



# City of St. Albert

**Audit Planning Report  
for the year ending  
December 31, 2025**

*KPMG LLP*

Prepared as of September 2, 2025 for presentation to Council on  
September 16, 2025

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

# KPMG contacts

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## Digital use information

This Audit Planning Report is also available as a “hyper-linked” PDF document.

If you are reading in electronic form (e.g. In “Adobe Reader” or “Board Books”), clicking on the home symbol on the top right corner will bring you back to this slide.



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# Audit highlights



No matters to report



Matters to report – see link for details

## Scope

Our audit of the consolidated financial statements (“financial statements”) of the City of St. Albert (“the City”) as at and for the year ending December 31, 2025, will be performed in accordance with Canadian generally accepted auditing standards. In addition to our audit of the financial statements of the City, we have been separately engaged to report on the following:

- St. Albert Library Board (“the Library”) financial statements;
- Municipal Financial Information Return (“FIR”) for the City; and
- Family and Community Support Services (“FCSS”) program reporting.

## Audit strategy

Materiality \$7.5M



## Audit strategy - Group audit

Total	Total assets	Total revenue
Total tested	98.8%	97.1%



## Risk assessment

☒ Risk of management override of controls

☐ Other significant risks

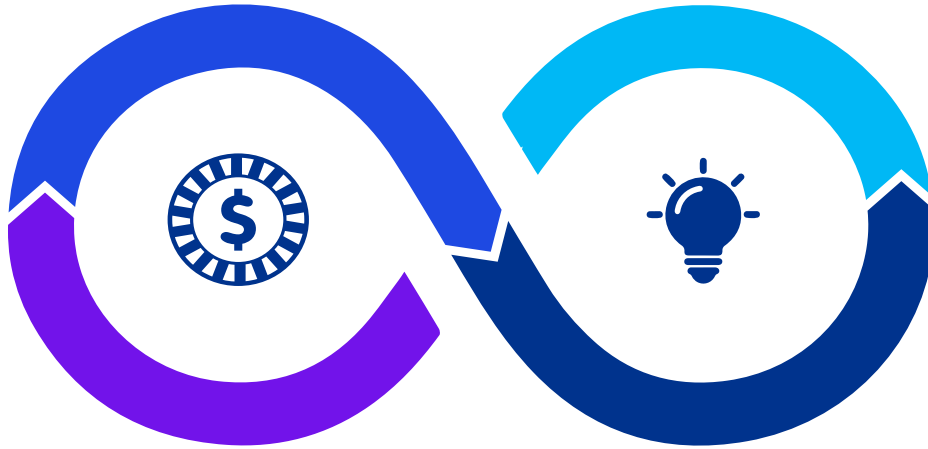
☐ Presumed risk of fraudulent revenue recognition

We have rebutted the presumed risk of fraudulent revenue recognition given the low complexity of revenue streams and lack of significant judgement required, along with no significant incentives, pressures or attitudes that result in fraud risk factors.

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



# Materiality



We **initially determine materiality** at a level at which we consider that misstatements could reasonably be expected to influence the economic decisions of users. Determining materiality is a matter of **professional judgment**, considering both quantitative and qualitative factors, and is affected by our perception of the common financial information needs of users of the financial statements as a group. We do not consider the possible effect of misstatements on specific individual users, whose needs may vary widely.

We **reassess materiality** throughout the audit and revise materiality if we become aware of information that would have caused us to determine a different materiality level initially.

## Plan and perform the audit

We **initially determine materiality** to provide a basis for:

- Determining the nature, timing and extent of risk assessment procedures;
- Identifying and assessing the risks of material misstatement; and
- Determining the nature, timing, and extent of further audit procedures.

