

# The Corporation of The City of London

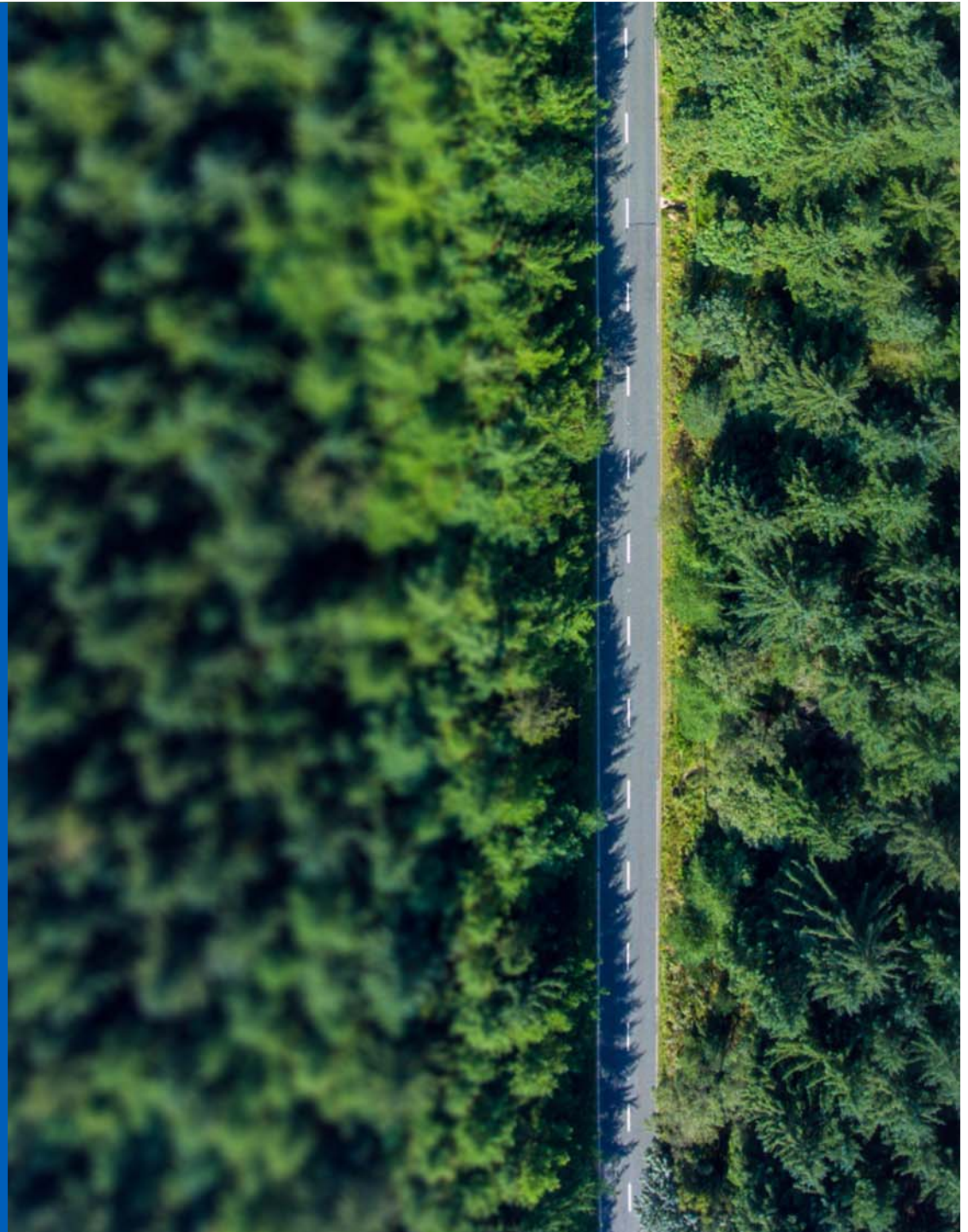
Audit Findings Report  
for the year ended December 31, 2019

*KPMG LLP*

Prepared as of August 28, 2020 for  
presentation on September 16, 2020

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

**KPMG**



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# Executive summary

## Purpose of this report<sup>1</sup>

The purpose of this Audit Findings Report is to assist you, as a member of the Audit Committee, in your review of the results of our audit of the consolidated financial statements of The Corporation of the City of London (the “Corporation”) as at and for the year ended December 31, 2019. This Audit Findings Report builds on the Audit Plan we presented to the Audit Committee on March 11, 2020.

### Changes from the Audit Plan

There have been no significant changes regarding our audit from the Audit Planning Report previously presented to you. There were additional considerations made regarding any potential impact of COVID-19 on the audit of the December 31, 2019 financial statements, as noted on the following page.

See *Appendix 3*.

### Finalizing the Audit

As of August 28, 2020, we have completed the audit of the consolidated financial statements, with the exception of certain remaining procedures, which include:

- Completion of our legal testing procedures, including obtaining updates to our internal and external legal letters;
- Tie-out of certain notes to the consolidated financial statements;
- Tie-out of the annual report;
- Completion of manager and partner final review;
- Obtaining the signed management representation letter;
- Completing our discussions with the Audit Committee;
- Obtaining evidence of Council’s approval of the financial statements

We will update the Audit Committee, and not solely the Chair, on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures. Our auditors’ report will be dated upon the completion of any remaining procedures.

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<sup>1</sup> This Audit Findings Report should not be used for any other purpose or by anyone other than the Audit Committee. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this Audit Findings 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.

## Independence

We have included a copy of our annual independence letter dated as of the date of this report, which notes that we are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada.

See *Appendix 6*.

## Significant accounting policies and practices

There have been no initial selections of, or changes to, significant accounting policies and practices to bring to your attention.

## Adjustments and differences

The impact of uncorrected differences is described in pages 14-15 and Appendix 5 of this report.

## Control deficiencies

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

We have identified other observations with respect to the following:

- Processing of payroll for casual employees: payment after termination
- Inconsistent accounting policy for WIP transfers

See *pages 16-17*.

