



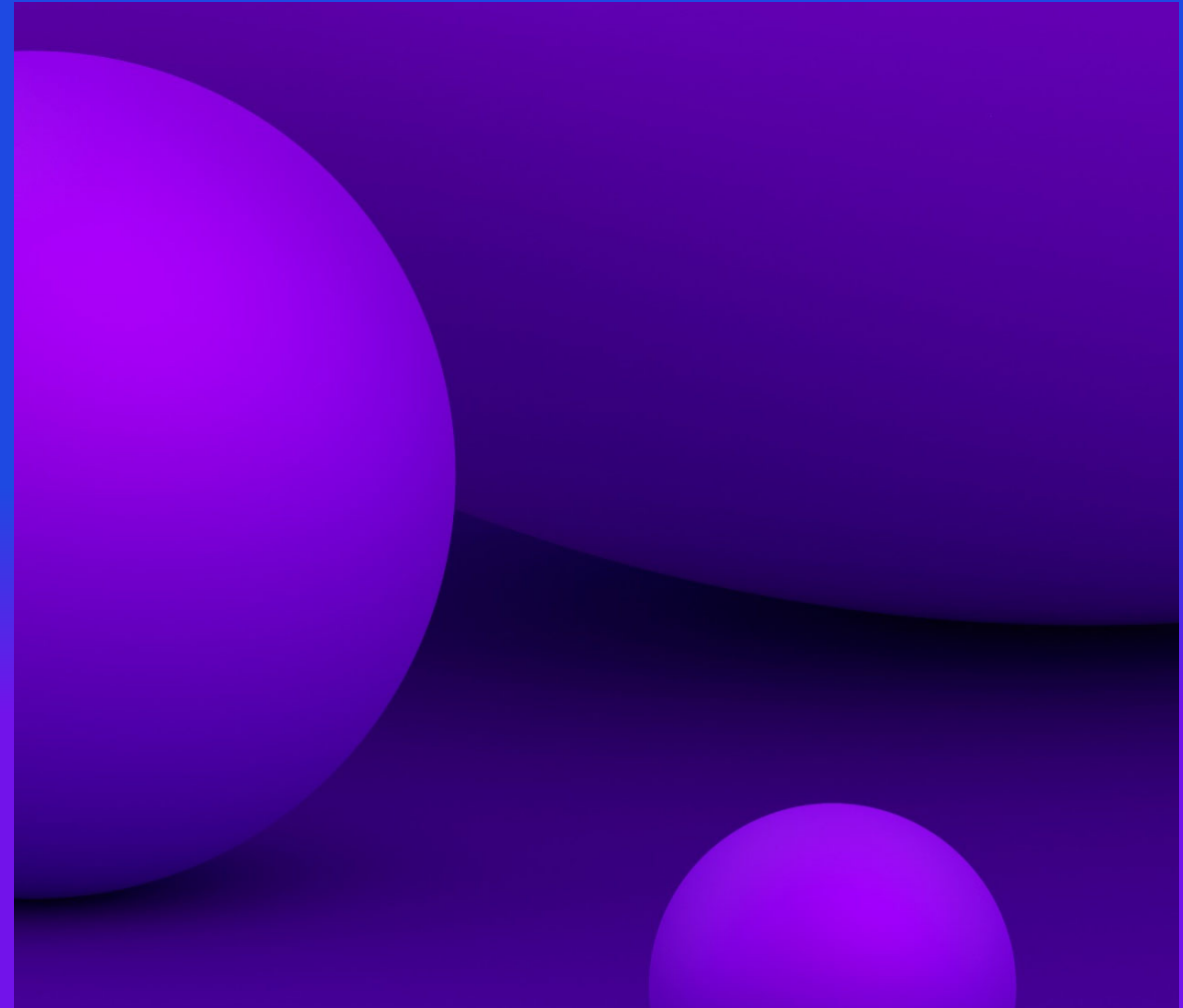
City of Sault Ste. Marie

**Audit Planning Report
for the year ending December 31, 2024**

KPMG LLP

Prepared as of March 4, 2025 for presentation to City Council on
March 17, 2025

kpmg.ca/audit



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Audit highlights



No matters to report



Matters to report – see link for details

Scope

Our audit of the consolidated financial statements (“financial statements”) of the City of Sault Ste. Marie and its controlled agencies, boards and commissions (“the City”) as of and for the year ending December 31, 2024, will be performed in accordance with Canadian generally accepted auditing standards.



