Attachment C

City of Pitt Meadows

Audit Findings Report for the year ending December 31, 2024

Prepared on April 28, 2025, for presentation on May 6, 2025

kpmg.ca/audit

KPMG contacts

Key contacts in connection with this engagement

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Table of contents

The purpose of this report is to assist you, as the Mayor and Council (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 the 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 to the Board has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

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

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

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 Pitt Meadows (the "City") of and for the year ending December 31, 2024 is performed in accordance with Canadian generally accepted auditing standards.

Status

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

- Completing our discussion with the Council;
- Obtaining evidence of the Council's approval of the financial statements;
- Obtaining the signed management representation letter; and,
- Completing subsequent event review procedures up to the date of the Board's approval of the financial statements.

We will update the 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.

Risk assessment

Other risks of material misstatement

Risk of management override of controls

- Tangible capital assets
- Revenue and deferred revenue, including impact of *PS 3400 Revenue*; and
- Expenses, including salaries & benefits;

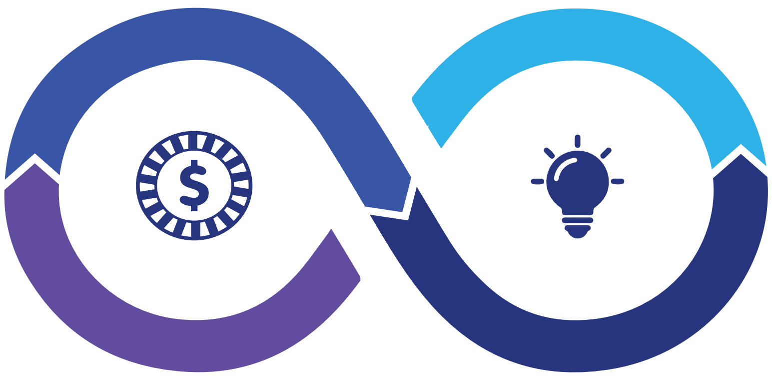
Highlights (continued)

No matters to report

Matters to report – see link for details

Materiality	Materiality $1,200,000
Corrected misstatements	There were no corrected misstatements in our audit.
Uncorrected misstatements	There were no uncorrected misstatements in our audit.
Accounting policies	There have been no initial selections of, or changes to, significant accounting policies and practices to bring to your attention, with the exception of the adoption of new accounting standards during the year, disclosed in the financial statements.
Control deficiencies	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, 2024 up to the date of this report.
Current developments	Please refer to Appendices 3 and 4 for the current developments updates, including an update on upcoming changes to accounting standards and tax and regulatory updates.

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 judgement***, 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.

Materiality (continued)

Materiality

$1,200,000

(2023: $1,100,000)

Benchmark: Total expenses for the year ended December 31, 2024

$49,768,258

(2023: $46,708,962)

Percentage of benchmark

2.41%

Professional standards prescribe between 0.5% to 3.0%

Audit misstatement posting threshold

$60,000

(2023: $55,000)

Significant risk

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 City to City, 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
- performing a retrospective review of estimates
- evaluating the business rationale of significant unusual transactions.

AI Transaction scoring

KPMG Clara AI Transaction Scoring is a tool that applies advanced statistical, machine-learning, and rules-based analytics technology to analyze transactions on a more granular level and deliver an even higher audit quality. Transaction scoring simultaneously tests each transaction through a mix of control points, machine learning algorithms, and statistical scenarios to assign a risk score and bucket your entire population. This allows our team to focus primarily on transactions with the highest risk, while giving you positive assurance over the remaining population. We used the KPMG Clara AI Transaction Scoring tool in the current year audit.

Significant findings

There were no issues noted in our testing.

Required inquiries of the Council

Inquiries regarding risk assessment, including fraud risks

- What are the 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 the Council aware of, or has the City 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 the Council exercise oversight of the City's fraud risks and the establishment of controls to address fraud risks?

Inquiries regarding processes

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

Inquires regarding related parties and significant unusual transactions

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

Other risks of material misstatement and results

Tangible capital assets ("TCA")

Estimate – Amortization & Asset Retirement Obligation

RISK OF ERROR

Background

The City continues to expand and invest in property, buildings, road, water and sewer related infrastructure. The City acquired and constructed $16.4 million in capital assets in 2024 (2023 - $10.3 million).

Our response

- We updated our understanding of the process activities and controls over TCA.
- We tested a sample of asset additions and inspected supporting documentation to determine if additions are capital in nature and amounts recorded are accurate.
- We performed analytical procedures over the TCA amortization expense.
- We obtained management's updated calculation of the City's asset retirement obligation liability. We noted management had updated the liability to reflect the 2024 discount rates and to record accretion expense. There were no other changes in the assumptions used to determine the liability and no remediation costs in the current year.

Significant findings

There were no issues noted in our testing.

