
  - Revenue and accounts receivable
  - Tangible capital assets
  - Employee related expenses and employee benefit obligations
  - Litigations and settlements
- Going concern matters
- Significant unusual transactions

Misstatements - Uncorrected

Uncorrected misstatements

Misstatements - Corrected

Corrected misstatements

Control deficiencies

Significant deficiencies

Policies and practices

- Accounting policies and practices
- Other financial reporting matters

Audit Quality

Learn more about how we deliver audit quality.

Independence

We are independent and have a robust and consistent system of quality control. We provide complete transparency on all services and follow the City's approval protocols.

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 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.

Status

As of April 29, 2025, we have completed the audit of the consolidated financial statements of the City, with the exception of certain remaining procedures, which include amongst others:

- Receipt of legal letters from two external law firms;
- Completion of our review process, including review by our EQCR;
- Receipt of signed management representation letter;
- Updating our subsequent event procedures to the date of our auditor's report;
- Completing our discussions with the Audit Committee;
- Obtaining evidence of the Audit Committees' 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 included in the draft financial statements, 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

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Updates to our prior year audit plan

New significant risks

No new significant financial reporting risks identified

Other significant changes

Newly effective accounting standards

PS 3400, *Revenue*

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. It 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.

PS 3160, *Public private partnership*

The standard includes new requirements for the recognition, measurement and classification of infrastructure procured through a public private partnership.

The standard notes that recognition of infrastructure by the public sector entity would occur when it controls the purpose and use of the infrastructure, when it controls access and the price, if any, charged for use, and it controls any significant interest accumulated in the infrastructure when the public private partnership ends.

PSG 8, *Purchased intangibles*

The guideline allows public sector entities to recognize intangibles purchased through an exchange transaction. The definition of an asset, the general recognition criteria and GAAP hierarchy are used to account for purchased intangibles.

Narrow scope amendments were made to PS 1000 *Financial statement concepts* to remove the prohibition to recognize purchased intangibles and to PS 1201 *Financial statement presentation* to remove the requirement to disclose purchased intangibles not recognized.

Other accounting standards that are effective for future fiscal years have been outlined in the Appendices.

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Updates to our prior year audit plan

Other significant changes

Newly effective auditing standards

ISA 600/CAS 600, ***Revised special considerations – Audits of group financial statements***

The revised standard deals with considerations that apply to the audit of group financial statements, including in those circumstances when component auditors are involved. This change is intended to:

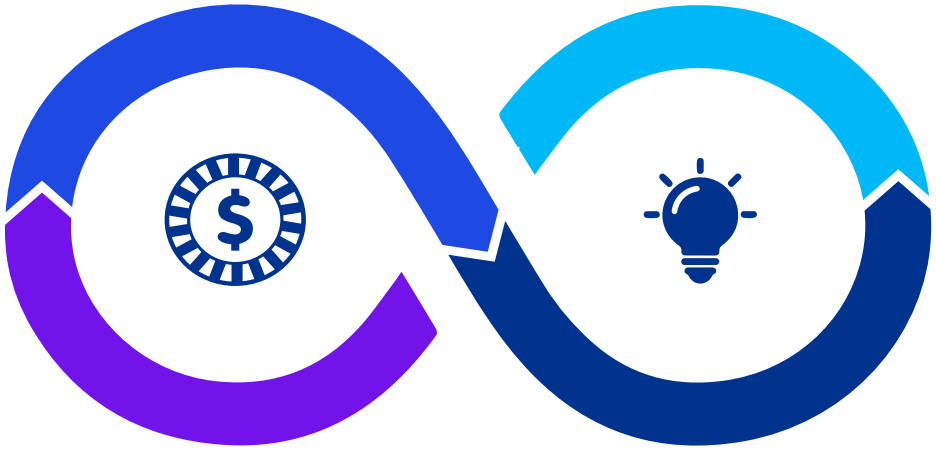
- Encourage proactive management of quality at the group engagement level and the component level.
- Keep the standard fit for purpose in a wide range of circumstances in a developing environment.
- Reinforce the need for robust communication and interactions during the group audit.
- Foster an appropriately independent and challenging skeptical mindset of the auditor.

Some new requirements have been added, and revisions have been made to existing requirements and the application material to better align the standard with recently revised standards such as CSQM 1, CAS 220 and CAS 315, Identifying and Assessing the Risks of Material Misstatement.

The new and revised requirements also strengthen the auditor's responsibilities related to professional skepticism, planning and performing a group audit, two-way communications between the group auditor and component auditors, and documentation.

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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.

Benchmark: Forecasted total revenue

$2.1 billion

(2023 - $1.9 billion)

Materiality

$43 million

Represents 2.1% of benchmark

(2023 - $41.5 million)

Forecasted expenses

$2.1 billion

(2023 - $1.9 billion)

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Involvement of others

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

Involved party	Nature and extent of planned involvement
KPMG professionals with specialized skill or knowledge	The following KPMG professionals with specialized skill will be involved in the audit: • Bailey Church, National PSAS Advisory Partner, has been used as a resource for the KPMG team for the transition to the new revenue standard (PS 3400), along with the other new accounting standards. • IT specialists assist in our understanding of the City's IT environment.