[Engagement letter](#)

Audit strategy

Materiality \$4,400,000

Involvement of others

Audit strategy - Group audit

Total	Total assets	Total revenue
Total tested	>99%	>99%

Risk assessment

Risk of management override of controls

Other significant risks

Presumed risk of fraudulent revenue recognition

Key milestones

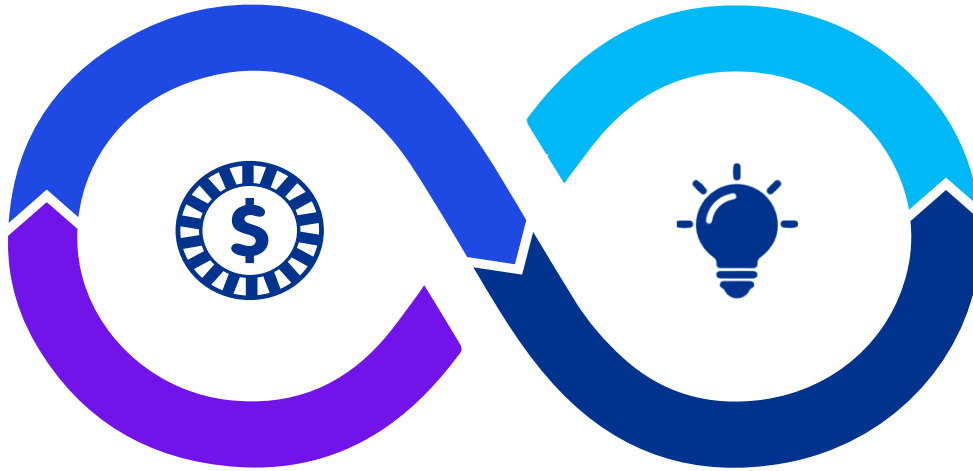
- Planning & Risk Assessment – December 2024
 - Risk Assessment & Interim Work – December 2024
 - Final Fieldwork – March and April 2025
 - Final Reporting – May and June 2025
-

The purpose of this report is to assist you, as a member of Council, in your review of the plan for our audit of the financial statements. This report is intended solely for the information and use of Management 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.





Materiality



We **initially determine materiality** at a level at which we consider that misstatements could reasonably be expected to influence the economic decisions of users. Determining materiality is a matter of **professional judgement**, considering both quantitative and qualitative factors, and is affected by our perception of the common financial information needs of users of the financial statements as a group. We do not consider the possible effect of misstatements on specific individual users, whose needs may vary widely.

We **reassess materiality** throughout the audit and revise materiality if we become aware of information that would have caused us to determine a different materiality level initially.

Plan and perform the audit

We **initially determine materiality** to provide a basis for:

- Determining the nature, timing and extent of risk assessment procedures;
- Identifying and assessing the risks of material misstatement; and
- Determining the nature, timing, and extent of further audit procedures.

We design our procedures to detect misstatements at a level less than materiality in individual accounts and disclosures, to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

