Attachment C

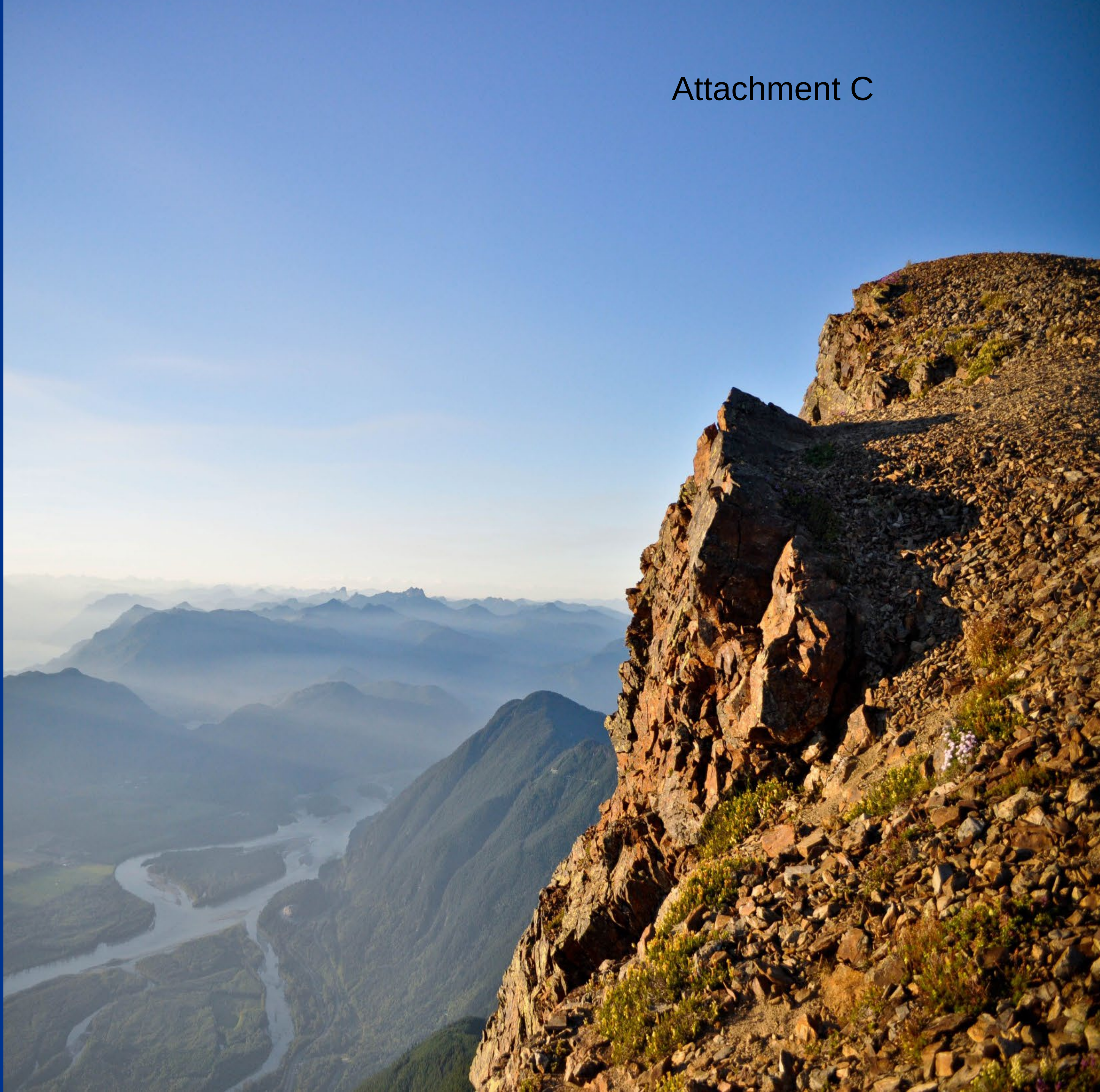
KPMG

City of Pitt Meadows

Audit Findings Report
for the year ended December 31, 2023

KPMG LLP

Prepared on April 23, 2024, for presentation on May 7, 2024



KPMG contacts

Key contacts in connection with this engagement:

Sean Reid, CPA, CA

Engagement Partner

604-793-4708

srreid@kpmg.ca

Arianna Castonguay, CPA

Senior Manager

604-455-4044

acastonguay@kpmg.ca

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Click on any item in the table of contents to navigate to that section.

Highlights

Purpose of this report

The purpose of this report is to assist you, as a member of the Council, in your review of the results of our audit of the consolidated financial statements (hereinafter referred to as the "financial statements") of the City Of Pitt Meadows (the "City") as at and for the year ended December 31, 2023.

Status of the audit

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

- Completing our discussions with the Mayor and Council, including in relation to subsequent events (if any);
- Obtaining the signed management representation letter; and
- Obtaining evidence of the Council's approval of the financial statements; and,

We will update the Mayor and Council on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures. Our auditor's report, a draft of which is attached to the financial statements, will be dated upon the completion of any remaining procedures.

Areas of audit focus

As part of our audit, we identified areas of audit focus, which include:

- Tangible capital asset additions;
- Asset retirement obligation
- Government grants and unearned revenue;

See pages 7 to 11 for the audit findings related to these areas of audit focus.

Significant risks

We have not identified significant risks of material misstatement for the audit, except for the presumed risk of fraud resulting from management override of controls, which is required by professional standards.

Highlights (continued)

Audit misstatements

Professional standards require that we request of management and the Board that all identified audit misstatements be corrected. We have already made this request of management.

Uncorrected misstatements

There were no uncorrected misstatements identified in the audit.

Corrected misstatements

There were no corrected misstatements identified in the audit.

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.

Control observations

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

Independence

We confirm that we are independent with respect to the City within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation from January 1, 2023, up to the date of this report.

Current developments

Refer to Appendix 3.