## Impact of COVID-19

Effective March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact. The ultimate duration and magnitude of the COVID-19 pandemic's impact on the Corporation's operations and financial position is not known at this time. These impacts could include a decline in future cash flows and changes to the value of assets and liabilities for both the Corporation and its related Boards and Commissions who may require their support. An estimate of the future financial effect of the pandemic on the Corporation is not practicable at this time.

The impact of COVID-19 has been disclosed in the notes to the financial statements as a subsequent event.

# Audit risks and results

We highlight our significant findings in respect of significant financial reporting risks as identified in our discussion with you in the Audit Plan, as well as any additional significant risks identified.

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<b>1 Significant Risk</b>	Completeness of accruals
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Significant financial reporting risk	Why is it significant?
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Completeness of accruals	
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	The financial statements include certain accruals, such as legal and landfill liabilities and liabilities for contaminated sites, which require a significant amount of management judgement and assumptions to develop.
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## Our response and significant findings

### *Audit Approach*

KPMG performed the procedures as indicated in our audit planning report.

### *Findings*

Two prior year misstatements were identified during our audit testing and corrected in the current year. See pages 5-6 for a further discussion of the significant accounting estimates.

# Audit risks and results (continued)

## 2 Significant Risk

Fraud risk from management override of controls

### Significant financial reporting risk

### Why is it significant?

Fraud risk from management override of controls

This is a presumed fraud risk. We have not identified any specific additional risks of management override relating to this audit.

### Our response and significant findings

#### *Audit Approach*

As this risk is non-rebuttable, our audit methodology incorporates the required procedures in professional standards to address this risk. KPMG performed procedures including testing of journal entries and other adjustments, performed a retrospective review of estimates and evaluated the business rationale of significant unusual transactions.

#### *Findings*

No significant issues were noted.

# Audit risks and results (continued)

Management is required to disclose information in the consolidated financial statements about the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to carrying amounts of assets and liabilities within the next financial year. Generally, these are considered to be “estimates with significant risk.”

## 1 Estimate with Significant Risk Landfill closure and post-closure liability

Liability	Carrying Amount
Landfill closure and post-closure liability	\$41.0 million

### KPMG comment

- The Corporation is required to accrue anticipated closure and post-closure costs for existing and closed landfill sites in accordance with the Ontario Environmental Protections Act and PS 3270.
- The liability is the estimated cost to date, based on a volumetric basis, of the expenditures relating to those activities required when the site stops accepting waste.
- Determination of this liability is dependent upon significant Management estimates including expected and remaining capacity of the landfill, expected closing costs and estimated time needed for post-closure care.
- The estimated liability for the landfill sites is calculated as the present value of anticipated future cash flows associated with closure and post-closure costs.
- At December 31, 2019, the landfill accrual amounted to \$41.0 million (2018 - \$39.2 million), \$31.7 million of which related to the future closure of the active landfill and \$9.3 million relating to monitoring of closed landfills.
- We obtained an understanding of the calculation through discussions with the Corporation’s Solid Waste Management Division Manager. We reviewed the analysis prepared by Management and obtained corroborative evidence to support Management’s assumptions. The assumptions used by Management in the calculation are considered reasonable based on the audit evidence obtained and are consistent with the assumptions and estimates made in other sections of the financial statements.

As at the date of this report, certain responses from Management with respect to assumptions used to calculate the landfill accrual are outstanding. We do not anticipate any changes to the financial statements as a result of obtaining responses to our inquiries. We believe Management’s process for identifying significant accounting estimates is considered adequate.



# Audit risks and results (continued)

## 2 Estimate with Significant Risk Accounts payable and accrued liabilities

Liability	Carrying Amount
Accounts payable and accrued liabilities	\$173.7 million

### KPMG comment

- Management accrues estimates for liabilities that have been incurred at year end, but not yet paid, within accounts payable and accrued liabilities in the financial statements.
- Included within this balance are estimates related to provisions for personnel and legal matters in the amount of \$9.3 million (2018 - \$4.6 million). The accrual for personnel matters amounted to \$1.8 million (2018 - \$1.4 million) and includes amounts for matters which will be taken to arbitration and other internal grievances. The accrual for legal matters amounted to \$7.5 million (2018 - \$3.2 million) and is comprised of lawsuits brought against the Corporation by external parties.
- Management has accrued these amounts based on previous experience with matters that were similar in nature, based on information provided by the HR department and based on assessment included in both internal and external legal letters.
- Also included within this balance are significant estimates related to liabilities for contaminated sites. A liability of \$0.9 million (2018 - \$0.9 million) for remediation of contaminated sites has been recognized, net of any expected recoveries.
- The notes to the consolidated financial statements include disclosures related to contaminated sites for which the Corporation is not expected to bear the cost of remediation.
- We obtained an understanding of the calculation through discussions with Management and obtained corroborative evidence to support assumptions.
- Management has accrued these amounts based on reports prepared by independent consultants to estimate the cost of remediation.
- Management has represented that these balances are fairly presented for financial reporting purposes.
- With respect to accrued liabilities, we have:
  - o Discussed with Management the nature and rationale for the accrual;
  - o Reviewed Management's assessment of the likelihood of incurring the liability for each claim, range of possible outcomes, and the amount in the range that has been accrued in the financial statements;
  - o Compared the current period accruals to the amounts accrued at the prior year end for significant fluctuations;
  - o Reviewed the Corporation's in-house legal letter for any potentially unrecorded accruals at year end;
  - o Reviewed legal letters obtained from external legal counsel to ensure all claims have been accrued at year end and that likelihood of outcome for each claim as reported by external counsel is consistent with Management's assessment;
  - o Reviewed results of the environmental assessment prepared by independent third-party consultants; and
  - o Where possible, reviewed subsequent payments to determine whether the liability at year end is reasonably stated.

We believe Management's process for identifying significant accounting estimates is adequate.

# Audit risks and results (continued)

Significant findings from the audit regarding other areas of focus are as follows:

<b>1</b>	<b>Other area of focus</b>	Capital projects and acquisitions
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Other area of focus	Why are we focusing here?
Capital projects and acquisitions	The Corporation has a large balance of tangible capital assets and is continually spending on capital projects. There is judgement involved in determining the useful lives of capital assets and when the amortization period should begin.