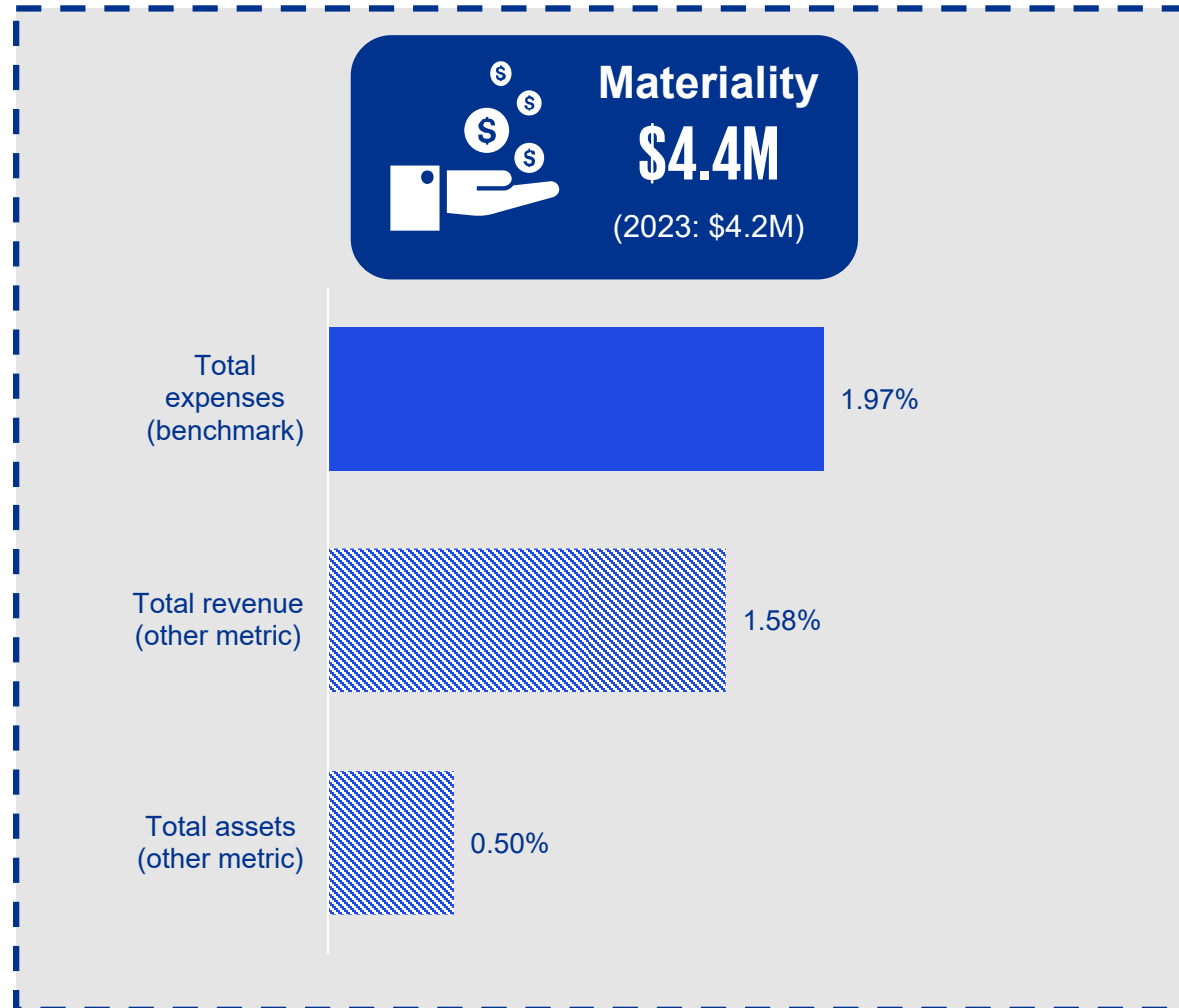
Evaluate the effect of misstatements

We also **use materiality** to evaluate the effect of:

- Identified misstatements on our audit; and
- Uncorrected misstatements, if any, on the financial statements and in forming our opinion.



Initial materiality



Total Revenues (2023)
\$278.1M
 (2022: \$260.9M)




Total Expenses (2023)
\$223.3M
 (2022: \$214.8M)

Total Assets (2023)
\$880.2M
 (2022: \$815.6M)



Group Audit Strategy

Components of the Group where further audit procedures are planned to be performed by the Group Auditor

 Component	 Basis of Presentation	 Nature of Work
City of Sault Ste. Marie		Statutory audit
Public Utilities Commission of the City of Sault Ste. Marie	Consolidated	Statutory audit
Sault Ste. Marie Public Library	Consolidated	Statutory audit
Tourism Sault Ste. Marie	Consolidated	Compilation
PUC Inc.	Modified equity	Statutory audit
PUC Services Inc.	Modified equity	Statutory audit



Significant risks

Our planning begins with an assessment of risks of material misstatement in your consolidated financial statements.

