



Report to: General Committee

Report Date: December 3, 2024

SUBJECT: 2024 Audit Planning Report
PREPARED BY: Jay Pak, Senior Manager Financial Planning and Reporting
Kishor Soneji, Manager Financial Reporting

RECOMMENDATION:

- 1) That the report titled “2024 Audit Planning Report” be received; and,
- 2) That the 2024 Audit Planning Report for the year ending December 31, 2024, prepared by KPMG LLP, Chartered Accountants be received; and,
- 3) That Staff be authorized and directed to do all things necessary to give effect to this resolution.

PURPOSE:

The purpose of this report is to inform Council of KPMG’s approach and work plan to undertake the annual audit of the City’s financial statements for fiscal year ending December 31, 2024 (attached), as required under Canadian auditing standards.

BACKGROUND:

The responsibility for preparing the City’s consolidated financial statements, in compliance with the accounting standards for the public sector established by the Public Sector Accounting Board (PSAB), rests with the Management of the City of Markham. These statements are subject to independent audit and assurance.

Section 296 of the *Municipal Act, 2001* states that: “A municipality shall appoint an auditor licensed under the Public Accounting Act, 2004 who is responsible for, (a) annually auditing the accounts and transactions of the municipality and its local boards and expressing an opinion on the financial statements of these bodies based on the audit.”

Council appointed KPMG LLP as the external auditors for the Corporation of The City of Markham and its Local Boards at the meeting on June 9, 2020. The appointment was for a five-year term, covering the audits for fiscal years 2020 through 2024.

The role of the external auditors is to audit the consolidated financial statements for the Corporation of The City of Markham and express an independent opinion on those statements. The audit is conducted in accordance with Canadian Generally Accepted Auditing Standards (GAAS). These standards require the auditors to plan and perform the audit in such a way as to obtain reasonable assurance that the financial statements are free from material misstatements. The audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used, evaluating significant estimates made by City Staff, and reviewing the overall presentation of the financial statements.

Additionally, the auditors are responsible for advising on any internal accounting practices, financial controls, or operational issues identified during the audit of the City and its Local Boards.

Each year, KPMG prepares and submits an Audit Planning Report to the City Treasurer and Financial Services staff, outlining the scope and methodology for the audit. City Staff review the plan and use it to inform staff activities to support the audit process. Starting with this year's audit, KPMG has requested that the annual audit plan be shared with Council as part of requirements to meet Canadian auditing standards.

DISCUSSION:

KPMG's Audit Planning Report provides an overview of the audit process, including discussions on materiality, audit risks, fraud risks, key milestones, deliverables, and communication requirements. Specific areas of focus for the audit will include: cash and investments, revenue and deferred revenue recognition, tangible capital assets, employee future benefits and other estimates, and management override of controls. These are standard components of the audit process and are aligned to cover major City financial activities and accounting transactions.

The audit will be guided by Group Materiality, which, as per standard audit practice and aligned with the approach taken in previous audits, will be set at 2.5% of total estimated revenues, amounting to \$19.2 million (2023: \$17.4 million). Materiality will be used to evaluate the effects of any misstatements identified during the audit, guide discussions with Management, and inform the impact of any uncorrected misstatements on the formation of the auditor's opinion.

The Audit Planning Report includes information on new accounting standards that will be covered as part of this year's audit process. Three new standards must be adopted by the City this year and will be incorporated in the development of the financial statements.

The Audit Planning Report also includes considerations related to risks and controls. The City of Markham's financial management framework and system of internal controls involve a number of policies and procedures to manage (prevent, mitigate, detect and address) risks, including fraud risks. These policies and procedures cover the entire spectrum of resource management, including planning and allocation through the budget process, implementation guided by expenditure controls, and performance monitoring as part of financial reporting.

With oversight of Management—including the City Treasurer in their Management role as Director of Financial Services—programs, services and operations are delivered in accordance with these policies to meet Council's strategic objectives and direction in a manner that ensures financial prudence and accountability. Additionally, the City Treasurer—in their capacity as the Council-appointed statutory financial officer under Section 286 of the *Municipal Act, 2001*—supports Council in “handling all of the financial affairs of the municipality.”

CONCLUSION:

Staff have reviewed and support the Audit Planning Report, and do not see any issues to bring to Council's attention. Staff have developed an internal year-end close work plan and schedule to meet the external audit requirements, which will be communicated to all departments to ensure a timely year-end process. Once the 2024 records are closed, staff will prepare the consolidated financial statements and accompanying notes for the City, along with any required supporting documentation. KPMG's audit findings report will be presented to the General Committee in April 2025, along with the City's final consolidated financial statements.

RECOMMENDED BY:

Joseph Silva
Treasurer

Trinela Cane
Commissioner, Corporate Services

ATTACHMENT:

City of Markham_2024 Audit Planning Report