

City of Mississauga
Corporate Report



<p>Date: April 19, 2024</p> <p>To: Chair and Members of Audit Committee</p>	<p>Originator's files:</p>
<p>From: Shari Lichterman, CPA, CMA, City Manager and Chief Administrative Officer</p>	<p>Meeting date: May 13, 2024</p>

Subject

2023 External Audit Findings Report

Recommendation

That the corporate report dated April 19, 2024 entitled "2023 External Audit Findings Report", from the City Manager and Chief Administrative Officer, be received for information.

Executive Summary

- The City's external auditor, KPMG LLP, has completed the audit of the City's consolidated financial statements, and has rendered an opinion that the financial statements are presented fairly, in all material respects, in accordance with Canadian public sector accounting standards.
- The 2023 External Audit Findings Report provides an overview of the 2023 audit process and findings and highlights those matters on which the audit firm wishes to advise Audit Committee.
- Audit Committee is responsible for reviewing any reports and correspondence from the external audit firm relating to the City and any local boards or agencies, which may be created.
- There was one uncorrected misstatement and one corrected misstatement identified during the audit.

Background

Audit Committee's Terms of Reference (By-law 0049-2024) establishes the roles and responsibilities of Audit Committee, including reviewing and making recommendations to Council regarding the external audit function, internal audit function, financial reporting, internal controls and compliance. Audit Committee is responsible for reviewing any reports and correspondence from the external audit firm (KPMG LLP) relating to the City and any local boards or agencies which may be created. For the fiscal year 2023, local boards and agencies

include Tourism Mississauga, the Mississauga Public Library Board, Enersource Corporation, and the five Business Improvement Areas.

Comments

KPMG has now completed the statutory audit for the fiscal year 2023 and has issued an Audit Findings Report for information. Per the independent auditor's report that accompanies the City's 2023 consolidated financial statements, KPMG has rendered an opinion that the City's financial statements present fairly, in all material respects, in accordance with Canadian public sector accounting standards.

The 2023 External Audit Findings Report assists Audit Committee in the review of the City's Consolidated Financial Statements, and provides an overview and summary of the findings and an assessment of the completed audit. The report also provides information and comments regarding the following areas:

- Significant changes to the audit plan.
- Significant audit risks and results.
- Audit misstatements.
- Significant unusual transactions.
- Control deficiencies.
- Accounting policies, practices and other financial reporting matters.

Audit Misstatements

There was one uncorrected misstatement presenting an increase to revenue and a reduction to opening accumulated surplus for \$12M, related to an out of period adjustment to obligatory reserve funds. The adjustment resulted in a correct ending accumulated surplus. However as the opening accumulated surplus was not adjusted, this resulted in the item being recorded as an uncorrected error. Based on both qualitative and quantitative considerations, management has decided not to correct the misstatement and represented to KPMG that the misstatement, individually and in the aggregate, is in their judgment, not material to the financial statements. KPMG concurs with management's representation.

There was also one corrected misstatement during the audit. KPMG identified that management had recognized the surplus arising from long-term disability benefits insurance premiums collected and actual claims paid out as Development and other contributions applied (revenue). These funds are to be used towards actual claims in the future, the remaining surplus does not represent revenues but instead represent a liability (deferred revenue). Management corrected this error by recording \$10M as a reduction in development and other contributions applied (revenue) and a corresponding recognition of deferred revenue – general (liability).

Given that the uncorrected and corrected audit misstatements are not material to the City's Consolidated Financial Statements, it does not affect the KPMG's opinion of the City's financial statements.

Financial Impact

There are no financial impacts resulting from the recommendation in this report.

Conclusion

The 2023 External Audit Findings Report provides an overview of the 2023 audit results. The report highlights any findings and/or audit observations and recommendations for Audit Committee's review and consideration.

There was one uncorrected misstatement and one corrected misstatement identified, however the misstatements are not material to the City's Consolidated Financial Statements and does not affect KPMG's audit opinion.

Attachments

Appendix 1: 2023 Management Representation Letter

Appendix 2: 2023 External Audit Findings Report



Shari Lichterman, CPA, CMA, City Manager and Chief Administrative Officer

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