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Group audit - Scoping

Components	Total revenue	Our audit approach
The City of Winnipeg, including all departments	92%	Audit of component financial information for purposes of the group audit of the Company.
Special Operating Agencies: - Parking Authority - Golf Services - Fleet Management - Animal Services	3%	No additional testing was determined to be necessary based on the results of risk assessment procedures. Note that the Special Operating Agencies are audited by the Group audit team (KPMG).
Other Government entities: - Assiniboine Park Conservancy Inc. - CentreVenture Development Corp. - The Convention Centre Corporation - Winnipeg Arts Council Inc. - Winnipeg Public Library Board	4%	No additional testing was determined to be necessary based on the results of risk assessment procedures. Note that the government entities are subject to financial statement audits by other audit firms.
Business partnerships and Partnerships: - North Portage Development Corp. - River Park South Development Inc. - Economic Development Winnipeg Inc. - Transcona Joint Venture	1%	No additional testing was determined to be necessary based on the results of risk assessment procedures.
Total consolidated	**100%**	

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

	Area of significant risk or audit focus	Risk of fraud	Risk of error	Risk rating
●	Management Override of Controls	✓		Significant
●	Government transfers		✓	Elevated
●	Sales of service and regulatory fees, including new standard implementation of PS 3400 (Revenue)		✓	Base
●	Taxation revenue		✓	Base
●	Tangible capital assets, including new standard implementation of PS 3160 (P3s)		✓	Base
●	Asset retirement obligations		✓	Base
●	Employee related expenses and benefit obligation		✓	Base
●	Litigations		✓	Base

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



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Significant risks and results

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

Risk of management override of controls

RISK OF 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 incorporated 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.

Significant qualitative aspects of the Entity's accounting practices

As a result of these procedures, no matters were found of significance to report.

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Other risks of material misstatement and results

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

Government transfers

Other focus areas	Level of risk due to error
Government transfers	Elevated

Our response

- Updated our understanding of the process activities and controls over government transfers.
- Obtained and assessed management's analysis of accounting treatment of government transfers, including the timing of when the revenue should be recognized.
- Obtained a confirmation directly from the Province on funding received during fiscal 2024 and reconciled to the City's accounting records.
- Agreed government transfers for capital purposes to agreements or confirmations, eligible expenditure reports, and cash receipts.
- Assessed deferred revenue relating to certain government agreements with stipulations/ eligibility criteria, including inspection of invoices of the project to assess if criteria met.

Significant qualitative aspects of the Company's accounting practices

As a result of the above procedures, no matters were found of significance to report.

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Other risks of material misstatement and results

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

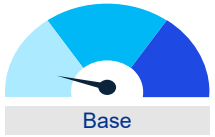
Sales of service and regulatory fees, including adoption of new accounting standard

Other focus areas

Sales of service and regulatory fees includes: water sales and sewage services, regulatory fees, transit fares and other sales of goods and services.

New accounting standard: PS 3400 *Revenue*

Level of risk due to error



Our response

- Updated our understanding of the process activities for significant streams of revenue related to sales of services and regulatory fees.

New accounting standard – PS 3400

- Obtained scoping documentation to assess completeness of management review over PS 3400 and memorandums from each “in-scope” department with revenue steams impacted by this new standard.
- Assessed management’s analysis under this new standard which included a review of the type of revenue transaction, revenue recognition and measurement.
- Obtained support for adjustments required to implement this new standard and assessed accuracy.

Audit work summary

- Performed substantive analytical procedures over water sales and sewage services.
- Obtained confirmation from Manitoba Justice of payment made for photo enforcement, highway traffic and false alarm convictions for fiscal 2024.
- Substantively tested a sample of regulatory fees, transit fares and other sales of goods and services recorded as revenue throughout the year and assessed compliance with the new revenue standard.
- Substantively tested a sample of accounts receivable balances outstanding at year-end related to these revenue streams.

Significant qualitative aspects of the Company’s accounting practices

As a result of the above procedures, no matters were found of significance to report.

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Other risks of material misstatement and results

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

Taxation revenue

Other focus areas	Level of risk due to error
Taxation revenue	 Base

Our response

- Updated our understanding of the process activities and controls over taxation revenue, including the tax appeals process.
- Assessed the application of the tax roll assessment and taxation rates as budgeted by the Council and compared the budgeted tax revenue to the actual tax collected.
- Tested a sample of property and business tax balances receivable through agreement to the tax assessment notice and recalculated the tax account receivable balance outstanding at year-end.
- Assessed reasonableness of allowance for property and business tax appeals and tax arrears.
- Tested a sample of payments made to Winnipeg school divisions and the Public Schools Finance Board related to school taxes collected through the property tax roll on behalf of the Province and school divisions. The City acts as an agent in this process and therefore the amount collected and remitted is not included in the statement of operations.

Significant qualitative aspects of the Company's accounting practices

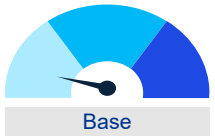
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Other risks of material misstatement and results

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

Tangible capital assets (TCA)

Other focus areas	Level of risk due to error
Tangible capital assets (TCA) New standard implementation of PS 3160, *Public Private Partnerships (P3)*	

Our response

- Updated our understanding of the process activities and controls over TCA, including timing of recognition, movement from assets under construction to the relevant tangible capital assets category, and recognition timing for contributed assets.
- Obtained and reviewed a sample of invoices for significant capital projects supporting the capital asset additions and assessed proper cut-off of all the capital projects in progress.
- Assessed the reasonableness of the amortization period (useful lives) of tangible capital assets and recalculated amortization expense for a sample of assets.
- Obtained and assessed reasonableness of contributed assets, involving roads and underground networks contributed to the City, which are capitalized at their fair value at the time of receipt.
- Obtained an understanding of management process over the implementation of the new P3 standard and the approach taken to identify the partnerships in scope of the standard.
    - For the significant partnerships assessed as in scope of the standard, obtained Management's analysis against the criteria set out in the standard, including the analysis as to whether an infrastructure asset should be recognized and a liability recorded.
    - As the City has previously recognized in scope partnerships under international accounting standards, there was no impact as a result of adopting this standard.
    - We reviewed note disclosure over the change in accounting policy and the updated significant accounting policies relating to P3 accounting.

