



City of Sault Ste. Marie

**Audit Findings Report
for the year ended December 31, 2024**

KPMG LLP

Prepared on June 16th, 2025 for the Council Meeting on June
23rd, 2025

kpmg.ca/audit

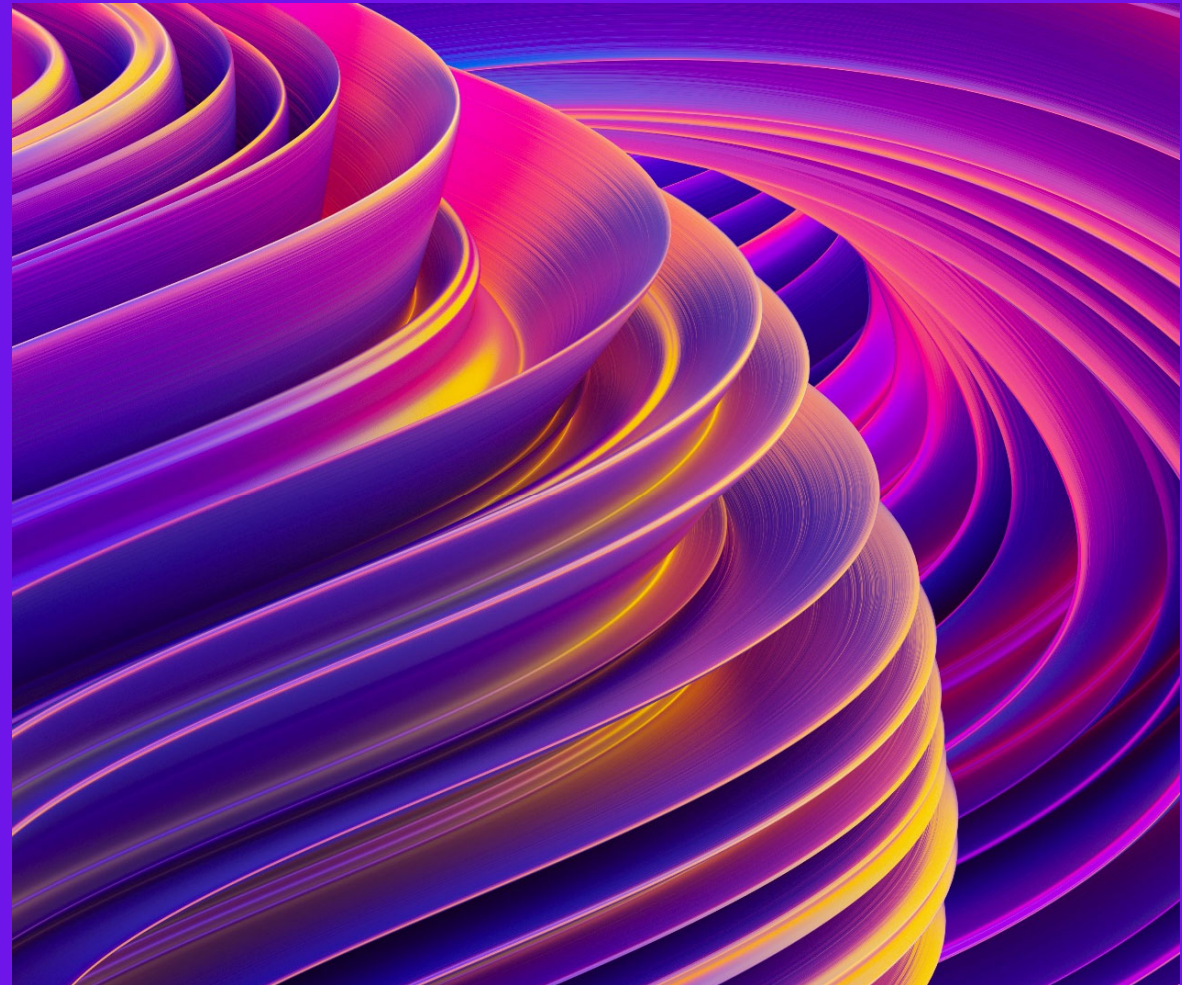


Table of contents

Digital use information

3	Highlights	4	Status	5	Policies and practices	7	Specific topics
8	Misstatements	9	Control deficiencies	10	Audit quality	12	Independence
13	Appendices						

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.