Highlights (continued)

Materiality (Based on prior year audited financial figures)

Materiality

$1,100,000

(2022 - $1m)

Total expenses for the year ending December 31, 2022

$41,729,610

(prior to restatement)

(2021: $39,203,066)

Percentage of benchmark

2.64%

(2022: 2.55%)

The prescribed range is between 0.5% and 3.0% of the benchmark

Audit findings - Significant risk

Management override of controls

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 City to City, the risk nevertheless is present in all entities.

Audit approach

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;
- Performing a retrospective review of estimates; and,
- Evaluating the business rationale of significant unusual transactions.

Significant findings

KPMG has rebutted the presumed risk of fraud from revenue recognition as part of the audit planning process. This is due to the primary sources of revenue including tax revenue and government grants having a low risk of fraud.

There were no significant issues noted in our testing.

Audit findings - Areas of audit focus

Area of audit focus	Estimate?
Tangible capital asset (TCA) additions	No

Our response

- The City continues to expand and invest in property, buildings, road, water and sewer related infrastructure.
- The City acquired and constructed $10.3 million in capital assets in 2023 (2022 – $20.1 million).
- Our audit methodology incorporates the required procedures in professional standards to address this risk. These procedures include:
  - Testing TCA additions by obtaining and inspecting support to confirm cost, classification, and presentation in the financial statements.
  - Performing substantive analytical procedures over amortization.

Significant findings

There were no issues noted in our testing.

Audit findings - Areas of audit focus (continued)

Area of audit focus	Estimate?
Asset retirement obligation	Yes

Our response

- PS 3280 Asset Retirement Obligations ("PS 3280") is a new accounting standard effective for the City's 2023 fiscal year. The new standard addresses the recognition, measurement, presentation, and disclosure of legal obligations with the retirement of tangible capital assets. As at December 31, 2023, the City has recognized a liability for asset retirement obligations ("ARO") of $1,103,784 (2022 - $1,060,412).
    - We obtained an understanding of management's process for implementing PS 3280, including how in-scope TCA were identified, sources of information used, and significant measurement data, assumptions and decisions.
    - We ensured the retirement obligations accounting policy set by management is in accordance with PS 3280.
    - We obtained a list of TCA that reconciles to the general ledger and reviewed the listing to ensure management's identification of TCA with potential in-scope retirement obligations is accurate and complete.
    - We inquired with management and confirmed that there were no additional legal agreements entered into by the City that contractually obligates the City to an asset retirement obligation.
    - We obtained management's calculation of the ARO liability, including accretion expense, and the incremental amortization expense. We verified the mathematical accuracy of the calculations and agreed a sample of inputs to supporting documentation and agreed the reasonableness of significant assumptions and judgments made to measure the liability.
    - Management engaged several environmental consultants to determine the inputs in the calculation of the liability. We reviewed the consultant reports and related supporting documentation for the asset retirement obligations. We assessed whether reliance can be placed on consultant reports as audit evidence.

Audit findings - Areas of audit focus (continued)

Area of audit focus	Estimate?
Asset retirement obligation - continued	Yes

Our response

- We reviewed the application of the modified retroactive transitional provisions applied by management for the initial implementation of the accounting standard.
- We reviewed the financial statement presentation and note disclosures to ensure it is consistent with the guidance in PS 3280.
- We discussed with management that the ARO liability will need to be monitored on an annual basis to keep track of any retirement of AROs or changes in rates used in the determination of the liability and make adjustments as necessary.
- As the City has applied the modified retroactive provisions on initial implementation of the accounting standard, this required the restatement of prior year comparative balances in the financial statements due to the adoption of the accounting standard. As a result, our auditor's report includes an "emphasis of matter" section and "other matter" section nothing the change in the comparative balances and our audit of the restatement.

Significant findings

KPMG agrees with management's estimate of the obligation and the disclosures related thereto.

Audit findings - Areas of audit focus (continued)

Area of audit focus	Estimate?
Government grants and unearned revenue	No

Our response

- The City recognized into revenue a total of $6.2 million (2022 – $1.6 million) into government transfers from Federal, Provincial and Local Governments.
- Included in the above amount is the Growing Communities government grant of $5,370,000 received from the Province in 2023. As the extent of eligible expenditures is extensive, the funding was recognized as revenue within the year. No funds have been spent and the balance is included in statutory reserves.
- Our audit methodology incorporates the required procedures in professional standards to address this risk. These procedures include:
  - Confirming the amount of funding through inspection of the agreements and agreeing to the deposit received.
  - Inspecting the funding agreements to confirm the appropriateness of revenues recognized.

Significant findings

There were no issues noted in our testing.

Significant accounting policies and practices

Significant accounting policies

- There have been no initial selections of, or changes to, the new significant accounting policies and practices other than the adoption of the asset retirement obligations and financial instruments accounting standards as discussed above.
- There were no significant accounting policies in controversial or emerging areas.
- There were no issues noted with the timing of the City's transactions in relation to the period in which they were recorded.
- There were no issues noted with the extent to which the financial statements are affected by a significant unusual transaction and extent of disclosure of such transactions.
- There were no issues noted with the extent to which the financial statements are affected by non-recurring amounts recognized during the period and extent of disclosure of such transactions.

Significant accounting estimates

- There were no issues noted with management's identification of accounting estimates.
- There were no issues noted with management's process for making accounting estimates.
- There were no indicators of possible management bias.
- There were no significant factors affecting the City’s asset and liability carrying values.

Significant disclosures and financial statement presentation

- There were no issues noted with the judgments made, in formulating particularly sensitive financial statement disclosures.
- There were no issues noted with the overall neutrality, consistency, and clarity of the disclosures in the financial statements.
- There were no significant potential effects on the financial statements of significant risks, exposures, and uncertainties.

Control observations

Consideration of internal control over financial reporting (“ICFR”)

In planning and performing our audit, we considered ICFR relevant to the City’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.