Significant qualitative aspects of the Company's accounting practicesz

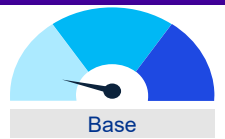
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Other risks of material misstatement and results

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

Asset retirement obligations

Other focus areas	Level of risk due to error
Asset retirement obligations	 Base

Our response

- Obtained an understanding of the approach taken by Management to identify changes to ARO, including updates to cost estimates and updates to assumptions including discount rates and inflation rates.
- Obtained management's updated assessment of ARO and assessed mathematical accuracy.
- Review of financial statement note disclosures in accordance with PSAS.

Significant qualitative aspects of the Company's accounting practicesz

As a result of the above procedures, no matters were found of significance to report.

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Other risks of material misstatement and results

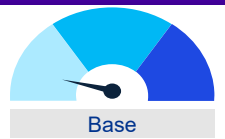
We highlight our significant findings in respect of **other risks of material misstatement**.

Employee related expenses/ accruals and employee benefit obligations

Other focus areas

Employee related expenses/ accruals and employee benefit obligations

Level of risk due to error



Our response

Employee related expenses/ accruals

- Updated our understanding of process activities in relation to initiation, authorization, recording and processing of employee related expenses and tested the operating effectiveness of selected relevant controls performed by the Corporate Payroll department.
- Performed substantive analytical procedures over salary expense and employee benefit costs by department comparing the actual expense to the budgeted expense.
- Tested a sample of City employee's annual salary per the payroll system to the employee's T4.
- Performed substantive testing over employee related accruals including vacation accrual and workers' compensation.

Employee benefit obligations

- Obtained confirmation directly from the City's actuaries, Eckler Consultants & Actuaries, over the City's various pension plans, compensated absences and the retirement allowance programs and reconciled to the obligations and disclosure in the financial statements.
- We assessed management's assumptions (discount rate, sick leave utilization, retirement age, salary escalation, and mortality rates) used in the calculation of their accrued employee benefits by comparing to market indicators and other supporting information.
- We tested a sample of the underlying membership data sent to the actuaries and assessed the competency and objectivity of the actuaries.
- Assessed financial statement disclosure over employee benefit obligation for completeness and accuracy.

Significant qualitative aspects of the Company's accounting practices

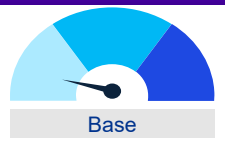
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Other risks of material misstatement and results

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

Litigations, including legal settlements receivable

Other focus areas	Level of risk due to error
Litigations, including legal settlements receivable	 Base

Our response

Overall litigation response:

- Obtained the 2024 Year-End Claims Report prepared by Legal Services detailing all claims with the City with a potential exposure of over $250,000 (2023 - $250,000) as at December 31, 2024.
- Obtained analysis prepared by Corporate Finance assessing if provision or disclosure is required in accordance with Canadian public sector accounting standards.
- Obtained confirmation of the details of significant claims directly from both Legal Service and external legal firms used on several potential legal exposures.
- Assessed the adequacy of management's analysis, resulting legal claims provision and financial statement disclosure for the contingent liabilities relating to legal obligations.

Police Headquarters legal settlement:

- Assessed management's analysis under PSAS in relation to the timing of recording the receivable for the Police Headquarters legal settlement in fiscal 2024.
- Obtained an understanding of the scope, history and outcome of legal proceedings, to assess consistency with management analysis.
- Obtained a legal letter direct from the City's external legal firm responsible for the assessing the security of the property validating the collection of the settlement receivable.

Significant qualitative aspects of the Company's accounting practices

As a result of the above procedures, no matters were found of significance to report.

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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.

We did not identify any control deficiencies that we determined to be significant deficiencies in ICFR.

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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 matters to report. See page 14 for more details on the new Revenue standard and page 16 for the new Public Private Partnership standard. See Appendix 2 for details on the new Intangible Asset standard and future accounting standards.
Significant qualitative aspects of financial statement presentation and disclosure	No matters to report.

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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, at 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 company 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, what are 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, what is the substance of those concerns?

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Appendices

- **A1** Audit quality
- **A2** New accounting standards
- **A3** New auditing standards
- **A4** Audit and assurance insights and thought leadership
- **A5** Use of technology
- **A6** Management rep letter



Appendix 1: How do we deliver audit quality?

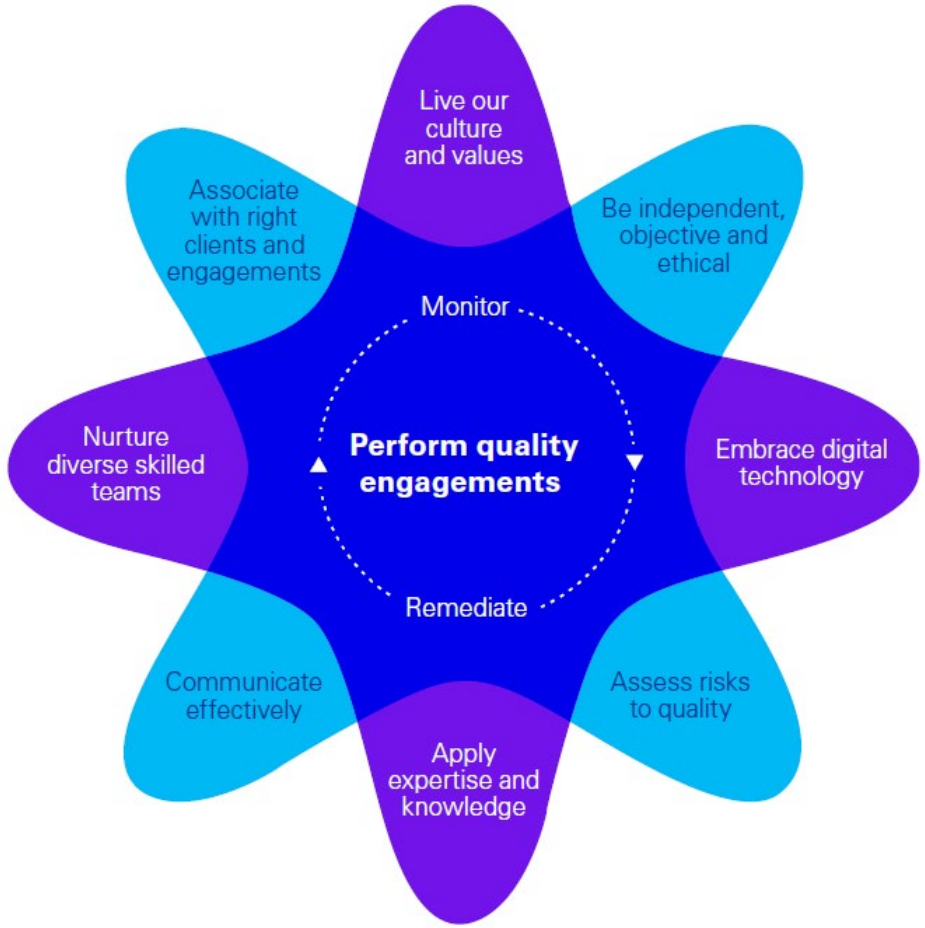
Quality essentially means doing the right thing and remains our highest priority. Our Global Quality Framework outlines how we deliver quality and how every partner and staff member contributes to its delivery.

