The Corporation of the Town of Georgina

Audit Planning Report
for the year ending December 31, 2024

KPMG LLP

Licensed Public Accountants

November 2024

kpmg.ca/audit

KPMG contacts

Key contacts in connection with this engagement

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The purpose of this report is to assist you, as a member of the Audit Committee, 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, the Audit Committee, and Town 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 Audit Committee has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Digital use information

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

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

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

Audit highlights

No matters to report

Matters to report – see link for details

Scope

Our audit of the consolidated financial statements ("financial statements") of the Corporation of the Town of Georgina ("the Town") as of and for the year ended December 31, 2024 will be performed in accordance with Canadian generally accepted auditing standards (CAS).

Audit strategy

Materiality
Group: $2.79 million
Non-consolidated Town: $2.65 million

Involvement of others

Updates to our prior year audit plan

Independence

We are independent of the Town in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we will fulfill our other ethical responsibilities in accordance with these requirements.

Risk assessment

Risk of management override of controls

Presumption of the risk of fraud involving improper revenue recognition

Other risks of material misstatement

- Cash, investments and debt
- Tangible capital assets
- Asset retirement obligations
- Revenue
- Deferred revenues – obligatory reserve funds
- Employee future benefits (EFBs)
- Expenses – salaries and benefits
- Accounts payable, accrued liabilities and expenses
- Contingencies
- Consolidation

Updates to our prior year audit plan

New significant risks

No new significant financial reporting risks identified.

Other significant changes

Newly effective accounting standards

Assess the impact to the financial statements and related disclosures for the changes to accounting standards effective 2024. Refer to Appendix B for new standards impacting the fiscal 2024 audit and for future changes in accounting standards.

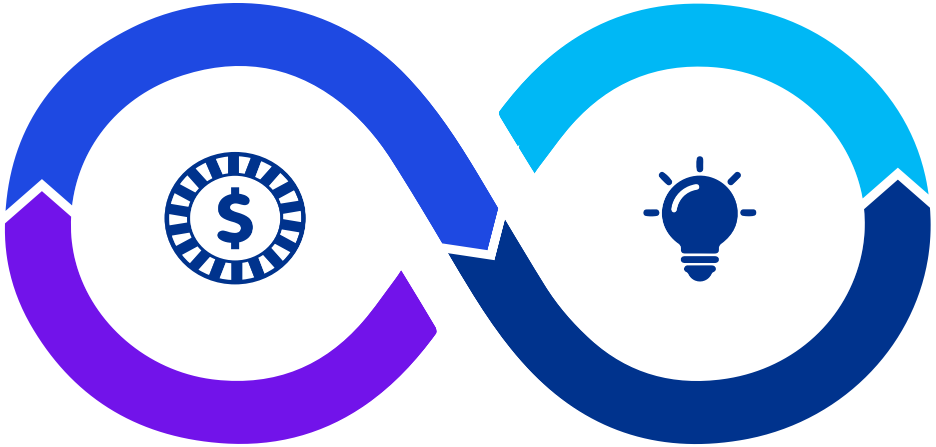
Newly effective accounting standards

Newly effective auditing standards

Refer to Appendix C for new standards impacting the fiscal 2024 audit.

Newly effective auditing standards

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:

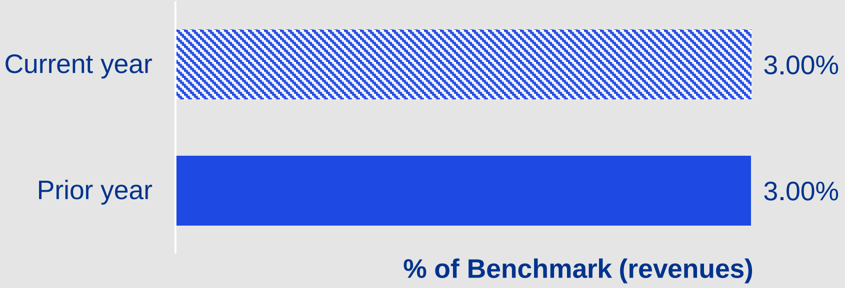
- Identified misstatements on our audit; and
- Uncorrected misstatements, if any, on the financial statements and in forming our opinion.

Initial Group Materiality

Group Materiality

$2.79 million

(2023: $2.54 million)



Total Forecasted Revenues

$93 million

(2023 actual: $105 million)

Group Performance Materiality

$2.1 million

(2023: $2.15 million)

Group Audit Misstatement Posting Threshold

$139K

(2023: $127K)

Initial Component Materiality: Non-consolidated Town

Non-consolidated Town Component Materiality

$2.65 million

(2023: $2.54 million)

Non-consolidated Town Component Performance Materiality

$1.98 million

(2023: $2.15 million)