## Our response and significant findings

### *Audit Approach*

KPMG performed the procedures as indicated in our audit planning report.

### *Findings*

- During our testing of tangible capital assets, it was identified that in a prior year, accumulated surplus had been credited in the amount of \$1.6 million in relation to a SWM pond. However, it was discovered that \$1.5 million should have been credited to Urban Works payable as the monetary transaction associated with the addition of the SWM pond had not taken place in prior years. The residual is an overstatement of tangible capital assets. To correct the prior period misstatement, an out of period correction was made in the current year, resulting in an overstatement of planning and development expenses in 2019 of \$1.5 million. The ending balance for accumulated surplus is correct as at December 31, 2019.
- During our testing over WIP balances in a prior year, a control observation was identified related to the timing of transfers from WIP to assets in productive use. Based on discussion with Management, the control observation continues to apply for F2019. The control observation is summarized on page 17.
- There have been no changes to the amortization rates used in the prior year. This is reasonable given the nature of assets and their useful lives.
- See page 12 for details on the data and analytics routines performed over tangible capital assets.

No additional findings were noted during our testing.

# Audit risks and results (continued)

## 2 Other area of focus Payroll and employee future benefits

### Other area of focus

Payroll and employee future benefits

### Why are we focusing here?

The Corporation provides defined retirement and other future benefits for some groups of its retirees and employees. As at December 31, 2019, the Corporation had a liability for employee future benefits of \$161.7 million (2018 - \$159.5 million).

### Our response and significant findings

The balance of employee future benefits is comprised of the following:

- Post-employment and post-retirement benefits of \$95.0 million (2018 - \$92.6 million) - includes health, dental, life insurance and long-term disability, which are provided to retirees until they reach 65 years;
- WSIB accrual of \$48.3 million (2018 - \$48.8 million) – as a Schedule 2 Employer, the Corporation must finance its own costs related to WSIB;
- Vacation liability of \$16.7 million (2018 - \$16.5 million) – relates to vacation credits earned but not taken by employees as at December 31; and
- Unused sick leave liability of \$1.7 million (2018 - \$1.7 million) – represents the liability for accumulated vested sick days that can be taken in cash by an employee on termination or retirement.

The calculation of employee benefits payable requires Management to make certain estimates, including estimates of discount rate, salary escalation, retirement age, expected health care and dental costs, and estimated claim costs.

The liability for the post-employment and post-retirement benefits is determined through an actuarial valuation which was prepared by Mercer as of December 31, 2019.

The liability for workplace safety and insurance costs is determined by WSIB. The estimated value of future benefit costs for certain presumptive cancer claims was calculated separately by Oliver Wyman Actuarial Consulting Services. Vacation and unused sick leave liabilities are accrued in the financial statements when they are earned by employees.

#### *Audit Approach*

KPMG performed the procedures as indicated in our audit planning report.

# Audit risks and results (continued)

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## 2 Other area of focus Payroll and employee future benefits (continued)

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### *Findings*

- Based on work performed over assumptions used in the actuarial valuation, KPMG has identified a projected uncorrected overstatement of the WSIB accrual as at December 31, 2019. See page 15 and appendix 5.
- During our testing over benefits expense, we noted that there was a prior period misstatement related to amounts owing to Great West Life. In the prior year, accumulated surplus was overstated by \$2.8 million, benefit expenses were understated by \$1.1 million, and payables were understated by \$2.8 million. An out of period correction was made by Management in the current year, resulting in an overstatement of expenses of \$2.8 million in 2019.
- A control observation has been identified as a result of our payroll testing procedures performed in a prior year. Based on discussion with Management, the control observation continues to apply for F2019. The control observation is summarized on page 17.

# Audit risks and results (continued)

**3 Other area of focus** Taxation, user charges and transfer payments revenue

## Other area of focus

Taxation, user charges and transfer payments revenue

## Why are we focusing here?

For the year ended December 31, 2019, these revenue streams amounted to more than \$1.2 billion for the Corporation (2018 - \$1.2 billion).

## Our response and significant findings

### *Audit Approach*

KPMG performed the procedures as indicated in our audit planning report.

### *Findings*

No significant issues were noted.

# Audit risks and results (continued)

**4 Other area of focus** Debt issuances, New Boards & Commissions, CaseWare implementation

Other area of focus	Why are we focusing here?
Debt issuances	Individual debt issuances at the Corporation have historically been for significant amounts
New Boards & Commissions	Hamilton Road BIA will require audited financial statements and consolidation into the Corporation's financial statements
CaseWare implementation	Management had expected to implement CaseWare for fiscal 2019 year-end reporting and for the preparation of the Corporation's consolidated financial statements.

## Our response and significant findings

### *Audit Approach*

KPMG performed the procedures as indicated in our audit planning report with the exception of the CaseWare implementation which has been deferred by Management to the next fiscal year.

### *Findings*

No significant issues were noted.

# Technology in the audit

As previously communicated in our Audit Planning Report, we have utilized technology to enhance the quality and effectiveness of the audit.



## Areas of the audit where Technology and D&A routines were used

Tool	Our results and insights
<b>KPMG Clara Client Collaboration</b>	Utilized secure client collaboration site to share documents over the course of the audit.
<b>Journal Entry Analysis</b>	Utilized computer-assisted audit techniques (CAATs) to analyze journal entries and apply certain criteria to identify potential high-risk journal entries for further testing as a response to the fraud risk from management override of controls. No issues noted during the test.
<b>Data &amp; Analytics Routines – Tangible Capital assets – WIP</b>	Utilized CAATs to compare the WIP detail in fiscal 2019 to the WIP detail in fiscal 2018, testing any projects that did not incur costs in fiscal 2019 and remain in work in progress (WIP) as at December 31, 2019. This routine obtained audit evidence over the completeness of tangible capital assets and amortization expense. No issues noted during the test.
<b>Data &amp; Analytics Routines – Tangible Capital assets – Disposals</b>	Utilized CAATs to compare the disposal listing to the asset detail, testing assets that were recorded in both listings. This routine obtained audit evidence over existence of tangible capital assets. No issues noted during the test.
<b>Data &amp; Analytics Routines – Holdback accrual</b>	Utilized CAATs to compare the tangible capital asset WIP listing to the holdbacks accrual listing, testing any significant WIP project that did not have a corresponding holdback accrual. This routine obtained audit evidence over the completeness of holdback accruals. No issues noted during the test.

