Attachment 4

Audit Findings Report

KPMG

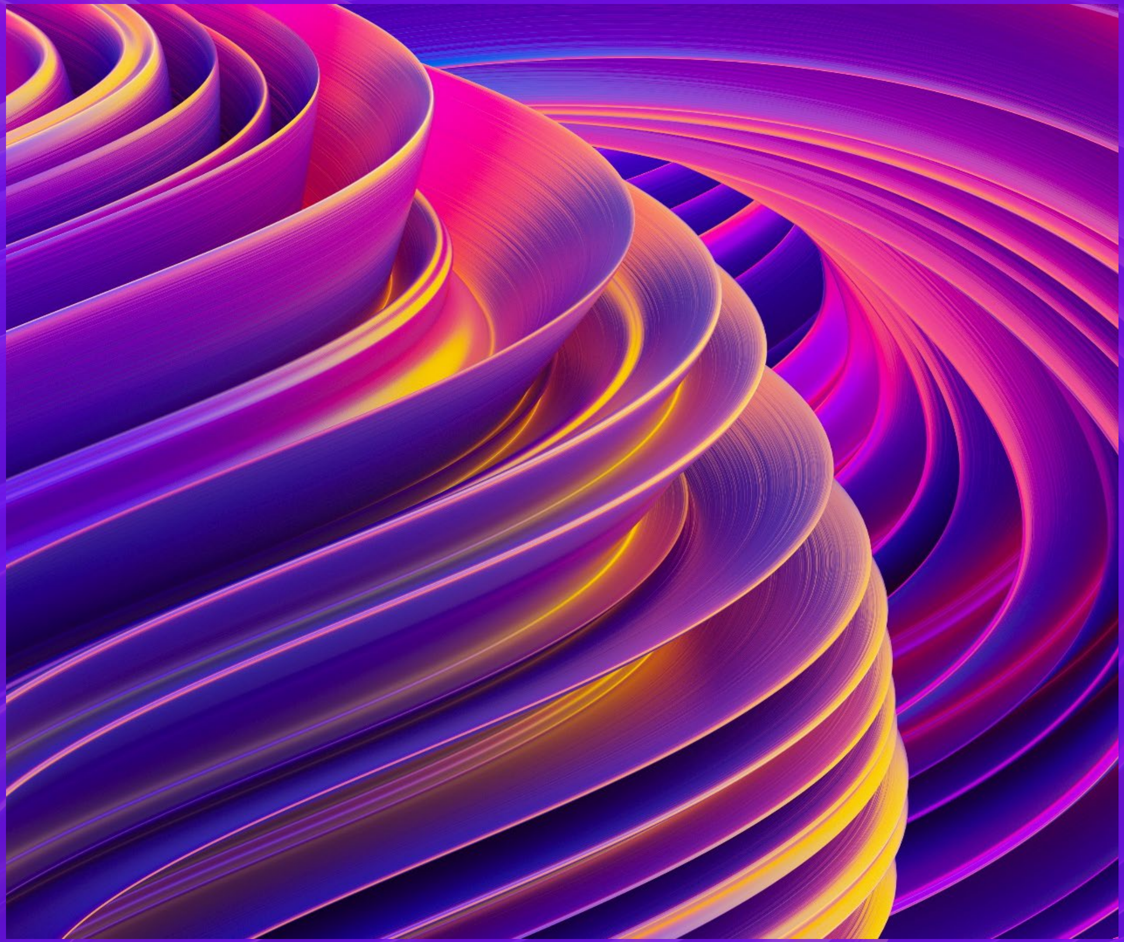
Corporation of the City of New Westminster

Audit Findings Report for the year ended December 31, 2024

KPMG LLP

Prepared as of April 25, 2025 for presentation on May 5, 2025

kpmg.ca/audit



KPMG contacts

Key contacts in connection with this engagement

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Table of contents

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.

The purpose of this report is to assist you, as a member of Council, 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 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 has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Audit highlights

No matters to report

Matters to report

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.

Risks and results

- Significant risks (Matters to report)
- Other risks of material misstatement (Matters to report)
- Significant unusual transactions (No matters to report)

Policies and practices & Specific topics

- Accounting policies and practices (Matters to report)
- Other financial reporting matters (No matters to report)
- Specific topics (No matters to report)

Quality control and Independence

We confirm that we are independent with respect to the Corporation of the City of New Westminster (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, 2024 up to the date of this report.