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.

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Appendix 1: Indicators of audit quality (AQIs)

The objective of these measures is to provide more in-depth information about factors that influence audit quality within an audit process. Below are the AQIs that we have agreed with management are relevant for the audit. We would like to obtain agreement of the Finance and Audit Committee that these are the relevant AQIs.

We will communicate the status of the below AQIs on an annual basis.

Team composition

All senior members of the KPMG audit team have been on the City numerous years, including your lead audit partner, both senior managers and the audit manager.

Shannon Magnusson belongs to a National Municipality Audit Group that meets monthly to discuss issues impacting municipalities and share insights regarding new accounting standards.

Brittany Walter, our new Engagement Quality Control Partner, brought fresh eyes to our team this year being new on the audit team.

Technology in the audit

We utilized our new KPMG Clara audit platform, which is a modern, intuitively written, highly applicable audit methodology that allows us to deliver globally consistent engagements.

We utilized KPMG application software (IDEA) to evaluate the completeness of the journal entry population through a roll forward of all accounts. We also utilized computer assisted auditing techniques (CAATs) to analyze journal entries and apply certain criteria to identify potential high-risk journal entries for further testing.

Timing of prepared by client (PBC) items

Timeliness of PBC items

The Corporate Finance Department organized a shared-site for the City departments to upload PBC information required for our audit and followed up on information that was not received. The majority of the required information was prepared for the commencement of our audit work and uploaded onto the shared site.

Consistent with the prior year audit, management arranged for KPMG to have Peoplesoft access to pull invoices off the City's system, which decreases information requests from City staff and increases efficiencies.

The information we received was complete and we received full cooperation from management, who replied to requests and questions on a timely basis.

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Appendix 2: Newly effective and upcoming changes to accounting standards

Standard	Summary and implications
Concepts Underlying Financial Performance	• The revised conceptual framework is effective for fiscal years beginning on or after **April 1, 2026** with earlier adoption permitted. • The framework provides the core concepts and objectives underlying Canadian public sector accounting standards. • The ten chapter conceptual framework defines and elaborates on the characteristics of public sector entities and their financial reporting objectives. Additional information is provided about financial statement objectives, qualitative characteristics and elements. General recognition and measurement criteria, and presentation concepts are introduced.

Financial Statement Presentation	• PSAB has approved Section PS 1202 *Financial statement presentation*, and a series of consequential amendments to various standards in the PSA Handbook. The approved section includes the following:
	  • The statement of financial position was restructured and now includes two categories of liabilities and a third component of net assets or net liabilities.
	  • The net financial assets or net financial liabilities indicator (formerly known as net debt) has been relocated to its own statement, the statement of net financial assets or net financial liabilities. Its calculation has been refined.
	  • The statement of change in net debt has been removed. However, an entity has the option to present the change in the indicator on the statement of net financial assets or net financial liabilities.
	  • The statement of changes in net assets or net liabilities was added:
	  ○ This statement shows a reconciliation of each component of net assets or net liabilities.
	  ○ All revenues and expenses arising in the period are captured in the statement of changes in net assets or net liabilities. The statement's purpose is to be transparent with respect to those revenues and expenses recognized in surplus or deficit of the period and those recognized directly in net assets or net liabilities. The information presented on the statement of remeasurement gains and losses will now be presented on this statement.
	  • The statement of cash flow was amended to isolate financing activities to present whether all of an entity's other activities combined results in the need for cash to be raised through financing activities.
	  • Amended budgets may be presented but only in limited circumstances.
	• PS 1202 *Financial statement presentation* will apply to fiscal years beginning on or after **April 1, 2026** to coincide with the adoption of the revised conceptual framework. Early adoption will be permitted. Prior period amounts will need to be restated to conform to the presentation requirements for comparative financial information in Section PS 1202.