We draw upon our understanding of the City and its environment (e.g. the industry, the wider economic environment in which the City operates, etc.), our understanding of the County's components of its system of internal control, including our business process understanding.

	Risk of fraud	Risk of error
● Management Override of Controls	✓	
● Payroll Expenses and Associated Liabilities		✓
● Tangible Capital Assets		✓
● Employee Future Benefit Obligations		✓
● Government Grants		✓
● User Fees and Other Revenues		✓
● Operating Expenses and Associated Liabilities		✓
● Financial Reporting		✓

● PRESUMED RISK OF MATERIAL MISSTATEMENT

● OTHER AREA OF FOCUS





Significant risks



Management Override of Controls (non-rebuttable significant risk of material misstatement)

RISK OF



FRAUD

Why is it significant?

**Presumption
of the risk of fraud
resulting from
management
override of
controls**

Management is in a unique position to perpetrate fraud because of its 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 nevertheless is present in all entities.

Our planned response

As this presumed risk of material misstatement due to fraud 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 estimates
- evaluating the business rationale of significant unusual transactions.

We also make inquiries of senior management and the Audit Committee related to their awareness of fraud risk factors of the City (and related entities) and whether the City is currently dealing with any suspected, alleged or known fraudulent activity.



Key milestones and deliverables

December 2024



- Initial audit planning
- Perform preliminary risk assessment activities
- Conduct interim fieldwork

- Year-end audit fieldwork of City and group entities
- Completion of special reports

June 2025



- Presentation of Audit Findings Report to Council
- Council approval of final financial statements
- Finalization of special reports



March/April 2025





How do we deliver audit quality?

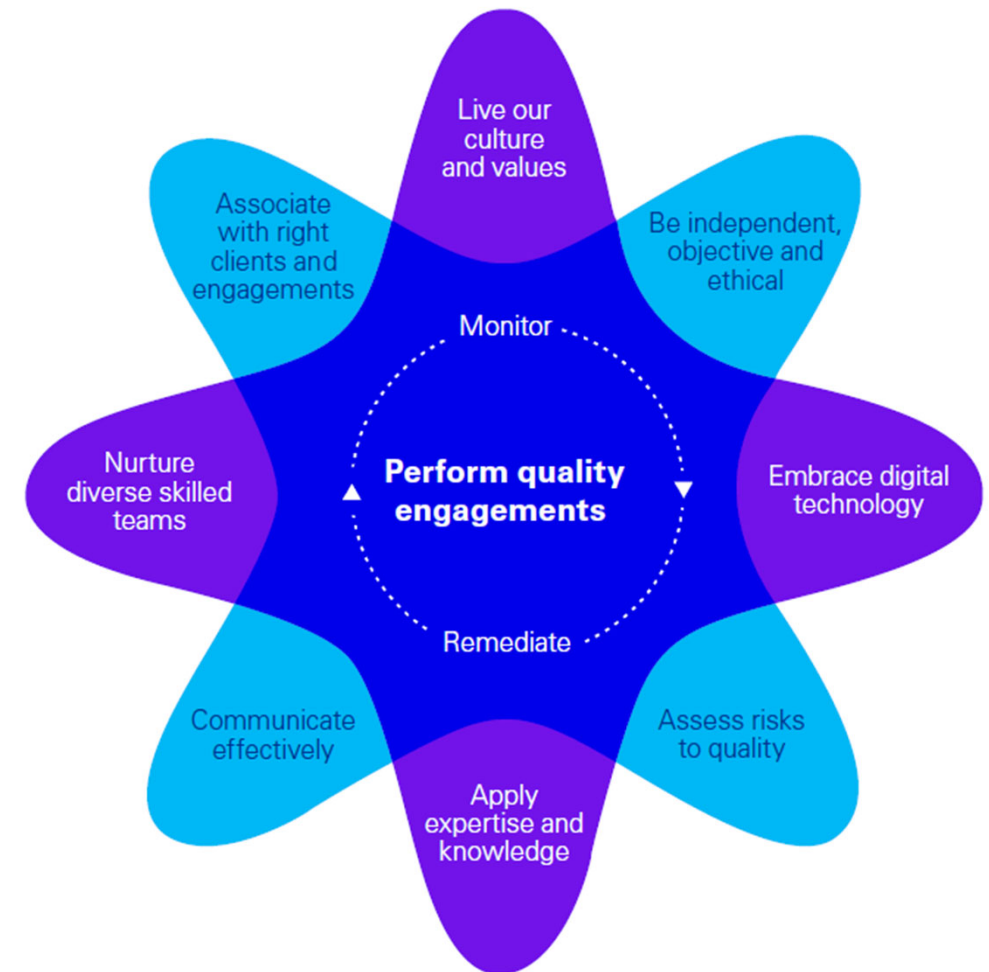
Quality essentially means doing the right thing and remains our highest priority. Our Global Quality Framework outlines how we deliver quality and how every partner and staff member contributes to its delivery.