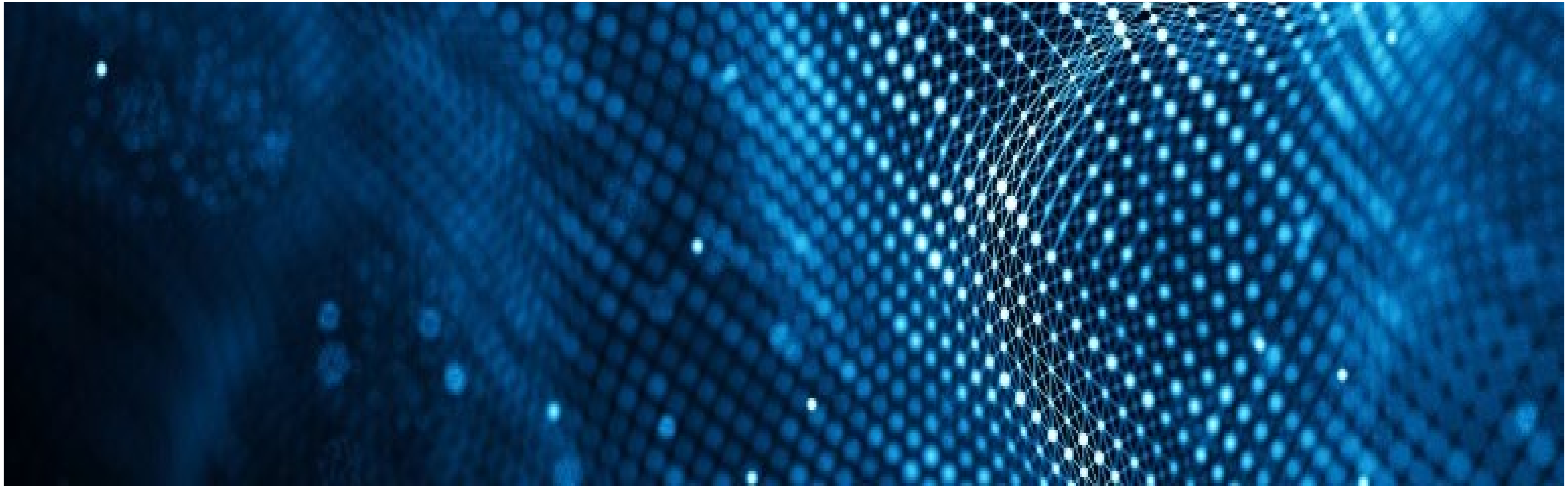
Significant deficiencies in internal control over financial reporting

A significant deficiency in internal control over financial reporting is a deficiency, or combination of deficiencies, in internal control that, in the auditor’s professional judgment, is of sufficient importance to merit the attention of those charged with governance.

Control observations (continued)

Significant deficiencies in ICFR

We did not note any significant deficiencies in ICFR or other control observations



Appendices

1 **Required communications**

2 **Management representation letter**

3 **Audit quality**

4 **Changes in accounting standards**

5 **Thought leadership and insights**

6 **KPMG's truth & Reconciliation Action Plan**

7 **Other information**

Appendix 1: Required communications

Draft auditor's report

The conclusion of our audit is set out in our draft auditor's report attached to the draft financial statements.

Management representation letter

In accordance with professional standards, a copy of the management representation letter is included in Appendix 2.

Engagement letter

The objectives of the audit, our responsibilities in carrying out our audit, as well as management's responsibilities, are set out in the engagement letter and any subsequent amendment letters.

Independence

In accordance with professional standards, we have confirmed our independence on page 5.

Required inquiries

Professional standards require that we obtain your views on risk of fraud and other matters. We made similar inquiries to management as part of audit process. Accordingly, we would like you to consider the following questions:

- Are you aware of or have you identified any instances of actual, suspected or alleged non-compliance with laws and regulations or fraud, including misconduct or unethical behaviour related to financial reporting or misappropriation of assets? If so, have the instances been appropriately addressed and how have they been addressed?
- What are your views about fraud risks in the City?
- How do you exercise effective oversight of management's processes for identifying and responding to the risk of fraud in the City and internal controls that management has established to mitigate these fraud risks?
- Has the City entered into any significant unusual transactions?

If you have any matters that you would like to bring to our attention on the above questions, please contact Sean Reid, Engagement Partner. We will consider the absence of a response as confirmation that the Board is not aware of any issues noted above.

Appendix 2: Management representation letter

KPMG LLP
Suite 200 - 9123 Mary Street
Chilliwack BC V2P 4H7

May 7, 2024

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the financial statements of the City of Pitt Meadows' ("the Entity") as at and for the period ended December 31, 2023.

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 November 8, 2023 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 Council and committees of Council 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

      — others

      where 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, short sellers, 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) The methods, the data and the significant assumptions used in making accounting estimates, and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

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.

Other information:

11) We confirm that the final version of the 2023 Annual Report will be provided to you when available, and prior to issuance by the Entity, to enable you to complete your required procedures in accordance with professional standards.

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.

Yours very truly,

CITY OF PITT MEADOWS

____

By: Mark Roberts, Chief Administrative Officer

____

By: Laura Barroetavena, Director of Financial Services

Cc: Mayor and Council

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.