# Financial statement presentation and disclosure

The presentation and disclosure of the financial statements are, in all material respects, in accordance with the Corporation's relevant financial reporting framework. Misstatements, including omissions, if any, related to disclosure or presentation items are in the management representation letter.

We also highlight the following:

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Form, arrangement, and content of the financial statements	Adequate.
Application of accounting pronouncements issued but not yet effective	<p>The dates reported below differ from implementation dates previously communicated to the Audit Committee. In response to the COVID-19 pandemic, the Public Sector Accounting Board has deferred the effective dates of all upcoming standards by one year.</p> <ul style="list-style-type: none"><li>• PS 1201 Financial Statement Presentation – applicable for the year ending December 31, 2023</li><li>• PS 3041 Portfolio Investments – applicable for the year ending December 31, 2023</li><li>• PS 3450 Financial Instruments – applicable for the year ending December 31, 2023</li><li>• PS 2601 Foreign Currency Translation – applicable for the year ending December 31, 2023</li><li>• PS 3280 Asset Retirement Obligations – applicable for the year ending December 31, 2023</li><li>• PS 3400 Revenue – applicable for the year ending December 31, 2024</li></ul> <p>No concerns at this time regarding future implementation.</p>

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# Uncorrected differences and Corrected Adjustments

Differences and adjustments include disclosure differences and adjustments.

Professional standards require that we request of Management and the Audit Committee that all identified differences be corrected. We have already made this request of Management.

## Uncorrected differences

The management representation letter includes the Summary of Uncorrected Audit Misstatements, which disclose the impact of all uncorrected differences considered to be other than clearly trivial. See Appendix 5.

We concur with Management's representation that the differences are not material to the financial statements. Accordingly, the differences have no effect on our auditors' report.

## Corrected adjustments

We did not identify any adjustments that were communicated to Management and subsequently corrected in the financial statements.

# Uncorrected differences

## Uncorrected differences

Based on both qualitative and quantitative considerations, Management have decided not to correct certain differences and represented to us that the differences—individually and in the aggregate—are, in their judgment, not material to the financial statements.

As at and year ended December 31, 2019	Annual Surplus effect	Financial position		
Description of differences greater than \$860,000 individually	(Decrease) Increase	Assets (Decrease) Increase	Liabilities (Decrease) Increase	Accumulated Surplus (Decrease) Increase
Overstatement of planning and development expenses due to an out of period correction to a prior period error related to a SWM pond	1,547,183	–	–	–
Overstatement of benefit expenses due to an out of period correction to a prior period error related to amounts owing to Great West Life	2,751,001	–	–	–
Projected uncorrected overstatement of WSIB accrual	2,157,957		(2,157,957)	(2,157,957)
<b>Total differences</b>	<b>6,456,141</b>	<b>–</b>	<b>(2,157,957)</b>	<b>(2,157,957)</b>

The impact of uncorrected misstatements on the prior period is documented in Appendix 5. We concur with Management's representation that the differences are not material to the prior period financial statements.

# Control deficiencies and Other observations

In accordance with professional standards, we are required to communicate to the Audit Committee significant deficiencies in internal control over financial reporting (ICFR) that we identified during our audit.

The purpose of our audit is to express an opinion on the financial statements. Our audit included consideration of ICFR in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ICFR. The matters being reported are limited to those deficiencies that we have identified during our audit and that we have concluded are of sufficient importance to merit being reported to the Audit Committee.

## Significant deficiencies

Description	Potential effect
No significant control deficiencies were noted. Please see other control observations on page 17.	

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# Control deficiencies and Other observations

## Other observations

Item	Observation
Payroll – Agency 3	<p>During our control testing over the payroll process in prior years, we noted instances where there was a significant time lag between when the employee was terminated and when the payroll department received the termination form. These instances related to Agency 3 – Casual workers and as such we do not consider this to be a pervasive deficiency. As a result of this time lag, the employee was paid nominal amounts for statutory holidays that they were not entitled to. KPMG did not identify any instances in current year testing, however, per discussion with Management, this continues to be an issue, albeit to a lesser extent in 2019.</p> <p>While this represents a control deficiency, it should be noted that it has not been identified as a significant control deficiency since the total payroll for Agency 3 is not considered significant to the financial statements.</p> <p>We understand that Management is taking the recommended steps to implement processes to remediate the deficiency.</p>
Inconsistent accounting policy for WIP transfers	<p>During our testing over WIP transfers in the prior year, we noted that for road construction projects that do not involve internal City workers, these projects are transferred to WIP after asphalt is placed on the road surface. For road construction projects that do involve internal City workers, these projects are transferred to WIP during the year of substantial completion, even if asphalt has not been placed on the road surface.</p> <p>We note that accounting policies should be consistent amongst road construction projects.</p>

# Current developments and audit trends

Our discussions with you and what KPMG is seeing in the marketplace—both from an audit and industry perspective—indicate the following is specific information that will be of particular interest to you. We would, of course, be happy to further discuss this information with you at your convenience.

