

**From:** ["Mochrie, Paul" <Paul.Mochrie@vancouver.ca>](mailto:Paul.Mochrie@vancouver.ca)  
**To:** ["Direct to Mayor and Council - DL"](#)  
**Date:** 3/24/2023 9:03:20 AM  
**Subject:** 2022 KPMG Audit Findings Report  
**Attachments:** 22 COV AFR - Final.pdf  
2022-12-31 COV Auditor's Report - FINAL.pdf

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Dear Mayor and Council,

As you know, we have now completed the audit of the city's financial statements, and those statements have been included in the Statement of Financial Information (SOFI) report for the March 29th Committee meeting. You will be receiving a hard copy of the SOFI report shortly.

To support the conclusion of KPMG's audit, you will find attached a copy of KPMG's final Audit Findings Report in which the draft version was presented to you by the auditors at the council briefing on March 6th. The final report is as presented at the briefing (i.e.: no changes). We have also appended the Independent Auditors' report from KPMG on their opinion of the audited financial statements and there have been no concerns from the Auditors (this report is also included in the SOFI report).

Should you have any questions, please feel free to contact me or Patrice Impey.

Best,  
Paul

**Paul Mochrie (he/him)**  
City Manager  
City of Vancouver  
[paul.mochrie@vancouver.ca](mailto:paul.mochrie@vancouver.ca)



The City of Vancouver acknowledges that it is situated on the unceded traditional territories of the x<sup>w</sup>məθk<sup>w</sup>əyəm (Musqueam), Skwxwú7mesh (Squamish), and səlilwətaʔ (Tsleil-Waututh) Nations.



# City of Vancouver

*KPMG LLP*

**Audit Findings Report for the year  
ended December 31, 2022**

March 10, 2023



# KPMG contacts

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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 page.



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This report to management, the General Manager, Finance, Risk and Supply Chain Management/CFO and Council is intended solely for the information and use of management, the General Manager, Finance, Risk and Supply Chain Management/CFO and Council and should not be used for any other purpose or any other party. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this report to management, the General Manager, Finance, Risk and Supply Chain Management/CFO and Council has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.



# Highlights

## Purpose of this report

The purpose of this report is to assist you, the General Manager, Finance, Risk and Supply Chain Management/CFO, in your review of the results of our audit of the consolidated financial statements (hereinafter referred to as the “financial statements”) of the City of Vancouver (the “City”) as at and for the year ended December 31, 2022. This audit findings report builds on the audit plan dated January 5, 2023.

### Status of the audit

As of the date of this report, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include amongst others:

- Completing our review of the financial statements.
- Completing certain audit documentation and test work.
- Completing our discussions with you.
- Obtaining the signed management representation letter.
- Obtaining evidence of your approval of the financial statements.
- Completing subsequent event review procedures up to the date of your approval of the financial statements.

We will update you and management 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 enclosed with this report, will be dated upon the completion of any remaining procedures.

### Significant changes to our audit plan

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

### Areas of audit focus

As part of our audit, we identified areas of audit focus, which include:

- Community amenity contributions.
- Deferred liabilities.
- Development cost levies.
- Tangible capital assets.

### Significant risks

We have not identified significant risks of material misstatement for the audit, except for the presumed risk of fraud resulting from management override of controls, which is required by professional standards.

**In accordance with professional standards, the newly revised risk assessment auditing standard (CAS 315) was implemented in the audit.**



# Highlights (continued)

## Audit misstatements

There were no corrected or uncorrected misstatements noted in our audit.

## Significant accounting policies and practices



There have been no initial selections of, or changes to, significant accounting policies and practices to bring to your attention.

## Control observations



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

## Independence

We confirm that we are independent with respect to the City within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation from January 1, 2022, up to the date of this report.

## Current developments

There have been no updates to the current developments and thought leadership information provided in our audit planning report.



# Audit findings – Significant risk



## Management override of controls

RISK OF



FRAUD

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

### Why is it significant?

Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk nevertheless is present in all entities.

