



# Corporation of the City of Port Coquitlam

**Audit Findings Report  
for the year ended December 31, 2023**

*KPMG LLP*

Dated April 30, 2024, for presentation on May 7, 2024

[kpmg.ca/audit](https://kpmg.ca/audit)



# KPMG contacts

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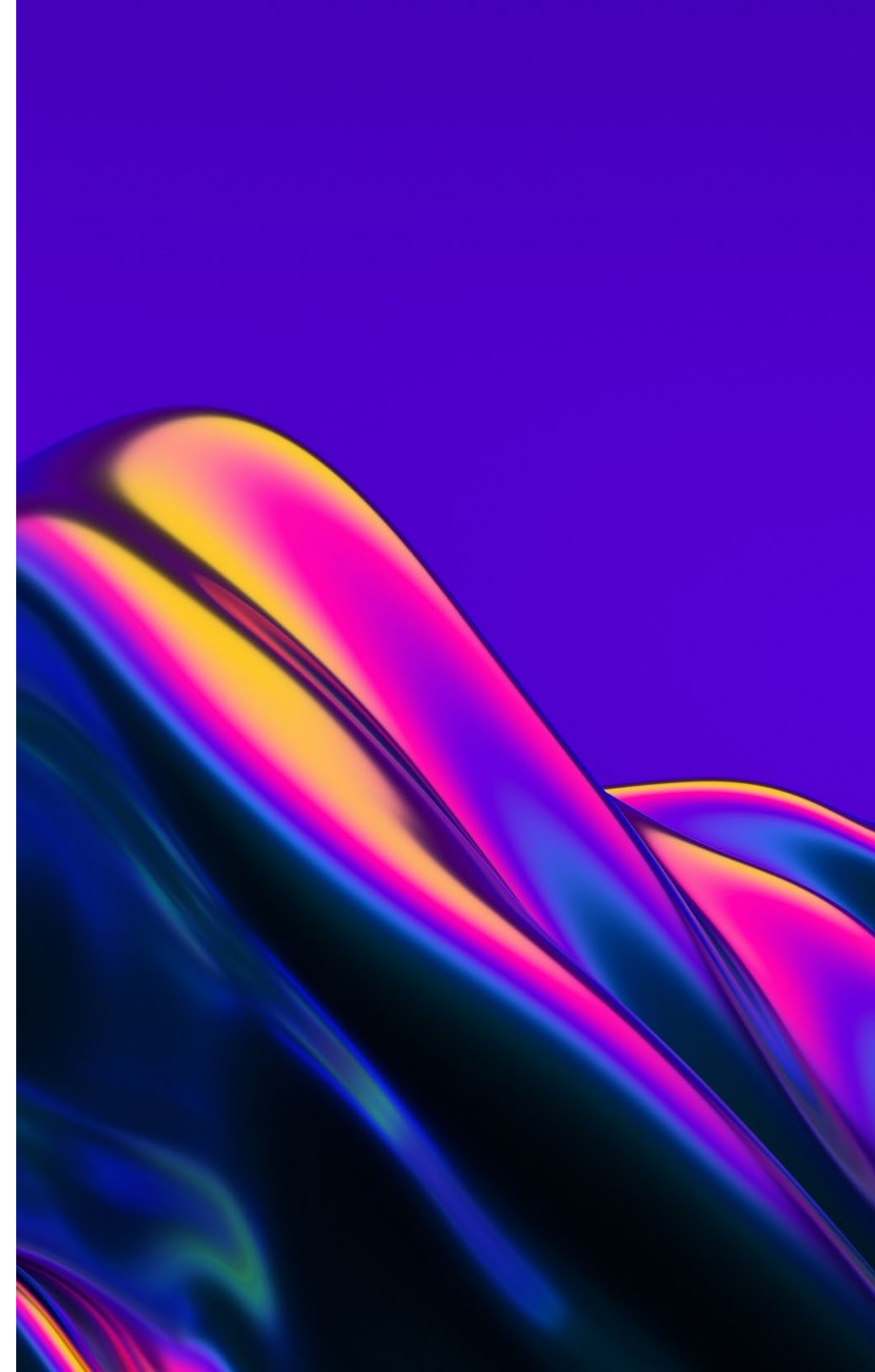
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## Digital use information

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.