Thought Leadership	Overview	Links
<b>Accelerate</b>	Accelerate is a KPMG trends report and video series that includes the perspective of subject matter leaders from across KPMG in Canada on seven key issues impacting organizations today that are disrupting the Audit Committee mandate.	<a href="https://home.kpmg/ca/en/home/insights/2019/10/accelerate-introduction.html">https://home.kpmg/ca/en/home/insights/2019/10/accelerate-introduction.html</a>
<b>Bracing for digital disruption</b>	The digital revolution may be well into its prime, but the disruption is far from over. New and emerging technologies continue to shape (and reshape) how organizations operate and adapt to their customers. While these tools have opened the doors to new capabilities and market opportunities, they have also driven the need for stronger and more adaptive risk management strategies.	<a href="https://home.kpmg/ca/en/home/insights/2019/10/digital-disruption.html">https://home.kpmg/ca/en/home/insights/2019/10/digital-disruption.html</a>

# Appendices

## Content

**Appendix 1: Required communications**

**Appendix 2: Audit Quality and Risk Management**

**Appendix 3: Audit Response to COVID-19**

**Appendix 4: Draft Auditors' Report**

**Appendix 5: Management Representation Letter**

**Appendix 6: Independence Letter**



# Appendix 1: Other Required Communications

In accordance with professional standards, there are a number of communications that are required during the course of and upon completion of our audit. These include:

## Auditor's report

The conclusion of our audit is set out in our draft auditors' report. See Appendix 4.

## Management representation letter

We will obtain the signed management representation letter from Management at the completion of the annual audit. In accordance with professional standards, copies of the management representation letter are provided to the Audit Committee. See Appendix 5.

## Annual independence letter

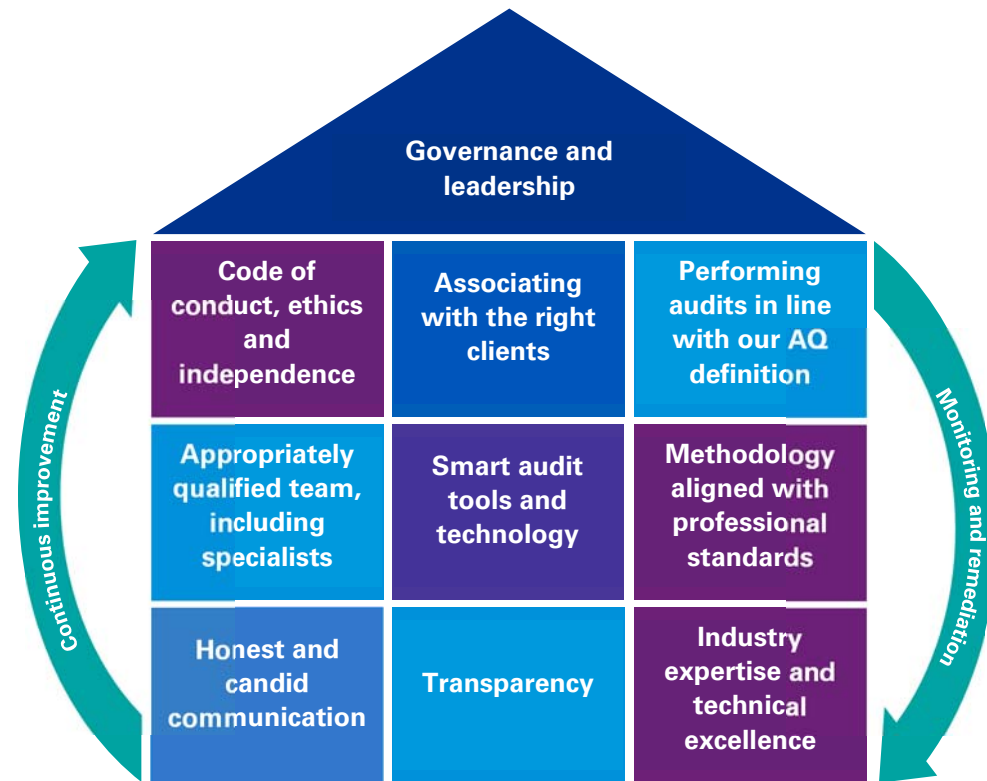
We have attached our annual independence letter dated as of the date of this report. See Appendix 6.

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# Appendix 2: Audit Quality and Risk Management

KPMG maintains a system of quality control designed to reflect our drive and determination to deliver independent, unbiased advice and opinions, and also meet the requirements of Canadian professional standards.

Quality control is fundamental to our business and is the responsibility of every partner and employee. The following diagram summarizes the key elements of our quality control system.



Audit Quality Framework

## What do we mean by audit quality?

Audit Quality (AQ) is at the core of everything we do at KPMG.

We believe that it is not just about reaching the right opinion, but how we reach that opinion.

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 controls and
- All of our related activities are undertaken in an environment of the utmost level of **objectivity, independence, ethics, and integrity**.

Our AQ Framework summarises how we deliver AQ. Visit our [Audit Quality Resources page](#) for more information including access to our [Audit Quality and Transparency report](#).



# Appendix 3: Audit Response to COVID-19 Pandemic Report



# The Corporation of the City of London



**Audit Response to COVID-19 Pandemic**

**NOTE: The previously presented Audit Planning Report is based on our normalized audit approach**

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April 2020



# Audit Considerations

In light of the unprecedented events related to the COVID-19 pandemic, we have separately identified incremental analysis to be undertaken by management and procedures to be performed by the audit team as part of our audit of the December 31, 2019 financial statements.

# Timing regarding the year-end audit

- Our Firm is fully paperless and poised to undertake a remote audit. Our platform, CLARA, provides management and the audit team with an available digital collaboration site. As such, we are ready to undertake the audit when you are.
- The ability for the audit to commence is highly fluid and dependent on management's ability to physically or digitally access underlying documents in a safe and healthy manner, including access to IT systems.

# General considerations

- Many organizations have been required, out of necessity, to amend the controls surrounding approval of transactions and as such segregation of duties may also have been impacted.
- Audit teams will need to understand what temporary measures impact financial reporting processes in order to determine if a substantive versus controls approach can be undertaken in the year the impact occurred.
- Your organization has been impacted by the COVID-19 protocols, as have many of your partners, vendors, investment advisors and banking institutions. As such, responses to third party confirmations may be significantly delayed.
- Give ample notification to Committee members and consider available platforms for digital communications (e.g. Go To Meeting, Zoom, Global meet, Skype) if there is not yet a defined end-date for social distancing and you are unable to meet in person.



