



STAFF REPORT

THE CORPORATION OF THE TOWN OF COBOURG

Regular Council

Report to: Mayor, Deputy Mayor, and Councillors
From: Adam Giddings, Treasurer/Director of Corporate Services
Publication Date: October 8, 2026
Subject: **Response to Notice of Motion – Release of Closed Session Report CM-2024-15**

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1. Recommendation:

THAT Council receive this report for information purposes.

2. Executive Summary:

This report provides clarification regarding the unfinanced capital balances referenced in the 2023 audited financial statements and COR-2025-010, outlines the status of the Town's 2024 and 2025 audited financial statements, summarizes the factors contributing to delays in the annual audit cycle, and provides supporting documentation of staff's efforts to advance the completion of the audits.

The Town has experienced delays in completing its annual audited financial statements, resulting in an accumulated backlog across the 2023, 2024 and 2025 reporting periods. These delays arose from a combination of internal reconciliation requirements, competing year-end priorities, external auditor availability, communication challenges and the transition to a new external auditor.

The 2024 audited financial statements have now been drafted and are scheduled for review by the Audit and Risk Committee on October 6, 2026. Staff have also

completed internal audit preparation for the 2025 financial statements, with external audit fieldwork scheduled for the week of November 23, 2026. Draft 2025 financial statements are anticipated to be available for review in the first quarter of 2027.

Once the 2024 and 2025 audits are completed, staff will focus on the 2026 year-end process, with the objective of eliminating the accumulated backlog and restoring a consistent and timely annual audit and financial reporting cycle.

The correspondence and supporting documentation demonstrate the ongoing efforts made by Town staff to address outstanding audit requirements, respond to external auditor requests and bring the Town's financial reporting cycle back into order.

The delays in the Town's audited financial statements have resulted from a combination of internal and external factors, including the resolution of historical accounting matters, the overlapping preparation of multiple fiscal years and significant challenges with the previous external auditor. Staff have taken steps to address these challenges, including recommending a change in external auditor, dedicating resources to outstanding year-end requirements and strengthening coordination with the new audit firm.

With the 2024 financial statements drafted, the 2025 audit preparation completed and external fieldwork scheduled, the Town is progressing toward resolving the outstanding reporting backlog. The priority moving forward is to complete the remaining audits, meet applicable provincial reporting requirements and establish a sustainable, timely and consistent annual financial reporting process that supports transparency, accountability and sound financial governance.

3. Background

Presented at the September 23, 2026 Regular Council motion, the Notice of Motion proposes the following:

- NOW THEREFORE BE IT RESOLVED THAT the Clerk, with the Treasurer and Town Solicitor, publish Report CM-2024-15 on the town website before the end of the week with any identifiable individuals or other concerns simply blacked out; and
- FURTHER THAT the closed session report is to appear on the next agenda for the September Council meeting for councils discussion; and
- FURTHER THAT staff publicly explain, at that same meeting, how \$11,603,189 in the audited 2023 statements became \$14,000,000 in

COR-2025-010; and

- FURTHER THAT once report CM-2024-15 is made public, that its original closed version, in its entirety and without staff intervention, be sent alongside report COR-2025-010 to the town closed meeting investigator, the town's external auditors, the Audit Committee, and the Ontario Ombudsman, and any municipal lawyer at Cunningham and Swan; and
- FURTHER THAT all agencies/groups being sent the two reports be asked to report back to this council prior to the next Regular Council meeting with a summary of the two reports listing any and all discrepancies, legal concerns, significant omissions and make comment on why this may have occurred; and
- FURTHER THAT staff publicly report on the status of the 2024 audit and 2025 financial results, explaining in writing the reasons for the delays to date with specific supporting details and documents—including but not limited to, the number of emails, the number of phone calls, records showing these dates and times, and a fulsome look at why we have yet to get audited 2024 numbers yet, so that the public and council can be assured that staff have made every effort to ensure these numbers are provided before the election; and
- FURTHER THAT staff provide a firm date and a plan within 10 business days in writing to this council on how they will be presenting these important, legally required audited financial statements to the Cobourg public before October 1st 2026; and
- FURTHER THAT this motion be decided by a recorded vote.

The discussion in this report provides an explanation of the financial figures referenced in the 2023 audited financial statements and Report COR-2025-010, an update on the status of the 2024 audit and 2025 financial results, including the reasons for the delays experienced to date, and an outline of the anticipated timeline and plan for completing and presenting the outstanding audited financial statements to Council and the public.

The remaining items in the motion, including the publication and distribution of Report CM-2024-15 and requests for independent reviews and reporting by external parties, are outside the scope of this report.