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The purpose of this report is to assist you, as a member of Council (“Council”), in your review of the results of our audit of the consolidated 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 – see link for details

## Purpose of this report

The purpose of this Audit Findings Report is to assist you, as a member Council, in your review of the results of our audit of the consolidated financial statements (hereinafter referred to as the “financial statements”) of the City of Port Coquitlam (the “City”) as at and for the year ended December 31, 2023. This Audit Findings Report builds on the Audit Plan we presented to Council on January 9, 2024. Our audit has been performed in accordance with Canadian generally accepted auditing standards (CAS).

## 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:

- Completing audit procedures over asset retirement obligations
- Finalizing audit file 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 attached to the draft financial statements, will be dated upon the completion of any remaining procedures.

## Significant changes



### Significant changes since our audit plan

There are no significant changes to our audit plan, which was originally communicated to you in the audit planning report, except for our re-evaluation of materiality based on actual results.



## Current developments

There have been no updates to the current developments included in our Audit Planning Report that was previously provided to you.

## Risks and results



### Significant risks



### Other risks of material misstatement



### Going concern matters



# Audit highlights (continued)



No matters to report



Matters to report – see link for details

## Uncorrected misstatements



### Uncorrected misstatements

We did not identify any uncorrected audit misstatements.

## Corrected misstatements



### Corrected misstatements

We did not identify any corrected audit misstatements.

## Control deficiencies



### Significant deficiencies

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



### Other control deficiencies

We did not identify any other control deficiencies in the current year.

## Policies and practices



### Significant unusual transactions



### Accounting policies and practices



## Quality control and Independence

We confirm that we are independent with respect to 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, 2023 up to the date of this report.



# Changes to audit plan

## Materiality

As part of the audit plan, we make a preliminary determination of materiality based on a combination of quantitative and qualitative factors. Our preliminary materiality for the 2023 audit, as presented in our audit planning report, was \$2,700,000 based on a percentage of total prior year (2022) expenses of 2.4%.

At the beginning of year-end audit fieldwork, we reassessed materiality to be \$2,900,000 based on 2.4% of total actual 2023 expenses.

We note that as the City's audit is a group audit, we continued to apply a materiality of \$2,700,000 in our audit of the City component.



# Significant risks and results



## Management override of controls

RISK OF



FRAUD

### Significant risk

### Estimate?

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.

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 issues noted in our audit testing described above.





# Other risks of material misstatement and results

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



## Asset Retirement Obligations (“ARO”) – new accounting standard

### Background

PS 3280 Asset Retirement Obligations (“PS 3280”) is a new accounting standard effective for the City’s 2023 fiscal year. The new standard addresses the recognition, measurement, presentation, and disclosure of legal obligations associated with the retirement of certain controlled Tangible Capital Assets (“TCA”). The City adopted this new accounting standard on a prospective basis. As at December 31 2023, due to the adoption of the new accounting standard, the City has recognized a liability for asset retirement obligations (“ARO”) of \$2,508,693. The initial cost was capitalized as part of the carrying amount of the related tangible capital asset for assets that are recognized and in productive use.

### Estimate?

Yes – Expenditures required to retire a tangible capital asset

### Our response

- We obtained an understanding of management’s process for implementing PS 3280, including how in-scope TCA were identified, sources of information used, and significant measurement data, assumptions and decisions.
- We assessed whether the asset retirement obligations accounting policy set by management was in accordance with PS 3280.
- We obtained a list of TCA that reconciles to the general ledger and reviewed the listing to ensure management’s identification of TCA with potential in-scope retirement obligations is accurate and complete.
- We inquired with Management and confirmed that there were no additional legal agreements, such as lease agreements, entered into by the City that contractually obligates the City to an asset retirement obligation other than those already identified.
- We obtained Management’s calculation of the ARO liability, including accretion expense, and the incremental amortization expense. We verified the mathematical accuracy of the calculations and agreed a sample of inputs to supporting documentation and agreed the reasonableness of significant assumptions and judgments made to measure the liability.
- Management engaged several environmental consultants to determine the inputs in the calculation of the liability. We reviewed the consultant reports and related supporting documentation for the asset retirement obligations. We assessed the reasonableness of significant assumptions used by the environmental consultants and also whether reliance can be placed on consultant reports as audit evidence.





