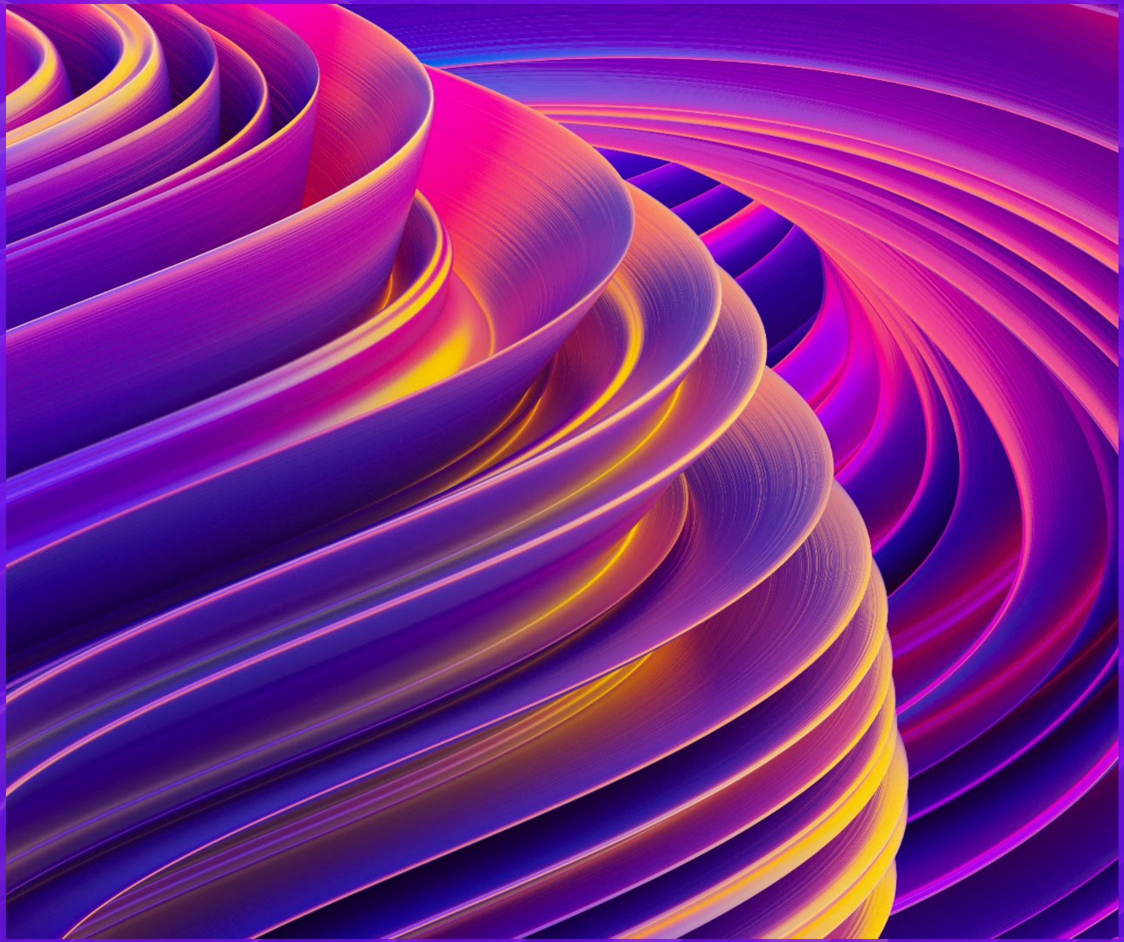
The Town of Grimsby



Audit Findings Report for the year ended December 31, 2024

Prepared as of July 17, 2025 for presentation to the Audit committee on July 24, 2025.

kpmg.ca/audit

KPMG contacts

Key contacts in connection with this engagement

Carlos Alvarez
Audit Engagement Partner
905-523-2238
carlosalvarez@kpmg.ca

Daniel Glasbergen
Audit Senior Manager
905-523-6851
dglasbergen@kpmg.ca

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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.

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 consolidated 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

- Management override of controls (see page 7)

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

We did not identify any misstatements during our audit which were not corrected in the financial statements.

Misstatements - Corrected

Corrected misstatements

We did not identify any misstatement during our audit which required to be corrected in the financial statements.

Control deficiencies

Significant deficiencies

We did not identify any significant control deficiencies during the process understanding of our audit.