Other risks of material misstatement and results

Revenue and deferred revenue, including impact of *PS 3400 Revenue*

RISK OF
ERROR

Background

The City's main sources of revenue are from municipal taxation, utility charges, government transfers, and other sources of revenue. Revenue is recorded on the accrual basis and recognized in the period in which the transactions or events occurred that give rise to the revenues. Revenue unearned in the current period is recorded as deferred revenue until the services are provided. Unrestricted revenue for the sale of goods and services are reported as revenue at the time the services or products are provided. Government transfers, which include legislative grants, are recognized as revenue in the financial statements when the transfer is authorized, any eligibility criteria are met, and the amount to be received can be reasonably estimated.

PS 3400 Revenue ("PS 3400") is a new accounting standard effective for the City's 2024 fiscal year. The new standard establishes a single framework to categorize revenue to enhance the consistency of revenue recognition and measurement.

Our response

- We updated our understanding of the process activities and controls over revenue and deferred revenue.
- We inspected significant grant funding agreements to confirm the appropriateness of revenues recognized, and agreed to the amounts to deposits received. We tested a sample of grant related expenditures and ensured they are eligible expenses per the funding agreement.
- We performed analytical procedures over municipal taxation revenue by using the 2024 assessed tax rates and assessed values directly from the Province of BC.
- We performed a test of details over utility charges and sale of services by selecting samples and agreeing to relevant supporting documentation.
- We assessed the impact of PS 3400 on timing, measurement, recognition, and presentation of revenue. The impact of the adoption of this new standard has been disclosed in note 2 of the financial statements.

Significant findings

There were no issues noted in our testing.

Other risks of material misstatement and results

Expenses, including salaries and benefits

RISK OF
ERROR

Background

The City incurs significant operating expenses. There is a need to ensure that the expenses recognized are appropriate. Below is the composition of total expenses:

Expense category	2024	2023
Salaries and benefits	33%	34%
Contracted services	33%	36%
Amortization and accretion	14%	17%
Other expenses	20%	12%

Our response

- We updated our understanding of the process activities and controls over expenses, including salaries and benefits.
- We performed a test of operating effectiveness over employee timesheet approvals by selecting a sample of employees.
- We selected a sample of payroll expenses made to employees and recalculated the expense based on hours worked, approved employment letters and collective agreements.
- We performed a test of detail over non-payroll related expenses by selecting samples and agreeing to relevant supporting documentation.
- We selected a sample of payments made, invoices received and amounts recorded subsequent to the year end to ensure expenses are appropriately recorded in the correct fiscal period.

Significant findings

There were no issues noted in our testing.

Accounting policies and practices

Significant accounting policies

- There have been no initial selections of, or changes to, significant accounting policies and practices, except for the adoption of Canadian public standards *PS 3400 Revenue, PS 3160 Public Private Partnerships*, and *PSG-8 Purchased Intangibles. Refer to Note 2 in the Financial statements for the full note disclosure on the adoption.*
- 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 deficiencies

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 deficiency, or a combination of deficiencies, in internal control over financial reporting that, in our judgment, is important enough to merit the attention of those charged with governance.

We did not identify any control deficiencies that we determined to be significant deficiencies in ICFR.

Appendices

1. Required communications
2. Audit quality
3. Current developments
4. Thought leadership and insights
5. Management Representation letter
6. Engagement letter
7. Financial statement trend analysis

Appendix 1: Required communications

Auditor's report	**Engagement letter**
A copy of our draft auditor's report setting out the conclusion of our audit has been enclosed with this report.	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 in Appendix 6.
Audit findings report	**Management representation letter**
We have provided this audit findings report to the Council.	We will obtain from management certain representations. In accordance with professional standards, a copy of the representation letter is included in Appendix 5.
Independence	**Internal control deficiencies**
We have confirmed our independence to the Council.	There were no control deficiencies identified in the current year to be communicated to management and the Council.

Appendix 2: How do we deliver audit quality?

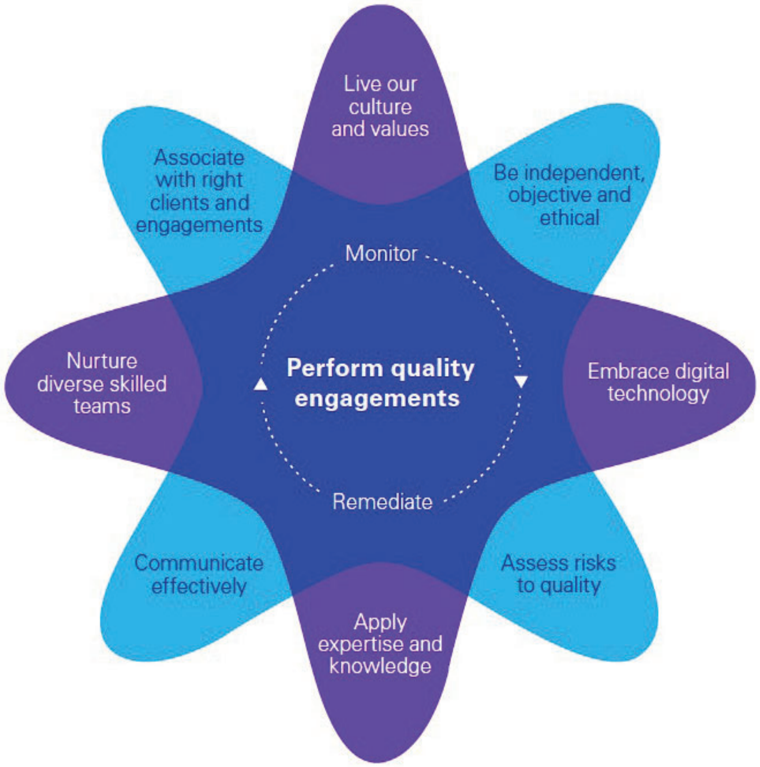
Quality essentially means doing the right thing and remains our highest priority. Our Global Quality Framework outlines how we deliver quality and how every partner and staff member contributes to its delivery.

