



# Grand River Conservation Authority

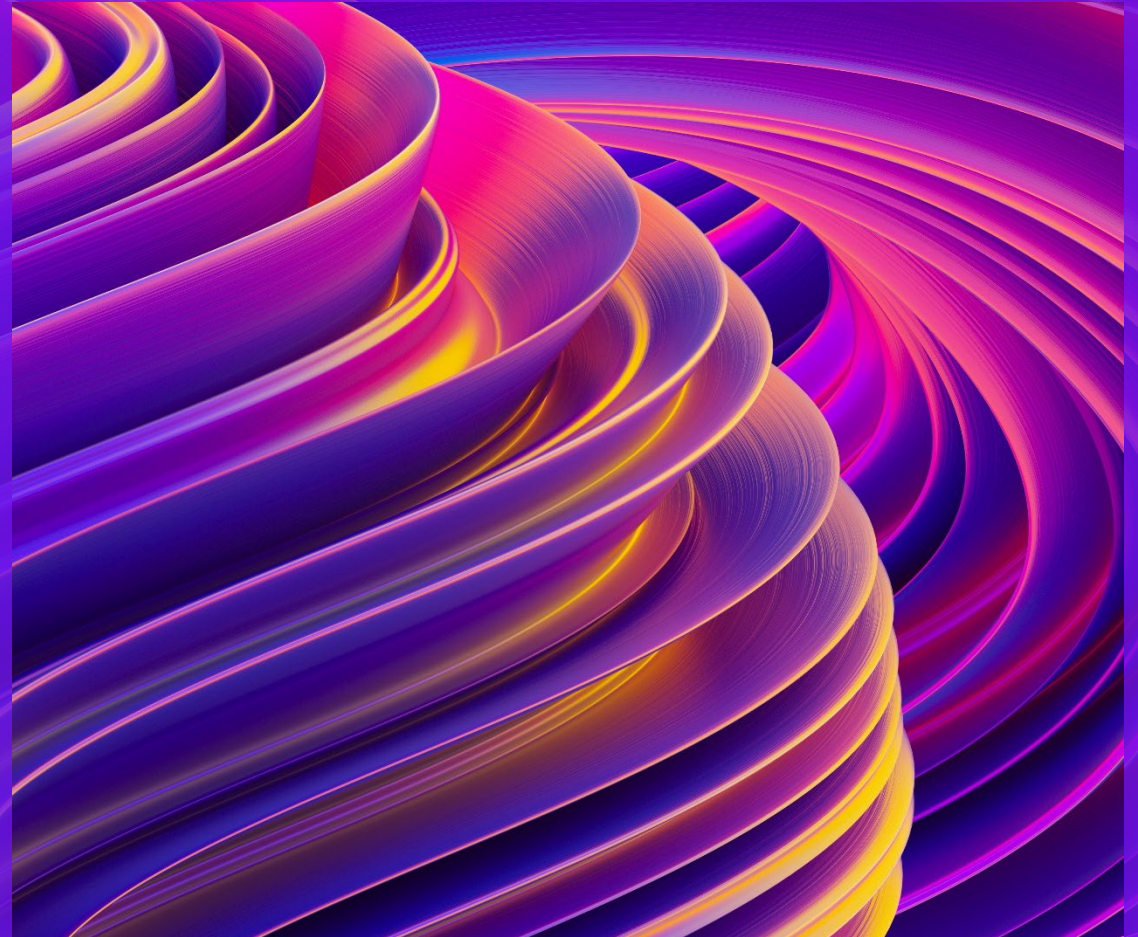
**Audit Findings Report  
for the year ended December 31, 2024**



Licensed Public Accountants

Prepared as of February 14, 2025 for presentation to the Audit  
Committee on February 19, 2025

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



# KPMG contacts

## Key contacts in connection with this engagement



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Audit Engagement Partner

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Audit Manager

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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 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