Misstatements - uncorrected

Uncorrected misstatements (Matters to report)

- There are two uncorrected misstatements relating to i) non-cash carbon credit units, and ii) amortization.
- 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
- Based on both qualitative and quantitative considerations, management have decided not to correct the misstatements and represented to us that the misstatements – individually and in the aggregate - are, in their judgment, not material to the financial statements. This management representation is included in the management representation letter.
- We concur with management's representation that the uncorrected misstatements are not material to the financial statements. Accordingly, the uncorrected misstatements have no effect on our auditor's report.

Misstatements - corrected

Corrected misstatements (No matters to report)

- We did not identify any corrected audit misstatements.

Control deficiencies

Significant deficiencies (No matters to report)

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

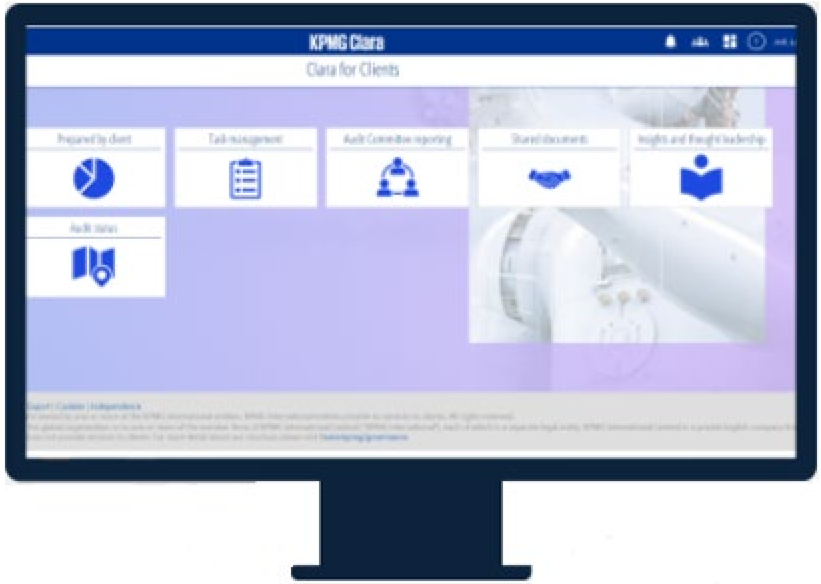
Status

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 / finalizing certain audit file review and documentation.
- Completing our discussions with Council.
- Obtaining signed management representation letter.
- Obtaining evidence of Council's acceptance of the financial statements.
- Completing subsequent event review procedures.

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 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

Significant risks and results

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

Presumed risk of management override of controls

RISK OF FRAUD

Significant risk	Estimate?
Section 240.32 of Canadian Auditing Standards states: "Management is in a unique position to perpetrate fraud because of management's 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 is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, it is a risk of material misstatement due to fraud and thus a significant risk." We have not identified additional incremental risks specific to the City.	No

Our response

- As the risk 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 significant estimates and evaluating the business rationale of significant unusual transactions.
  - Utilizing application software to evaluate the completeness of the journal entry population through a roll-forward of all accounts. We used computer-assisted audit techniques (CAATs) to analyze journal entries and apply certain criteria to identify potential high-risk journal entries for further testing.
  - Reviewing the accounting estimates and assessing whether management's estimates are reasonable and not indicative of management bias

Significant findings

There were no significant findings from our work completed as of the date of this report.

Other risks of material misstatement and results

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

Revenue – new accounting standard

Other risk of material misstatement	Estimate?
PS 3400 *Revenue* ("PS 3400") is a new accounting standard effective for the City's 2024 fiscal year. The new standard establishes a single framework to categorize revenue to enhance the consistency of revenue recognition and its measurement.	No

Our response

- We assessed the impact of the new PS3400 *Revenue* ("PS 3400") standard on timing, measurement, recognition, and presentation of revenue. The adoption of this standard has resulted in changes to the timing of revenue recognition for certain revenue streams such as permits.
  - We reviewed management's analysis of the impact of PS 3400 on the City's accounting policies for revenue recognition.
  - We inquired with and performed a walkthrough over the City's process for identifying performance obligations in revenue streams impacted by the initial implementation of PS 3400.
  - We assessed the adjustment calculated by management by testing a sample of building permits and plumbing permits and agreed the revenue recognition in accordance with PS 3400 to supporting documentation.
  - We reviewed the financial statement note disclosures to ensure they are accurate and comply with the requirements in PS 3400.