# Investments

- Management to work with their investment advisors to evaluate for any temporary or permanent impairment in investment values observed subsequent to year end. Permanent impairments may meet the criteria for an adjustable item in the financial statements. Additional disclosure in the financial statements may be necessary.
- Disclosure of information in a subsequent event note to the financial statements will require audit evidence.

# Accounts Receivable, Taxes Receivable, Loans Receivable

- Management to perform a detailed analysis of significant uncollectable receivable balances due from higher risk individuals, related parties, entities in the current economic circumstances.
- Provisions to be estimated and audited as usual.

# Prepays

- Consider whether any prepaid assets which were non-refundable (i.e. lost deposits for events) should be expensed and the year in which they should be written off (F2019 vs F2020).

# Going Concern

- The auditing standards do require that management undertake a going concern assessment on an annual basis. Under the current environment, it is unfortunate that some organizations will be financially struggling.
- Management should document their going concern assessment taking into account factors such as:
  - Positive and negative financial indicators
  - Ability to access government stimulus and emergency programs
  - Consideration given if in a negative net asset position
  - Reserve levels to sustain the organization beyond the next financial reporting date
  - Other funding sources accessible to sustain operations

# Subsequent Events

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial market and social dislocating impact. As such enhanced subsequent events procedures are warranted.

There are two types of subsequent events, with the accounting treatment dependent on the categorization as follows:

- Type 1 - Events that provide future evidence of conditions that existed at the financial statement date. For these conditions, the financial statements should be adjusted for measurable impact to the assets, liabilities, revenues and expenditures.
- Type 2 - Events that are indicative of conditions that rose subsequent to the financial statement date. For these conditions, disclosures, at a minimum, should include a description of the event and an estimate of the financial impact, when practicable or a statement that an estimate cannot be made.

In the case of the City of London, as the COVID-19 outbreak was declared a pandemic subsequent to year-end, Type 2 events are expected to have a more prominent impact on the year-end financial statements.

# Subsequent Events (continued)

## Audit response:

- Management should work with the audit team to customize language for a subsequent events note.
- An assessment for any permanent impairment in investment values, unrealized losses, costs associated with wage subsidy programs, revenue impacts for closures estimates, etc. should be undertaken and documented by management.
- A list of any financial implications and actions undertaken by the entity should be disclosed in the notes, examples may include:
  - Experienced temporary declines in the fair value of investments and investment income
  - Closure of facilities from \_\_\_\_\_ (date) to the date of the auditors' report based on public health recommendations to slow the transmission
  - Temporary and or permanent termination of employees
  - Mandatory working from home requirements for those able to do so
  - Others as appropriate
- A statement as to whether or not these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. Along with measurement of an estimated impact on the financial effect or indication if one is not practicable at this time.





# Resources

# Resources

## [COVID-19 Alerts](#) (Live Link)

Please visit our COVID-19 website for resources regarding the topics below. This site is being updated daily based on information being released by Federal, Provincial and Municipal news releases.

- Business continuity guide
- Immediate actions to take
- Medium to long-term actions
- Tax considerations and a summary of Federal and Provincial programs
- Legal considerations
- Financial reporting and audit considerations
- Global perspectives





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# Appendix 4: Draft Auditors' Report

# INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the City of London

## ***Opinion***

We have audited the consolidated financial statements of the Corporation of the City of London (the "Entity"), which comprise:

- the consolidated statement of financial position as at December 31, 2019
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2019, and its consolidated results of operations, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

## ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## ***Other Information***

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditors' report thereon, included in the "Financial Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially

inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in the "Financial Report" as at the date of this auditors' report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

Date

# Appendix 5: Management Representation Letter



**(Letterhead of Client)**

KPMG LLP  
1400-140 Fullarton Street  
London, Ontario  
N6A 5P2

Date

Ladies and Gentlemen:

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 The Corporation of the City of London (“the Entity”) as at and for the period ended December 31, 2019.

*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 letter dated September 15, 2016, 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 shareholders, board of directors and committees of the board of directors 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
    - otherswhere 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, 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) Measurement methods and significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

*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.

*Misstatements:*

- 11) The effects of the uncorrected misstatements described in [Attachment II](#) are immaterial, both individually and in the aggregate, to the financial statements as a whole.

*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.

*Commitments & contingencies:*

- 14) There are no:
  - i) Other liabilities that are required to be recognized and no other contingent assets or contingent liabilities that are required to be disclosed in the financial statements in accordance with the relevant financial reporting framework, including liabilities or

contingent liabilities arising from illegal acts or possible illegal acts, or possible violations of human rights legislation

- ii) Other environmental matters that may have an impact on the financial statements

*Accounting Policies:*

- 15) The accounting policies selected and applied are appropriate in the circumstances.
- 16) There have been no changes in, or newly adopted, accounting policies that have not been disclosed to you and appropriately reflected in the financial statements.

*Environmental Matters:*

- 17) The Entity has appropriately recognized, measured and disclosed environmental matters in the financial statements.

*Estimates / Measurement Uncertainty:*

- 18) We are responsible for making any fair value measurements and disclosures included in the financial statements.
- 19) For recorded or disclosed amounts that incorporate fair value measurements:
  - a) the measurement methods are appropriate and consistently applied.
  - b) the significant assumptions used in determining fair value measurements represent our best estimates, are reasonable, are adequately supported and have been consistently applied.
  - c) the resulting valuations are reasonable.
  - d) presentation and disclosure is complete and appropriate and in accordance with the relevant financial reporting framework.

*Assets & Liabilities – General:*

- 20) We have no knowledge of material unrecorded assets or liabilities or contingent assets or liabilities (such as claims related to patent infringements, unfulfilled contracts, etc., whose values depend on fulfillment of conditions regarded as uncertain or receivables sold or discounted, endorsements or guarantees, additional taxes for prior years, repurchase agreements, sales subject to renegotiation or price re-determination, etc.) that have not been disclosed to you.
- 21) We have no knowledge of shortages that have been discovered and not disclosed to you (such as shortages in inventory, cash, negotiable instruments, etc.).
- 22) We have no knowledge of capital stock repurchase options or agreements or capital stock reserved for options, warrants, conversions, or other requirements that have not been disclosed to you.
- 23) We have no knowledge of arrangements with financial institutions involving restrictions on cash balances and lines of credit or similar arrangements and not disclosed to you.