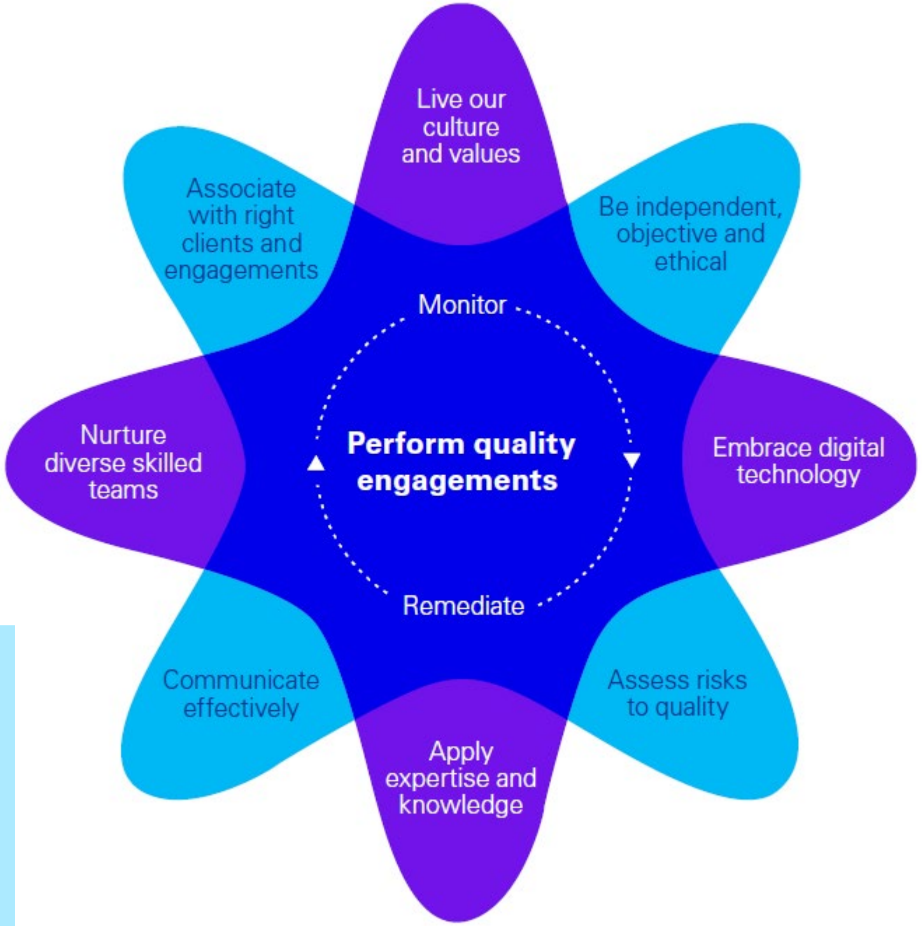
Appendix 3: Audit quality: How do we deliver audit quality?

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

Perform quality engagement sits at the core along with our commitment to continually monitor and remediate to fulfil on 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.

KPMG 2022 Audit Quality and Transparency Report



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

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

Appendix 4: Changes in accounting standards

Standard	Summary and implications

Asset retirement obligations	• The new standard PS 3280 *Asset retirement obligations* is effective for fiscal years beginning on or after April 1, 2022.
	• The new standard addresses the recognition, measurement, presentation and disclosure of legal obligations associated with retirement of tangible capital assets. Retirement costs will be recognized as an integral cost of owning and operating tangible capital assets.
	• The asset retirement obligations ("ARO") standard will require the public sector City to record a liability related to future costs of any legal obligations to be incurred upon retirement of any controlled tangible capital assets ("TCA"). The amount of the initial liability will be added to the historical cost of the asset and amortized over its useful life if the asset is in productive use.
	• As a result of the new standard, the public sector City will:
	  • Consider how the additional liability will impact net debt, as a new liability will be recognized with no corresponding increase in a financial asset;
	  • Carefully review legal agreements, senior government directives and legislation in relation to all controlled TCA to determine if any legal obligations exist with respect to asset retirements; and,
	  • Begin considering the potential effects on the organization as soon as possible to coordinate with resources outside the finance department to identify ARO and obtain information to estimate the value of potential ARO to avoid unexpected issues.

Appendix 4: Changes in accounting standards (continued)

Standard	Summary and implications
Financial instruments and foreign currency translation	• The new standards PS 3450 *Financial instruments*, PS 2601 *Foreign currency translation*, PS 1201 *Financial statement presentation* and PS 3041 *Portfolio investments* are effective for fiscal years beginning on or after April 1, 2022. • Equity instruments quoted in an active market and free-standing derivatives are to be carried at fair value. All other financial instruments, including bonds, can be carried at cost or fair value depending on the public sector City's choice and this choice must be made on initial recognition of the financial instrument and is irrevocable. • Hedge accounting is not permitted. • A new statement, the Statement of Remeasurement Gains and Losses, will be included in the financial statements. Unrealized gains and losses incurred on fair value accounted financial instruments will be presented in this statement. Realized gains and losses will continue to be presented in the statement of operations. • PS 3450 *Financial instruments* was amended subsequent to its initial release to include various federal government narrow-scope amendments.
Revenue	• The new standard PS 3400 *Revenue* is effective for fiscal years beginning on or after April 1, 2023. • The new standard establishes a single framework to categorize revenue to enhance the consistency of revenue recognition and its measurement. • The standard notes that in the case of revenue arising from an exchange transaction, a public sector City must ensure the recognition of revenue aligns with the satisfaction of related performance obligations. • The standard notes that unilateral revenue arises when no performance obligations are present, and recognition occurs when there is authority to record the revenue and an event has happened that gives the public sector City the right to the revenue.

Appendix 4: Changes in accounting standards (continued)

Standard	Summary and implications
Purchased Intangibles	• The new Public Sector Guideline 8 *Purchased intangibles* is effective for fiscal years beginning on or after April 1, 2023 with earlier adoption permitted. • The guideline allows public sector entities to recognize intangibles purchased through an exchange transaction. The definition of an asset, the general recognition criteria and GAAP hierarchy are used to account for purchased intangibles. • Narrow scope amendments were made to PS 1000 *Financial statement concepts* to remove the prohibition to recognize purchased intangibles and to PS 1201 *Financial statement presentation* to remove the requirement to disclose purchased intangibles not recognized. • The guideline can be applied retroactively or prospectively.
Public Private Partnerships	• The new standard PS 3160 *Public private partnerships* is effective for fiscal years beginning on or after April 1, 2023. • The standard includes new requirements for the recognition, measurement and classification of infrastructure procured through a public private partnership. • The standard notes that recognition of infrastructure by the public sector City would occur when it controls the purpose and use of the infrastructure, when it controls access and the price, if any, charged for use, and it controls any significant interest accumulated in the infrastructure when the public private partnership ends. • The public sector City recognizes a liability when it needs to pay cash or non-cash consideration to the private sector partner for the infrastructure. • The infrastructure would be valued at cost, which represents fair value at the date of recognition with a liability of the same amount if one exists. Cost would be measured in reference to the public private partnership process and agreement, or by discounting the expected cash flows by a discount rate that reflects the time value of money and risks specific to the project. • The standard can be applied retroactively or prospectively.