### Audit approach

As this presumed risk of material misstatement due to fraud is not rebuttable, our audit methodology incorporates the required procedures in professional standards to address this risk. These procedures include:

- Testing of journal entries and other adjustments,
- Performing a retrospective review of estimates
- Evaluating the business rationale of significant unusual transactions.

### Significant findings

There were no issues noted in our testing.



# Audit findings – Areas of audit focus

Area of audit focus	Estimate?
Community amenity contributions (“CAC”)	No

## Our response

- We updated our understanding of the process activities and controls over CAC through inquiries with management, review of Council reports and zoning bylaw amendments.
- We reviewed significant Council Hearing reports and ensured the appropriate amount of revenue had been recognized in the year.
- We selected a sample of amounts received in the year and agreed the amount recorded to cash receipts and supporting documentation.
- We analyzed the collectability of the CAC receivables through discussion with management and review of guarantees and other security.

## Significant findings

There were no significant issues noted in our testing.





# Audit findings – Areas of audit focus (continued)

Area of audit focus	Estimate?
<p><b>Deferred liabilities</b></p>	<p>Yes - Deferred employee benefit liability and landfill closure and post-closure costs liability.</p>
<p style="text-align: center;"><b>Our response</b></p>	
<ul style="list-style-type: none"> <li>- We updated our understanding of the process activities and controls over deferred liabilities.</li> <li>- We obtained a copy of the actuarial report for the employee future benefits liability. We assessed the actuary's competence and expertise, and the reasonableness of the valuation methodology applied. We agreed the amount of the liability in the report to the amount recorded in the general ledger. We ensured the significant assumptions used by the actuary are reasonable. We obtained the data used by the actuary for the valuation and tested it on a sample basis for completeness and accuracy.</li> <li>- We obtained management's calculation of the landfill closure and post-closure liability. We agreed significant inputs to the calculation to supporting documentation. We reviewed any significant changes in assumptions from the prior year and ensured they are reasonable.</li> <li>- We reviewed the financial statement note disclosures for deferred liabilities to ensure they were in compliance with the requirements in Canadian public sector accounting standards.</li> </ul>	
<p style="text-align: center;"><b>Significant findings</b></p>	
<p>There were no significant issues noted in our testing.</p>	



# Audit findings – Areas of audit focus (continued)

Area of audit focus	Estimate?
Development cost levies (“DCL”)	No

## Our response

- We updated our understanding of the process activities and controls over DCL.
- We selected a sample of DCL contributions, recalculated the total amount, agreed each factor in the calculation to supporting documentation (e.g. Council-approved rates), and agreed the amount recorded to cash receipts.
- We selected a sample of DCL expenditures, ensured the expenditures bylaws were approved by Council, and agreed the amount recorded to supporting documentation.
- We selected a sample of development permits and ensured that any related DCL have been recorded.

## Significant findings

There were no significant issues noted in our testing.



# Audit findings – Areas of audit focus (continued)

Area of audit focus	Estimate?
Tangible capital assets (“TCA”)	No

## Our response

- We updated our understanding of the process activities and controls over TCA.
- We selected a sample of TCA additions and agreed the balance recorded to supporting documentation.
- We selected a sample of contributed assets and agreed the fair value on the date the assets were received to supporting documentation.
- We selected a sample of TCA disposals and agreed the proceeds on disposition to cash receipts and recalculated the gain/loss recorded in the general ledger.
- We performed an analytical procedure over amortization based on the useful lives of the TCA and the additions and disposals in 2022.

## Significant findings

There were no significant issues noted in our testing.



# Significant accounting policies and practices



## Significant accounting policies

- There have been no initial selections of, or changes to, significant accounting policies and practices.
- There were no significant accounting policies in controversial or emerging areas.
- There were no issues noted with the timing of the City's transactions in relation to the period in which they were recorded.
- There were no issues noted with the extent to which the financial statements are affected by a significant unusual transaction and extent of disclosure of such transactions.
- There were no issues noted with the extent to which the financial statements are affected by non-recurring amounts recognized during the period and extent of disclosure of such transactions.