# Other risks of material misstatement and results

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



## Asset Retirement Obligations (“ARO”) – new accounting standard (continued)

### Our response

- We reviewed the application of the prospective provisions applied by management for the initial implementation of the accounting standard.
- We reviewed the financial statement presentation and note disclosures to ensure it is consistent with the guidance in PS 3280.
- We discussed with management that the ARO liability will need to be monitored on an annual basis to keep track of any retirement of AROs or changes in rates used in the determination of the liability and make adjustments as necessary.

### Our findings

As noted in the *Status* section on page 4, we are completing our audit procedures over asset retirement obligations. No issues have been identified based on procedure completed 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**.



## Financial instruments – new accounting standard

### Background

### Estimate?

No

The new standard PS 3450 *Financial Instruments*, PS 2601 *Foreign currency translation*, PS 1201 *Financial statement presentation* and PS 3041 *Portfolio Investments* are effective for the City's 2023 fiscal year. Equity instruments quoted in an active market and derivatives are required to be measured at fair value. All other financial instruments can be carried at cost/amortized cost or fair value depending on the City's accounting policy choice.

### Our response

- We reviewed management's documentation of the process applied to analyze the appropriate recognition, measurement, presentation and disclosure of financial instruments.
- We obtained an understanding of the significant account policies applied to financial instruments to ensure they comply with the new accounting standard.
- We ensured financial instruments have been appropriately recognized and measured in accordance with the new accounting standard.
- We reviewed the financial statement presentation and note disclosures to ensure that it is consistent with the new accounting standard.

### Our findings

There were no issues noted in our testing.



# Other risks of material misstatement and results

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



## Tangible Capital Assets (“TCA”)

### Background

### 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.

Yes - the established useful lives of TCA

### 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 contributed assets in the population and considering WIP/AUC 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.

### Our findings

There were no issues noted in our testing.



# Other risks of material misstatement and results (continued)

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



## Development cost charges

### Background

### Estimate?

The City levies development cost charges on new development to pay for new or expanded infrastructure such as sewer, water, drainage, parks and roads necessary to adequately service the demands of that new development.

No

### Our response

- We updated our understanding of the process activities and controls over DCC.
- We selected a sample of DCC contributions, recalculated the total amount, agreed each factor in the calculation to supporting documentation (e.g., Council-approved rates) and agreed the amount recorded to cash receipts or letters of credit.
- We selected a sample of permits approved in 2023 and ensured that the corresponding DCC was appropriately calculated and recorded.
- We selected a sample of letters of credit held by the City and confirmed the authenticity of the letters of credit with the financial institution.
- We obtained interest allocation schedule, verified its mathematical accuracy and recalculated the average interest rate for the year by DCC category.
- We reviewed the financial statement note disclosure to ensure it is complete and accurate.

### Our findings

There were no issues noted in our testing.



# Other risks of material misstatement and results (continued)

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



## Accumulated reserves

### Background

### Estimate?

Accumulated reserves are surpluses that have been set aside for specific purposes by the City

No

### Our response

- We updated our understanding of the process activities and controls over reserves.
- We obtained the continuity schedule, verified its mathematical accuracy, and performed substantive procedures over transfers in and transfers out.
- We reviewed the financial statement note disclosure to ensure it is complete and accurate.

### Our findings

There were no issues noted in our testing.



# Accounting policies and practices



## Significant accounting policies

- There have been no initial selections of, or changes to, significant accounting policies and practices, except for the adoption of Canadian public standard *PS 3280 Asset Retirement Obligations* (refer pages 8 to 9) and new financial instruments standards *PS 3450 Financial instruments*, *PS 2601 Foreign currency translation*, *PS 1201 Financial statement presentation* and *PS 3041 Portfolio investments* (refer page 10).
- 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.



## Significant accounting estimates

- 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 disclosures and financial statement presentation

- 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 observations

## 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 significant deficiency in internal control over financial reporting is a deficiency, or combination of deficiencies, in internal control that, in the auditor’s professional judgment, is of sufficient importance to merit the attention of those charged with governance.