Appendix 4: Changes in accounting standards (continued)

Standard	Summary and implications
Concepts Underlying Financial Performance	• The revised conceptual framework is effective for fiscal years beginning on or after April 1, 2026 with earlier 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	• The proposed section PS 1202 *Financial statement presentation* will replace the current section PS 1201 *Financial statement presentation*. PS 1202 *Financial statement presentation* will apply to fiscal years beginning on or after April 1, 2026 to coincide with the adoption of the revised conceptual framework. Early adoption will be permitted.
	• 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 City can use an amended budget in certain circumstances.
	  • Inclusion of disclosures related to risks and uncertainties that could affect the City’s financial position.
	• The Public Sector Accounting Board is currently deliberating on feedback received on exposure drafts related to the reporting model.

Appendix 4: Changes in accounting standards (continued)

Standard	Summary and implications
Employee benefits	• The Public Sector Accounting Board has initiated a review of sections PS 3250 *Retirement benefits* and PS 3255 *Post-employment benefits, compensated absences and termination benefits*. • The intention is to use principles from International Public Sector Accounting Standard 39 *Employee benefits* as a starting point to develop the Canadian standard. • Given the complexity of issues involved and potential implications of any changes that may arise from the review of the existing guidance, the new standards will be implemented in a multi-release strategy. The first standard will provide foundational guidance. Subsequent standards will provide additional guidance on current and emerging issues. • The proposed section PS 3251 *Employee benefits* will replace the current sections PS 3250 *Retirement benefits* and PS 3255 *Post-employment benefits, compensated absences and termination benefits*. It will apply to fiscal years beginning on or after April 1, 2026. Early adoption will be permitted and guidance applied retroactively. • This proposed section would result in public sector entities recognizing the impact of revaluations of the net defined benefit liability (asset) immediately on the statement of financial position. Organizations would also assess the funding status of their post-employment benefit plans to determine the appropriate rate for discounting post-employment benefit obligations. • The Public Sector Accounting Board is in the process of evaluating comments received from stakeholders on the exposure draft.
Government not-for-profit strategy	• The Public Sector Accounting Board has approved its government not-for-profit ("GNFP") strategy implementation plan. • The approved strategy option is to incorporate the PS 4200 series of standards with potential customizations into public sector accounting standards. This means reviewing the existing PS 4200 series of standards to determine if they should be retained and added to public sector accounting standards. Incorporating the updated or amended PS 4200 series standards in public sector accounting standards would make the guidance available to any public sector City. Accounting and/or reporting customizations may be permitted if there are substantive and distinct accountabilities that warrant modification from public sector accounting standards.

Appendix 5: Thought leadership and insights

Thought leadership – Environmental, social and governance (“ESG”)

Note: Click on images to visit document link.

CoP26 made progress towards tackling climate change, but there is much more to do.

At KPMG, we’re committed to accelerating the changes required to fight climate change.

In this report, KPMG considers how leading corporations and investors can take action to capture the value that can be found in a healthy, sustainable ocean economy.

This highlights a five-part framework to help organizations shape the total impact of strategy and operations on performance both externally, and internally.

The Green City outlines the need of the cities and the buildings in them to reflect climate consciousness.

The link provides guidance on what that looks like and the first steps to meeting those objectives.

This report outlines the updates in regulatory sustainability reporting.

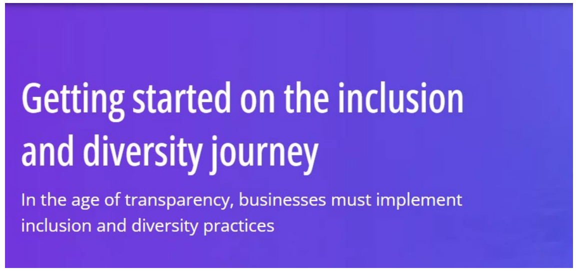
Its focus is comparing and contrasting proposals from the ISSB, EFRAG, and the SEC.

This article outlines the importance of Gender-lens investing and how it aims on promoting equity and sustainability.

Appendix 5: Thought leadership and insights (continued)

Thought leadership – Environmental, social and governance (“ESG”) (continued)

Note: Click on images to visit document link.



In this age of transparency, businesses must act proactively to implement strategic inclusion and diversity (“I&D”) practices.

This link is a guide for organizations on their own transformation journey.

The "S" in ESG is becoming critical as people and organizations become more conscious about how the social aspect of business will impact their future.

This article touches on the social movements driving business change.

As the severity of climate impacts increase, so do the socio-economic disruptions due to the risk and fall of climate impacted sectors and projects.

This article breaks down the impact on institutional investors.

This article outlines how ESG is impacting valuation and performance of the underlying companies institutional investors have a stake in.

Market statistics highlight the issues surrounding responsible investment.

KPMG’s Climate Change Financial Reporting Resource Centre

KPMG’s climate change resource centre provides FAQs to help you identify the potential financial statement impacts for your business.