Audit Quality

Learn more about how we deliver audit quality.

Independence

Annual Statement of Compliance

Refer to slide 18 for annual independence confirmation.

Technology highlights

As previously communicated in our audit planning report, we have utilized technology to enhance the quality and effectiveness of the audit.

Summary of advanced technologies

KPMG Clara Workflow (KCW)

A modern, intuitively written, highly applicable audit methodology that allows us to deliver globally consistent engagements. The tool allowed us to identify and respond to relevant risks, document our audit procedures, conclusions, and reporting.

KPMG Clara for Clients (KCFC)

Allows the client team to see the real-time status of the engagement and who from our KPMG team is leading on a deliverable. The tool was used to control the status of audit requirements and as a collaboration site to share files and data.

Monetary Unit Sampling

Sampling tool embedded in our KCw application used by the engagement team to calculate the most efficient sample sizes based on the specific risk considerations of an account and assertion, select and extract items from a population, and evaluate our results after audit procedures have been performed over selected items.

KPMG's software audit tools are intended to be used as internal enablement tools in conjunction with the performance of audit services. Information resulting from use of software audit tools may not be used as a basis for management's conclusions as to the fairness of presentation of its financial statements or form a part of the internal control.

Status

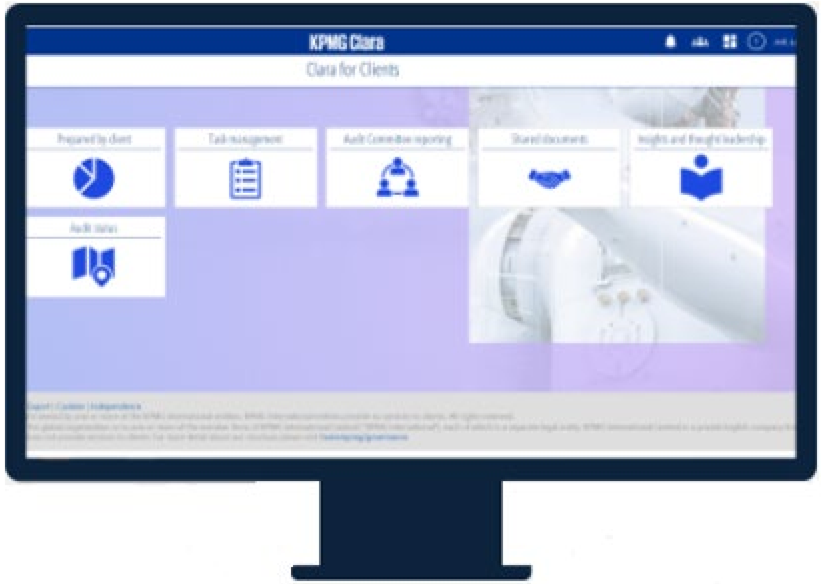
As of the date of this report on July 17, we have completed the audit of the consolidated financial statements, with the exception of certain remaining procedures, which include amongst others:

- Final completion procedures
- Completing our discussions with the committee
- Obtaining evidence of Council's approval of the financial statements
- Receipt of signed management representation letter.

We will update the committee 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 Appendix: Draft Auditor's Report.

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

Significant changes

We have made the following significant changes since our communication in the Audit Planning Report:

Audit strategy		More details
Significant changes to materiality	Nothing to report	
Significant change to involvement of others	Nothing to report	
Audit strategy – Group audit		
Significant changes to the group audit strategy, including scoping and involvement of component auditors	Nothing to report. There is a new group audit standard for fiscal 2024 which did not have a significant impact on our audits.	
Significant changes to the nature of our involvement in the work of component auditors	Nothing to report.	
Key milestones and deliverables		
<Significant changes to key milestones and deliverables>	Nothing to report.	

Significant risks and results

We highlight our significant findings in respect of **significant risks.**

Fraud risk arising from management override of controls.

RISK OF
ERROR FRAUD

Significant risk	Estimate?	Key audit matter?
Fraud risk arising from management override of controls refers to the potential for management to bypass established procedures and internal controls, thereby manipulating financial reporting and concealing fraudulent activities. Therefore, management override of controls is a significant risk for all audits. Our audit methodology incorporates the required procedures in professional standards to address the risk of management override of controls.	No	No

Our response

- To respond to the risk of management override of controls we test the appropriateness of journal entries and other adjustments and evaluate the existence of any management bias in the preparation of accounting estimates.
- In responding to risks of fraud and management override of controls, we set specific criteria to isolate high risk journal entries and adjustments in order to analyze for further insights into our audit procedures and findings. We focused on journal entries that could possible be related to override activities.
- No issues were noted based on the completion of our journal entry testing.