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





# Appendix: Audit quality - How do we deliver audit quality?

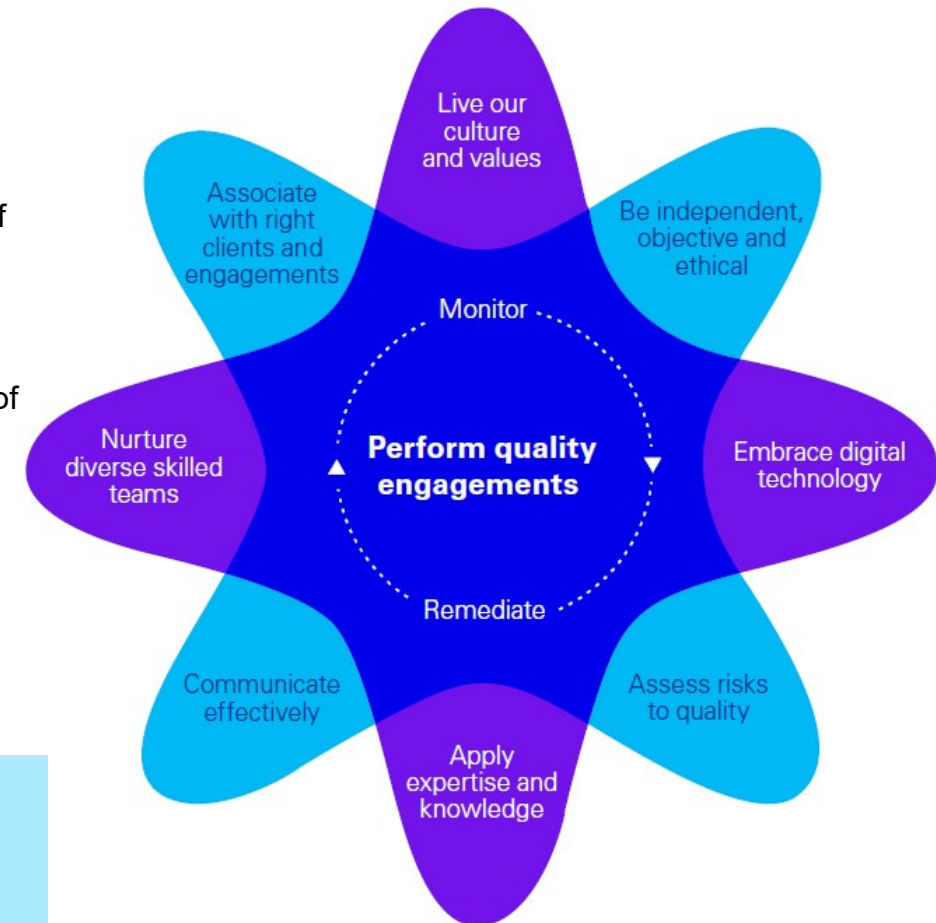
Quality essentially means doing the right thing and remains our highest priority. Our Global Quality Framework outlines how we deliver quality and how every partner and staff member contributes to its delivery.

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

 [KPMG 2023 Audit Quality and 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

1

Required  
communications

2

Management  
representation  
letter





# Appendix 1: Required communications

## Draft auditor's report

The conclusion of our audit is set out in our draft auditor's report attached to the draft financial statements.

## Audit findings report

Represented by this report.

## Management representation letter



In accordance with professional standards, a copy of the management representation letters for the City are included in Appendix 2.

## Internal control deficiencies



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

We did not identify any new other observations in during the audit.

## Independence



In accordance with professional standards, we have confirmed our independence on page 5.



# Appendix 2: Management representation letter

**(Letterhead of Client)**

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

May 7, 2024

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the consolidated financial statements (hereinafter referred to as “financial statements”) of Corporation of the City of Port Coquitlam (“the Entity”) as at and for the year ended December 31, 2023.

*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 contract dated October 26, 2021, 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, 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.

*Other information:*

- 11) We confirm that the final version of the 2023 Annual 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:*

- 12) 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).
- 13) 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.

*Approval of financial statements:*

- 14) Jeffrey Lovell has the recognized authority to take, and has taken, responsibility for the financial statements.



Yours very truly,

---

Rob Bremner, Chief Administrative Officer

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Jeffrey Lovell, Director of Finance

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Matthew Mydske, Manager of Accounting Services

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.



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

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