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. Our Transparency Report includes our firm's Statement on the Effectiveness of our SoQM.

 [KPMG Canada Transparency Report](#)

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

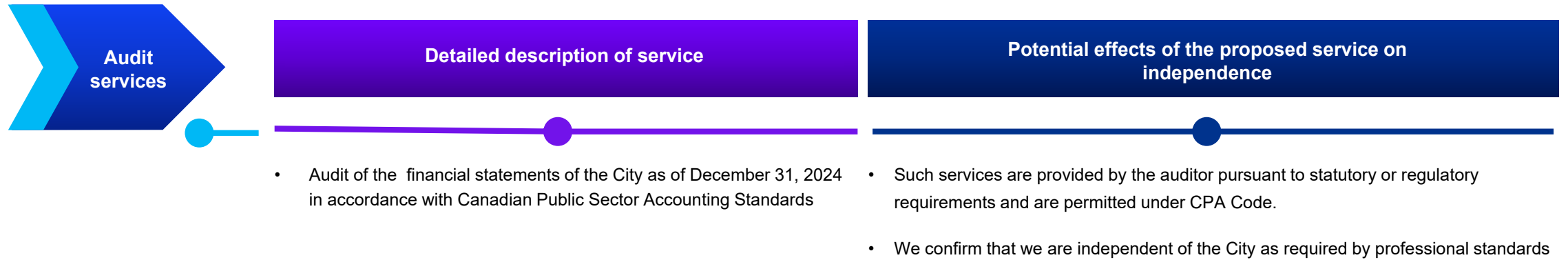
- audits are **executed consistently**, in line with the requirements and intent of **applicable professional standards** within a strong **system of quality management**; and
- all of our related activities are undertaken in an environment of the utmost level of **objectivity, independence, ethics and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



Doing the right thing. Always.