## Risks and results & Significant unusual transactions



Significant risks



Other risks of material misstatement



Going concern matters



Significant unusual transactions

## Policies and practices & Specific topics



Accounting policies and practices



Other financial reporting matters



Specific topics



## Misstatements - uncorrected



Uncorrected misstatements



## Misstatements - Corrected



Corrected misstatements

## Control deficiencies



Significant deficiencies



## Audit Quality



Learn more about how we deliver audit quality



## Independence



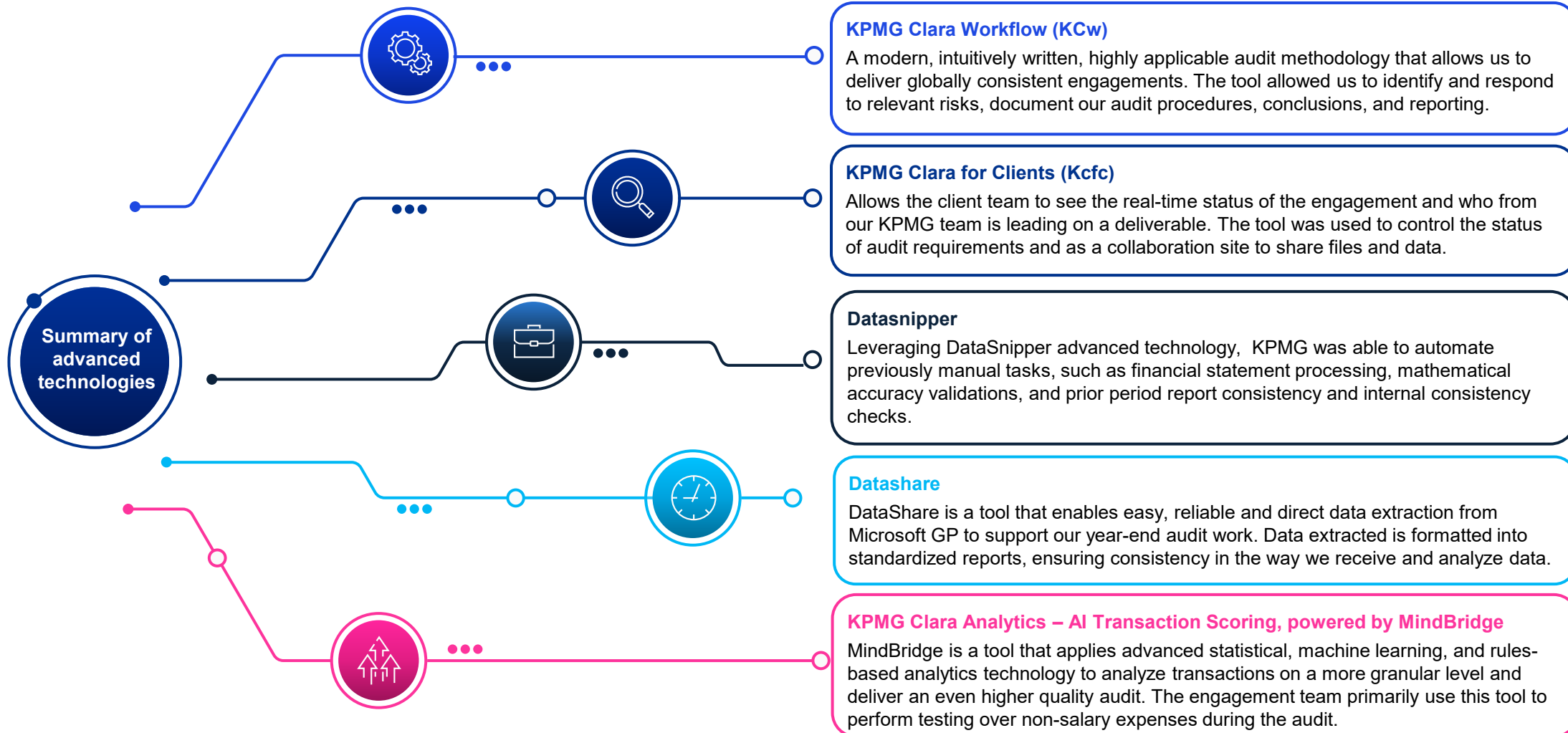
Annual Statement of Compliance





# Technology highlights

As previously communicated in our audit planning report, we have utilized technology to enhance the quality and effectiveness of the audit.