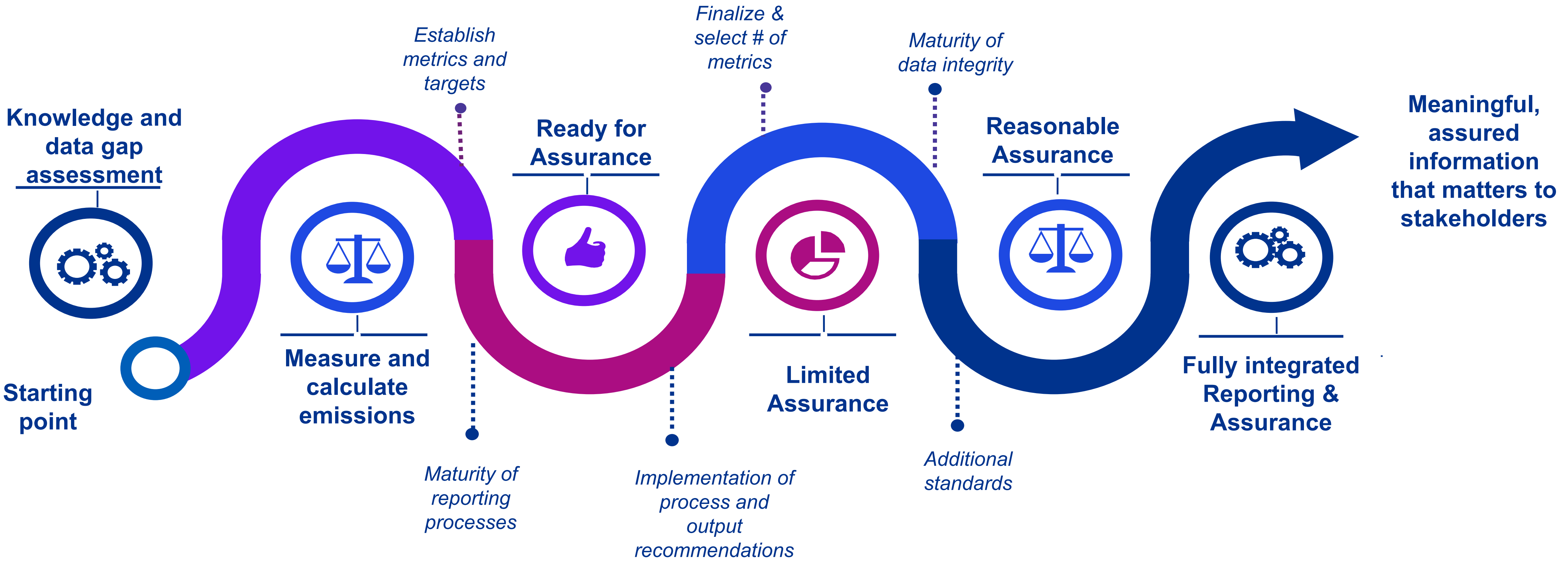
Click here to access KPMG’s portal.

A closer look at the GHG Protocol

Chartered Professional Accountants of Canada (CPA Canada) and the Institute for Sustainable Finance (ISF) produced a 23-page report (click here) on the GHG Protocol. The report looks to inform potential preparers and users of emissions disclosure; policy makers; standard setters; regulators; and others, and to spur important additional research into key aspects of emissions disclosure and standards that require closer attention.

Appendix 5: Thought leadership and insights (continued)

Where are you in the GHG reporting and assurance journey?



Appendix 5: Thought leadership and insights (continued)

What is ESG?

ESG is a framework to integrate environmental, social and governance risks and opportunities into an organization's strategy to build long term financial sustainability and create value. ESG includes a wide range of non-financial scoring categories, used by investors and other stakeholders to assess the impact of a company's products and business practices on sustainability and social causes.

Environmental

Our IMPACT on our planet

- Climate change
- Greenhouse gas (GHG) emissions
- Natural resource depletion
- Waste and pollution
- Deforestation
- Hazardous materials
- Biodiversity

Social

Our IMPACT in our communities

- Working conditions, including slavery and child labour
- Impact on local communities
- Conflict regions
- Health and safety
- Employee diversity, equity, and inclusion
- Product mis-selling
- Data protection

Governance

Our conduct

- Executive pay
- Bribery and corruption
- Political lobbying and donations
- Board diversity and structure
- Tax strategy
- Data breaches

ESG strategies can help entities deliver long-term value through effective engagement with all stakeholders – generating trust and a competitive advantage.

Appendix 5: Thought leadership and insights (continued)

Why is ESG important? A changing regulatory environment compounded by heightened expectations from stakeholder groups from investors to employees to customers has made ESG a business imperative that cannot be ignored.

Rising C-suite, Board, and market attention on ESG.

Increased emphasis

on management of ESG-related policies and practices from **investors**, **employees**, **customers**, and **community at large.**

100% of CEOs surveyed said their response to the pandemic has caused their focus to shift to the **social** component of their ESG program.[1]

76% of CEOs want to lock-in the sustainability and climate change gains they have made during the pandemic.[2]

Increased focus

by investors on ESG disclosures when making investment decisions.

Investors want companies to be **transparent about their ESG policies** and managements and Board to be held accountable.

"We are prepared to use our proxy voting power to ensure companies are identifying material ESG issues and incorporating the implications into their long-term strategy."

Cyrus Taraporevala, State Street Advisors in letter to SSgA board

"By 2030 Microsoft will be carbon negative, and by 2050 Microsoft will remove from the environment all the carbon the company has emitted either directly or by electrical consumption since it was founded in 1975."

Satya Nadella, Microsoft CEO

[1]KPMG CEO Outlook pulse survey

[2]KPMG CEO Outlook 2020

Appendix 5: Thought leadership and insights (continued)

ESG needs to be on the board agenda

01

ESG and climate risk* are linked to access to funding

An City's climate resiliency and ESG management is impacting access to funding. Government grants, for example, will be increasingly tied to ESG initiatives and performance.

*Climate risk is an element of ESG

02

E&S and climate risk factors are impacting business models

Business models are being impacted by ESG and climate transition requirements in the face of higher operating risks and costs, e.g. capex planning for low carbon technologies and solutions.