The drivers outlined in the framework are the ten components of the KPMG System of Quality Management (SoQM). Aligned with ISQM 1/CSQM 1, our SoQM components also meet 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 Transparency Report includes our firm's Statement on the Effectiveness of our SoQM.

KPMG Canada 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.**



Doing the right thing. Always.

Appendix 3: Current developments

Accounting standards

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

Financial Statement Presentation	• 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 is 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 entity can use an amended budget in certain circumstances.
	  • Inclusion of disclosures related to risks and uncertainties that could affect the entity’s financial position.

Appendix 3: Current developments (continued)

Accounting standards (continued)

Standard	Summary and implications

Employee Benefits	• The Public Sector Accounting Board has issued proposed new standard PS 3251 *Employee benefits* which would replace the current sections PS 3250 *Retirement benefits* and PS 3255 *Post-employment benefits, compensated absences and termination benefits*.
	• After evaluating comments received about the July 2021 exposure draft, a new re-exposure draft was released in October 2024. The re-exposure draft continues to use principles from International Public Sector Accounting Standard 39 *Employee benefits* as a starting point to develop the Canadian standard.
	• The proposed standard 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.
	• The re-exposure draft also proposes that fully funded post-employment benefit plans use a discount rate based on the expected market-based return of plan assets and unfunded plans use a discount rate based on the market yield of government bonds, high-quality corporate bonds or another appropriate financial instrument. A simplified approach to determining a plan's funding status is provided.
	• For most other topics, the re-exposure draft is consistent with the original exposure draft. A few exceptions are:
	  • Deferral provisions – Remeasurement gains and losses will be presented as part of accumulated remeasurement gains and losses.
	  • Valuation of plan assets – Public sector entities may continue to recognize non-transferable financial instruments that meet the definition of plan assets under existing PS 3250 guidance.
	  • Joint defined benefit plans – Defined benefit accounting will be used for measurement of the proportionate share of the plan, instead of previously proposed multi-employer plan accounting which was based on defined contribution plan concepts.
	  • Disclosure of other long-term employee benefits and termination benefits – The re-exposure draft does not include prescriptive disclosure requirements for other long-term employee benefits and termination benefits.
	• The proposed section PS 3251 *Employee benefits* will apply to fiscal years beginning on or after April 1, 2029. Early adoption will be permitted and guidance applied retroactively, with or without prior period restatement.
	• Comments on the re-exposure draft are due on January 20, 2025. The re-exposure draft can be viewed at the following link: Click here

Appendix 3: Current developments (continued)

Changes in auditing standards

Effective for periods beginning on or after December 15, 2024

ISA 260/CAS 260

Communications with those charged with governance

ISA 700/CAS 700

Forming an opinion and reporting on the financial statements

Appendix 4: Thought leadership and insights

2024 Canadian CEO Outlook	KPMG interviewed more than 800 business owners and C-suite leaders across Canada on a variety of topics ranging from their top-of-mind concerns to their acquisition plans, the risks and rewards of artificial intelligence (AI), productivity, the omnipresent threat of cybercrime, and the impact of aging demographics on the workforce. Click here to access KPMG's portal.
Future of Risk	Enterprises are facing an array of reputational, environmental, regulatory and societal forces. To navigate this complex landscape, the C-suite should seek to embrace risk as an enabler of value and fundamentally transform their approach. KPMG's global survey of 400 executives reveals that their top priorities for the next few years are adapting to new risk types and adopting advanced analytics and AI. As organizations align risk management with strategic objectives, closer collaboration across the enterprise will be essential. Click here to access KPMG's portal.
Resilience Amid Complexity	In today's rapidly evolving and interconnected business landscape, organizations face unprecedented challenges and an increasingly complex and volatile risk landscape that can threaten their competitiveness and future survival. We share revealing real-world examples of how companies have overcome their challenges and emerged stronger as the rapid pace of change accelerates and look at the key components of KPMG's enterprise resilience framework and how it is helping these businesses build resilience and achieve their strategic objectives in an increasingly uncertain world. Click here to access KPMG's portal.
Future of Procurement	Procurement is at an exciting point where leaders have the opportunity to recast their functions as strategic powerhouses. In this global report we examine how these forces may affect procurement teams and discuss how procurement leaders can respond – and the capabilities they will need to thrive. Our insights are augmented by findings from the KPMG 2023 Global Procurement Survey, which captured the perspectives of 400 senior procurement professionals around the globe, representing a range of industries. Click here to access KPMG's portal.