# KPMG Clara AI Transaction Scoring – OPEX

We have utilized our new KPMG Clara AI Transaction Scoring tool to enhance the quality and effectiveness of the audit. AI Transaction scoring simultaneously tested each operating expense transaction through a mix of control points, machine learning algorithms, and statistical scenarios to assign a risk score and bucket the entire relevant population. This allowed our team to focus primarily on transactions with the highest risk, while giving you positive assurance over the remaining population.

The visualization below is a snapshot of our AI Transaction Scoring tool displaying the results of the analysis performed over operating expenses (existence and accuracy).

Total # of entries	% of value - high risk	% of value - medium risk	% of value - low risk
28,184	0.9%	14.1%	85.0%

- The tool scored 85.0% of the operating expense population as low risk, 14.1% as medium risk and 0.9% as high risk. KPMG performed further testing over items identified as medium and high risk and did not identify any misstatements.
- We noted the majority of the medium risk population related to entries to reallocate annual charges to specific departments.
- There were three entries identified as high risk which related to reallocate annual charges to specific departments and proceeds from the tangible capital asset sale.



# Status

As of February 14, 2025, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include amongst others:

- Completion of alternative procedures over accounts receivable;
- Completion of eligible grant expenditure testing;
- Confirmation from two municipalities outstanding;
- Final quality control procedures and review;
- Completing our discussions with the Audit Committee;
- Receipt of legal confirmations;
- Obtaining evidence of the Board of Director's approval of the financial statements;
- Update subsequent inquiries with Management; and
- Receipt of the signed management representation letter.

We will update the Audit Committee, and not solely the Chair, on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures.

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

## 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.





# Significant risks and results

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



## Management Override of Controls

RISK OF



FRAUD

### Significant risk

### Estimate?

### Key audit matter?

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

No

### Our response

- Our procedures included:
  - We tested the design and implementation of controls surrounding the review of journal entries, and the business rationale for significant entries.
  - Using our KPMG Clara Journal Entry Analysis Tool, we analyzed 100% of the journal entries posted during the year.
  - In responding to risks of fraud and management override of controls, we set specific criteria to isolate high risk journal entries and adjustments in order to analyze for further insights into our audit procedures and findings. We focused on journal entries recorded and posted as part of the year-end closing process.
  - No issues were noted in the performance of the above procedures.

### Significant qualitative aspects of the Authority's accounting practices

No significant qualitative aspects to note.





# Other risks of material misstatements and results

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



## Grant revenues and deferred contributions

Other area of focus	Estimate?	Key audit matter?
Grant revenue and deferred contributions - Risk of error over completeness, existence and accuracy of grant revenue including related deferrals	No	No

### Our response

- We have performed statistical sampling and obtained confirmations of funding received by the Authority from local municipalities and reconciled to cash received and revenue reported for the fiscal year.
- We performed statistical sampling over the accounts receivable subledger and obtained confirmation of receivable balances.
- We have performed statistical sampling over contributions received and contributions recognized in deferred revenue and obtained supporting documentation to ensure the contribution was received and the funds were used in accordance with the underlying agreement.
- No issues noted.

### Significant qualitative aspects of the Authority's accounting practices

No significant qualitative aspects to note.



# Other risks of material misstatements and results

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



## Self-Generated Revenues

### Other area of focus

### Estimate?

### Key audit matter?

Self-generated revenues - Risk of error over completeness, existence and accuracy of self-generated revenues

No

No

### Our response

- We performed statistical sampling over self-generated revenue. The items selected were agreed to supporting documentation, assessed whether accurately recorded in the proper year.
- We performed cut-off testing for revenues to assess whether they were accurately recorded in the proper year.
- No issues noted.