Significant qualitative aspects of the Company's accounting practices

No evidence of bias observed in selection or application of the Town's accounting policies and practices or in the development of estimates.

Other risks of material misstatement and results

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

Presumption of risk of fraud involving improper revenue recognition

Other risk of material misstatement	Estimate?	Key audit matter?
This presumed fraud risk related to inappropriate recognition of revenue is a rebuttable fraud risk which we must consider in each audit. As disclosed in our audit plan, we have rebutted the presumption that there is a significant fraud risk related to revenue recognition. This is based on the nature of the Town and its primary revenue streams, the majority of which are third party in nature, specifically from Government which can be confirmed with funders and agreed to underlying agreements.	No	No

Our response

Regardless of our rebuttal of the presumption of fraud risk, in accordance with our planned approach, we have substantively tested all material revenue accounts to ensure we have obtained adequate audit evidence over the completeness, existence and accuracy of revenue and its related accounts.

Due to the nature of Government funded-related revenues, we were able to substantively test material revenue accounts and captions with procedures primarily including vouching to funding letters issued by the Government and observation of deposits to the bank account when funding is received. This allowed us to obtain significant audit coverage over revenues and mitigate the presumed fraud risk related to revenue.

Similarly, we are able to audit the annual tax levy revenue based on the published rates for the year, allowing 100% coverage over this material revenue stream.

Significant qualitative aspects of the Company's accounting practices

We did not identify any issues with respect to revenue recognition accounting policies and have no reportable findings.

Other risks of material misstatement and results

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

Tangible Capital Assets

Other risk of material misstatement	Estimate?	Key audit matter?
Tangible Capital Assets We are focusing on this area due to the significance of the account balances and the fact that there is a risk of error in recognition of costs as either capital or operating.	No	No

Our response

Our procedures included:

- We rolled the tangible capital asset continuity schedule, including tie-out to the general ledger and financial statements.
- We performed statistical sampling to select tangible capital asset additions, work in progress and disposals in the year and vouched to third party supporting documentation and assessed whether capitalization was appropriate.
- We reviewed expense accounts to ensure that items related to tangible capital assets were not inappropriately expensed during the year.
- We tested the reasonableness of amortization expense.
- Review and testing of the Asset Retirement Obligation estimate, including updates from the previous year's initial implementation.

Significant qualitative aspects of the Company's accounting practices

No significant qualitative aspects to note.

Other risks of material misstatement and results

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

Operating Expenses, including payroll and employee future benefits

Other risk of material misstatement	Estimate?	Key audit matter?
Risk of material misstatement related to the completeness, existence and accuracy of expenses Post employment benefit liabilities involves the use of an actuary, testing of assumptions and calculations which we assess for reasonability.	Yes – Post Employment benefits	No

Our response

Our procedures included:

Operating expenses, including payroll

- We performed substantive sampling of operating expenditures, vouching to third party supporting documentation.
- A search for unrecorded liabilities was performed to ensure all 2024 expenses and accruals have been properly recorded.
- Additionally, we performed substantive procedures over payroll expenses and payroll accruals.

Post employment benefits

- We obtained most recent actuarial valuation and reviewed valuation to gain an understanding of assumptions and data used by management's expert
- We tested assumptions to ensure that assumptions used were appropriate
- We reviewed financial statement disclosures to ensure disclosures are adequate.

Significant qualitative aspects of the Company's accounting practices

No significant qualitative aspects to note.

Accounting policies and practices

Description of new or revised significant accounting policies and practices

PS 3400 – Revenue

Previous standards provided guidance for revenue recognition on primary revenue streams such as taxation revenue and government grants. The new standard provides general recognition guidance to provide consistency for other streams not previously covered by existing public sector standards.

PSG-8 – Purchased Intangibles

This standard governs recognition of intangible assets which were acquired through an exchange transaction, namely an arm's length exchange between two willing parties (as opposed to inter-entity transfers, which are excluded).

PS 3160 – Public Private Partnerships

Public private partnerships ("P3s") are an alternative procurement and finance model where public sector entities purchase infrastructure using a private sector partner.