Appendix 4: Thought leadership and insights (continued)

Artificial Intelligence in Financial Reporting and Audit	Artificial intelligence (AI) is transforming the financial reporting and auditing landscape, and is set to dramatically grow across organizations and industries. In our new report, KPMG surveyed 1,800 senior executives across 10 countries, including Canada, confirming the importance of AI in financial reporting and auditing. This report highlights how organizations expect their auditors to lead the AI transformation and drive the transformation of financial reporting. They see a key role for auditors in supporting the safe and responsible rollout of AI, including assurance and attestation over the governance and controls in place to mitigate risks. Click here to access KPMG's portal.
Control System Cybersecurity Annual Report 2024	Based on a survey of more than 630 industry members (13% from government organizations), this report reveals that while the increase in cyberattacks is concerning, organizations have become more proactive in their cybersecurity budgets, focused on prevention, and acknowledging the threat of supply chain attacks. Furthermore, the report highlights a pressing need for skilled cybersecurity professionals in the face of escalating cyber threats. Explore the full report to help gain a clearer understanding of the growing cyber threat landscape and learn how to overcome the roadblocks to progress. Click here to access KPMG's portal.
Cybersecurity Considerations 2024: Government and Public Sector	In every industry, cybersecurity stands as a paramount concern for leaders. Yet, for government and public sector organizations, the game of digital defense takes on a whole new level of intensity. The reason? The sheer volume and sensitivity of data they manage, which can amplify the potential fallout from any breach. These agencies are the custodians of a vast array of personal and critical data, spanning from citizen welfare to public safety and national security. This article delves into the pivotal cybersecurity considerations for the government and public sector. It offers valuable perspectives on critical focus areas and provides actionable strategies for leaders and their security teams to fortify resilience, drive innovation, and uphold trust in an ever-changing environment. Click here to access KPMG's portal.

Appendix 4: Thought leadership and insights (continued)

Why the Public Sector Must Take the Lead in Sustainability Reporting	As the world prepares for the implementation of sustainability reporting standards from the International Sustainability Board (ISSB), the need for public sector leadership is pronounced. While governments around the world have collaborated on vital policy and regulatory solutions, they have yet to provide sustainability reporting for their own government reporting entities. This presents a major obstacle to global sustainability ambitions, particularly considering the vast physical infrastructure, non-renewable resources, rare earth elements, water and natural assets controlled by governments around the world. . Click here to access KPMG's portal.
Fighting Modern Slavery in Canadian Supply Chain	The deadline for the first year of reporting under Canada's Fighting Forced Labour and Child Labour in Supply Chains Act (the Act) was May 31, 2024. Under the Act, eligible entities are required to publicly report on steps taken to reduce the risk of forced labour and child labour in their business and supply chain. KPMG in Canada reviewed 5,794 report submissions for the act to identify key takeaways. Click here to access KPMG's portal.
ESG for Cities Webinar Series	Cities and municipalities play a crucial role to drive climate action and resilience measures, acting as stewards for the communities they serve – including their constituents, and public, private and non-profit organizations. With the physical impacts of climate changes – including floods, wildfires and droughts – accelerating in terms of both increased frequency and severity, city and municipal leaders are increasingly considering how they can tackle the multifaced challenge of achieving net zero greenhouse gas (GHG) emissions by 2050. KPMG in Canada's Public Sector and ESG practices completed a three-part national webinar series focusing on the journey to net zero – from strategic planning and stakeholder engagement to the implementation at the asset and operational level, and subsequent reporting obligations. Click here to access KPMG's portal.
Building a Successful Transformation Program	Today's government and public sector organizations have a rapidly evolving customer service relationship with the populations they serve. Canadians are used to finding and accessing information and services easily and conveniently through digital channels. When digital interactions don't meet expectations or become obstacles to program access, service delivery innovation and other stakeholder objectives are not met. Click here to read KPMG's article.

Appendix 4: Thought leadership and insights (continued)

Unlocking Government's Technology Future	This article is based on data from the KPMG global tech report 2024 which includes the results of a survey of 118 senior government technology executives and decision-makers around the world. It shows that public sector organizations are building – and maintaining – change momentum, particularly in key capabilities such as cloud enablement, cyber security and data and analytics. Click here to access KPMG's portal.
From Smart to Smarter Cities	Canadian cities are at a pivotal moment, evolving beyond basic "smart" solutions towards integrated, sustainable strategies that address challenges from resource efficiency to community engagement. KPMG's From Smart to Smarter Cities report highlights how Canadian leaders can embrace data-driven approaches and citizen-focused urban planning to reshape their cities. Click here to access KPMG's portal.
Getting Nature into Financial Reporting	By integrating nature into financial reporting, local governments in Canada can plan for sustainable growth and get ahead of new accounting standards that are on the horizon. The new guide, Getting Nature into Financial Reporting, authored by the University of Waterloo's Intact Centre on Climate Adaptation, and supported by the Standards Council of Canada, KPMG LLP and Natural Assets Initiative, was developed with over 120 experts across the country. The guide outlines how local governments of all sizes can start integrating nature into their financial reports today. Click here to access KPMG's portal.
AI in Finance	Artificial intelligence is rapidly transforming the finance landscape, moving beyond accounting and making significant inroads into financial reporting, management, planning and analytics. A report from KPMG International reveals that nearly three-quarters of finance teams across diverse industries and company sizes are already using AI to some degree to enhance their financial reporting processes, implementing AI across wider areas of finance, including financial planning, treasury management, risk management and tax operations. Click here to read KPMG's article.