Significant findings

The City had previously recognized revenue upon the sale of carbon credit units for cash proceeds. With the implementation of PS3400, revenue should be recognized when the non-cash carbon credit units are validated and received by the City, with changes in valuation reported through the statement of remeasurement gains and losses. Management has determined not to record validated carbon credit units until sold for cash. As a result, there is an uncorrected audit misstatement as detailed in the management representation letter.

There were no other significant findings from our work completed as of the date of this report.

Other risks of material misstatement and results (continued)

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

Development Cost Charges (“DCC”)

Other risk of material misstatement	Estimate?
DCC are deferred upon receipt and are restricted for the purposes of capital projects. As these amounts are received for specific purposes, they are recorded as a liability and the revenue is matched against the related expenditures when incurred.	No

Our response

- We updated our understanding of the process activities and controls over DCC.
- We tested a select sample of building permits issued during the year including agreeing the permit to the DCC schedule to determine if the DCC balance has been calculated using Council’s approved rates.
- We tested a sample of DCC expenditures to determine if the expenditure amount was accurately recorded and appropriately classified as a DCC expenditure.
- We reviewed the financial statement note disclosure to ensure it is complete and accurate

Significant findings

There were no significant findings from our work completed as of the date of this report.

Other risks of material misstatement and results (continued)

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

Tangible Capital Assets ("TCA")

Other risk of material misstatement	Estimate?
TCA represent a significant portion of assets of the City. The assets owned by the City include land, buildings, furniture and equipment, vehicles, water and waste system infrastructure, road infrastructure, library collection and their useful lives require estimation.	No

Our response

- We updated our understanding of the process activities and controls over TCA.
- We obtained the TCA continuity schedule, verified its mathematical accuracy, and performed substantive procedures over additions, disposals, reclassifications, and other adjustments.
- We tested a sample of asset additions including assets under construction transfers, and inspected supporting documentation to determine if additions are capital in nature and amounts recorded are accurate.
- We performed an analytical review of the amortization of tangible capital assets and assessed the reasonableness of assets' useful lives.
- We reviewed the financial statement note disclosure to ensure it is complete and accurate.

Significant findings

Management have made us aware of an overstatement in amortization expense where the amortization start date on a tangible capital asset did not reflect the actual in-service date. As a result, there is an uncorrected audit misstatement as detailed in the management representation letter.

There were no other significant findings from our work completed as of the date of this report.

Other risks of material misstatement and results (continued)

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

Employee future benefits

Other risk of material misstatement	Estimate?
The City provides certain post-employment benefits, compensated absences, and termination benefits to employees. Due to the complexities of the estimate, management has engaged an actuarial expert to assist in the development of the estimate. We have reassessed that the risk rating is lower than Base based on year-end results. As the balance is material, we continued to execute our audit response below.	Yes – Actuarial valuations of post-employment benefit liability.

Our response

- We obtained the valuation report prepared by the City's actuarial expert, Mercer (Canada) Limited and assessed significant assumptions used for reasonableness.
- We assessed the competence, expertise, and qualifications of the City's actuarial expert, and the reasonableness of the valuation methodology applied.
- We reviewed the financial statement note disclosure to ensure the required disclosure under the accounting standards are appropriately included.

Significant findings

There were no significant findings from our work completed as of the date of this report.

Accounting policies and practices

Initial selection of significant accounting policies and practices

Effective January 1, 2024, the City adopted three new accounting standards – PS 3400 *Revenue* (“PS 3400”), PS 3150 *Public Private Partnerships* (“PS 3150”) and PSG-8 *Purchased Intangibles* (“PSG-8”)

- We inquired with management and reviewed their analysis of the impact of the new accounting standards relative to the City’s transactions/balances and accounting policies.
- We reviewed the presentation and financial statement note disclosures to ensure they comply with the requirements in the new standards.
- Refer to page 7 for further details about PS 3400.
- PS 3150 and PSG-8 did not have an impact on the amounts presented in the financial statements.