Each of the above standards were adopted and implemented by the Town as required by Public Sector Accounting Standards PSG-8 and PS 3160 had no impact on the Town. There was one impact as a result of adoption of PS 3400 as noted in the consolidated financial statements. Disclosures have been added to the consolidated financial statements to summarize these new accounting policies and impacts.

Other financial reporting matters

We also highlight the following:

Financial statement presentation - form, arrangement, and content	The form, arrangement, and content of the financial statements are appropriate for the size, scope, and industry of the organization.
Concerns regarding application of new accounting pronouncements	The application of the new accounting standards is considered appropriate for the organization.
Significant qualitative aspects of financial statement presentation and disclosure	There are no concerns with respect to the presentation or disclosure of the financial statements; the financial statement presentation and disclosure is considered appropriate for the organization.

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
Other matters that are relevant matters of governance interest	No matters to report

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.

KPMG has not identified any significant control deficiencies as a result of our audit. We received the full support and co-operation of the management team and they were responsive to audit requests throughout the engagement.

Audit quality - How do we deliver audit quality?

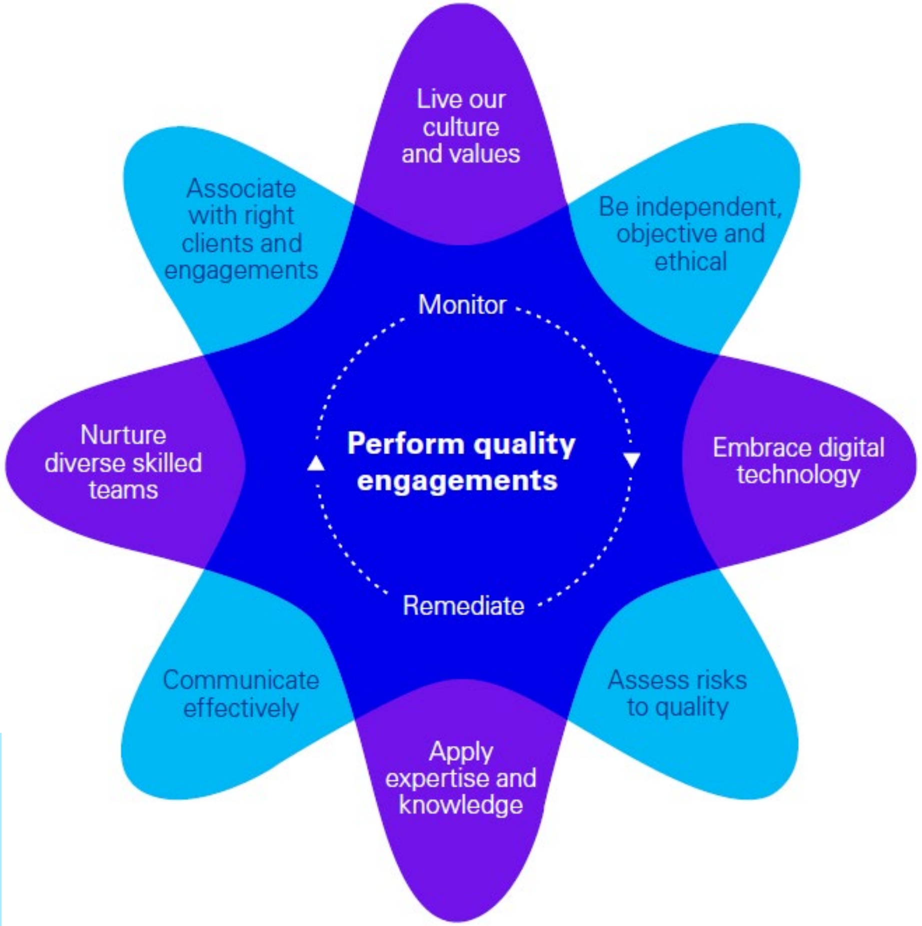
Quality essentially means doing the right thing and remains our highest priority. Our Global Quality Framework outlines how we deliver quality and how every partner and staff member contributes to its delivery.

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 Code[1] 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 polices, 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 Town and its related entities 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

A Required communications

B Draft Audit Report

C Management Rep Letter

D New auditing standards

E Insights

F Technology

Appendix: Other required communications

Engagement terms

A copy of the engagement letter and any subsequent amendments is available to Council.

We confirm there have been no changes to the most recently executed engagement letter since initial approval.