- 24) We have no knowledge of agreements to repurchase assets previously sold, including sales with recourse, that have not been disclosed to you.
- 25) We have no knowledge of side agreements (contractual or otherwise) with any parties that have not been disclosed to you.

*Comparative Figures/Financial statements:*

- 26) We have no knowledge of any significant matters that may have arisen that would require a restatement of the comparative figures/financial statements.

*Receivables:*

- 27) Receivables reported in the financial statements represent valid claims against customers and other debtors for sales or other charges arising on or before the balance sheet date, and do not include amounts relating to goods shipped on consignment or approval. Receivables have been appropriately reduced to their net realizable value.

*Long-Lived Assets:*

- 28) The Entity has appropriately grouped long-lived assets together for purposes of assessing impairment.
- 29) We have reviewed long-lived assets, including amortizable intangible assets, to be held and used, for impairment, whenever events or changes in circumstances have indicated that the carrying amount of the assets might not be recoverable.

*Provisions:*

- 30) Provision, when material, has been made for:
  - a) losses to be sustained in the fulfillment of, or inability to fulfill, any sales commitments.
  - b) losses to be sustained as a result of purchase commitments for inventory or other assets at quantities in excess of normal requirements or at prices in excess of prevailing market prices.
  - c) losses to be sustained as a result of the reduction of excess, damaged, unusable or obsolete inventories to their estimated net realizable value.
  - d) losses to be sustained as a result of other-than-temporary declines in the fair value of investments.
  - e) losses to be sustained from impairment of property, plant and equipment, including amortizable intangible assets.
  - f) losses to be sustained from impairment of goodwill and/or non-amortizable assets.

*Asset Retirement Obligations:*

- 31) All legal obligations associated with the retirement of tangible long-lived assets have been recognized, including those under the doctrine of promissory estoppel. The obligations were recognized when incurred using management's best estimate of fair value.

*Revenues:*

- 32) All sales transactions entered into by the Entity are final and there are no side agreements (contractual or otherwise) with customers, or other terms in effect, which allow for the return of merchandise, except for defectiveness or other conditions covered by the usual and customary warranties.

*Financial Instruments, Off-Balance-Sheet Activities, Hedging and Guarantees:*

- 33) Guarantees, whether written or oral, under which the Entity is contingently liable, including guarantee contracts and indemnification agreements, have been recorded in accordance with the relevant financial reporting framework.
- 34) Off-balance sheet activities, including accounting policies related to non-consolidation of certain entities and revenue recognition, have been recorded and disclosed in the financial statements. Specifically, for those off-balance sheet activities in which the Entity is a transferor of financial assets, the off-balance sheet vehicle is either a qualifying special purpose entity as defined in the relevant financial reporting framework, or the Entity is not the primary beneficiary pursuant to the relevant financial reporting framework. For those off-balance sheet activities in which the Entity is a sponsor, administrator or lessee, the off-balance sheet vehicle is not controlled by the Entity for accounting purposes because the Entity is not the primary beneficiary pursuant to the relevant financial reporting framework.
- 35) The following information about financial instruments has been properly disclosed in the financial statements:
- a) extent, nature, and terms of financial instruments, both recognized and unrecognized;
  - b) the amount of credit risk of financial instruments, both recognized and unrecognized, and information about the collateral supporting such financial instruments; and
  - c) significant concentrations of credit risk arising from all financial instruments, both recognized and unrecognized, and information about the collateral supporting such financial instruments.

*Employee Future Benefits:*

- 36) The employee future benefits costs, assets and obligation, if any, have been determined, accounted for and disclosed in accordance with the financial reporting framework.
- 37) There are no arrangements (contractual or otherwise) by which programs have been established to provide employee future benefits.
- 38) All arrangements (contractual or otherwise) by which programs have been established to provide employee benefits have been disclosed to you and included in the determination of pension costs and obligations.
- 39) The set of actuarial assumptions for each plan is individually consistent.
- 40) The discount rate used to determine the accrued benefit obligation for each plan was determined by reference to market interest rates at the measurement date on high-quality

debt instruments with cash flows that match the timing and amount of expected benefit payments; or inherent in the amount at which the accrued benefit obligation could be settled.

- 41) The assumptions included in the actuarial valuation are those that management instructed Mercer to use in computing amounts to be used by us in determining pension costs and obligations and in making required disclosures in the above-named financial statements, in accordance with the relevant financial reporting framework.
- 42) In arriving at these assumptions, management has obtained the advice of Mercer, but has retained the final responsibility for them.
- 43) The source data and plan provisions provided to the actuary for preparation of the actuarial valuation are accurate and complete.
- 44) All changes to plan provisions or events occurring subsequent to the date of the actuarial valuation and up to the date of this letter have been considered in the determination of pension costs and obligations and as such have been communicated to you as well as to the actuary.
- 45) The extrapolations are accurate and properly reflect the effects of changes and events that occurred subsequent to the most recent valuation and that had a material effect on the extrapolation.
- 46) All material events and changes to the plan subsequent to the most recent actuarial valuation have been properly reflected in the extrapolation.

*Management's Use of Specialists:*

- 47) We agree with the findings of Michael Losee Division Manager, Solid Waste Management as management's expert in preparing the estimate for the landfill closure and post-closure liability. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.
- 48) We agree with the findings of C.D. Watters Engineering Ltd. as management's expert in preparing the estimate for standard unit rates for assumed assets. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.

Yours very truly,

---

Mr. Ian Collins, Director of Financial Services

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Ms. Anna Lisa Barbon, Managing Director, Corporate Services, City Treasurer, Chief Financial Officer

I have recognized authority to take, and assert that I have taken responsibility for the financial statements.

cc: Audit Committee



## ***Attachment I – Definitions***

### *Materiality*

Certain representations in this letter are described as being limited to matters that are material. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, 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 the size or nature of a misstatement, or a combination of both.