### Significant qualitative aspects of the Authority's accounting practices

No significant qualitative aspects to note.



# Other risks of material misstatements and results

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



## Tangible Capital Assets

### Other area of focus

### Estimate?

### Key audit matter?

Tangible capital assets – Risk of completeness, accuracy and presentation/disclosure of tangible capital assets

No

No

### Our response

- We performed statistical sampling to select tangible capital asset additions and disposals in the year.
- We assessed the capitalization of tangible capital assets and projects to ensure the items are appropriately classified.
- We assessed the financial statement presentation and disclosure of tangible capital assets.

### Significant qualitative aspects of the Authority's accounting practices

No significant qualitative aspects to note.



# Other risks of material misstatements and results

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



## Operating expenditures, including payroll

### Other area of focus

### Estimate?

### Key audit matter?

Operating expenditures, including payroll - Risk of error over completeness, existence and accuracy of operating expenditures.

No

No

### Our response

- We performed substantive analytical procedures and substantive test of details over non-payroll expenses with AI Transaction Scoring, powered by Mindbridge.
- We performed statistical sampling over accounts payable subledger. The items selected were agreed to supporting documentation, assessed whether accurately recorded in the proper year.
- We performed specific item testing over accrued expenses. The items selected were agreed to supporting documentation, assessed whether accurately recorded in the proper year.
- We performed a search for unrecorded liabilities to assess the completeness and accuracy of year-end accruals.
- We performed cut-off testing for expenses to assess whether they were accurately recorded in the proper year.
- For payroll expenses, we performed substantive analytical procedures comparing the average year-over-year payroll expense by headcount while including the effects of any non-union and union approved wage increases.
- We performed test of details over the headcount listing, vouching source documents to employee data and payroll amounts.
- No issues noted.

### Significant qualitative aspects of the Authority's accounting practices

No significant qualitative aspects to note.





# Accounting policies and practices



## Initial selection of significant accounting policies and practices

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

- PS 3400 - Revenue
- PS 3160 – Public Private Partnerships
- PSG-8 - Purchased Intangibles



## Description of new or revised significant accounting policies and practices

There were no changes to accounting policies and practices during the year, other than the above new accounting standards.




## Significant qualitative aspects

No significant qualitative aspects of accounting policies and practices



# 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**



The revised Concepts Underlying Financial Performance is effective for fiscal years beginning on or after April 1, 2026. The framework provides the core concepts and objectives underlying Canadian public sector accounting standards.

The proposed section PS 1202 Financial statement presentation will replace the current section PS 1201 Financial statement presentation. 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.



**Significant qualitative aspects of financial statement presentation and disclosure**



No matters to report.



# Specific topics

We have highlighted the following that we would like to bring to your attention:

Topic title	Finding
Significant matters subject to correspondence with management	No matters to report
Issues with sending external confirmation requests	No matters to report



# Specific topics

We have highlighted the following that we would like to bring to your attention:

Matter	Finding
<b>Illegal acts, including noncompliance with laws and regulations, or fraud (identified or suspected)</b>	No matters to report
<b>Other information in documents containing the audited financial statements</b>	No matters to report
<b>Significant difficulties encountered during the audit</b>	No matters to report
<b>Difficult or contentious matters for which the auditor consulted</b>	No matters to report
<b>Disagreements with management</b>	No matters to report
<b>Related parties</b>	No matters to report
<b>Significant issues in connection with our appointment or retention</b>	No matters to report
<b>Other matters that are relevant matters of governance interest</b>	No matters to report





# Uncorrected misstatements

Uncorrected misstatements include financial presentation and disclosure omissions. As required by professional standards, we request these misstatements be corrected.