Appendix: Draft auditor’s report

Refer to copy of auditor’s report attached to the draft financial statements included within the meeting package. The planned auditor’s report is unqualified.

Appendix: Management representation letter(s)

A management representation letter will be provided to the Town for signature prior to the release of our auditor's report.

Appendix: Newly effective and upcoming changes to auditing standards

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

KPMG

Appendix: Audit and assurance insights

Our latest thinking on the issues that matter most to Councils, Audit Committees, board of directors and management. Key areas of support to strengthen and help businesses evolve and adapt including:

1. **Cyber security** services
2. **Lean process reviews** to assist with succession and efficiencies
3. Assisting entities with creating **AI strategy and adopting AI tools**
4. Annual fraud prevention support.
5. ESG discovery sessions

We would welcome the opportunity to help your business continue to move forward in these and other areas.

KPMG Audit & Assurance Insights

Curated research and insights for audit committees and boards.

Sustainability Reporting

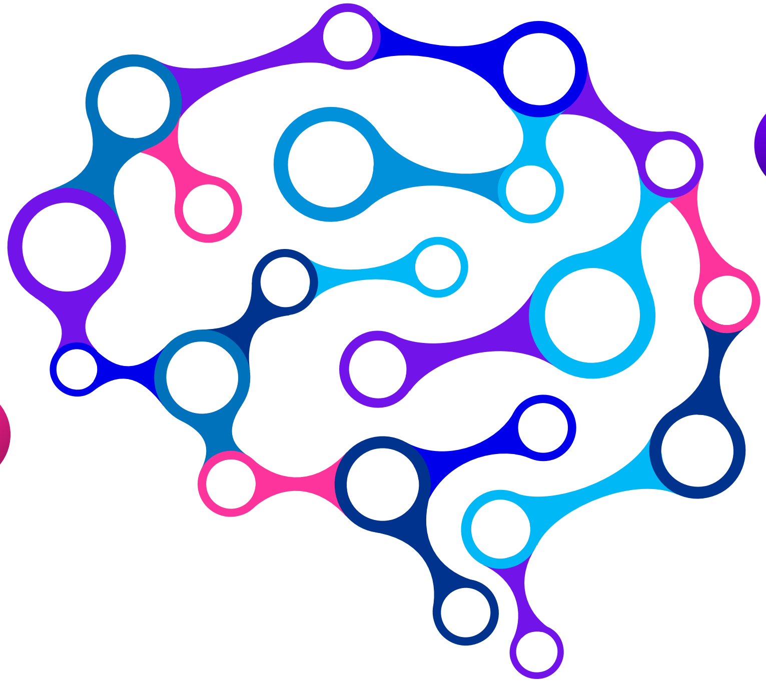
Resource centre on implementing the new Canadian reporting standards

Board Leadership Centre

Leading insights to help board members maximize boardroom opportunities

Accelerate - The key issues driving the audit committee agenda

Discover the most pressing risks and opportunities that face audit committees, boards and management teams.



Current Developments

Series of quarterly publications for Canadian businesses including Spotlight on IFRS, Canadian Assurance & Related Services, Canadian Securities Matters, and US Outlook reports.

Audit Committee Guide – Canadian Edition

A practical guide providing insight into current challenges and leading practices shaping audit committee effectiveness in Canada.

Appendix: Continuous evolution

Our investment:

We are in the midst of a five-year investment to develop our people, digital capabilities, and advanced technology.