03

ESG is linked to the cost of capital

Developments such as BlackRock's communication to CEOs, S&Ps credit downgrade of several oil & gas companies, and rapid growth in ESG investment or divestment, has highlighted that climate is a near team financial and strategic risk for many companies. Cost of capital can be further impacted by ESG risk ratings from leading ratings agencies (S&P, Sustainalytics, MSCI).

04

Talent expectations and attraction

Stakeholder expectations of Boards now include diversity in gender and ethnicity as well as expertise in ESG or climate areas, e.g. human rights and emissions. Employees are increasingly seeking purpose from their work and looking to leadership and company values to reflect this. This compliments a high student demand for sustainability, diversity and inclusion.

05

Regulatory requirements on ESG and climate risk disclosure

Failing to manage and disclose ESG and climate risks is beginning to carry litigation risk and link to executives' fiduciary duty. Both SEC and ISSB have proposed disclosure rules for climate risk and emissions. Now is the time for entities to address management and reporting gaps.

Sources: 10 Business Myths on Climate Change (2021) – KPMG UK; [2]
ESG: The board's perspective (2021) – KPMG India

KPMG

Appendix 5: Thought leadership and insights (continued)

ESG Discovery | Client journey

What is ESG Discovery?

ESG Discovery through KPMG Ignition is a 3-hour session held virtually or in-person, bringing you relevant insights to inspire thinking and inspire change.

Why book an ESG Discovery session?

The consideration of ESG (Environmental, Social and Governance) factors has become critical to the success of organizations across all sectors including yours.

Time commitment for you and selected individuals

- Sponsor attends 30-min kick-off call
- Provided ESG 101 material and a 15-minute ESG self-assessment questionnaire.
- All participate in a 3-hour ESG Discovery session.
- Sponsor attends a 30-minute debrief following session with KPMG

What we'll cover

- Overview of ESG and how it applies to your organization and industry
- Results and analysis of self-assessment
- Identification of ESG stakeholders and their interests
- Scenario planning exercises
- Prioritization of key actions

Exceptional experience

Explore and better understand your organization's ESG challenges and opportunities through a highly interactive ideation session that will help you prioritize next steps on your ESG journey.

What you'll get

- An understanding of current and future state impacts of ESG to your organization
- Clarity of the ESG priority areas for your organization going forward – and how KPMG can help

Next steps

Connect with your KPMG Partner to explore booking an ESG Discovery session for your organization

Appendix 5: Thought leadership and insights (continued)

Thought leadership – Public sector

Voices on 2030: Digitalizing Government

What will the world look like in 2030? How will citizen and customer expectations evolve? And what can public sector organizations be doing today to help ensure they can meet these expectations? We spoke with leaders and disruptors from around the world, across the public and private sector to explore answers to these questions.

Click here to access KPMG's portal.

Global Economic Outlook

2023 has arguably been one of the most challenging years the world has experienced in modern times. KPMG's Global Economic Outlook is an invaluable asset, helping to map out some of the challenges and opportunities ahead and enables corporate leaders to plan for the future and prepare for an eventual return to sustainable, long-term growth.

Click here to access KPMG's portal.

Why Audit Committees Should Know About Asset Retirement Obligations

Many public sector entities are currently working through the various aspects of the implementation of the Asset Retirement Obligation standard. In this publication we have provided some key insights to make this complex topic easy to understand by senior level management and those charged with governance at these organizations.

Click here to access KPMG's portal.

Perspectives on PS 3280 Asset Retirement Obligations

This guide provides KPMG's perspective on key implementation issues and technical interpretations of the guidance in PS 3280.

Click here to access KPMG's portal.

Appendix 5: Thought leadership and insights (continued)

Thought leadership – Local government

The Future of Cities

The Future of Cities report unpacks our KPMG Global research and insights on the future of local government, providing an international viewpoint. The report traces the unprecedented journey ahead. Cities worldwide are now poised at a significant inflection point, as their leaders realize that long-held 'one-size-fits-all' approaches to planning and policies will likely no longer work to shape cities for a future that is truly healthy, sustainable, efficient and prosperous for all.

Click here to access KPMG's portal.

The Future of Local Government

The Future of Local Government report provides a Canadian perspective for how local governments can meet the rapidly changing needs and expectations of their stakeholders – the citizens, partners and leaders across diverse cities and communities they serve.

Click here to access KPMG's portal.

The Future of Government

The Future of Government report considers all levels of government and provides additional perspective from the content in the Future of Local Government report. It discusses the opportunity for governments to consider a different vision of Canadian social systems and how they can adapt their operations to reflect the needs of a modern Canada.

Click here to access KPMG's portal.

Cities Portal

KPMG in Canada provides insights and resources for municipalities on a variety of topics including achieving sustainable infrastructure, the new reality for government in Canada, drinking water supply and park access.

Click here to access KPMG's portal.

Appendix 5: Thought leadership and insights (continued)

Thought leadership – Local government (continued)

CX Coffee Chats: Modernizing Government

As a result of the pandemic, government organizations have been faced with unprecedented demand for digital transformation in the delivery of services to Canadians. In the latest installment of the CX Coffee Chat series, industry specialists discuss the evolving needs of Canadians and the opportunities for government organizations to deliver online services citizens can count on.

Click here to access KPMG's portal.

20 Predictions for the Next 20 Years

This series looks at how new technologies could evolve and how these advances will change every facet of our lives, including the industries and sectors that drive them. We asked KPMG in Canada subject matter specialists, across industries and sectors, to tell us know they think the world will change in the next two decades. Specifically for local governments, the political and regulatory predictions may be especially relevant.

Click here to access KPMG's portal.

Gov take 5

Gov take 5 is an always-on platform for KPMG practitioners from around the world to share insights and ideas on a timely basis and trends facing the government and public sector. The ongoing video series will cover a variety of topics including digital transformation, ESG, economic growth and more.