We design our procedures to detect misstatements at a level less than materiality in individual accounts and disclosures, to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

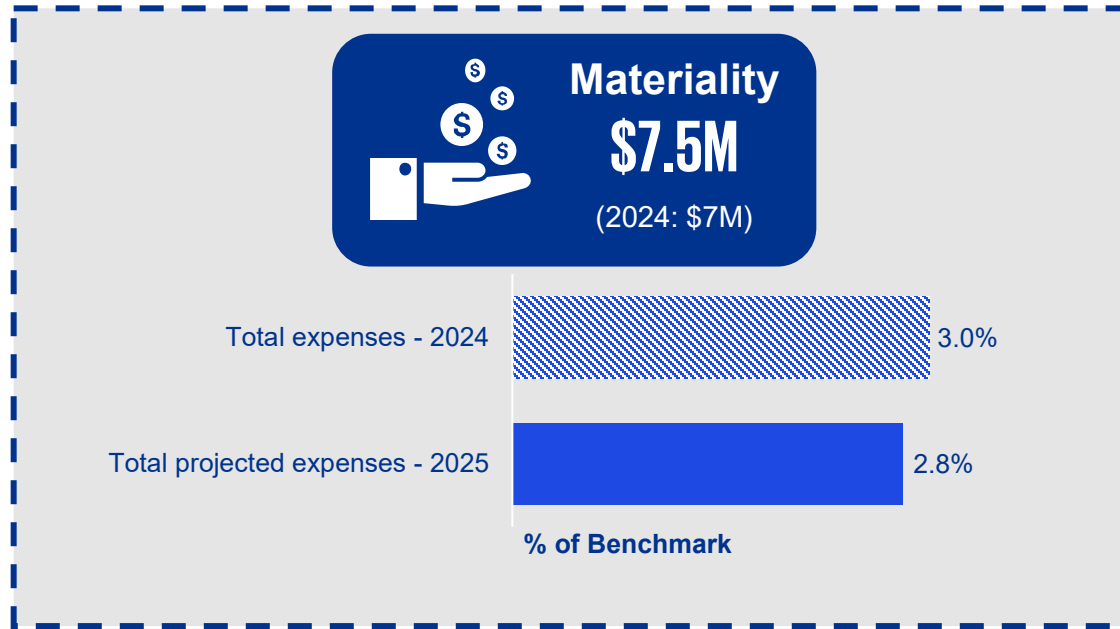
## Evaluate the effect of misstatements

We also **use materiality** to evaluate the effect of:

- Identified misstatements on our audit; and
- Uncorrected misstatements, if any, on the financial statements and in forming our opinion.



# Initial materiality



**Total projected expenses**





**\$268M**

(2024: \$237M)

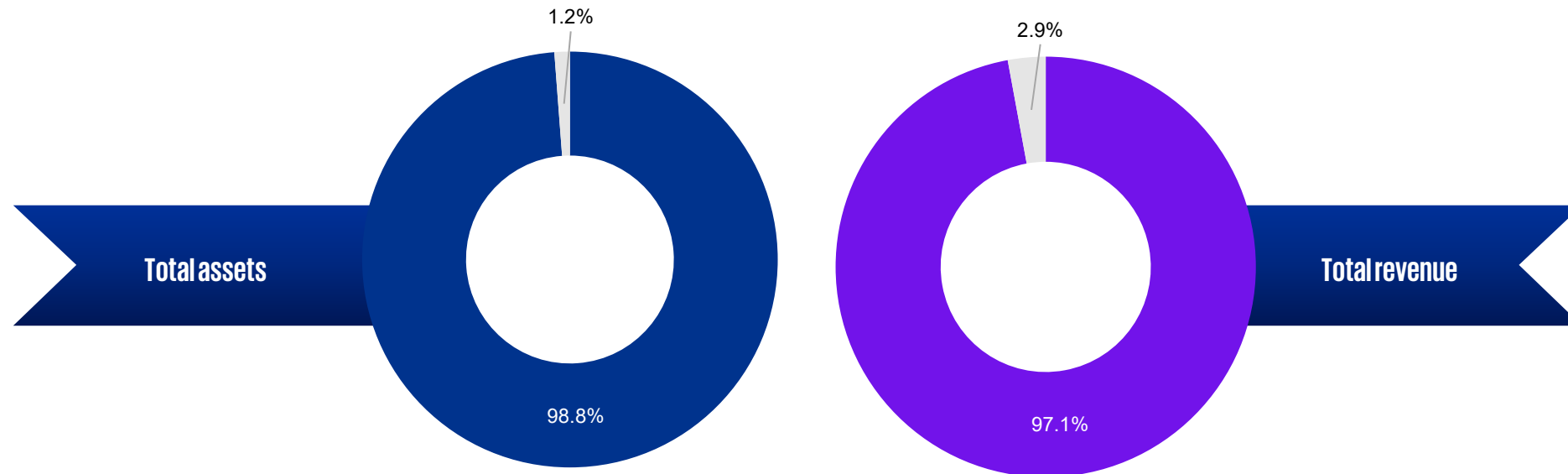


# Group audit – Scoping

We respond to identified and assessed risks of material misstatement to the group by performing further audit procedures.