Appendix 4: Thought leadership and insights (continued)

Our latest thinking on the issues that matter most to the Boards, Board and management.

KPMG Audit & Assurance Insights
Curated research and insights for audit Boards and boards.

Board Leadership Centre
Leading insights to help board members maximize boardroom opportunities

Audit Board Guide – Canadian Edition
A practical guide providing insight into current challenges and leading practices shaping audit Board effectiveness in Canada.

Accelerate 2025
The key issues driving the audit Board agenda in 2025.

Sustainability Reporting
Resource centre on implementing the new Canadian reporting standards

Appendix 4: Thought leadership and insights (continued)

KPMG research shows that:

Eighty-seven percent of IT decision makers believe that technologies powered by AI should be subject to regulation.

- Of that group, 32 percent believe that regulation should come from a combination of both government and industry.
- Twenty-five percent believe that regulation should be the responsibility of an independent industry consortium.

Ninety-four percent of IT decision makers feel that firms need to focus more on corporate responsibility and ethics while developing AI solutions.

Source:

Per a study of 300 ITDMs from the UK and the US, conducted by Vanson Bourne on behalf of SnapLogic:

https://www.businesswire.com/news/home/20190326005362/en/AI-Ethics-Deficit-%E2%80%94-Leaders-Call

For AI solutions to be transformative, trust is imperative. This trust rests on four main anchors: integrity, explainability, fairness, and resilience. These four principles (enabled through governance) will help organizations drive greater trust, transparency, and accountability.

1. **Integrity** — algorithm integrity and data validity including lineage and appropriateness of how data is used
2. **Explainability** — transparency through understanding the algorithmic decision-making process in simple terms
3. **Fairness** — ensuring AI systems are ethical, free from bias, free from prejudice and that protected attributes are not being used
4. **Resilience** — technical robustness and compliance of your AI and its agility across platforms and resistance against bad actors

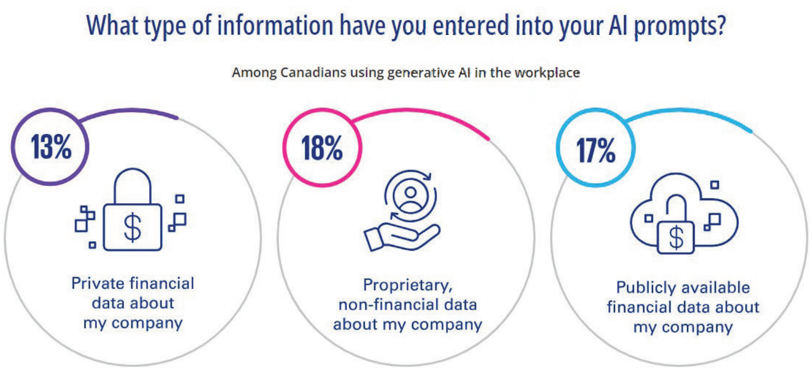
1. **Develop AI principles, policies and design criteria and establish controls in an environment that fosters innovation, flexibility, and trust while identifying the unique risks associated with AI. In addition, understand the footprint of AI within the organization in order to inventory capabilities and use cases.**
2. **Design, implement, and operationalize an end-to-end AI governance and operating model across the entire AI development life cycle, including strategy, building, training, evaluating deploying, operating and monitoring AI. Consider the need to set up separate governance committees and councils to address the unique risks and complexities associated with AI and data.**
3. **Assess the current governance and risk framework and perform a gap analysis to identify opportunities and areas that need to be addressed**
4. **Design a cross-functional governance committee and framework that deliver AI solutions and innovation through guidelines, templates, tooling and accelerators to quickly yet responsibly deliver AI solutions.**
5. **Integrate a risk management framework to identify and prioritize business-critical algorithms and incorporate an agile risk mitigation strategy to address cybersecurity, integrity, fairness, and resiliency considerations during design and operation**
6. **Design and set up criteria to maintain continuous control over algorithms without stifling innovation and flexibility. Consider the need to invest in new capabilities to enable effective governance and risk management enabled through tooling for AI.**