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Appendix 2: Newly effective and upcoming changes to accounting standards (continued)

Standard	Summary and implications
Employee benefits	• The Public Sector Accounting Board initiated a review of sections PS 3250 *Retirement benefits* and PS 3255 *Post-employment benefits, compensated absences and termination benefits*. • The intention is to use principles from International Public Sector Accounting Standard 39 *Employee benefits* as a starting point to develop the Canadian standard. • Given the complexity of issues involved and potential implications of any changes that may arise from the review of the existing guidance, the new standards will be implemented in a multi-release strategy. The first standard will provide foundational guidance. Subsequent standards will provide additional guidance on current and emerging issues. • The proposed section PS 3251 *Employee benefits* will replace the current sections PS 3250 *Retirement benefits* and PS 3255 *Post-employment benefits, compensated absences and termination benefits*. It will apply to fiscal years beginning on or after April 1, 2026. Early adoption will be permitted and guidance applied retroactively. • This proposed section would result in public sector entities recognizing the impact of revaluations of the net defined benefit liability (asset) immediately on the statement of financial position. Organizations would also assess the funding status of their post-employment benefit plans to determine the appropriate rate for discounting post-employment benefit obligations. • The Public Sector Accounting Board issued a re-exposure draft on proposed section PS 3251 on October 17, 2024, with a comment deadline of January 20, 2025.
Intangible assets	• The Public Sector Accounting Board is developing a Canadian public sector accounting standard for intangible assets. The new intangible assets standard will replace Public Sector Guideline (PSG) 8, *Purchased Intangibles*. • This standard will provide foundational guidance on intangible assets including the definition, recognition, measurement, and required disclosures of intangible assets. It will also allow PSAB to fill an existing gap in the CPA Canada Public Sector Accounting (PSA) Handbook for guidance on purchased intangibles, developed intangibles, and software assets not integral to computer hardware, within one standard. • As part of this project, PSAB will also develop guidance related to Cloud Computing Arrangements in the Canadian Public Sector. • The project was approved in September 2023.

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Appendix 3: 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, 2024

ISA 260/CAS 260

Communications with those charged with governance

ISA 700/CAS 700

Forming an opinion and reporting on the financial statements

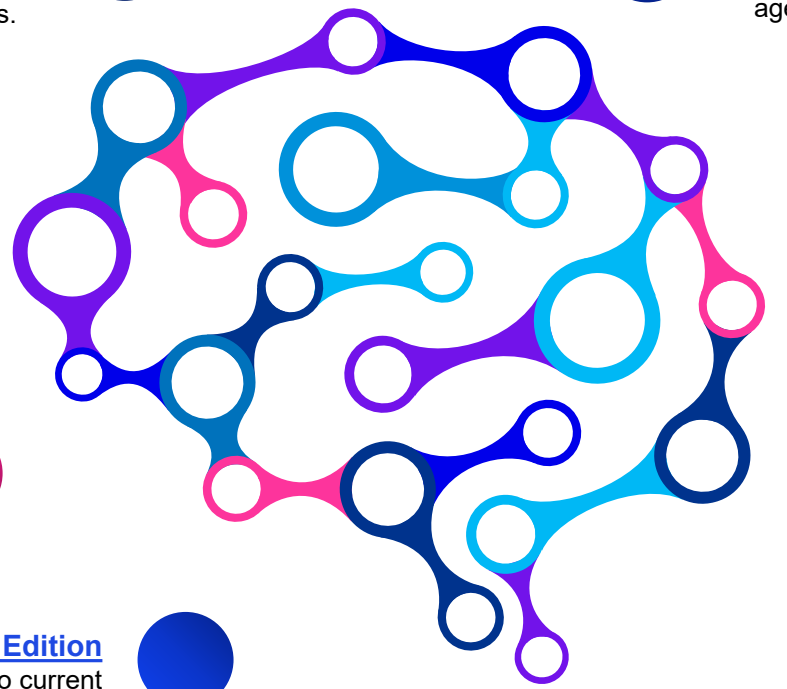
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Appendix 4: Audit and assurance insights

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.

Accelerate 2024
The key issues driving the audit committee agenda in 2024.



Board Leadership Centre
Leading insights to help board members maximize boardroom opportunities

Sustainability Reporting
Resource centre on implementing the new Canadian reporting standards

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

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.

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Appendix 4: Thought leadership and insights

Artificial Intelligence in Financial Reporting and Audit

Artificial intelligence (AI) is transforming the financial reporting and auditing landscape, and is set to dramatically grow across organizations and industries. In our new report, KPMG surveyed 1,800 senior executives across 10 countries, including Canada, confirming the importance of AI in financial reporting and auditing. This report highlights how organizations expect their auditors to lead the AI transformation and drive the transformation of financial reporting. They see a key role for auditors in supporting the safe and responsible rollout of AI, including assurance and attestation over the governance and controls in place to mitigate risks.

Click here to access KPMG's portal.

Control System Cybersecurity Annual Report 2024

Based on a survey of more than 630 industry members (13% from government organizations), this report reveals that while the increase in cyberattacks is concerning, organizations have become more proactive in their cybersecurity budgets, focused on prevention, and acknowledging the threat of supply chain attacks. Furthermore, the report highlights a pressing need for skilled cybersecurity professionals in the face of escalating cyber threats. Explore the full report to help gain a clearer understanding of the growing cyber threat landscape and learn how to overcome the roadblocks to progress.

Click here to access KPMG's portal.

Cybersecurity Considerations 2024: Government and Public Sector

In every industry, cybersecurity stands as a paramount concern for leaders. Yet, for government and public sector organizations, the game of digital defense takes on a whole new level of intensity. The reason? The sheer volume and sensitivity of data they manage, which can amplify the potential fallout from any breach. These agencies are the custodians of a vast array of personal and critical data, spanning from citizen welfare to public safety and national security. This article delves into the pivotal cybersecurity considerations for the government and public sector. It offers valuable perspectives on critical focus areas and provides actionable strategies for leaders and their security teams to fortify resilience, drive innovation, and uphold trust in an ever-changing environment.

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Appendix 4: Thought leadership and insights (continued)

Why the Public Sector Must Take the Lead in Sustainability Reporting

As the world prepares for the implementation of sustainability reporting standards from the International Sustainability Board (ISSB), the need for public sector leadership is pronounced. While governments around the world have collaborated on vital policy and regulatory solutions, they have yet to provide sustainability reporting for their own government reporting entities. This presents a major obstacle to global sustainability ambitions, particularly considering the vast physical infrastructure, non-renewable resources, rare earth elements, water and natural assets controlled by governments around the world. .