Further audit procedures to be performed by:	Total assets	Total revenue
Total group auditor*	98.8% 	97.1% 
<b>Total tested</b>	<b>98.8%</b>	<b>97.1%</b>
Not subject to further audit procedures (i.e., untested)	1.2% 	2.9% 
<b>Total consolidated</b>	<b>100%</b>	<b>100%</b>

\*All financial information subject to further audit procedures relates to the City of St. Albert non-consolidated component. The St. Albert Library Board and the Arts & Heritage Foundation of St. Albert components are not subject to further audit procedures within the group audit.





# Significant risks



Management Override of Controls (non-rebuttable significant risk of material misstatement)

RISK OF



FRAUD

**Presumption  
of the risk of fraud  
resulting from  
management  
override of  
controls**

## Why is it significant?

Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk nevertheless is present in all entities.

## Our planned 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 AI Transaction Scoring (Mindbridge)
- performing a retrospective review of estimates
- evaluating the business rationale of significant unusual transactions.





# Required inquiries of Council



## Inquiries regarding risk assessment, including fraud risks

- What are Council's views about fraud risks, including management override of controls, in the City? And have you taken any actions to respond to any identified fraud risks?
- Is Council aware of, or has Council identified, any instances of actual, suspected, or alleged fraud, including misconduct or unethical behavior related to financial reporting or misappropriation of assets?
  - If so, have the instances been appropriately addressed and how have they been addressed?
- How does Council exercise oversight of the City's fraud risks and the establishment of controls to address fraud risks?
- Is Council aware of any instances of actual or possible violations of laws and regulations, including illegal acts (irrespective of materiality threshold)?
- Is Council aware of any correspondence with regulators or licensing authorities?
- Is Council aware of any additional matters relevant to the audit?



## Inquiries regarding city processes

- Is Council aware of tips or complaints regarding the City's financial reporting (including those received through Council's internal whistleblower program, if such programs exist)? If so, what are Council's responses to such tips and complaints?

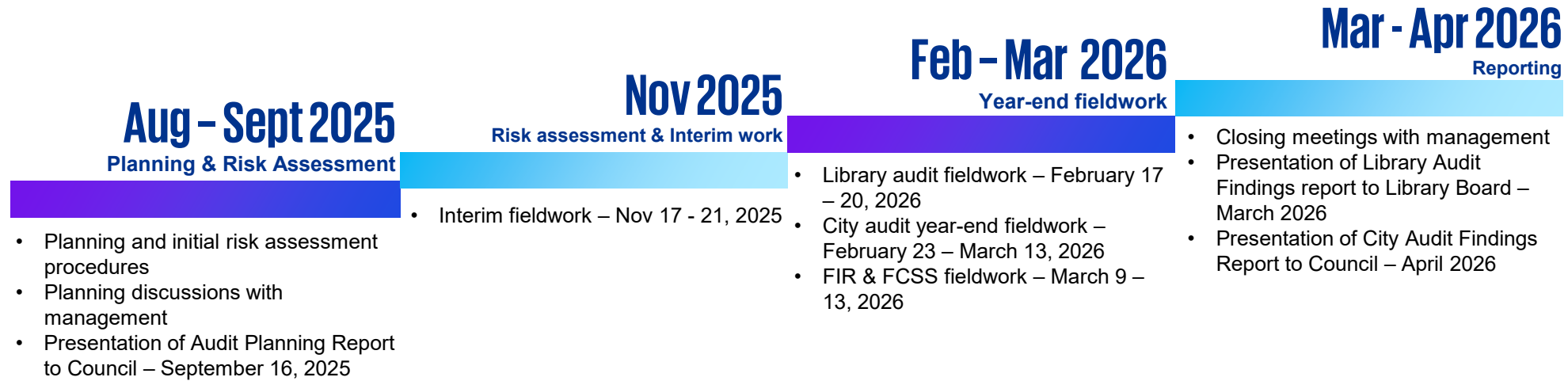


## Inquires regarding related parties and significant unusual transactions

- Is Council aware of any instances where the City entered into any significant unusual transactions?
- What is Council's understanding of the City's relationships and transactions with related parties that are significant to the City?
- Is Council concerned about those relationships or transactions with related parties? If so, the substance of those concerns?



