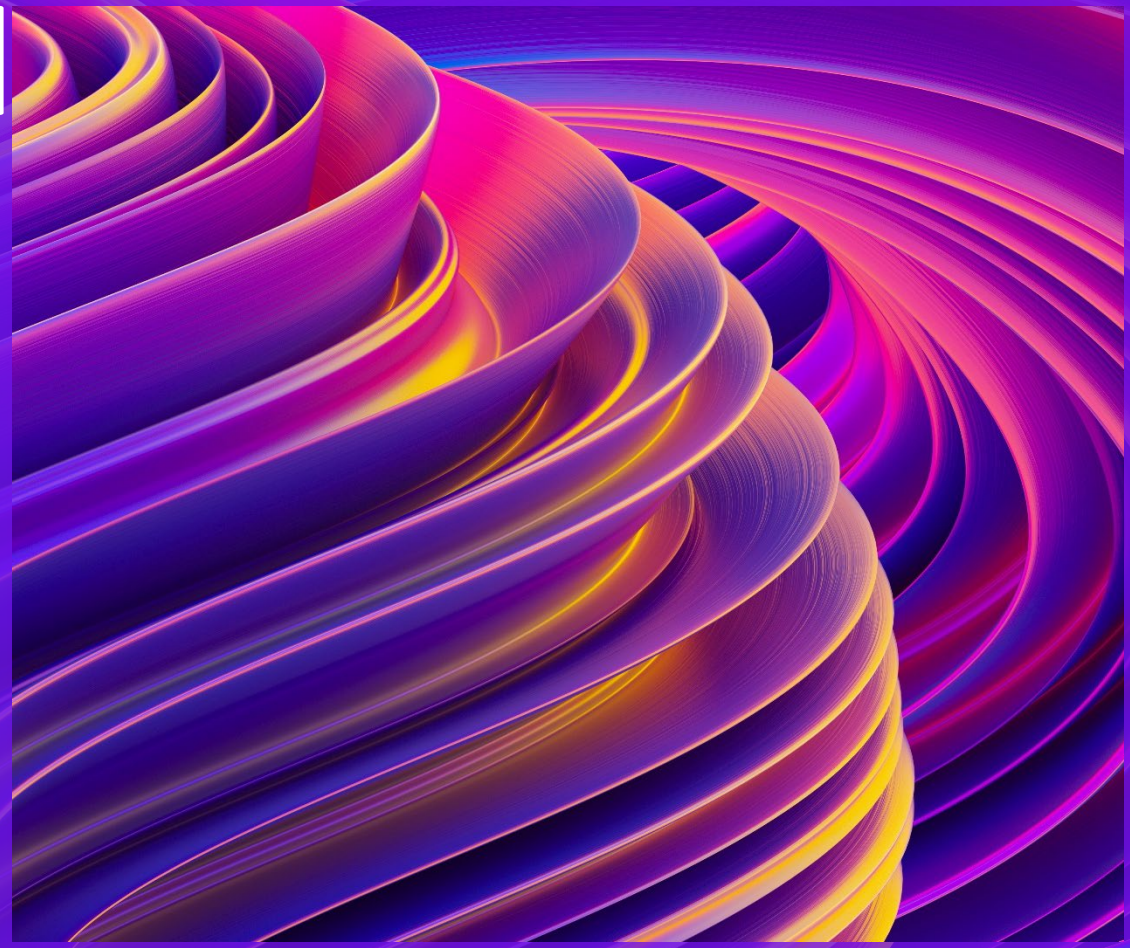
Halifax Regional Municipality (“HRM”)



Audit Findings Report for the year ended March 31, 2026

KPMG LLP

Prepared as of August 7, 2026 for presentation to the Audit Committee on August 12, 2026

kpmg.ca/audit

KPMG contacts

Key contacts in connection with this engagement

Paul Janes
Lead Audit Engagement Partner
902-417-2723
pauljanes@kpmg.ca

Rebecca Foster
Audit Senior Manager
902-377-7833
rebeccafoster1@kpmg.ca

Katie DenBok
Engagement Quality Control Reviewer
519-660-2115
kdenbok@kpmg.ca

Anna McLatchy
Audit Manager
902-377-7806
amclatchy@kpmg.ca

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Table of contents

4 **Highlights**

5 **Status**

6 **Risks and results**

7 **Misstatements**

8 **Control deficiencies**

9 **Independence**

10 **Appendices**

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.