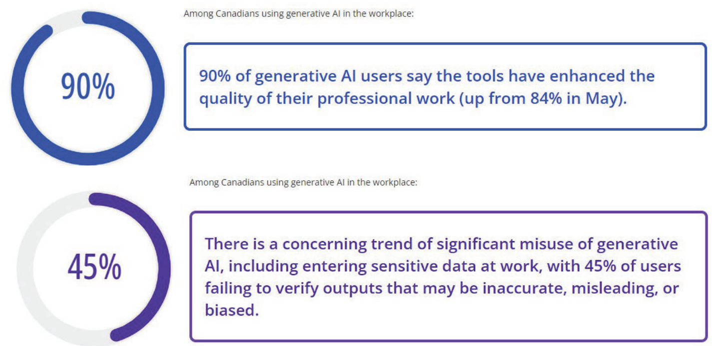
home.kpmg/ShapeofAIGovernance

Appendix 4: Thought leadership and insights (continued)

Generative AI

Ever since ChatGPT launched publicly on November 30, 2022, generative AI has caught the attention of users around the world – including Canada. One year after its launch, KPMG in Canada conducted a survey about generative AI use in Canada's workplaces: [Generative AI Adoption Index - KPMG Canada]





For governance bodies, generative AI stands as a pivotal innovation that offers unprecedented opportunities to drive business value, improve productivity, reach broader audiences, streamline operations, and help address complicated global issues. However, it also raises complex business and ethical questions. To gain the full trust of stakeholders, AI systems need to be designed with governance, risk, legal, and ethical frameworks in mind. The aim is not just to manage these challenges as they emerge, but to proactively elevate your organization's AI practices to achieve Trusted AI.

3 key guiding principles that can help boards achieve their Trusted AI objectives

- Ensure AI applications align with ethical and legal standards, safeguarding the organization from potential financial, operational, and reputational risks
- Foster innovation, enabling the business to gain a competitive edge through trustworthy AI development
- Establish a commitment to Trusted AI, enhancing trust and brand value among stakeholders and employees

Learn more about how generative AI affects governance responsibilities and tools to emerge as leaders of responsible innovation that serves the greater good: Preparing your board for generative AI

Appendix 4: Thought leadership and insights (continued)

Current trends in internal audit

Organizations continually face a wide spectrum of risks beyond the already complex financial and regulatory compliance risks. Many organizations are recognizing the impact and benefit of internal audit activity that is agile, properly resourced, effectively managed, and aligned with strategic priorities, which can improve risk management and control processes and drive better efficiencies.

Examples of internal audits are noted below.

Cost reduction / efficiency planning

Review the governance arrangements for the monitoring and efficiency delivery of programs / services as required. This includes considering how efficiency requirements have been apportioned and communicated to support planning.

Fraud risk management

Internal Audit assesses whether a fraud risk management framework exists and whether fraud risk assessment is performed at these levels. Internal Audit reviews the overall governance surrounding this process and review the communication and reporting protocols in place.

Staff inclusion and diversity

Assess the strategy and plan in place for inclusion and diversity amongst staff, the governance of them and the measures in place to measure achievement of the goals. Training and awareness programs are offered to staff and faculty to provide understanding of roles and responsibilities and material is updated on a regular basis.

Asset management / maintenance

Review the processes and controls in place to ensure assets are adequately managed based on an appropriate schedule.

Well being (staff)

Review processes in place to develop and promote employee wellness programs and mental health strategies for staff. Areas of focus include overall program framework, communication to faculty and staff, feedback mechanisms and management's approach to assessing the suitability of the current wellness offerings version faculty and staff needs.

Appendix 5: Management representation letter

Appendix 6: Engagement letter

Appendix 7: Financial statement trend analysis

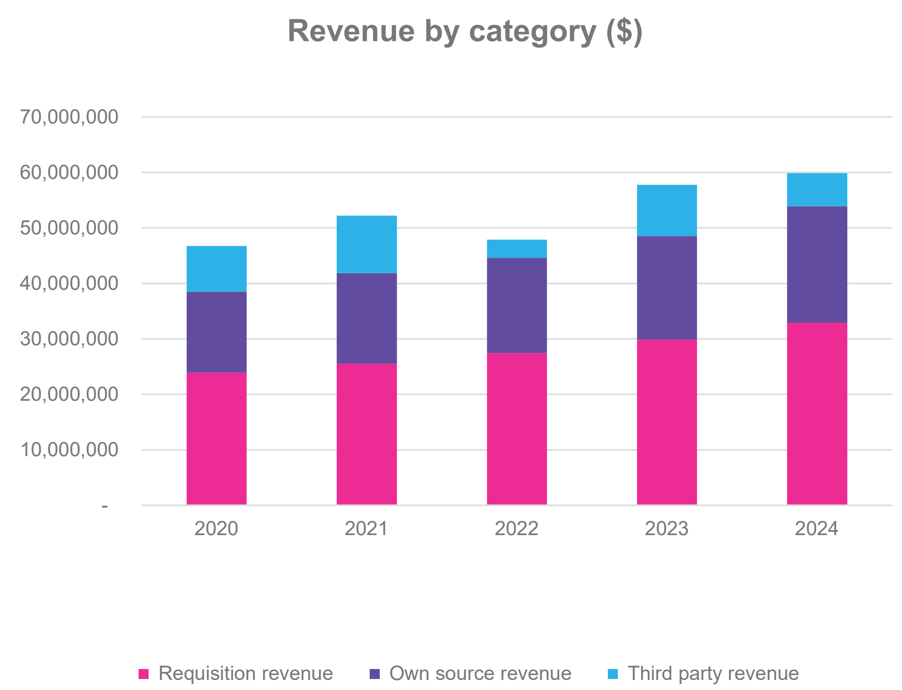
City of Pitt Meadows
5-year Revenue trend analysis

Overall revenues have increased 3.6% compared to 2023 and have increased an average of 7% per year over the last five years.