Independence



Appendices



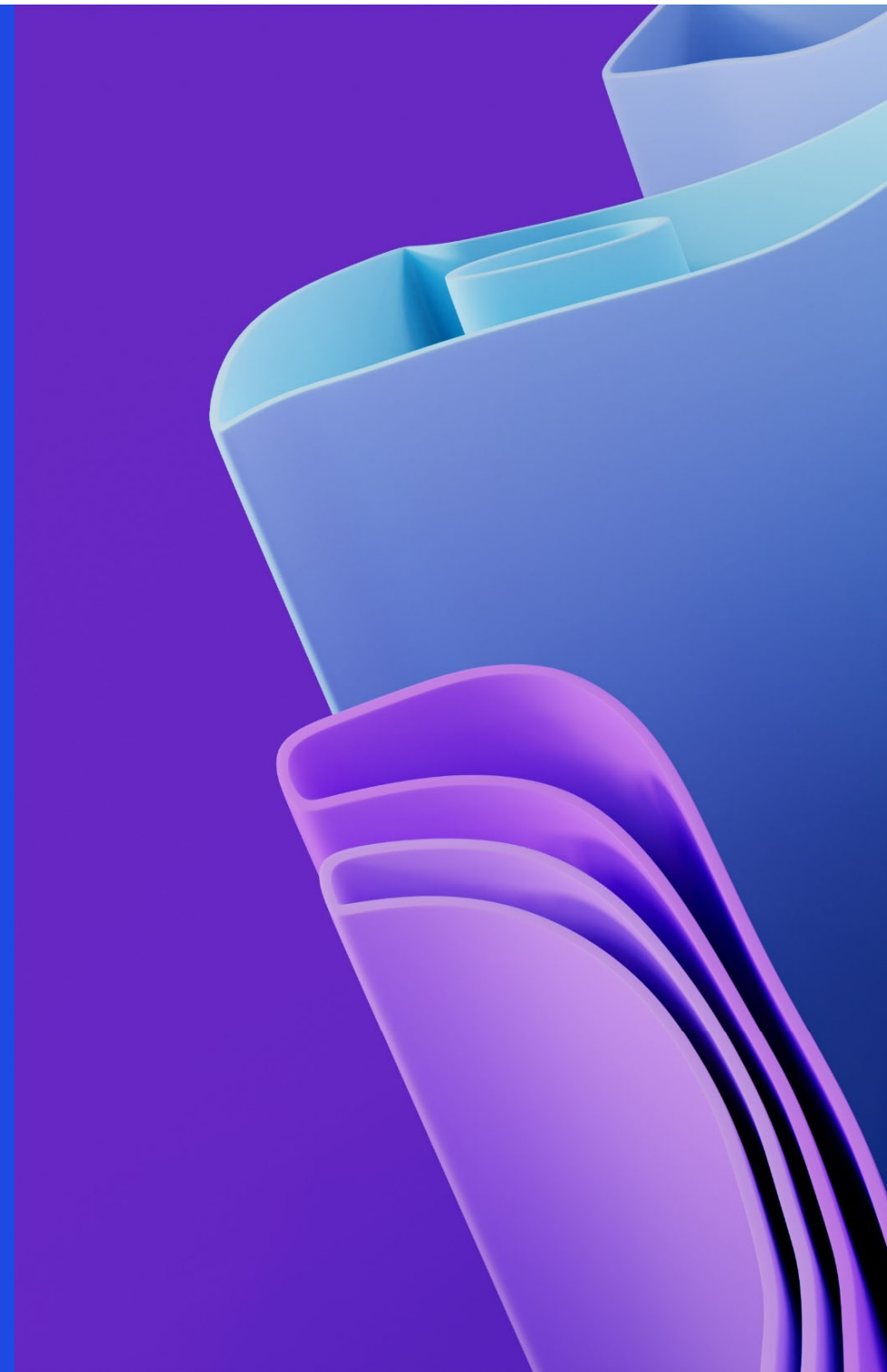
Regulatory
communications



New accounting
standards



New auditing
standards





Appendix A: Regulatory communications



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 Audit Quality Insights Report: 2022 Interim Inspections Results](#)
- [CPAB Audit Quality Insights Report: 2022 Annual Inspections Results](#)
- [CPAB Audit Quality Insights Report: 2023 Interim Inspections Results](#)
- [CPAB Regulatory Oversight Report: 2023 Annual Inspections Results](#)



Appendix B: Newly effective and upcoming changes to accounting standards

- The Public Sector Accounting Board has introduced a new revenue standard (PSAS 3400), effective for fiscal years beginning on or after April 1, 2023
- Standard applies to all revenue transactions with identified exclusions
 - Most notable are government transfers and voluntary non-reciprocal contributions
- Under the standard, revenue transactions fall under two categories
 - Exchange transactions, which involve the provision of goods or services for consideration with performance obligations for the City
 - Non-exchange transactions, which do not involve the direct transfer of goods or services by the City and do not contain performance obligations
- The new standard is not anticipated to have a material effect on the City



Appendix C: Newly effective and upcoming changes to auditing standards

For more information on newly effective and upcoming changes to auditing standards - see Current Developments 

Effective for periods beginning on or after December 15, 2023

ISA 600/CAS 600

.....
Revised special considerations – Audits of group financial statements

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



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