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

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 risks

- Management override of controls

Other risks of material misstatement

Going concern matters

Policies and practices & Specific topics

Accounting policies and practices

Other financial reporting matters

Significant unusual transactions

Misstatements - uncorrected

Uncorrected misstatements

- The management representation letter includes all misstatements identified as a result of the audit, communicated to management.

Misstatements - Corrected

Corrected misstatements

- No matters to report.

Control deficiencies

Significant deficiencies

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

The purpose of this report is to assist you, as a member of the Audit Committee, in your review of the results of our audit of the financial statements. This report is intended solely for the information and use of Management, the Audit Committee, and the Board of Directors and should not be used for any other purpose or any other party. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Status

As of August 5, 2026, we have completed the audit of the consolidated financial statements, with the exception of certain remaining procedures, which include amongst others:

- Completing our quality review procedures
- Obtaining management's signed representation letter
- Completing our discussions with the Audit Committee
- Obtaining evidence of the Councils approval of the financial statements
- Receipt of final sign-off from Component Auditors

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.

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

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Significant risks and results

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

Management Override of Controls

RISK OF ERROR FRAUD

Significant risk	Estimate?
Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override controls will vary from entity to entity, the risk nevertheless is present in all entities applied to address this risk.	No

Our response

- As this presumed risk of material misstatement due to fraud is not rebuttable, our audit methodology incorporates the required procedures in professional standards to address this risk. These procedures include:
- Testing of journal entries and other adjustments using the KPMG KCA tool; this listing was reconciled for completeness and key journal entry attributes used in our identification of high-risk journal entries were tested for accuracy and appropriateness. High risk criteria based on journal entry attributes were used to identify the potential existence of an override of controls and these entries were selected for further investigation. Support for the journal entries as obtained to assist in the evaluation of this fraud risk.
- Performing a retrospective review of estimates
- Evaluating the business rationale of significant unusual transactions.

Significant qualitative aspects of the Entity's accounting practices

- These procedures are performed with no exceptions noted.

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Uncorrected misstatements

Uncorrected misstatements include financial presentation and disclosure misstatements..

Impact of Uncorrected misstatements

- This adjustment relates to Asset Retirement obligation adjustments that relate to prior year, however the amounts were adjusted through the current period, March 31,2026. The impact of the adjustment is shown below

Prior-Period Error Identified in Asset Retirement Obligation Methodology Resulting in Duplicate Recognition of Accretion	$ Thousands	
	Debit	Credit
Asset Retirement Obligation Asset Cost		$3,311
Asset Retirement Obligation Asset Accumulated amortization	$2,328	
Asset Retirement Obligation Liability	$6,239	
Asset Retirement Obligation Accretion Expense		$2,116
Asset Retirement Obligation - Amortization		$2,328
Other Goods and Services		$812

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Uncorrected misstatements, continued

Uncorrected misstatements include financial presentation and disclosure misstatements..

Impact of Uncorrected misstatements

- This adjustment relates to capital asset adjustments from Halifax Water that relate to prior years, however the amounts were adjusted through the current period, March 31,2026. The impact of the adjustment is shown below.
- The amount relates to the rights and obligations of ownership of capital assets between the HRWC and the HRM. Per MOU 'Bridges and Large Culverts in HRM", several culverts should have been transferred to the HRM. The correction serves to transfer the assets between the entities.
- The result is in an increase to the HRM's tangible capital assets and a reduction to the investment in HRWC, as well as corresponding reduction in accumulated surplus.
- Having considered the nature of the misstatement identified there is little concern for unidentified misstatements in the remaining population. KPMG has performed walkthroughs and referred to previous period audit files to gain an in depth understanding of the processes and controls in place at the HRM. KPMG has communicated with the component auditor, Doane Grant Thornton, to ensure the misstatement is accurate and complete and that there is an acceptably low risk of misstatement. From this understanding, we are comfortable in our conclusion that any unidentified material misstatements in accumulation would not be material.