Responsive delivery model

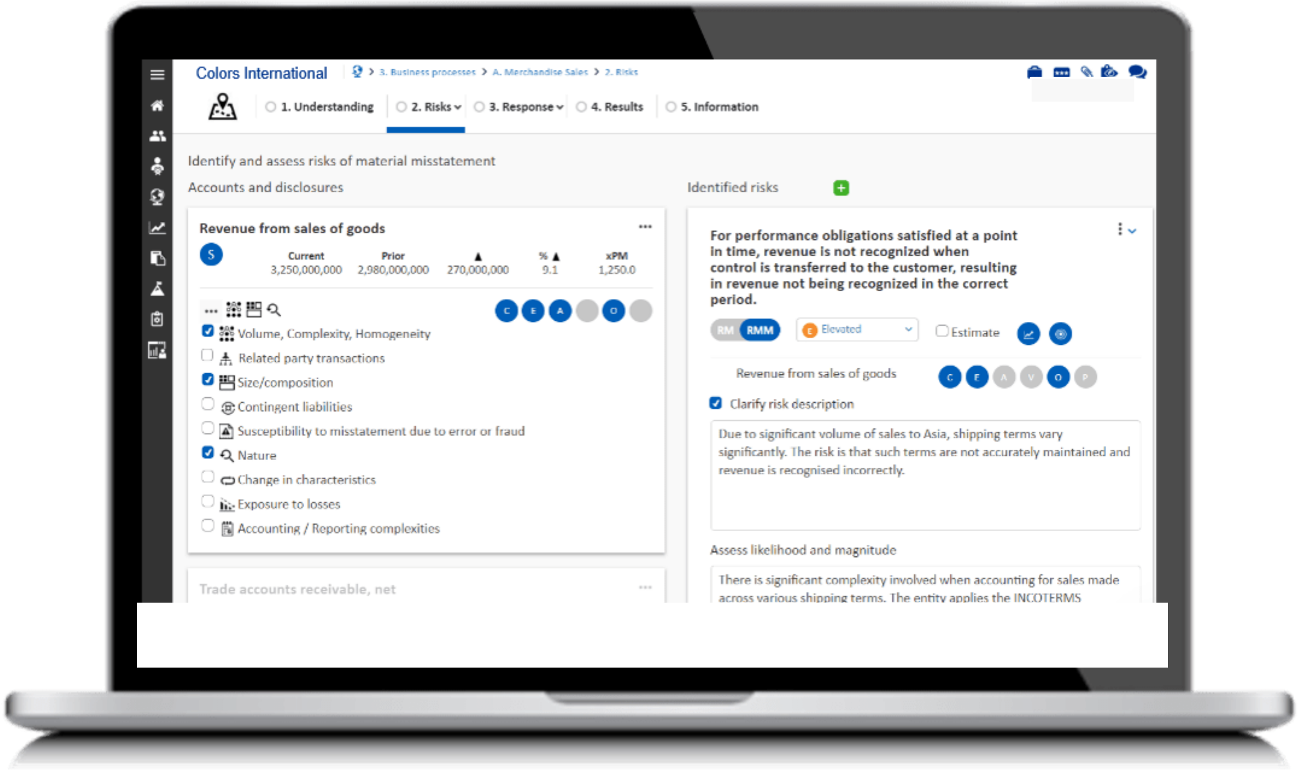
Tailored to you to drive impactful outcomes around the quality and effectiveness of our audits.

Result: A better experience

Enhanced quality, reduced disruption, increased focus on areas of higher risk, and deeper insights into your business.

Appendix: KPMG Clara Generative AI

With our global alliance partner Microsoft, we have embarked on a journey to embed Generative AI into our smart audit platform—KPMG Clara. This will make our auditors more productive and give them the tools to provide quicker feedback, make more insightful connections, and deliver a better audit experience.



AI done right

Although early adoption is key, we are focused on avoiding reliance on a 'black box' so we're building 'explainability' and 'traceability' at the core.

Bolstered productivity

Focused on removing time-consuming low value tasks, we'll apply our skills in other, more judgmental areas or in order to give insights to you.

Quality at our fingertips

We are teaching our model with our knowledge databases to capture our vast experience. This means quality information accessible in seconds.

Secure integration

KPMG Clara has been built on a solid and secure Azure Cloud backbone, allowing us to easily integrate Generative AI in partnership with Microsoft.

Celebrating our Canadian Heritage and Commitment

KPMG puts Canada first as part of out commitment to our teams, clients and communities. We are one of Canada's largest professional services firms providing audit, tax, advisory and law services and can proudly say the following:

- **Canadian-Owned and Operated.** We are immensely proud to be 100% Canadian-owned and operated. When you choose us, you support a company deeply rooted in Canadian values, committed to the success of our nation. Our local decision-making ensures we understand and address the unique challenges and opportunities faced by Canadian businesses.
- **Investing in Our Communities.** Our success is intertwined with the well-being of the communities we serve. We actively participate in initiatives that foster growth, innovation, and prosperity across the country.
- **Creating Opportunities and Building Expertise.** As one of Canada's largest professional services firms, we provide jobs and opportunities to thousands of talented individuals. Our extensive network of professionals brings a wealth of knowledge and expertise, ensuring the highest quality of service for our clients.

As you consider your auditors and advisors of the future look to us to support you close to home.

Sincerely,

KPMG

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