## Impact of uncorrected misstatements – Not material to the financial statements

- The management representation letter includes the Summary of Uncorrected Misstatements, which discloses the impact of all uncorrected misstatements considered to be other than clearly trivial
- The Authority does not budget the statement of changes in net financial assets despite this being required under PSAB. Therefore, amortization and capital asset additions are not budgeted for during the year and therefore this information is not available at the time of budget approval. This misstatement is not unusual for this sector as many public sector entities still budget using old PS principles via operating and capital budget.



# 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.


**No significant control deficiencies were identified throughout the audit.**




# 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.

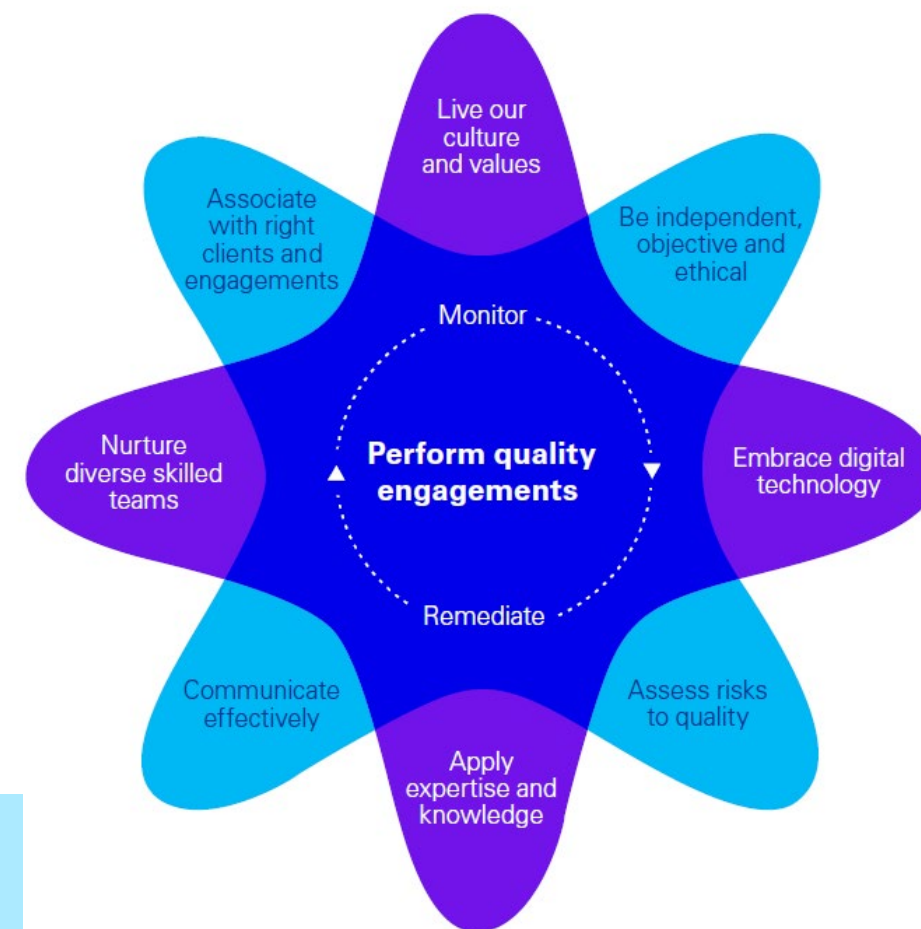
The drivers outlined in the framework are the ten components of the KPMG System of Quality Management (SoQM). Aligned with ISQM 1/CSQM 1, our SoQM components also meet the requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued 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](#)

 [Statement on the effectiveness of the System of Quality Management of KPMG LLP as at September 30, 2024](#)

**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.**



# Audit quality - Indicators (AQIs)

The objective of these measures is to provide the Audit Committee and management with more in-depth information about factors that influence audit quality within an audit process. Below you will find the current status of the AQIs that we have agreed with management are relevant for the audit.