To correct the investment in HRWC and record addition to capital assets for previous periods:	$ Thousands	
	Debit	Credit
Equity in Halifax Regional Water Commission	$2,769	
Investment in Halifax Regional Water Commission		$2,769
Tangible capital assets	$2,769	
Accumulated surplus – individual surpluses and reserves		$2,769

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

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.

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Independence

As a firm, we are committed to being independent and being seen to be independent. We apply the following ethical requirements, including independence requirements, in:

- the rules of professional conduct / code of ethics applicable to the practice of public accounting issued by various professional accounting bodies in Canada("CPA code") that are relevant to audits of financial statements of reporting issuers or listed entities; and
- the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA independence rules") that are relevant to audits of financial statements of public interest entities.

The following processes and procedures have been established by the firm to ensure independence is maintained:

- 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 in compliance** with relevant ethical requirements regarding independence in Canada.

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Appendices

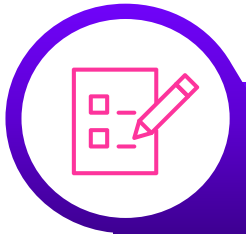
A **Required communications**

B **Draft Audit Report**

C **Management Rep Letter**

D **Current Developments**

Appendix A: Other required communications



Engagement terms

A copy of the engagement letter and any subsequent amendments has been provided to the Audit Committee.

CPAB communication protocol

CPAB Communications Protocol

The reports available through the following links were published by the Canadian Public Accountability Board (CPAB) to inform Audit Committees and other stakeholders about the results of quality inspections conducted over the past year:

- CPAB Audit Quality Insights Report: 2024 Interim Inspections Results
- CPAB Regulatory Oversight Report: 2024 Annual Inspections Results
- CPAB Audit Quality Insights Report: 2025 Interim Inspections Results
- CPAB Regulatory Oversight Report: 2025 Annual Inspections Results

CPAB Public Inspection Report

The report available through the following link was published by CPAB and includes firm specific inspection results:

- 2025 Public Inspection Report - KPMG LLP

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Appendix B: Draft auditor's report

KPMG LLP
Purdy's Wharf Tower One
1959 Upper Water Street, Suite 1000
Halifax, NS B3J 3N2
Canada
Tel 902 492 6000
Fax 902 492 1307

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Councillors of the Halifax Regional Municipality

Opinion

We have audited the consolidated financial statements of the Halifax Regional Municipality (the Entity), which comprise:

- the consolidated statement of financial position as at March 31, 2026
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of remeasurement gains and losses 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 and schedules 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 March 31, 2026, and its consolidated results of operations, its consolidated remeasurement gains and losses 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 ***"Auditor's Responsibilities for the Audit of the Financial Statements"*** section of our auditor's 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.

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Canada provides services to KPMG LLP.

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Appendix C: Management representation letter(s)

KPMG LLP
Purdy's Wharf Tower One
1959 Upper Water Street, Suite 1000
Halifax, NS B3J 3N2
Canada

August 25, 2026

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 Halifax Regional Municipality ("the Entity") as at and for the period ended March 31, 2026.

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:

- We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated July 21, 2023 and subsequently amended on March 12, 2025, including for:
  - 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.
  - 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.
  - providing you with unrestricted access to such relevant information.
  - providing you with complete responses to all enquiries made by you during the engagement.
  - providing you with additional information that you may request from us for the purpose of the engagement.
  - providing you with unrestricted access to persons within the Entity from whom you determined it necessary to obtain audit evidence.

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Appendix D: Current developments

Accounting standards

Conceptual Framework for Financial Reporting in the Public Sector

Effective for years commencing on or after April 1, 2026 with early adoption permitted.

- The framework provides the core concepts and objectives underlying Canadian public sector accounting standards.
- The ten chapter conceptual framework defines and elaborates on the characteristics of public sector entities and their financial reporting objectives. Additional information is provided about financial statement objectives, qualitative characteristics and elements. General recognition and measurement criteria, and presentation concepts are introduced.