4. Discussion:

Unfinanced Capital Balances

The notice of motion references an unfinanced capital balance of \$11,603,189 in the 2023 audited financial statement and \$14 million in COR-2025-010. Report COR-2025-010 was prepared by staff on May 5, 2025. As the Town continues to make a concerted effort to work toward a more financially stable future, COR-2025-010 recommended a framework that could be used to guide Council and staff in making sound financial decisions for long-term financial sustainability planning. The \$14 million referenced in COR-2025-010 was an unaudited management figure, calculated for the purposes of the report using the information and methodology available for that analysis. The 2023-year end audit was not initiated until June 2025, therefore, official audited numbers were not available at the time of the report. The difference between the 2023 audited amount and the approximate \$14 million management figure in COR-2025-010 should not be described as an unexplained \$2.4 million in the Town's audited financial position.

The purpose of referencing unfinanced capital in COR-2025-010 was to provide context for Council that unfinanced capital is not acceptable nor a fiscally responsible long-term practice. That the practice causes increased debt burden, depletion of cash, and erosion of taxpayer confidence.

Status of 2024 Audit and 2025 Financial Results, Including Delays and Supporting Documentation

The 2024 audited financial statements have been drafted. Updates have been provided to the Audit and Risk Committee, and a meeting has been scheduled for October 6, 2026, for the Committee to review the financial statements. Town staff have completed the internal audit preparation for the 2025 financial statements. Audit fieldwork has been scheduled with the auditors for the week of November 23, 2026, and staff anticipate that draft 2025 financial statements will be available for review in Q1 2027. Once the 2024 and 2025 year-ends have been completed, staff will focus on the 2026 year-end process with the objective of returning to a more consistent and timely annual audit and financial reporting cycle.

A summary of the timeline and delays are noted as follows:

- 2023: The initial delay of the 2023 Audited Financial Statements was due to staff attention required to reconciling issues brought forward in the closed session report CM-2024-15.

Further delays resulted from auditor availability as the Town's previous auditor, KPMG was unable to begin the field work until July 2025 with further delays due to auditor vacations and communication issues.

The 2023 Audited Financial Statements were submitted to Council in May 2026 for their approval.

- 2024: The 2024 statements were not being prepared in isolation. Staff were simultaneously trying to complete the outstanding 2023 work while undertaking the next year-end.

Further, the issues noted with KPMG resulted in a staff report to the Audit and Risk Committee on April 14, 2026 (appendix B – AR-2026-003 – Change in External Auditor). The report refers to the challenges with the auditors and recommended a change to Baker Tilly. The approval of Baker Tilly as auditor was not officially approved by Council until May 27, 2026. Subsequent to the approval of Baker Tilly, staff scheduled the 2024 year end audit for the week of July 6, 2026.

- 2025: Staff began working on the 2025 Audited Financial Statements in 2026. At this point, staff were managing a two-year accumulated backlog and working toward correcting an annual audit cycle. That means the 2025 statements are being completed while the Town is simultaneously brought the 2023 and 2024 reporting cycle back into order.

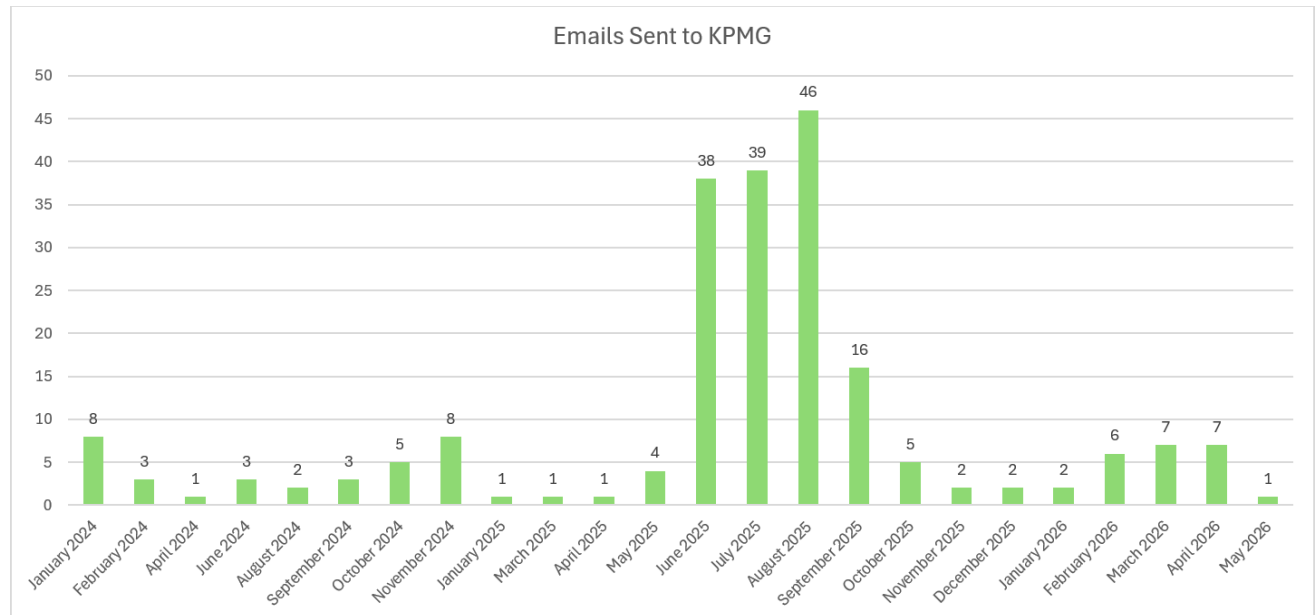
This timeline outlines key municipal financial governance milestones, key staff transitions, and the schedule for bringing outstanding year-end audit filings current from late 2023 through early 2027:

Date	Details
October 2023	Onboarding of new Treasurer/Director of Corporate Services.
November 2024	Report CM-2024-15 provided Council to discussing various financial and accounting issues.
July 2025	Beginnig of 2023 year end field work by KPMG.
April 2026	Review of 2023 financial statement by Audit and Risk Committee. Recommendation from staff to change auditors (report AR-2026-003).
May 2026	Appointment of Baker Tilly as auditor.
July 2026	Beginning of 2024 year end field work by Baker Tilly.
October 2026	Review of 2024 financial statement by Audit and Risk Committee.
November 2026	Beginning of 2025 year end field work by Baker Tilly.
Q1 2027	Anticipated date of completion of the draft 2025 audited financial statement.

Supporting Documentation

The notice of motion includes a request for supporting details and documents – “including but not limited to, the number of emails, the number of phone calls, records showing these dates and times...”

The below is an analysis of emails sent to KPMG. The emails mainly consists of providing information for the 2023 year end and subsequent follow ups.

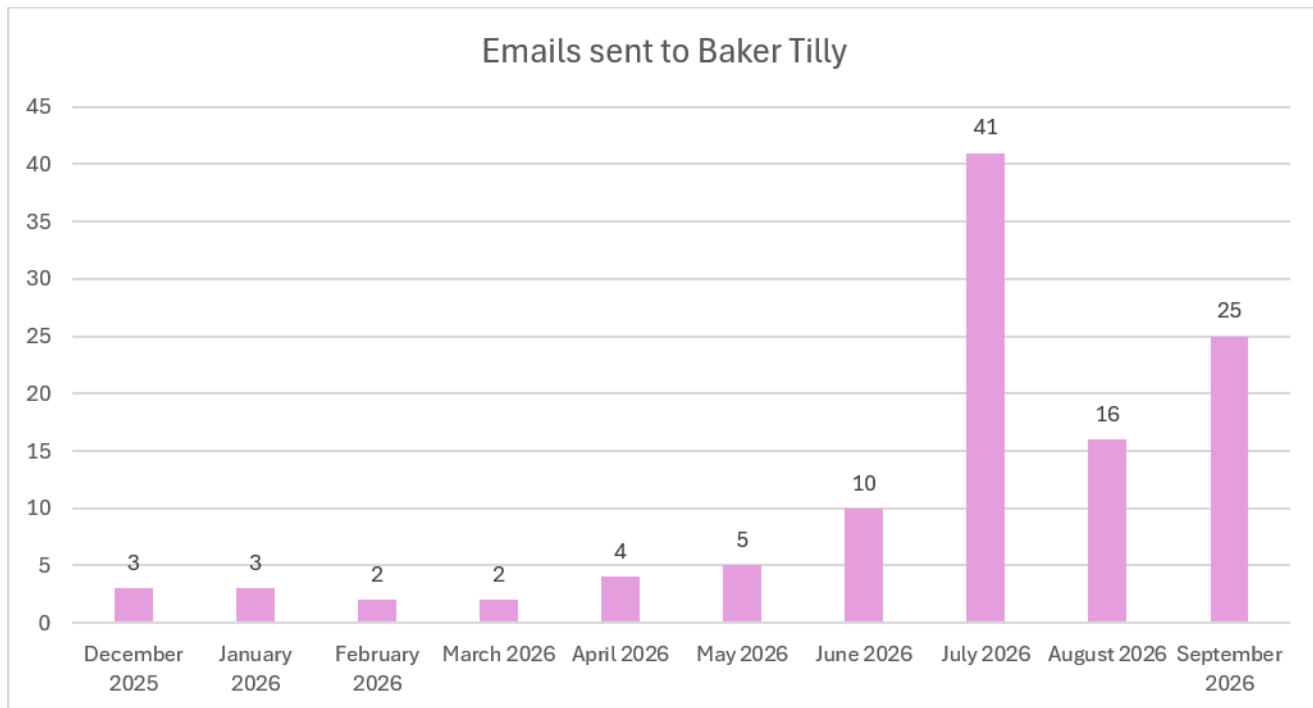


As noted, 211 emails were sent to KPMG, starting in January 2024 and ending in May 2026 when notice was provided that the Town of Cobourg would be changing auditors.

- Emails from June 2025 to September 2025 consisted of the bulk of year end information related to the 2023 year end.
- At that time, Town staff felt the majority of field work was completed.
- Emails from November 2025 to January 2026 were follow-ups from Town staff to KPMG requesting updates on the status of the 2023 year end, including requests to book the 2024 year end field work. The emails went unanswered until February 2026. After KPMG responded in February 2026, the financial statement was completed concluding with a presentation to the Audit and Risk Committee in April 2026.

Based on the delays and challenges experienced with KPMG, Town staff made the recommendation to change auditors beginning with the 2024 year end. The change in auditor was approved by Council on May 27, 2026.

Below is a summary of emails sent to Baker Tilly.



As noted, 111 emails have been sent to Baker Tilly as of the preparation of this report. The majority of the emails occurred in July 2026 during the 2024 year end field work. As a note, the year end working papers prepared by Town staff were uploaded to Baker Tilly's online portal and further, subsequent document requests and updates were made through the portal, eliminating the need for emails. Similarly, KPMG's information requests were all done through emails.

The email analysis provides a record of the ongoing communication and efforts made by Town staff to advance the completion of the audited financial statements. Since engaging Baker Tilly, Town staff have continued to work collaboratively with the new auditors. While the volume of email correspondence provides an indication of the communication between Town staff and the external auditors, it does not, on its own, reflect the full extent of the work undertaken, the information provided or the progress made throughout the audit process. The use of online portals, working papers, and online meetings must also be considered when assessing the efforts made by staff and the factors contributing to the delays.