Non-consolidated Town Component Audit Misstatement Posting Threshold

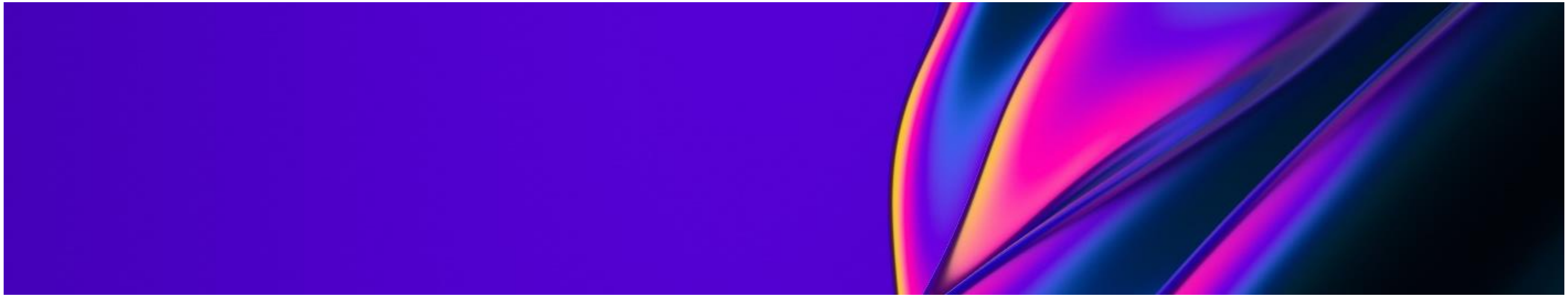
$132K

(2023: $127K)

Involvement of others

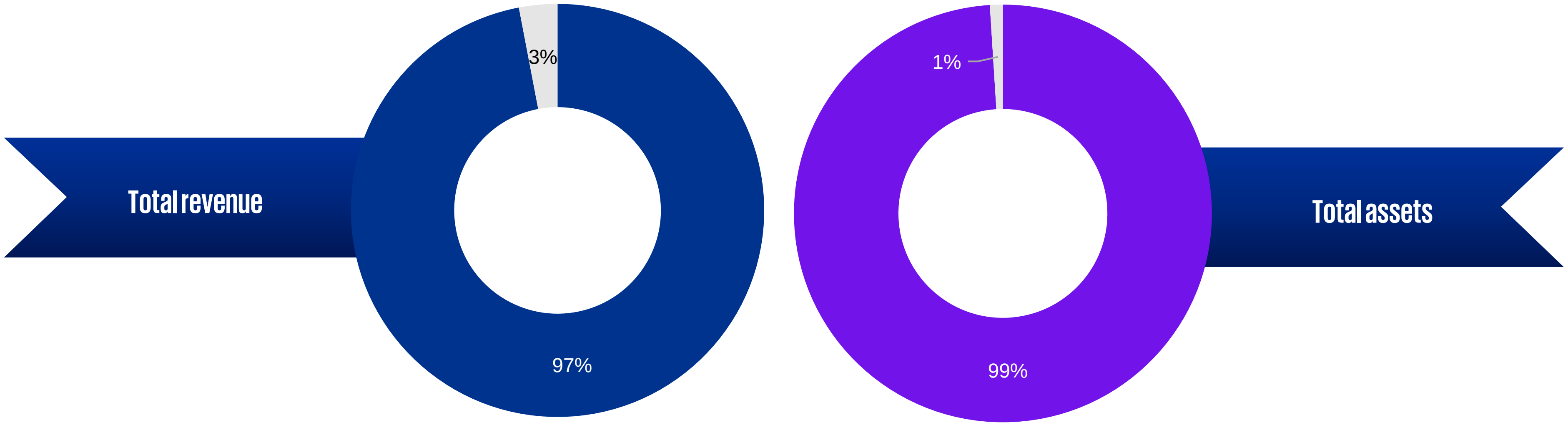
The following parties are involved in the audit of the financial statements:

Involved party	Nature and extent of planned involvement
Management's specialists (valuation) – Eckler Ltd.	• Management uses actuary for valuation of employee future benefit obligations. KPMG has decided to validate the report provided by the actuary and involve internal pension actuarial specialist for the same.
KPMG professionals with specialized skill or knowledge who are involved in performance of audit procedures	**Actuarial Specialist – Employee Future Benefits:** • The employee future benefits liability is a significant accounting estimate and management relies on an actuary for the valuation of its employee future benefits. We will use an employed KPMG specialist throughout the audit cycle in assessing the assumptions and estimates used in the funding valuation and year end extrapolated accrued benefit liability. • Refer to audit approach under the employee future benefit area of focus.



Group audit - Scoping

Type of work performed	Total revenue	Total assets
Total in-scope audits	97%	99%
Total: In-scope audit, audit of account balance(s) and/or disclosure(s), specified audit procedures	**97%**	**99%**
Not subject to further audit procedures (i.e., untested) (Note 1)	3%	1%
Total consolidated	**100%**	**100%**



Note 1: The following components are not significant for the purpose of issuing the auditor’s opinion on the group audit of the consolidated financial statements of the Corporation of the Town of Georgina. We are engaged to perform standalone audits for these components for statutory reporting purposes:

- The Corporation of the Town of Georgina Public Library Board
- The Corporation of the Town of Georgina Trust Funds

Risk assessment summary

Our planning begins with an assessment of risks of material misstatement in your financial statements.