# Key milestones and deliverables





# Appendices

1

Audit quality

2

Insights

3

Technology





# Appendix 1: How do we deliver audit quality?

Quality essentially means doing the right thing and remains our highest priority.

We have strengthened the consistency and robustness of our system of quality management to meet the requirements of ISQM 1 (CSQM 1), issued by the International Audit and Assurance Standards Board. Foundational for quality management, KPMG's globally consistent approach to ISQM 1 drives compliance with the standard and our efforts to strengthen trust and transparency with clients, the capital markets and the public we serve.

Aligned with ISQM 1 (CSQM 1), our SoQM meets the requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA) and the relevant rules of professional conduct / code of ethics applicable to the practice of public accounting in Canada, which apply to professional services firms that perform audits of financial statements.

Our **Global Quality Framework** outlines how we deliver quality and how every KPMG professional contributes to its delivery.



'**Perform quality engagements**' sits at the core, along with our commitment to continually monitor and remediate to fulfil our quality drivers.



Our **quality value drivers** are the cornerstones to our approach underpinned by the **supporting drivers** and give clear direction to encourage the right behaviours in delivering audit quality.



**Doing the right thing. Always.**



# Appendix 1: Our commitment to delivering audit quality

We define 'audit quality' as being the outcome when:

- audits are **executed consistently**, in line with the requirements and intent of **applicable professional standards** within a strong **system of quality management**; and
- all of our related activities are undertaken in an environment of the utmost level of **objectivity, independence, ethics and integrity**.

KPMG is committed to fulfilling our public interest role in providing robust assurance that can benefit investors and other stakeholders.

Businesses are integrating technology in ways once unimaginable. Geopolitical changes and inflationary pressures continue to drive uncertainty, and businesses need to take action to respond to societal threats like climate change.

The pace and scale of change only strengthens our resolve to ensure the quality, consistency and adaptability of our services are fit for this new future. Audit and assurance quality remains the highest priority at KPMG.

Through sustained innovation, we aim to consistently deliver superior audit quality. Across the global organization:

- KPMG firms have implemented a consistent risk-based approach to our system of quality management to drive audit and assurance quality, enabling us to meet the requirements of the International Standard on Quality Management 1 (ISQM 1).
- We are utilising powerful technologies on audit and assurance engagements, including artificial intelligence, and leveraging our alliances with technology leaders such as Microsoft to further enhance quality and provide even more value through deeper analysis of businesses, no matter their size.
- We believe the same level of rigour, quality, consistency and trust that is applied to financial statement information by companies should also apply to ESG reporting. Therefore, across the global organization we have deployed an assurance methodology, KPMG Clara workflow and learning tools to upskill and build teams to provide assurance on ESG reporting that helps our clients build a more sustainable future.

We encourage you to read our Transparency Report to learn more about our system of quality management and our firm's statement on the effectiveness of our SoQM:



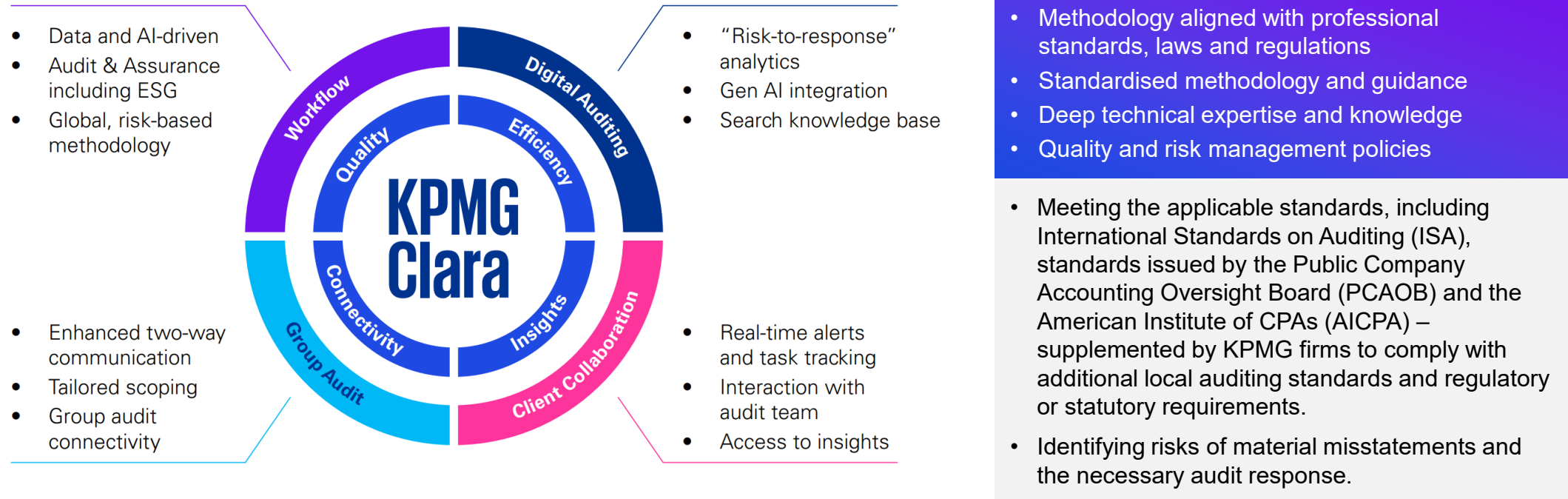
[KPMG Canada Transparency Report](#)



# Appendix 1: The KPMG Audit

## Globally consistent audit and assurance methodology and tools

As a scalable, intuitive cloud-based platform, KPMG Clara is driving globally consistent execution across all KPMG member firms. It enables delivery of KPMG audit and assurance methodologies through data-enabled workflows, which align with the applicable audit and assurance standards and provide an improved experience to audit and assurance professionals.





# Appendix 2: Audit and assurance insights

Our latest thinking on the issues that matter most to Audit Committees, board of directors and management.

## KPMG Audit & Assurance Insights

Curated research and insights for audit committees and boards.

## Board Leadership Centre

Leading insights to help board members maximize boardroom opportunities

## Current Developments

Series of quarterly publications for Canadian businesses including Canadian Assurance & Related Services and US Outlook reports.

## Sustainability Reporting

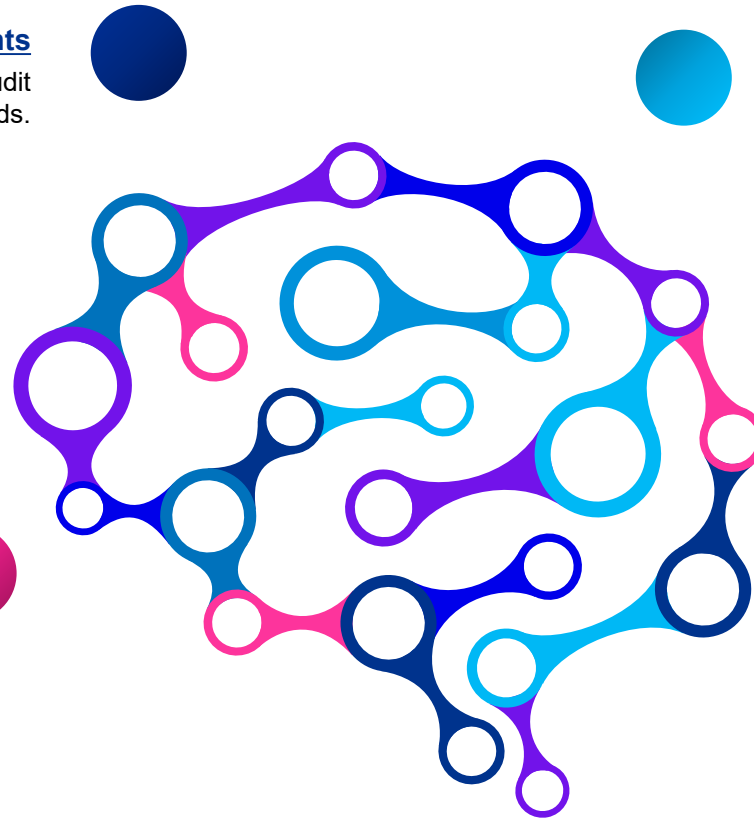
Resource centre on implementing the new Canadian reporting standards