Audit highlights

No matters to report

Matters to report – see link for details

Status

We have completed the audit of the financial statements (“financial statements”), with the exception of certain remaining outstanding procedures, which are highlighted on the ‘Status’ slide of this report.



Significant changes

Significant changes since our audit plan

Risks and results & Significant unusual transactions

Significant risks

Other risks of material misstatement

Going concern matters

Significant unusual transactions

Policies and practices & Specific topics

Accounting policies and practices

Other financial reporting matters

Specific topics

Misstatements-uncorrected


Uncorrected misstatements

Annual surplus (in thousands)

As currently presented	\$32,631
Uncorrected misstatements	\$Nil
As a % of the balance	Nil

Total assets (in thousands)

As currently presented	\$924,830
Uncorrected misstatements	\$Nil
As a % of the balance	Nil



Misstatements-Corrected


Corrected misstatements

Control deficiencies

Significant deficiencies

Audit Quality

[Learn more about how we deliver audit quality.](#)



Independence

Annual Statement of Compliance




The purpose of this report is to assist you, as a member of the Audit Committee, 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, the Audit Committee, and City 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.



Status

As of June 16th, 2025, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include amongst others:

- Completing our discussions with Council
- Obtaining the signed management representation letter
- Obtaining the legal response to our legal confirmation request
- Completing remaining audit file documentation and certain outstanding procedures
- Obtaining evidence of the Council's approval of the financial statements

We will update Council, and not solely the Mayor, on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures.

A draft of our auditor's report is provided in the draft consolidated financial statements, which have been provided under separate cover.

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](#)



Accounting policies and practices



Initial selection of significant accounting policies and practices

No new material or significant accounting policies and practices were selected and applied during the period.



Description of new or revised significant accounting policies and practices

No new or revised material or significant accounting policies and practices were selected and applied during the period.



Significant qualitative aspects

There are no significant qualitative aspects to note with respect to the accounting policies and practices. The engagement team reviewed the accounting policies and practices as part of the audit work performed and agreed with management's assertion that the accounting policies and practices were appropriate, and applied correctly throughout the period.



Other financial reporting matters

We also highlight the following:



Financial statement presentation - form, arrangement, and content



No matters to report



Concerns regarding application of new accounting pronouncements



The City adopted PS 3400 Revenue during the fiscal year. This section establishes standards on how to account for and report on revenue. The adoption of this standard did not result in an accounting policy change for the City, nor did it result in any changes to the consolidated financial statements.



Significant qualitative aspects of financial statement presentation and disclosure



No matters to report



Specific topics

We have highlighted the following that we would like to bring to your attention:

Matter	Finding
Illegal acts, including noncompliance with laws and regulations, or fraud (identified or suspected)	No matters to report
Other information in documents containing the audited financial statements	No matters to report
Significant difficulties encountered during the audit	No matters to report
Difficult or contentious matters for which the auditor consulted	No matters to report
Management's consultation with other accountants	No matters to report
Disagreements with management	No matters to report
Related parties	No matters to report
Significant issues in connection with our appointment or retention	No matters to report
Significant matters subject to correspondence with management	No matters to report
Issues with sending external confirmation requests	No matters to report
Other matters that are relevant matters of governance interest	No matters to report



Uncorrected and corrected misstatements

Audit misstatements include financial presentation and disclosure omissions.



No uncorrected differences have been identified as a result of our audit procedures.

While entries were posted by management during the course of the audit, we do not consider these to be audit differences as they are consistent with Period 13 adjustments recorded as part of the year-end financial reporting process.

Annual surplus (in thousands)

As currently presented	\$32,631
Uncorrected misstatements	\$Nil
As a % of the balance	Nil%

Total assets (in thousands)

As currently presented	\$924,830
Uncorrected misstatements	\$Nil
As a % of the balance	Nil

Control deficiencies

Consideration of internal control over financial reporting (ICFR)



In planning and performing our audit, we considered ICFR relevant to the Entity'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.

No matters to report



Audit quality - How do we deliver audit quality?