The greatest change in revenues was seen in third-party revenues which includes government grants, contributed assets, investment income and more – these revenues have reduced 36% from 2023 with an average increase of 25.9% over the last five years. Third party revenues make up 9.9% of total revenues (2023 – 16%).

Own-source revenues make up 35.1% of total revenues (2023 – 32.4%) and have increased by an average of 9.5% over the last five years. This includes utility charges, sale of services, licenses, penalties and others.

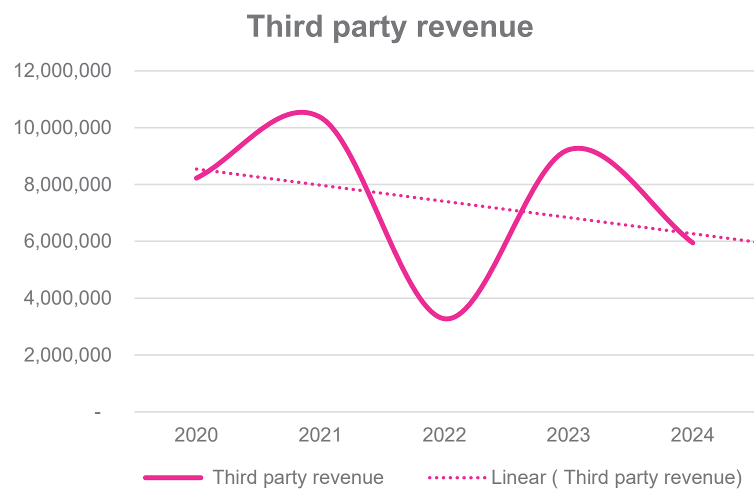
Taxation revenues make up 54.9% of total revenues (2023 – 51.7%) and has increased an average of 8.3% per year over the last five years.



Appendix 7: Financial statement trend analysis (continued)

City of Pitt Meadows
5-year Third party revenue trend analysis

Third party revenues as a percentage of total revenues has decreased to 9.9% of overall revenues in 2023 (2022 – 16%). Third party revenue include government transfers, investment income, and contributed assets.



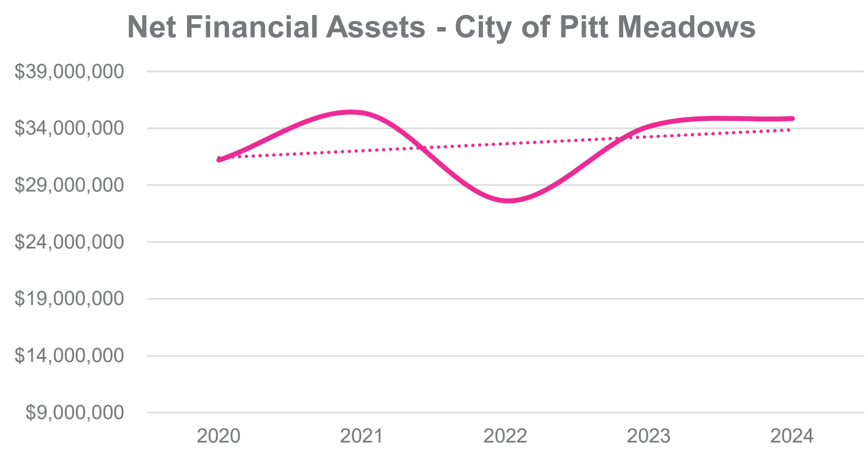
Appendix 7: Financial statement trend analysis (continued)

City of Pitt Meadows
5-year Net financial assets trend analysis

Net financial assets is a measurement of the available resources that the City has to finance future operations.

On average, net financial assets have increased at a rate of 2.9% per year, representing an accumulation of financial assets and unspent revenues.

In the current year, net financial assets have remained fairly consistent with 2023.



Appendix 7: Financial statement trend analysis (continued)

City of Pitt Meadows
5-year Expenses trend analysis

Total expenses (excluding amortization) has increased by 6.96% over the prior year with an average increase of 8.56% per year for the last five years.

General government services make up 15.3% of total expenses (2023 – 15.7%) and have increased an average of 6.7% per year.