### *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.

**Attachment II – Summary of Audit Misstatements Schedules**

**Uncorrected misstatements F2019:**

	<b>Annual surplus effect</b>	<b>Financial position</b>		
<b>Description</b>	<b>(Decrease) Increase</b>	<b>Assets (Decrease) Increase</b>	<b>Liabilities (Decrease) Increase</b>	<b>Accumulated surplus (Decrease) Increase</b>
Overstatement of planning and development expenses due to an out of period correction to a prior period error related to a SWM pond	1,547,183	-	-	-
Overstatement of benefit expenses due to an out of period correction to a prior period error related to amounts owing to Great West Life	2,751,001	-	-	-
Projected uncorrected overstatement of WSIB accrual	2,157,957	-	(2,157,957)	2,157,957
<b>Total uncorrected misstatements</b>	<b>6,456,141</b>	<b>-</b>	<b>(2,157,957)</b>	<b>2,157,957</b>

**Uncorrected misstatements F2018:**

	<b>Annual surplus effect</b>	<b>Financial position</b>		
<b>Description</b>	<b>(Decrease) Increase</b>	<b>Assets (Decrease) Increase</b>	<b>Liabilities (Decrease) Increase</b>	<b>Accumulated surplus (Decrease) Increase</b>
Understatement of Urban Works payable, tangible capital assets, and overstatement of accumulated surplus due to a prior period error related to a SWM pond	-	(100,347)	1,547,183	(1,647,530)
Understatement of benefit expenses, benefits payable, and overstatement of accumulated surplus due to a prior period error related to amounts owing to Great West Life	(1,132,402)	-	2,751,001	(2,751,001)
<b>Total uncorrected misstatements</b>	<b>(1,132,402)</b>	<b>(100,347)</b>	<b>4,298,184</b>	<b>(4,398,531)</b>

# Appendix 6: Independence Letter



KPMG LLP  
140 Fullarton Street Suite 1400  
London ON N6A 5P2  
Canada  
Tel 519 672-4800  
Fax 519 672-5684

**Audit Committee**

The Corporation of the City of London  
300 Dufferin Avenue  
London, Ontario N6A 4L9

September 16, 2020

Ladies and Gentlemen

Professional standards specify that we communicate to you in writing all relationships between the Entity and our firm that, in our professional judgment, may reasonably be thought to bear on our independence.

In determining which relationships to report, we consider relevant rules and related interpretations prescribed by the relevant professional bodies and any applicable legislation or regulation, covering such matters as:

- a) provision of services in addition to the audit engagement
- b) other relationships such as:
  - holding a financial interest, either directly or indirectly, in a client
  - holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client
  - personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client
  - economic dependence on a client

**PROVISION OF SERVICES**

The following summarizes professional services performed for the Entity (and its related entities) relating to 2019:



<b>Description of Professional Services</b>
<p data-bbox="418 478 711 510"><b>Audit and audit related</b></p> <ul data-bbox="467 531 1419 1094" style="list-style-type: none"><li data-bbox="467 531 1419 594">• Audit of the consolidated financial statements of the Entity for the year ended December 31, 2019</li><li data-bbox="467 615 1419 720">• Audit of all individual Boards and Commissions and Trust Funds financial statements for the year ended December 31, 2019, as outlined in our engagement letter</li><li data-bbox="467 741 1419 804">• Audit of the Dearness Program Report and Dearness Long-Term Care Report</li><li data-bbox="467 825 1419 856">• Audit of Joint Water Board (Huron and Elgin) Financial Statements</li><li data-bbox="467 877 1419 909">• Review of Childcare Program Envelopes</li><li data-bbox="467 930 1419 961">• Review of Ontario Works</li><li data-bbox="467 982 1419 1014">• Federal audit of Homelessness Partnering Strategy</li><li data-bbox="467 1035 1419 1094">• Specified auditing procedures over the City of London Closed Circuit Television System for the year ended December 31, 2019</li></ul>
<p data-bbox="418 1129 472 1161"><b>Tax</b></p> <ul data-bbox="467 1182 1377 1528" style="list-style-type: none"><li data-bbox="467 1182 1377 1245">• Preparation of corporate tax return for London &amp; Middlesex Community Housing Inc.</li><li data-bbox="467 1266 1377 1297">• Preparation of corporate tax return for Eldon House</li><li data-bbox="467 1318 1377 1381">• Preparation of corporate tax return for Housing Development Corporation, London</li><li data-bbox="467 1402 1377 1465">• Preparation of corporate tax return for Argyle Business Improvement Association Board of Management</li><li data-bbox="467 1486 1377 1528">• Preparation of corporate tax return for Hyde Park Business Improvement Association Board of Management</li></ul>
<p data-bbox="418 1585 537 1617"><b>Advisory</b></p> <ul data-bbox="467 1638 816 1669" style="list-style-type: none"><li data-bbox="467 1638 816 1669">• Municipal Service Review</li></ul>

Professional standards require that we communicate the related safeguards that have been applied to eliminate identified threats to independence or to reduce them to an acceptable



level. We have not provided any prohibited services. We have applied the following safeguards regarding threats to independence created by the services listed above:

- We instituted policies and procedures to prohibit us from making management decisions or assuming responsibility for such decisions.
- We obtained pre-approval of non-audit services and during this pre-approval process we discussed the nature of the engagement and other independence issues related to the services.
- We obtained management’s acknowledgement of responsibility for the results of the work performed by us regarding non-audit services and we have not made any management decisions or assumed responsibility for such decisions.

**OTHER RELATIONSHIPS**

We are not aware of any other relationships between our firm and the Entity that, in our professional judgement, may reasonably be thought to bear on our independence.]

**CONFIRMATION OF INDEPENDENCE**

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

**OTHER MATTERS**

This letter is confidential and intended solely for use by those charged with governance in carrying out and discharging their responsibilities and should not be used for any other purposes.

KPMG shall have no responsibility for loss or damages or claims, if any, to or by any third party as this letter has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Yours very truly,

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and extends to the right, ending under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants



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