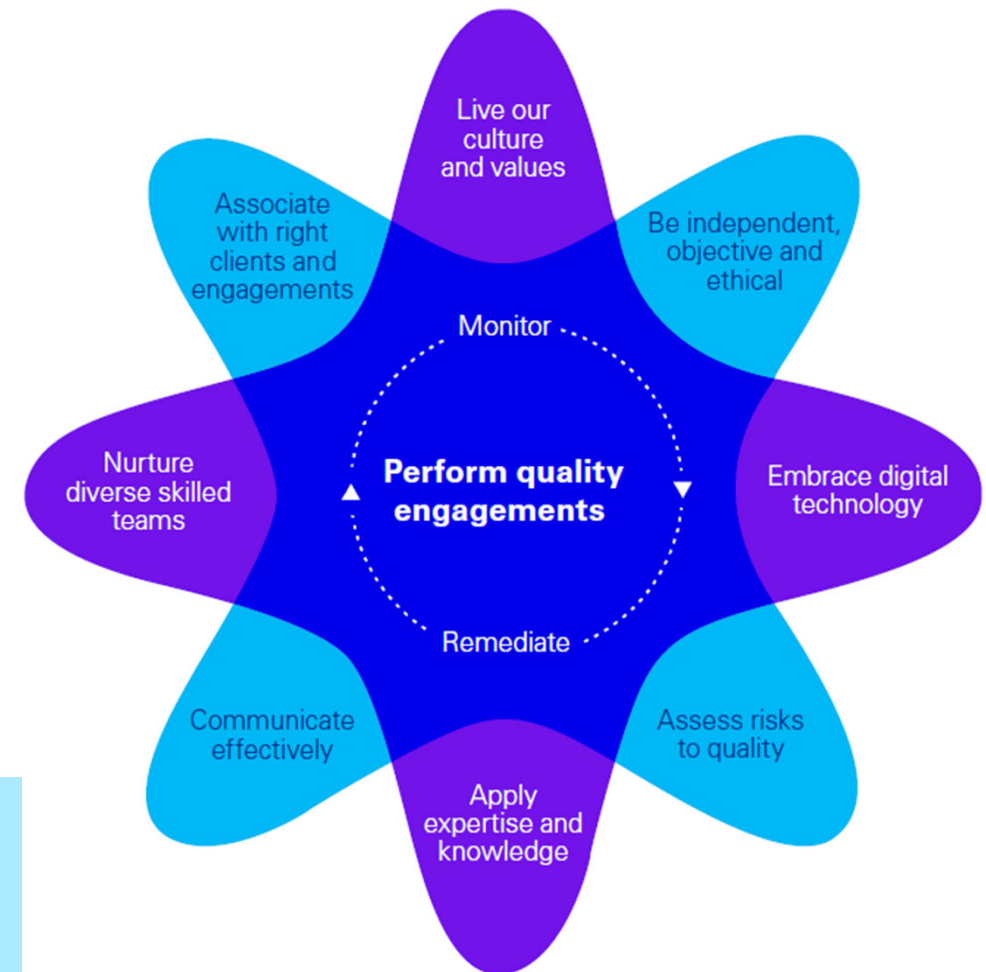
Quality essentially means doing the right thing and remains our highest priority. Our Global Quality Framework outlines how we deliver quality and how every partner and staff member contributes to its delivery.

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.



Independence

As a firm, we are committed to being and being seen to be independent. We have strict rules and protocols to maintain our independence that meet or exceed those of the IESBA Code¹ and CPA Code. The following are the actions or safeguards applied to reduce or eliminate threats to an acceptable level:



Dedicated ethics & independence partners



Process for reporting breaches of professional standards and policy, and documented disciplinary policy



Ethics, independence and integrity training for all staff



International proprietary system used to evaluate and document threats to independence and those arising from conflicts of interest



Operating policies, procedures and guidance contained in our quality & risk management manual



Mandated procedures for evaluating independence of prospective audit clients



Restricted investments and relationships



Annual ethics and independence confirmation for staff

Statement of compliance

We confirm that, as of the date of this communication, **we are independent** of the City in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada.

¹ International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)

Appendices



Required
communications





Appendix A: Other required communications



Engagement terms

A copy of the engagement letter and any subsequent amendments has been provided to management and can be made available upon request from the Audit Committee. The current engagement letter in effect is dated December 16, 2024.



CPAB communication protocol

The reports available through the following links were published by the Canadian Public Accountability Board to inform Audit Committees and other stakeholders about the results of quality inspections conducted over the past year:

- [CPAB Regulatory Oversight Report: 2023 Annual Inspections Results](#)
- [CPAB Audit Quality Insights Report: 2024 Interim Inspections Results](#)
- [CPAB Regulatory Oversight Report: 2024 Annual Inspections Results](#)



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

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