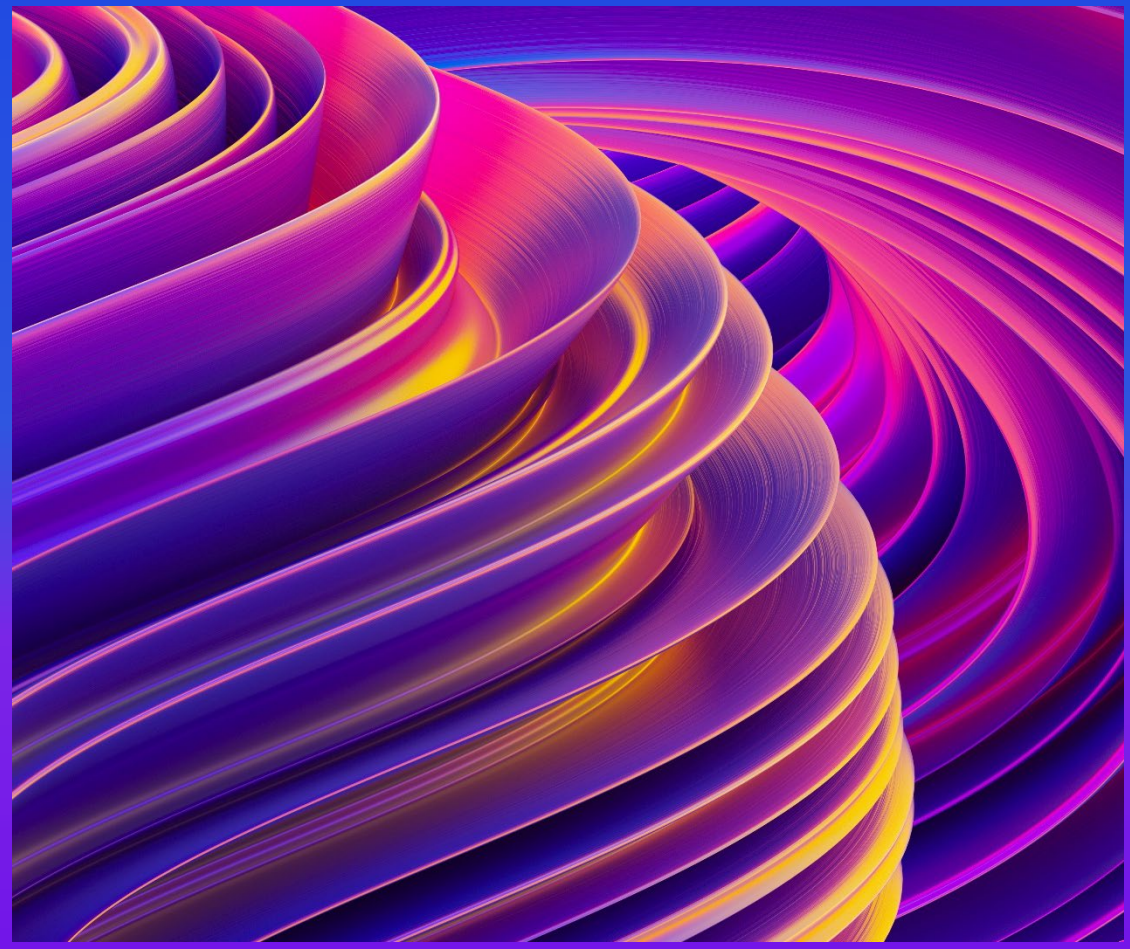
Financial Statement Presentation

Effective for years commencing on or after April 1, 2026 with early adoption permitted.

- The proposed section PS 1202 *Financial statement presentation* will replace the current section PS 1201 *Financial statement presentation*. PS 1202 *Financial statement presentation*.
- The proposed section includes the following:
  - Relocation of the net debt indicator to its own statement called the statement of net financial assets/liabilities, with the calculation of net debt refined to ensure its original meaning is retained.
  - Separating liabilities into financial liabilities and non-financial liabilities.
  - Restructuring the statement of financial position to present total assets followed by total liabilities.
  - Changes to common terminology used in the financial statements, including re-naming accumulated surplus (deficit) to net assets (liabilities).
  - Removal of the statement of remeasurement gains (losses) with the information instead included on a new statement called the statement of changes in net assets (liabilities). This new statement would present the changes in each component of net assets (liabilities), including a new component called “accumulated other”.
  - A new provision whereby an entity can use an amended budget in certain circumstances.
  - Inclusion of disclosures related to risks and uncertainties that could affect the entity’s financial position.

KPMG

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

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

© 2025 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.