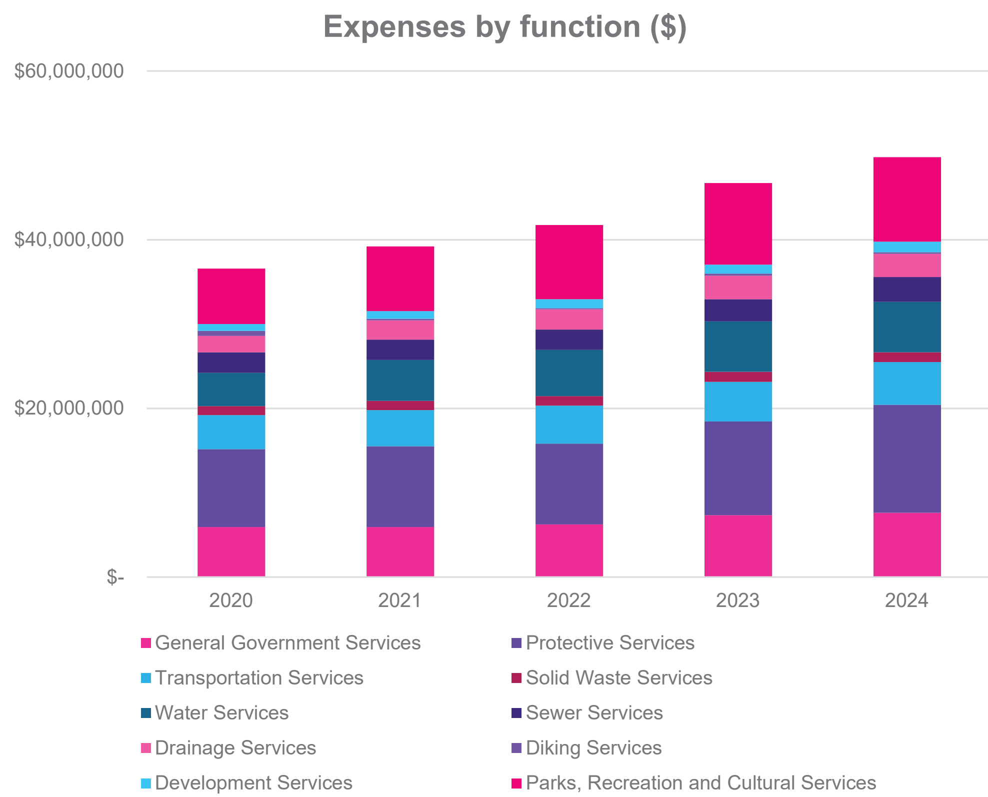
Protective services make up 25.7% of total expenses (2023 – 23.7%) and has increased an average of 8.7% per year.

Parks, recreation and culture services make up 20.1% of total expenses (2023 – 20.7%) and have increased an average of 11.2% per year.

Transportation services make up 10.6% of total expenses (2023 – 10.1%) and have increased an average of 5.7% per year.

Water services make up 12% of total expenses (2023 – 12.7%) and have increased an average of 11.2% per year.

Remaining expenses include development, transit, diking and drainage, sewer and solid waste services that make up 16.6% of total expenses (2023 – 17%)

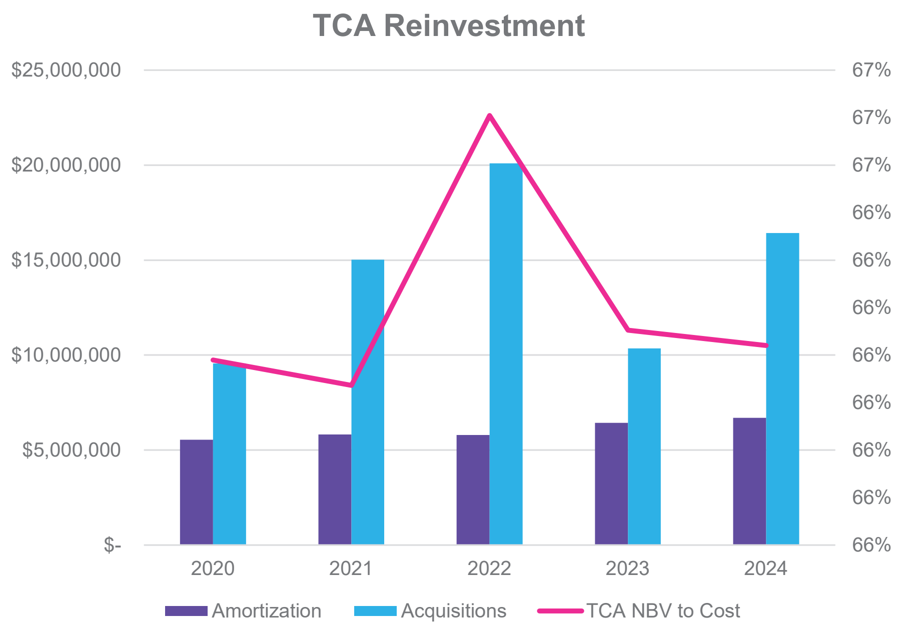


Appendix 7: Financial statement trend analysis (continued)

City of Pitt Meadows
5-year Tangible capital asset ("TCA") reinvestment trend analysis

Capital asset net book value to cost is a metric that can be used to analyze the City's infrastructure. Total capital asset NBV as a percentage of cost has remained consistent in 2024 at 66% (2023 – 66%).

Amortization has increased to $6.6 million in 2024 (2023 - $6.4 million).



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