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.

Description of new or revised significant accounting policies and practices

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 qualitative aspects

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 deficiencies

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

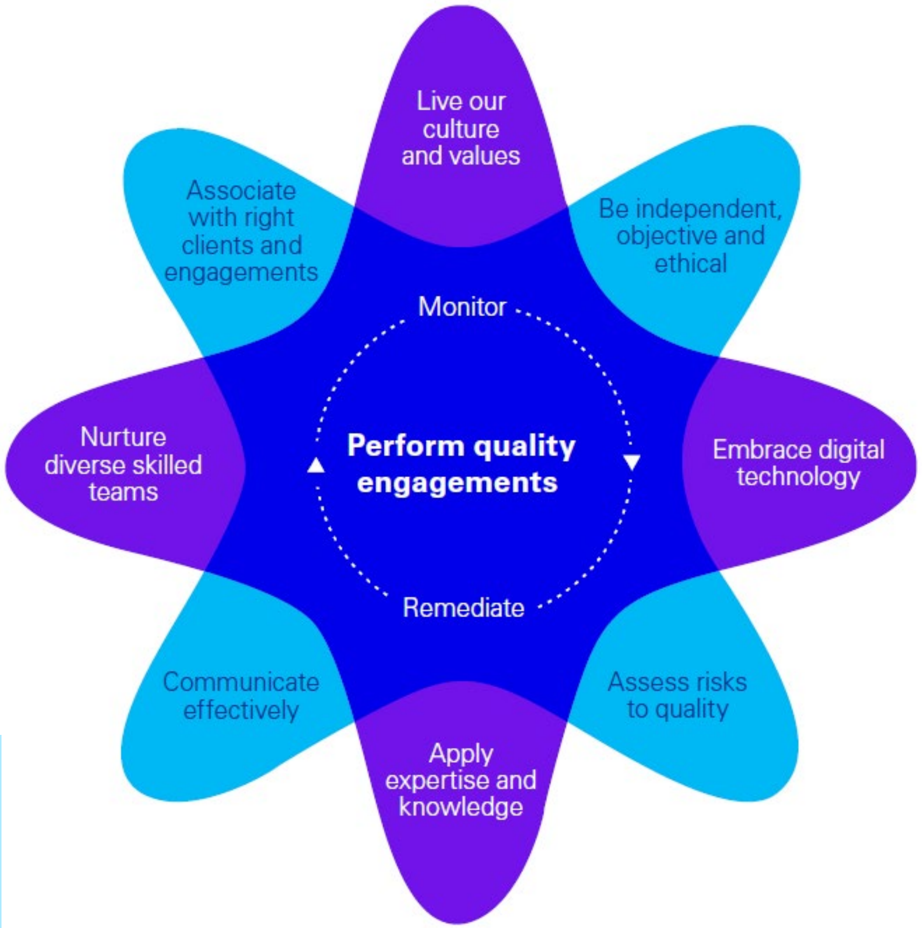
A deficiency, or a combination of deficiencies, in internal control over financial reporting that, in our judgment, is important enough to merit the attention of those charged with governance.

Audit quality - How do we deliver audit quality?

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

The drivers outlined in the framework are the ten components of the KPMG System of Quality Management (SoQM). Aligned with ISQM 1/CSQM 1, our SoQM components also meet the requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA) and the relevant rules of professional conduct / code of ethics applicable to the practice of public accounting in Canada, which apply to professional services firms that perform audits of financial statements. Learn more about our system of quality management and our firm's statement on the effectiveness of our SoQM:

KPMG Canada Transparency Report



We define 'audit quality' as being the outcome when:

- audits are **executed consistently**, in line with the requirements and intent of **applicable professional standards** within a strong **system of quality management;** and
- all of our related activities are undertaken in an environment of the utmost level of **objectivity, independence, ethics** and **integrity.**

Doing the right thing. Always.

Appendices

Appendix 1: Other required communications

Auditor's report	Engagement letter
The conclusion of our audit is set out in the draft auditor's report attached to the draft financial statements.	The objectives of the audit, our responsibilities in carrying out our audit, as well as management's responsibilities, are set out in the engagement letter, copy of which has been provided to management.