Click here to access KPMG's portal.

Fighting Modern Slavery in Canadian Supply Chain

The deadline for the first year of reporting under Canada's Fighting Forced Labour and Child Labour in Supply Chains Act (the Act) was May 31, 2024. Under the Act, eligible entities are required to publicly report on steps taken to reduce the risk of forced labour and child labour in their business and supply chain. KPMG in Canada reviewed 5,794 report submissions for the act to identify key takeaways.

Click here to access KPMG's portal.

ESG for Cities Webinar Series

Cities and municipalities play a crucial role to drive climate action and resilience measures, acting as stewards for the communities they serve – including their constituents, and public, private and non-profit organizations. With the physical impacts of climate changes – including floods, wildfires and droughts – accelerating in terms of both increased frequency and severity, city and municipal leaders are increasingly considering how they can tackle the multifaced challenge of achieving net zero greenhouse gas (GHG) emissions by 2050. KPMG in Canada's Public Sector and ESG practices completed a three-part national webinar series focusing on the journey to net zero – from strategic planning and stakeholder engagement to the implementation at the asset and operational level, and subsequent reporting obligations.

Click here to access KPMG's portal.

Building a Successful Transformation Program

Today's government and public sector organizations have a rapidly evolving customer service relationship with the populations they serve. Canadians are used to finding and accessing information and services easily and conveniently through digital channels. When digital interactions don't meet expectations or become obstacles to program access, service delivery innovation and other stakeholder objectives are not met.

Click here to read KPMG's article.

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Appendix 4: Thought leadership and insights (continued)

Unlocking Government's Technology Future

This article is based on data from the KPMG global tech report 2024 which includes the results of a survey of 118 senior government technology executives and decision-makers around the world. It shows that public sector organizations are building – and maintaining – change momentum, particularly in key capabilities such as cloud enablement, cyber security and data and analytics.

Click here to access KPMG's portal.

From Smart to Smarter Cities

Canadian cities are at a pivotal moment, evolving beyond basic "smart" solutions towards integrated, sustainable strategies that address challenges from resource efficiency to community engagement. KPMG's From Smart to Smarter Cities report highlights how Canadian leaders can embrace data-driven approaches and citizen-focused urban planning to reshape their cities.

Click here to access KPMG's portal.

Getting Nature into Financial Reporting

By integrating nature into financial reporting, local governments in Canada can plan for sustainable growth and get ahead of new accounting standards that are on the horizon. The new guide, Getting Nature into Financial Reporting, authored by the University of Waterloo's Intact Centre on Climate Adaptation, and supported by the Standards Council of Canada, KPMG LLP and Natural Assets Initiative, was developed with over 120 experts across the country. The guide outlines how local governments of all sizes can start integrating nature into their financial reports today.

Click here to access KPMG's portal.

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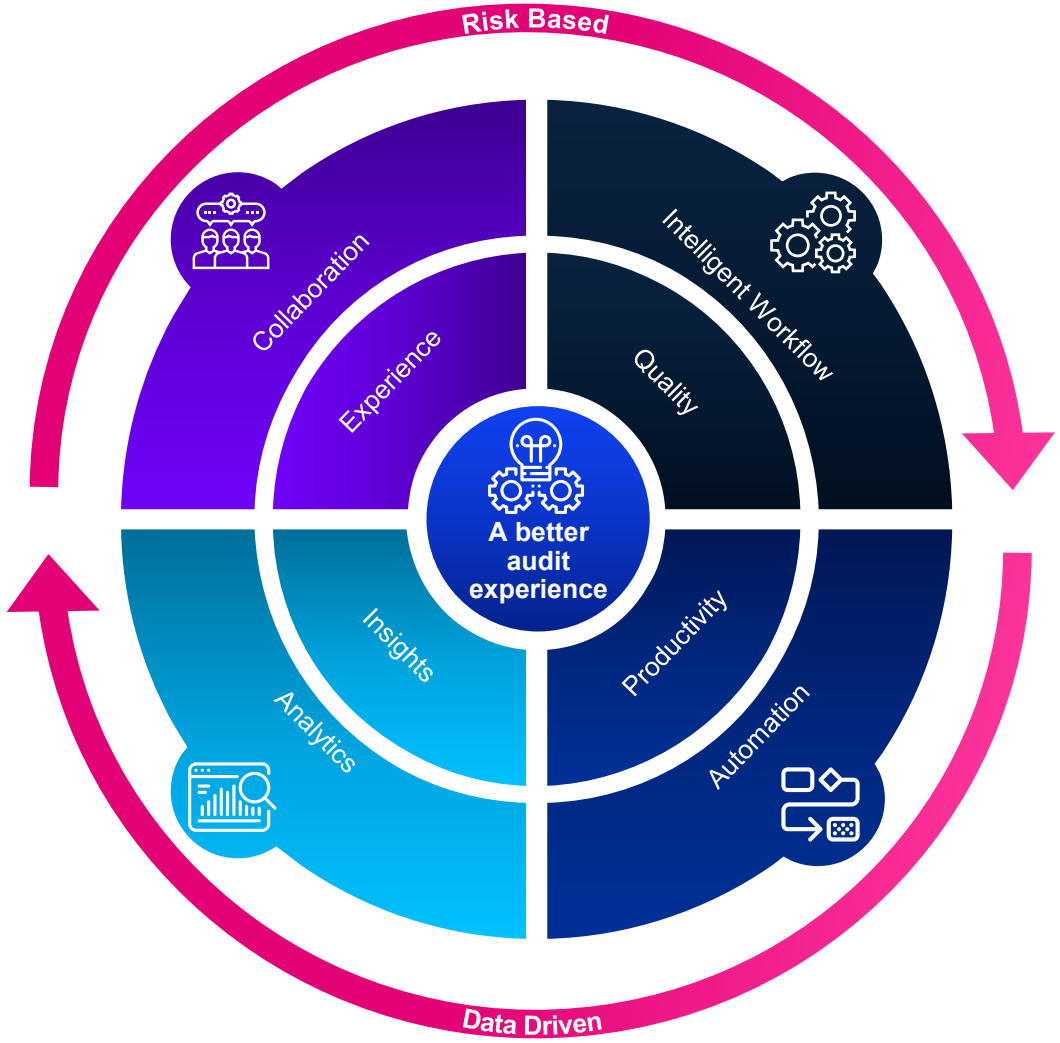
Appendix 5: Our technology story

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.



