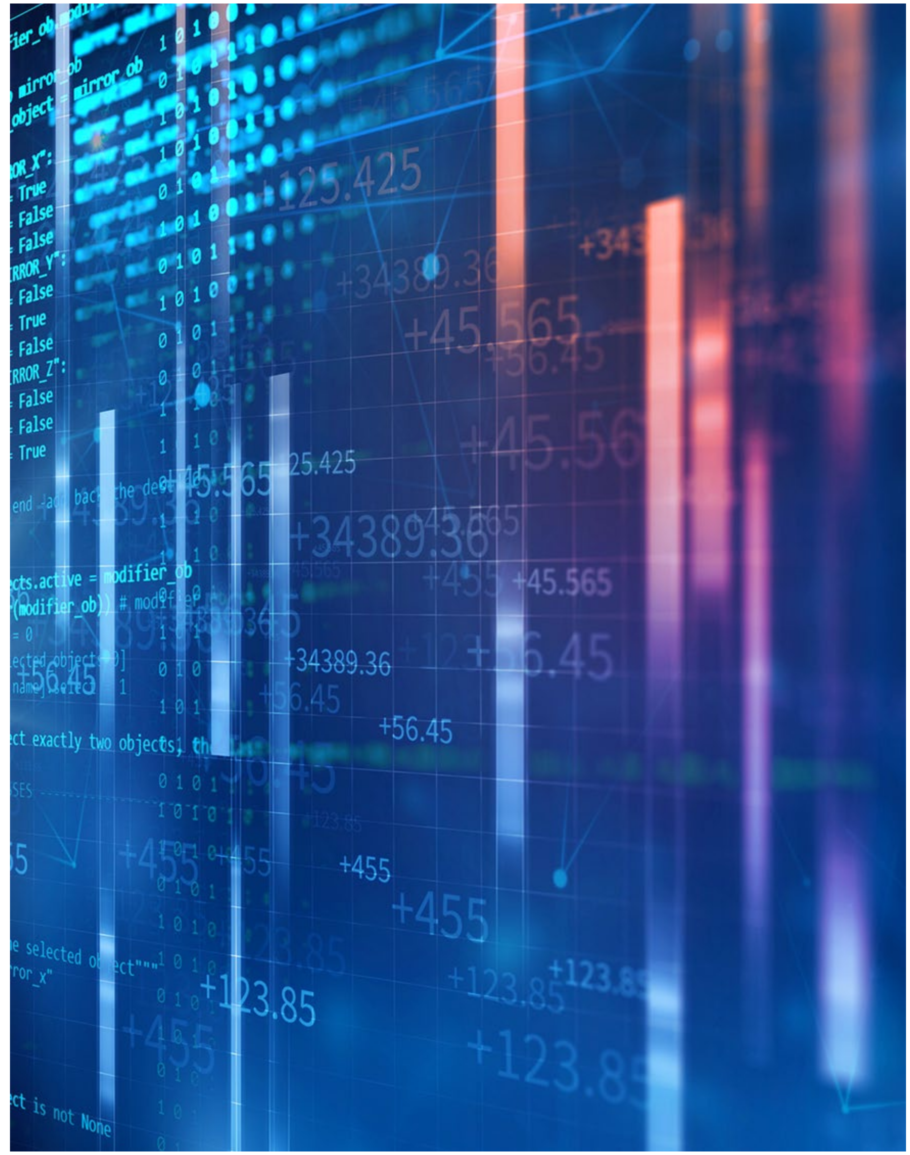
The Corporation of the County of Essex



Audit Findings Report for the year ended December 31, 2023

June 19, 2024

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KPMG

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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.

'Perform quality engagements' sits at the core along with our commitment to continually monitor and remediate to fulfil on our quality drivers.

Our **quality value drivers** are the cornerstones to our approach underpinned by the **supporting drivers** and give clear direction to encourage the right behaviours in delivering audit quality.

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 controls; and
- all of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics, and integrity.

Audit Highlights

Purpose of this report

The purpose of this Audit Findings Report is to assist you in your review of the results of our audit of the consolidated financial statements as at and for the year ended December 31, 2023.[1]

Finalizing the Audit

As of June 19, 2024, we have completed the audit of the consolidated financial statements, with the exception of certain remaining procedures, which include amongst others:

- Receipt of the signed management representation letter
- Receipt of legal letter responses
- Obtaining evidence of Council's approval of the financial statements

We will update the Council on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures. Our auditors' report will be dated upon the completion of any remaining procedures.

[1] This Audit Findings Report should not be used for any other purpose or by anyone other than County Council. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this Audit Findings 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.

Materiality

Materiality was set at $6.3 million for the current year's audit. We utilized prior year revenues as a benchmark in setting materiality. See page 6.

Corrected differences

See page 7 for the list of corrected misstatements.

Uncorrected differences

We did not identify differences that remain uncorrected.

Control deficiencies

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

Materiality

Materiality determination	Comments	Amount
Materiality	Determined to plan and perform the audit and to evaluate the effects of identified misstatements on the audit and of any uncorrected misstatements on the financial statements. The corresponding amount for the 2022 audit was $6,600,000.	$6,300,000
Benchmark	Based on actual revenue from the prior year. Prior year figures were relied upon in order to set materiality in advance of audit field work.	$210.8 million
% of Benchmark	The corresponding percentage for the prior year's audit was 3%.	3%
Audit Misstatement Posting Threshold (AMPT)	Threshold used to accumulate misstatements identified during the audit. The corresponding amount for the previous year's audit was $330,000.	$315,000

Materiality is used to scope the audit, identify risks of material misstatements and evaluate the level at which we think misstatements will reasonably influence users of the financial statements. It considers both quantitative and qualitative factors.

To respond to aggregation risk, we design our procedures to detect misstatements at a lower level of materiality.

Uncorrected and corrected audit misstatements

Uncorrected audit misstatements

We did not identify misstatements that remain uncorrected.

Corrected audit misstatements

The corrected misstatements greater than $315,000, individually, include:

Description of misstatement	$	
	Debit	Credit
To amortize two additions to tangible capital assets that were erroneously recorded as "zero-amortization" when input to CityWide. Amortization expense Tangible capital assets – accumulated amortization	 $1,267,000	 $1,267,000

Significant Accounting Policies and Practices

Initial selections of significant accounting policies and practices

The following standards were effective for fiscal years beginning on or after April 1, 2022: PS 1201 Financial statement presentation; PS 2601 Foreign currency translation; PS 3450 Financial instruments; PS 3041 Portfolio investments; and PS 3280 Asset retirement obligations.

The adoption of these standards were reflected in the December 31, 2023 financial statements.

Note disclosure has been included in the financial statements for the transition to the new accounting standard. Please see note 2 for additional information relating to the transitional adjustments.

Significant qualitative aspects of the accounting policies and practices

The adoption of the Asset Retirement Obligations Standard required management to calculate the value of the obligation as of the date of transition.

Audit response

KPMG obtained management's calculation to determine the asset retirement obligation at December 31, 2023, as well as the retrospective restatement of the 2022 opening and closing balances. We also obtained management's investment schedules to determine the unrealized investment gains and losses throughout 2023 and 2022.

We held discussions with management throughout our audit to further our understanding of the implementation process and the individuals involved in determining the relevant amounts. No issues were noted with the calculation or implementation of these amounts in the 2023 financial statements as well as the restatement of the 2022 amounts.

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