Audit findings report	Management representation letter
Represented by this report.	In accordance with professional standards, copy of the management representation letter is included in Appendix 2.

Independence	Internal control deficiencies
We have confirmed our independence to Council on page 4 of this report.	We did not identify any control deficiencies that we determined to be significant deficiencies in internal control over financial reporting.

Appendix 2: Management representation letter

(Letterhead of Client)

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

May 5, 2025

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 Corporation of the City of New Westminster ("the Entity") as at and for the period 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 October 18, 2023, 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 Council and committees of 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 Entity 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.

i) 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:

— 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, short sellers, or others.

d) 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.

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 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.

Other information:

12) We confirm that the final version of the 2024 Annual Financial 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.

Non-SEC registrants or non-reporting issuers:

13) 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).

14) 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.

Other:

15) 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,

____

Lisa Spitale, Chief Administrative Officer

____

Shehzad Somji, CFO / Director of Finance

cc: 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.

Attachment II – Summary of Audit Misstatements Schedule

Uncorrected Audit Misstatements

#	Description	Assets	Liabilities	Accumulated Surplus	Annual Surplus
1	Dr. Carbon credits asset Cr. Revenue Cr. Remeasurement gain *To recognize non-cash validated carbon credit units received and not yet transferred/sold*	2,260,000 - -	- - -	- (1,320,000) (940,000)	- (1,320,000) -
2	Dr. Tangible capital assets Cr. Amortization *To adjust amortization for reflecting actual in-service date*	1,100,000 -	- -	- (1,100,000)	- (1,100,000)
	Total	**3,360,000**	**-**	**(3,360,000)**	**(2,420,000)**

Appendix 3: Current developments

Auditing standards

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

Click here for information about CAS 260 and CAS 700 from CPA Canada:

Amended CAS 260 and CAS 700

Appendix 3: Current developments (continued)

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 early 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	• 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 is permitted.
	• The proposed section includes the following:
	  • 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.
	  • Separating liabilities into financial liabilities and non-financial liabilities.
	  • Restructuring the statement of financial position to present total assets followed by total liabilities.
	  • Changes to common terminology used in the financial statements, including re-naming accumulated surplus (deficit) to net assets (liabilities).
	  • 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”.
	  • A new provision whereby an entity can use an amended budget in certain circumstances.
	  • Inclusion of disclosures related to risks and uncertainties that could affect the entity’s financial position.

Appendix 3: Current developments (continued)

Accounting standards (continued)

Standard	Summary and implications

Employee Benefits	• The Public Sector Accounting Board has issued proposed new standard PS 3251 *Employee benefits* which would replace the current sections PS 3250 *Retirement benefits* and PS 3255 *Post-employment benefits, compensated absences and termination benefits*.
	• After evaluating comments received about the July 2021 exposure draft, a new re-exposure draft was released in October 2024. The re-exposure draft continues to use principles from International Public Sector Accounting Standard 39 *Employee benefits* as a starting point to develop the Canadian standard.
	• The proposed standard 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.
	• The re-exposure draft also proposes that fully funded post-employment benefit plans use a discount rate based on the expected market-based return of plan assets and unfunded plans use a discount rate based on the market yield of government bonds, high-quality corporate bonds or another appropriate financial instrument. A simplified approach to determining a plan's funding status is provided.
	• For most other topics, the re-exposure draft is consistent with the original exposure draft. A few exceptions are:
	  • Deferral provisions – Remeasurement gains and losses will be presented as part of accumulated remeasurement gains and losses.
	  • Valuation of plan assets – Public sector entities may continue to recognize non-transferable financial instruments that meet the definition of plan assets under existing PS 3250 guidance.
	  • Joint defined benefit plans – Defined benefit accounting will be used for measurement of the proportionate share of the plan, instead of previously proposed multi-employer plan accounting which was based on defined contribution plan concepts.
	  • Disclosure of other long-term employee benefits and termination benefits – The re-exposure draft does not include prescriptive disclosure requirements for other long-term employee benefits and termination benefits.
	• The proposed section PS 3251 *Employee benefits* will apply to fiscal years beginning on or after April 1, 2029. Early adoption will be permitted and guidance applied retroactively, with or without prior period restatement.
	• Comments on the re-exposure draft were due on January 20, 2025. The re-exposure draft can be viewed at the following link: Click here

KPMG

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