## Accelerate - The key issues driving the audit committee agenda

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

## Audit Committee Guide – Canadian Edition

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





# Appendix 3: Our technology story



## Streamlined client experience

And deeper insights into your business, translating to a better audit experience.



## Secure

A secure client portal provides centralized, efficient coordination with your audit team.



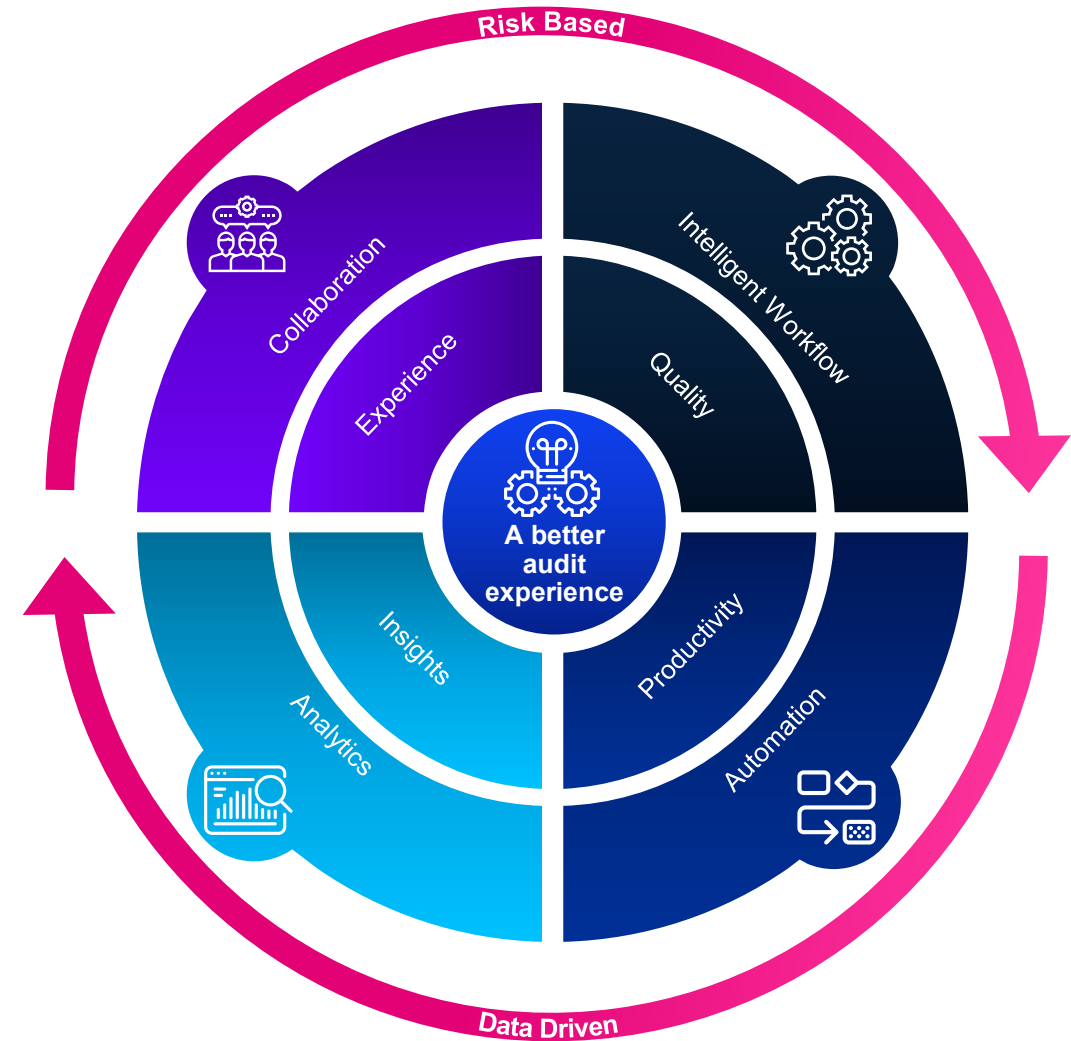
## Intelligent workflow

An intelligent workflow guides audit teams through the audit.