Click here to access KPMG's portal.

Principles for Digital Transformation in Cities

This report was authored by KPMG and published as part of the World Government Summit. The report highlights the realization of 'smart digitalization' and how it differs across cities.

Click here to access the World Government Summit portal.

Appendix 5: Thought leadership and insights (continued)

Thought leadership – Audit quality

Audit Quality and Transparency Report

Learn about KPMG's ongoing commitment to continuous audit quality improvement. We are investing in new innovative technologies and building strategic alliances with leading technology companies that will have a transformative impact on the auditing process and profession. How do we seek to make an impact on society through the work that we do?

Click here to access KPMG's portal.

Audit and Assurance Insights

KPMG provides curated research and insights on audit and assurance matters for audit committees and boards.

Click here to access KPMG's portal.

Thought leadership – Digital and technology

Going Digital, Faster in Canada

Pre-COVID-19, private and public organizations were moving towards a digital business model, travelling at varying speeds. But the pandemic forced a dramatic acceleration, both in the speed of change and the required investment to digitally transform. According to Canadian insights from KPMG's recent global survey, organizations are investing heavily in technology to address immediate concerns, ranging from falling revenue and interrupted supply chains to building longer-term competitiveness and operational resilience.

Click here to access KPMG's portal.

Five Questions Boards Should Ask About Digital Transformation Projects

Boards and management committees alike have increasingly expressed interest in technology investments that improve operations, enable customer relationships, and support virtual workforces. Based on our experience working with organizations across many industries, five questions have been identified to help a Board understand and 'sponsor' a project successfully.

Click here to access KPMG's portal.

Appendix 5: Thought leadership and insights (continued)

Thought leadership – Boards, Audit Committees and C-Suite

2022 CEO Outlook – Canadian Insights

With a potential recession on the horizon, Canadian CEOs are preparing for some rocky roads ahead. However, they remain optimistic about the growth of their businesses and believe any turbulence will be mild and short lived.

These are among the core themes in the latest KPMG CEO Outlook survey and small and medium-sized business poll.

Click here to access KPMG's portal.

Audit Committee Guide – Canadian Edition

The Audit Committee Guide – Canadian Edition from our Board Leadership Centre provides timely, relevant and trusted guidance to help both new and seasoned audit committee members stay informed.

Click here to access KPMG's portal.

Board Leadership Centre

KPMG in Canada Board Leadership Centre engages with directors, board members and business leaders to discuss timely and relevant boardroom challenges and deliver practical thought leadership on risk and strategy, talent and technology, globalization and regulatory issues, financial reporting and more.

Click here to access KPMG's portal.

Momentum

Offering curated insights for management, boards and audit committees, our quarterly newsletter provides the latest thought leadership from KPMG's subject matter leaders across Canada and valuable audit resources for clients.

Click here to access KPMG's portal.

Accelerate Series

The role of the audit committee is expanding, and their expertise has never been more in need. In today's environment it's hard to stay fully informed of the issues, never mind manage for them. In this year's Accelerate insights series, KPMG examines some of the pressing issues organization will face in 2023 and spotlight questions audit committees should be asking.

Click here to access KPMG's portal.

Appendix 6: KPMG's Truth & Reconciliation Action Plan

KPMG's comprehensive multi-year strategy involves all areas of our firm and commits to creating positive and sustainable economic and social benefits for Indigenous Peoples to advance reconciliation. The plan is closely aligned with the Truth and Reconciliation Commission of Canada's Call to Action No. 92 ("Business and Reconciliation") and will help us foster strong relationships with Indigenous communities and businesses.

In developing the plan, KPMG sought out a variety of voices and perspectives from internal and external groups – including KPMG's National Indigenous Peoples Network, Indigenous clients and communities, and Acosys, an Indigenous-owned, Indigenous-led consulting firm – and incorporated their feedback.

The plan dedicates significant resources and investments to create long-term, sustainable socioeconomic benefits for Indigenous Peoples, setting out measurable goals, objectives and actions under three pillars.

Pillar 1 – Advancing an equitable and inclusive culture

Addressing bias and barriers to help advance an equitable and inclusive culture where Indigenous Peoples are supported and can thrive and achieve their professional goals.

Aligned to TRC Call to Action No. 92:
Ensure equitable access to jobs, training and education opportunities, and that Indigenous communities gain long-term sustainable benefits from economic development projects.

Pillar 2 – Building allyship

Building allyship with Indigenous Peoples by raising awareness about the truth of our shared history internally, with clients and in corporate Canada to inspire their action toward reconciliation.

Aligned to TRC Call to Action No. 92:
Provide education on Indigenous history and training in intercultural competency, conflict resolution, human rights and anti-racism.

Pillar 3 – Being a trusted and active contributor to Indigenous development and empowerment

Continuously engage and collaborate with Indigenous communities and organizations to positively contribute to sustainable socio-economic benefits for Indigenous Peoples.

Aligned to TRC Call to Action No. 92:
Ensure equitable access to jobs, training and education opportunities, and that Indigenous communities gain long-term sustainable benefits from economic development projects.

Commit to meaningful consultation and respectful relationships, and to obtaining the free, prior and informed consent of Indigenous Peoples before proceeding with those economic development projects.

Click here to learn more about KPMG's Truth & Reconciliation Action Plan

Appendix 7: Other information

Documents containing or referring to the audited financial statements

We are required by our professional standards to read only documents containing or referring to audited financial statements and our related auditors' report that are available through to the date of our auditors' report. The objective of reading these documents through to the date of our auditors' report is to identify material inconsistencies, if any, between the audited financial statements and the other information. We also have certain responsibilities, if on reading the other information for the purpose of identifying material inconsistencies, we become aware of an apparent material misstatement of fact.

We are also required by our professional standards when the financial statements are translated into another language to consider whether each version, available through to the date of our auditors' report, contains the same information and carries the same meaning.

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