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Appendix 5: 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

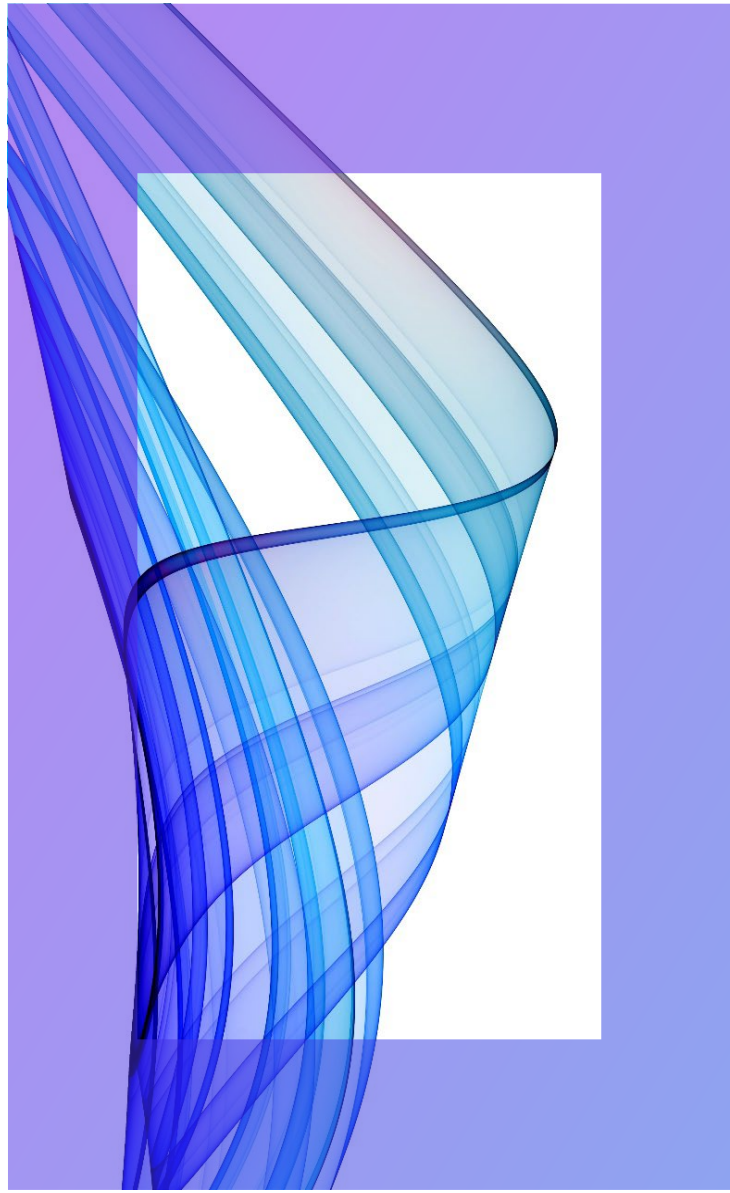
- Automated Industry Routines
- Confirmation
- Data Extraction Scripts
- DataShare
- DataSnipper
- Inventory Counter App
- iRadar and iNav
- Offset Remover

Collaboration

- DocuSign™
- KPMG Clara for Clients

Workflow

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



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Appendix 6: Management Rep Letter

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KPMG LLP
1900 – 360 Main Street
Winnipeg MB R3C 3Z3

May 13, 2025

Ladies and Gentlemen:

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 Winnipeg ("the City") as at and for the year ended December 31, 2024. These financial statements were prepared in accordance with Canadian public sector accounting standards.

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 engagement letter dated February 5, 2025 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 Council and Council Committees 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 City 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.

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 management is 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, or others.

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

Commitments & contingencies:

4) There are no:

a) Other liabilities that are required to be recognized and no other contingent assets 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.

Subsequent events:

5) 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:

6) We have disclosed to you the identity of the City's related parties.

7) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.

8) All related party relationships and transactions/balances have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

Estimates:

9) Measurement methods and significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

Assets & liabilities – general:

10) We have no knowledge of material unrecorded assets or liabilities or contingent assets or liabilities that have not been disclosed to you.

11) We have no knowledge of shortages that have been discovered and not disclosed to you (such as shortages in inventory, cash, etc.).

12) We have no knowledge of arrangements with financial institutions involving restrictions on cash balances and lines of credit or similar arrangements not disclosed to you.

13) We have no knowledge of agreements to repurchase assets previously sold, including sales with recourse, that have not been disclosed to you.

14) We have no knowledge of side agreements (contractual or otherwise) with any parties that have not been disclosed to you.

15) We have no knowledge of losses to be sustained as a result of purchase commitments for inventory or other assets at quantities in excess of normal requirements or at prices in excess of prevailing market prices.

Asset retirement obligations:

16) All legal obligations associated with retirement of tangible capital assets have been recognized, including those under the doctrine of promissory estoppel.

17) The obligations were recognized when incurred using management's beset estimate of fair value.

Financial instruments and guarantees:

18) Guarantees, whether written or oral, under which the City is contingently liable, including guarantee contracts and indemnification agreements, have been recorded in accordance with the relevant financial reporting framework.