## Increased precision

Advanced data analytics and automation facilitate a risk-based audit approach, increasing precision and reducing your burden.







# Appendix 3: Expanding the use of audit technology



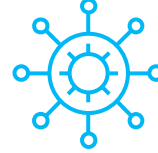
## Analytics

- AI Transaction Scoring
- Audit Routine Catalogue
- Data Visualization
- Group Scoping Tool
- Matching Routines
- Process Mining Analytics
- KPMG Forecast Analytics Suite



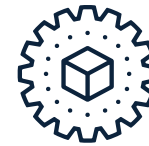
## Automation

- Agentic AI with Clara AI - Chat
- Automated Industry Routines
- Confirmation
- Data Extraction Scripts
- DataShare
- DataSnipper
- Inventory Counter App
- iRadar and iNav
- Offset Remover



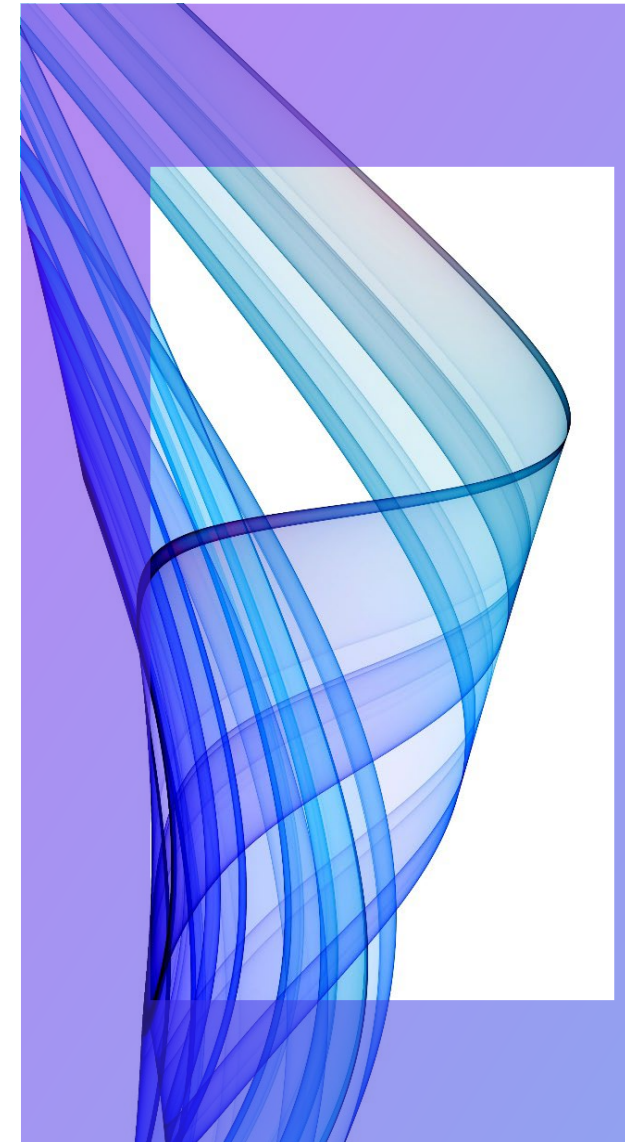
## Collaboration

- DocuSign™
- KPMG Clara for Clients



## Workflow

- KPMG Clara Workflow
- Account Analysis
- Journal Entry Analysis
- Planning Analytics





# Appendix 3: Continuous evolution

## Our continued investment

We continue to expand our strategic alliance partnerships with Microsoft and MindBridge to bring AI to the future of audit.