Provincial Financial Reporting Requirements

The Municipal Act, 2001 requires municipalities to prepare annual financial statements in accordance with generally accepted accounting principles for local governments. Section 294.1 establishes that requirement.

The Act also establishes requirements relating to the publication of audited financial statements once they have been received by the Treasurer. Section 295

requires publication or public availability within 60 days after receipt of the audited financial statements.

Separately, Municipalities are required to submit Financial Information Return to the Province. Ontario's municipal guidance identifies May 31 as the annual FIR deadline. It's important to distinguish between:

- The preparation of annual financial statements.
- Completion of the external audit.
- Council approval of the audited statement.
- Publication requirements following receipt of audited statement.
- Submission of the FIR to the Province.

These are related but distinct statutory and administrative requirements.

5. Financial Impact and Budget

There is no direct financial impact associated with receiving this report. There may be legal costs associated with a detailed review of CM-2024-15 if Council directs the Town Solicitor to undertake a formal privilege, privacy, and severance review. Those costs can be reported to Council if they become material.

The broader financial implications of unfinanced capital and reserve levels are addressed through the Town's annual budget, capital plan, reserve policies and long-term financial planning. Unfinanced capital remains a significant financial-management issue.

6. Relationship to Council's Strategic Plan Priorities 2023 to 2027 and beyond:

☒ Thriving Community

A financially sustainable municipality is fundamental to building and maintaining a thriving community. Responsible financial management, transparent reporting, and strong governance practices ensure that the Town of Cobourg can make informed decisions, maintain essential services, invest in infrastructure and respond to the evolving needs of residents, businesses and community organizations.

☐ Service Excellence

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☐ Sustainability

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7. Public Engagement:

Public engagement is not required for the administrative review recommended in this report. The public release of CM-2024-15 provides additional transparency regarding the matters that can be disclosed.

The Town's audited financial statement will continue to be made publicly available in accordance with requirements of the Municipal Act.

8. Attachments:

A. COR-2025-010 – Financial Sustainability Plan

B. AR-2026-003 – Change in External Auditor

9. Report Not Considered by Standing Committee Because:

☐ Time Sensitive Issue (information received too late for Standing Committee consideration)

☒ Urgent Matter (issue arose after this month's Standing Committee Meeting)

☐ Other: Click or tap here to enter text.