19) Off-balance sheet activities, including accounting policies related to non-consolidation of certain entities and revenue recognition, have been recorded and disclosed in the financial statements. Specifically, for those off-balance sheet activities in which the City is a transferor of financial assets, the off-balance sheet vehicle is either a qualifying special purpose entity as defined in the relevant financial reporting framework, or the City is not the primary beneficiary pursuant to the relevant financial reporting framework. For those off-balance sheet activities in which the City is a sponsor, administrator or lessee, the off-balance sheet vehicle is not controlled by the City for accounting purposes because the City is not the primary beneficiary pursuant to the relevant financial reporting framework.

20) The following information about financial instruments has been properly disclosed in the financial statements:

    a) the exposures to risk and how they arise (for each significant risk arising from financial instruments including derivatives);

    b) any change in risk exposures from the previous period (for each significant risk arising from financial instruments including derivatives);

    c) concentrations of risk (for each type of risk arising from financial instruments);

    d) extent, nature, and terms of financial instruments (including free-standing derivatives), both recognized and unrecognized.

Going concern:

21) We have provided you with all information relevant to the use of the going concern assumption in the financial statements.

22) 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.

23) Our assessment that the City will continue as a going concern has taken into account all available information about the future, which is at least, but not limited to, twelve months from the balance sheet date.

Receivables:

24) Receivables reported in the financial statements represent valid claims against debtors arising on or before the balance sheet date. Receivables have been appropriately reduced to their net realizable value.

Accounting policies:

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

26) 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.

Inventories:

27) No inventory is stated at an amount in excess of net realizable value.

Provisions:

28) Provisions, when material, has been made for:

    a) Losses to be sustained as a result of the reduction of excess, damaged, unusable or obsolete inventories to their estimated net realizable value.

    b) Losses to be sustained as a result of other-than-temporary declines in their fair value of investments.

    c) Losses to be sustained from impairment of property, plant and equipment.

Economic dependence:

29) We have no knowledge of economic dependence to be disclosed in the financial statements.

Contractual agreements:

30) The City has compiled with all aspects of contractual agreements that would have a material effect on the financial statements in the event of non-compliance including violations or default of the covenants in The City's debt agreements.

Environmental matters:

31) The City has appropriately recognized, measured and disclosed environmental matters in the financial statements.

Non-financial assets:

32) We have reviewed non-financial assets, including tangible capital assets, to be held and used, for impairment, whenever events or changes in circumstances have indicated that the carrying amount of the assets might not be recoverable.

Employee future benefits:

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

34) We have no knowledge of arrangement (contractual or otherwise) by which programs have been established to provide post-employment benefits, except as disclosed to you.

35) The significant accounting policies the City has adopted in applying PS 3255, Postemployment benefits, compensated absences and termination benefits (hereinafter referred to as "PS3255") are disclosed in the notes to the financial statements.

36) All arrangements (contractual or otherwise) by which programs have been established to provide post-employment benefits have been disclosed to you and included in the determination of pension and post-employment costs and obligations. This includes:

    a) Pension and other retirement benefits expected to be provided after retirement to employees and their beneficiaries.

    b) Post-employment benefits expected to be provided after employment but before retirement to employees and their beneficiaries. These benefits include unused sick leave and severance benefits.

    c) Compensated absences for which it is expected employees will be paid. These benefits include accumulated sick days, and termination benefits.

37) The post-employment benefit costs, assets and obligation have been determined, accounted for and disclosed in accordance with PS 3255. In particular:

    a) each of the best estimate assumptions used reflects management's judgment of the most likely set of conditions affecting future events; and

    b) the best estimate assumptions used are, as a whole, consistent within themselves, and with the valuation method adopted for purposes of this evaluation.

38) In arriving at these assumptions, management has obtained the advice of a specialist, but has retained the final responsibility for them.

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

40) 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 and other post-employment benefit costs.

41) The extrapolations are accurate and properly reflect the effects of changes and events that occurred subsequent to the most recent valuation and that had a material effect on the extrapolation.

42) All material events and changes to the plan subsequent to the most recent actuarial valuation have been properly reflected in the extrapolation.

Management’s use of specialists:

43) We agree with the findings of Eckler Consultants & Actuaries as management’s expert in preparing the valuations of the City’s employee benefit obligations (ie. pension plans, retirement allowances and compensated absences). We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.

Segment disclosures:

44) The City'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.

45) The operating segment information disclosed in the financial statements is consistent with the form and content of the information used by the City's chief operating decision maker for purposes of assessing performance and making operating decisions about the City's individual operations.

46) The aggregation of the various City funds as operating segments meets all of the applicable criteria contained in the relevant financial reporting framework.

Other:

47) The information regarding the budget to actual information presented in the consolidated financial statements has been prepared and presented in accordance with PSAB 1200. We have included all the budget information that is available with respect to the items presented in the financial statements.

48) All reserve transactions have been appropriately approved, in accordance with applicable legislation and are appropriately credited to or charged against fund balances. Reserve amounts represent only those amounts that are available for use at the City's discretion and do not include restrictions on use by third parties.

49) All transfers out of statutory reserves have been approved by bylaw except for those transfers which are allowed by Council resolution.

50) We confirm that the final version of “The Annual Report” 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.

51) We confirm that we have provided you with a complete list of service organizations (SO) and sub-service organizations (SSO) and that the relevant complementary user entity controls (CUECs) related to each SO/SSO have been designed and implemented. For the purpose of this representation, a service organization is one as defined in CAS 402.

Non-SEC registrants or non-reporting issuers:

52) We confirm that the City 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).

53) We also confirm that the financial statements of the City 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.

Yours very truly,

_____
Ms. Tracy Graham, CPA, CA
Chief Financial Officer

_____
Mr. John Speidel, CPA
Corporate Controller

_____
Ms. Helen Hasiuk, CPA, CA
Manager of Financial Reporting & Accounting Services

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.

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.

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

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