## Responsive delivery model

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

## Result: A better experience

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





# Appendix 3: Next-generation technology

## AI empowerment leading to focused insights

### Insights

### Now

### Near

### Next

#### AI boosting Insights

- Generative AI Chat embedded directly in the workflow
- AI enabled assistants (compare, prepare, summarize, review)
- AI Transaction scoring and D&A to provide targeted insights

**A better audit experience**

#### AI Agents working to enhance the audit experience

- AI agents embedded in the workflow
- Expanded AI transaction scoring and D&A
- AI generated process documentation

#### AI Vision

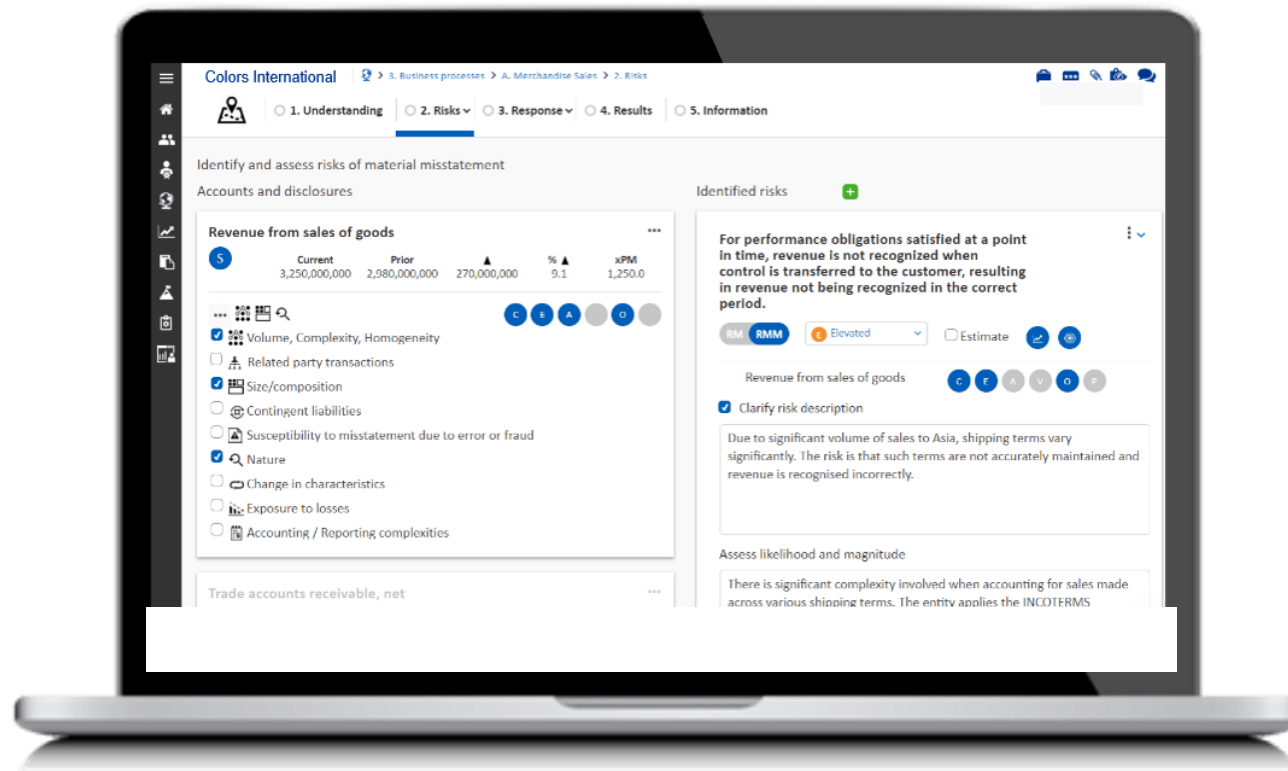
- Automated data extraction maximizing algorithmic testing approach
- AI enabled workflow for enhanced real-time insights
- A data driven audit that leverages embedded knowledge to help the audit team design a customized audit approach

**We maximize quality and insights through a data-enabled, AI-powered platform**



# Appendix 3: KPMG Clara Generative AI

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



## AI done right

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



## Bolstered productivity

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



## Quality at our fingertips

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



## Secure integration

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



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