## Team composition



### Experience of the team

- Our team members have relevant industry experience to carry out the audit



## Technology in the audit



### Implementation of Technology in the Audit

- We have expanded the number of technologies implemented in the audit including:
  - **Datasnipper** – Excel based tool, which allows us to automatically match Excel data with underlying source documents and form data extraction from documents with the same layout
  - **Datashare** - Data extraction tool that enables easy and reliable data extraction to support our year-end audit work from clients using a compatible accounting system
  - **KPMG Clara Analytics – AI Transaction Scoring** - AI tool that applies advanced statistical, machine learning, and rules-based analytics technology to analyze transactions on a more granular level and deliver an even higher quality audit.



## Timing of prepared by client (PBC) items



### Timeliness of PBC items

- We requested 74 PBCs, with various follow-up requests as a result of our findings.
- We had confirmed the availability of PBCs with management in advance of interim and year-end fieldwork.
- All PBC requests were received on time and in due course.



Nothing to report



Some matters to report



Specific matters to report





# 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 Code<sup>1</sup> 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 Grand River Conservation Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada.

<sup>1</sup> International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)



# Appendices



Required communications



Draft Auditor's Report



Management Representation Letter

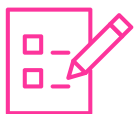


New accounting standards





# Appendix: Other required communications



## Engagement terms

A copy of the engagement letter has been provided to the Audit Committee in the Audit Planning Report.



## 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: Draft auditor's report

## INDEPENDENT AUDITOR'S REPORT

To the Members of Grand River Conservation Authority

### **Opinion**

We have audited the financial statements of Grand River Conservation Authority (the "Authority"), which comprise:

- the statement of financial position as at December 31, 2024
- the statement of operations and change in accumulated surplus for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the 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 financial position of the Authority as at December 31, 2024, and its results of operations, its changes in net financial assets and its 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 Authority 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.



# Appendix: Draft auditor's report

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Authority's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.



# Appendix: Draft auditor's report

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants, Licensed Public Accountants

Kitchener, Canada

DATE





# Appendix: Management representation letter



KPMG LLP  
115 King Street South, 2nd Floor  
Kitchener ON N2G 0E1  
Canada

DATE

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the financial statements (hereinafter referred to as “financial statements”) of Grand River Conservation Authority (“the Entity”) as at and for the year ended December 31, 2024.

*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 November 22, 2024, including 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:
    - c) the names of all related parties and information regarding all relationships and transactions with related parties;
    - d) 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.
  - e) providing you with unrestricted access to such relevant information.
  - f) providing you with complete responses to all enquiries made by you during the engagement.
  - g) providing you with additional information that you may request from us for the purpose of the engagement.

- h) providing you with unrestricted access to persons within the Entity from whom you determined it necessary to obtain audit evidence.
- i) 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.
- j) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.
- k) ensuring that internal auditors providing direct assistance to you, if any, were instructed to follow your instructions and that we, and others within the Entity, did not intervene in the work the internal auditors performed for you.

*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 we are 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:
    - c) management;
    - d) employees who have significant roles in internal control over financial reporting; or
    - e) others
  - f) where such fraud or suspected fraud could have a material effect on the financial statements.
  - g) all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements, communicated by employees, former employees, analysts, regulators, short sellers, or others.
  - h) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements or illegal acts, whose effects should be considered when preparing financial statements.
  - i) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

*Subsequent events:*

- 4. 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:*

- 5. We have disclosed to you the identity of the Entity's related parties.

6. We have disclosed to you all the related party relationships and transactions/balances of which we are aware.
7. All related party relationships and transactions/balances have been appropriately accounted for, and disclosed, in accordance with the relevant financial reporting framework.

*Estimates:*

8. The methods, the data and the significant assumptions used in making accounting estimates, and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

*Going concern:*

9. We have provided you with all information relevant to the use of the going concern assumption in the financial statements.
10. 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.

*Misstatements:*

11. The effects of the uncorrected misstatements described in Attachment II are immaterial, both individually and in the aggregate, to the financial statements as a whole.

*Non-SEC registrants or non-reporting issuers:*

11. We confirm that the Entity 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).
12. We also confirm that the financial statements of the Entity 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.

