

From: **"Mochrie, Paul"**

To: **"Direct to Mayor and Council - DL"**

Date: 2024-04-04 4:12:13 PM

Subject: 2023 KPMG Audit Findings Report

Attachments: 23 COV AFR Council Ltr - Final.pdf
23 COV AFR Council Slides - Final.pdf
2023 KPMG Auditor's report.pdf

Dear Mayor and Council,

We have completed the audit of the city's financial statements, and those statements will be included in the Statement of Financial Information (SOFI) report for the April 24th Committee meeting. You will be receiving a full copy of the SOFI report a week prior to the committee meeting. A council briefing is scheduled on April 8th for staff to walk through key highlights of our financial year-end results and audit findings.

To support the conclusion of the audit, you will find attached a copy of KPMG's final Audit Findings Report which will be presented to you by the auditors at a council briefing on April 8th. KPMG will be available for questions from Council. 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



The City of Vancouver acknowledges that it is situated on the unceded traditional territories of the xʷm k y m (Musqueam), Sq̓wx̓w̓mesh (Squamish), and sə̓lilwətaʔ (Tsleil-Waututh) Nations.



KPMG LLP

PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada
Telephone (604) 691-3000
Fax (604) 691-3031

Mayor and City Council
City of Vancouver
453 West 12th Avenue
Vancouver, BC V5Y 1V4

March 24, 2024

To the Mayor and Councillors of the City of Vancouver:

We are pleased to provide for your information the attached report (“Audit Findings Report”) which we submitted to and discussed with Patrice Impey, General Manager, Finance, Risk and Supply Chain Management/CFO. This report outlines the results of our audit of the consolidated financial statements (the “financial statements”) of the City of Vancouver (“the City”) for the year ended December 31, 2023.

As of the date of this letter, we have completed our audit of the City’s financial statements for the year ended December 31, 2023 and issued our independent auditor’s report thereon dated March 22, 2024.

A summary of our Audit Findings Report follows below.

There have been no changes to our audit plan from the Audit Planning Report dated January 10, 2024 that was previously provided to you.

As required by professional audit standards, we performed procedures to address the presumed fraud risk from management override of controls. Other risks of material misstatement for our audit included community amenity contributions, tangible capital assets, development cost levies, asset retirement obligations (new accounting standard) and financial instruments (new accounting standards). We are satisfied that our audit work has appropriately dealt with these risks.

There were three corrected misstatements and one uncorrected misstatement noted in our audit. Based on both qualitative and quantitative considerations, management have decided not to correct one misstatement. The uncorrected misstatement is not material to the financial statements and, therefore, has no impact on the audit opinion.

We did not identify any control deficiencies that we determined to be significant deficiencies in internal control over financial reporting. We identified other control observations that we believe will be of interest.

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, 2023 up to the date of this letter.



City of Vancouver
March 22, 2024

We would like to thank the City's staff for their cooperation and assistance during the audit. We appreciate the opportunity to serve you and look forward to our continuing relationship.

Yours very truly,

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. A horizontal line is drawn underneath the signature, extending from the left side towards the right.

C.J. James, CPA, CA
Engagement Partner
(604) 527-3635

cc: Mr. Paul Mochrie, City Manager

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

Enclosure: Audit Findings Report



City of Vancouver



**Highlights of the audit of the financial
statements for the year ended
December 31, 2023**

Prepared on March 22, 2024

kpmg.ca/audit



Highlights

Purpose

The purpose of this presentation is to provide an overview to the Mayor and City Council of the City of Vancouver (“the City”) of the audit of the City’s consolidated financial statements (“the financial statements”) as at and for the year ended December 31, 2023.

Status

As of the date of this presentation, we have completed the audit of the financial statements and issued our independent auditor’s report dated March 22, 2024. A copy of our signed auditor’s report and audit findings report has been provided to City Council by management.

Risk assessment

As noted in the Audit Planning Report previously provided to City Council, we have not identified any significant risks, except for the presumed fraud risk of management override of controls, which is required by professional audit standards.

We identified other risks of material misstatement which include community amenity contributions, tangible capital assets, development cost levies, asset retirement obligations (new accounting standard) and financial instruments (new accounting standard).

Misstatements

There were three corrected misstatements and one uncorrected misstatements noted in our audit. Based on both qualitative and quantitative considerations, management have decided not to correct certain misstatements. The uncorrected misstatements are, individually and in the aggregate, not material to the financial statements and, therefore, have no impact on our audit opinion.

Accounting policies

There have been no initial selections of, or changes to, significant accounting policies and practices, except for the initial implementation of PS 3280 *Asset retirement obligations* and PS 3450 *Financial instruments* and related standards.

Control deficiencies

We did not identify any control deficiencies that we determined to be significant deficiencies in internal control over financial reporting. We identified other control observations that we believe will be of interest.

Independence

We are independent from 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, 2023 up to the date of our auditor’s report.



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KPMG LLP

PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada
Telephone (604) 691-3000
Fax (604) 691-3031

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Councillors 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, 2023
- 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, 2023, and its consolidated results of operations, its consolidated change 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.

Emphasis of Matter – Comparative Information

We draw attention to Note 2 to the financial statements, which explains that certain comparative information presented for the year ended December 31, 2022 has been restated.

Note 2 explains the reason for the restatement and also explains the adjustments that were applied to restate certain comparative information.

Our opinion is not modified in respect of this matter.

Other Matter – Comparative Information

As part of our audit of the financial statements for the year ended December 31, 2023, we also audited the adjustments that were applied to restate certain comparative information presented for the year ended December 31, 2022. In our opinion, such adjustments are appropriate and have been properly applied.

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 22, 2024