## Significant accounting estimates

- There were no issues noted with management's identification of accounting estimates.
- There were no issues noted with management's process for making accounting estimates.
- There were no indicators of possible management bias.
- There were no significant factors affecting the City's asset and liability carrying values.



## Significant disclosures and financial statement presentation

- There were no issues noted with the judgments made, in formulating particularly sensitive financial statement disclosures.
- There were no issues noted with the overall neutrality, consistency, and clarity of the disclosures in the financial statements.
- There were no significant potential effects on the financial statements of significant risks, exposures, and uncertainties.



# Control observations

## Consideration of internal control over financial reporting (“ICFR”)



In planning and performing our audit, we considered ICFR relevant to the City’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 significant deficiency in internal control over financial reporting is a deficiency, or combination of deficiencies, in internal control that, in the auditor’s professional judgment, is of sufficient importance to merit the attention of those charged with governance.

**There were no significant deficiencies in ICFR noted in our audit.**



# Appendices

1

**Required  
communications**

2

**Management  
representation  
letter**



# Appendix 1: Required communications

## Draft auditor's report

The conclusion of our audit is set out in our draft auditor's report attached to the draft financial statements.

## Management representation letter

In accordance with professional standards, a copy of the management representation letter is included in Appendix 2.

## Independence

In accordance with professional standards, we have confirmed our independence on page 5.



# Appendix 2: Management representation letter



KPMG LLP  
777 Dunsmuir Street  
P.O. Box 10426  
Vancouver, B.C. V7Y 1K3

*Date of Financial Statement Approval*

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 (the “financial statements”) of the City of Vancouver (the “City”) as at and for the year ended December 31, 2022.

*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 contract dated November 27, 2020, 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:
    - 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 City Council and committees of City Council 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 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:
    - management;
    - employees who have significant roles in internal control over financial reporting; or
    - otherswhere 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.

*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 City'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 City's ability to continue as a going concern.

*Other information:*

- 11) We confirm that the final version of the 2022 Annual Financial Report will be provided to you when available, and prior to issuance by the City, to enable you to complete your required procedures in accordance with professional standards.

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

- 12) 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).
- 13) 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.

*Approval of financial statements:*

- 14) Patrice Impey, General Manager of Finance, Risk and Supply Chain Management/CFO has the recognized authority to take, and has taken, responsibility for the financial statements.

Yours very truly,

---

Paul Mochrie, City Manager

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Patrice Impey, General Manager of Finance,  
Risk and Supply Chain Management/CFO

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Julia Aspinall, Director, Financial Services

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Greg Krueger, Associate Director, Financial  
Reporting

cc: City Council

## ***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.



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KPMG member firms around the world have 227,000 professionals, in 145 countries.



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## INDEPENDENT AUDITOR'S REPORT

To the Mayor and Councilors of the City of Vancouver

### Report on the Audit of Financial Statements

#### *Opinion*

We have audited the consolidated financial statements of the City of Vancouver (the "City"), which comprise:

- the consolidated statement of financial position as at December 31, 2022
- the consolidated statement of operations for the year then ended
- the consolidated statement of change in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the City as at December 31, 2022, and its consolidated results of operations, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

#### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditor's Responsibilities for the Audit of the Financial Statements**" section of our auditor's report.

We are independent of the City in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

#### *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 City'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 City or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the City'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.

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 City'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 City'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 City 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

### **Report on Other Legal and Regulatory Requirements**

As required by the Vancouver Charter, we report that, in our opinion, the accounting policies applied in preparing and presenting financial statements in accordance with Canadian public sector accounting standards have been applied on a basis consistent with that of the preceding period.

Chartered Professional Accountants

Vancouver, Canada  
March 16, 2023