*Approval of financial statements*

13. The individuals listed below have the recognized authority to take, and has taken, responsibility for the financial statements.

*Other:*

14. 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.

Yours very truly,

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Samantha Lawson, Chief Administration Officer

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Sonja Radoja, Manager of Corporate Services

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Karen Armstrong, Deputy CAO, Secretary-Treasurer

## ***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.

**Attachment II – Summary of Audit Misstatements Schedule(s)**

1	Budget numbers missing from statement of changes in net financial assets	Uncorrected	Factual
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# Appendix: New accounting standards

Standard	Summary and implications
<b>Concepts Underlying Financial Performance</b>	<ul style="list-style-type: none"> <li>The revised conceptual framework is effective for fiscal years beginning on or after April 1, 2026 with earlier adoption permitted.</li> <li>The framework provides the core concepts and objectives underlying Canadian public sector accounting standards.</li> <li>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.</li> </ul>
<b>Financial Statement Presentation</b>	<ul style="list-style-type: none"> <li>The proposed section PS 1202 <i>Financial statement presentation</i> will replace the current section PS 1201 <i>Financial statement presentation</i>. PS 1202 <i>Financial statement presentation</i> 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.</li> <li>The proposed section includes the following: <ul style="list-style-type: none"> <li>Relocation of the net debt indicator to its own statement called the statement of net financial assets/liabilities, with the calculation of net debt refined to ensure its original meaning is retained.</li> <li>Separating liabilities into financial liabilities and non-financial liabilities.</li> <li>Restructuring the statement of financial position to present total assets followed by total liabilities.</li> <li>Changes to common terminology used in the financial statements, including re-naming accumulated surplus (deficit) to net assets (liabilities).</li> <li>Removal of the statement of remeasurement gains (losses) with the information instead included on a new statement called the statement of changes in net assets (liabilities). This new statement would present the changes in each component of net assets (liabilities), including a new component called “accumulated other”.</li> <li>A new provision whereby an entity can use an amended budget in certain circumstances.</li> <li>Inclusion of disclosures related to risks and uncertainties that could affect the entity’s financial position.</li> </ul> </li> <li>The Public Sector Accounting Board is currently deliberating on feedback received on exposure drafts related to the reporting model.</li> </ul>





# PS 1202: Looking Ahead

KPMG is ready to get your financial reporting in line with upcoming changes to PSAB's financial statement presentation model.



The new reporting model in PS 1202 Financial Statement Presentation will come into effect beginning April 1, 2026, with earlier adoption permitted.

## What does this mean for public sector entities?

PS1202 is the most significant reform of financial statement presentation for the public sector in many years. In addition to a new look for the Statement of Financial Position and the introduction of new statements, PS1202 brings important new guidance on budget comparatives. The new standard sets out overall requirements for the presentation of financial statements, and includes relevant changes such as:

- Restructuring the Statement of Financial Position with new components
- A new Statement of Net Financial Assets/Liabilities
- Options regarding the presentation of the Change in Net Financial Assets/Liabilities
- Amendments to the Statement of Cash Flow

## KPMG can help you start preparing now

Our team, led by National subject matter experts Bailey Church and Mallory Curtis, is prepared to lead your public sector entity through a smooth and successful transition in preparation for the new standard effective date, and to help make the process easier for your finance team ahead of the audit.

We are hitting the ground running, leveraging work performed with every single type of public sector entity across Canada to advise you on financial reporting impact. We will work with you to help your governance bodies understand the full extent of these changes, and what it means for things like how your budget is developed and approved.

The 2026 implementation timetable requires your preparation now, as comparative figure adjustments will likely be required by the end of 2025. Our templated approach will get you ready ahead of the curve.

## Did you know?

**The impact of the new reporting model will also change certain key performance indicators recorded by entities.**

## Contact us

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## Don't delay!

Contact us today to learn how our services can get your public sector entity audit-ready.

On-call advice and flat-fee suites of service are available and tailored to your entity's needs



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