We draw upon our understanding of the Town and its environment (e.g. the sector, the wider economic environment in which the Town operates, etc.), our understanding of the Town's components of its system of internal control, including our business process understanding.

We use advanced technologies in performing our risk assessment procedures.

		Risk of fraud	Risk of error	Risk level
●	Management override of controls	✓		Significant
●	Presumption of the risk of fraud involving improper revenue recognition	✓	✓	Significant
●	Cash, investments and debt		✓	Base
●	Tangible capital assets		✓	Elevated
●	Asset retirement Obligations		✓	Base
●	Revenue		✓	Base
●	Deferred revenues – obligatory reserve funds		✓	Base
●	Employee future benefits (EFB)		✓	Base
●	Expenses – salaries and benefits		✓	Base
●	Accounts payable, accrued liabilities and expenses		✓	Base
●	Contingencies		✓	Base
●	Consolidation		✓	Base

● PRESUMED RISK OF MATERIAL MISSTATEMENT ● OTHER RISK OF MATERIAL MISTATEMENT

Advanced Technologies

Our **KPMG Clara Dynamic Risk Assessment** tool gives us a more sophisticated, forward-looking and multi-dimensional approach to assessing audit risk.

Learn more

Our **KPMG Clara Business Process Mining** provides immediate visualization of how 100% of your transactions are processed to complement your process narratives & flow charts.

Learn more

KPMG Clara Account Analysis allows us to analyze the flow of transactions through
your business to drive a more meaningful risk assessment.

Learn more

KPMG Clara AI allows us to layer AI into our auditing platform, allowing us to scan 100% of your data and pull all of the risky transactions and anomalies out for further analysis.

Learn more

The **Clara Asset Impairment Tool** delivers advanced analysis of long-lived assets and goodwill impairment models (based on discounted cash flows) through the use of predictive analytics, enabling a more robust and independent challenge of management's assumptions.

Learn more

Significant risks

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

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

Why is it significant?

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

Our planned response

As this presumed risk of material misstatement due to fraud is not rebuttable, our audit methodology incorporates the required procedures in professional standards to address this risk. These procedures include:

- testing of journal entries and other adjustments
- performing a retrospective review of estimates
- evaluating the business rationale of significant unusual transactions.

We will also:

- evaluate the design and implementation and test operating effectiveness of selected relevant controls
- take a risk-based approach tailored to the Town when designing substantive procedures and selecting specific transactions for testing
- continue to make use of technology to extract our risk-based sample from the entire population of journal entries
- continue to identify areas which may be subject to additional risk whether due to fraud or error in this regard.

Advanced technologies

Our **KPMG Clara Journal Entry Analysis Tool** assists in the performance of detailed journal entry testing based on engagement-specific risk identification and circumstances. Our tool provides auto-generated journal entry population statistics and focusses our audit effort on journal entries that are riskier in nature.

Click to learn more

Significant risks

Presumption of the risk of fraud involving improper revenue recognition

RISK OF
FRAUD

Presumption of the risk of fraud resulting from fraudulent revenue recognition

Why is it significant?

This is a presumed risk of material misstatement due to fraud. This risk has not been rebutted. Audit standards require us to assume there are generally pressures/incentives on management to commit fraudulent financial reporting through inappropriate revenue recognition.

The primary risk of fraudulent revenue recognition resides with manual journal entries for revenue transactions not in the normal course of business, specifically related to management’s calculation of the deferred revenue –obligatory reserve funds.

Our planned response

Our audit methodology incorporates the required procedures in professional standards to address this risk.

Our audit approach consists of evaluating the design and implementation and test operating effectiveness of selected relevant controls.

We test journal entries that meet specific criteria. These criteria are designed during the planning phase of the audit and are based on areas and accounts that are susceptible to manipulation through management override and we design search filters that allow us to identify any unusual journal entries.

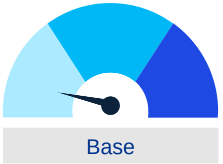
The fraud risk from revenue recognition is limited to revenues recognized from deferred revenue –obligatory reserve funds.

Other risks of material misstatement

Areas | **Level of risk due to error** | **Our planned response**

Cash, investments and debt

Risk of material misstatement due to valuation of investments and disclosures.



- To assess if there is a loss in value of the portfolio investments and if such a decline is other than temporary. Perform audit procedures to assess whether a write-down is necessary.
- Review year-end bank and investment reconciliations and substantive testing of significant reconciling items.
- Substantive tests of details over additions and disposals of investments.
- Obtain confirmations from third party financial institutions.
- Review of financial statement note disclosures in accordance with Public Sector Accounting Standards (PSAS).

Tangible Capital Assets

Risk of material misstatement related to existence and accuracy of tangible capital assets and accuracy of timing of revenue recognition, particularly related to funds intended for tangible capital assets additions and contributed assets.

- Substantive tests of details over additions (including contributed tangible capital assets) and disposals.
- Review amortization policy and perform recalculations.
- Review construction in progress to ensure amounts are properly transferred to correct capital asset classes and amortization expense commences on a timely basis.
- Review of financial statement note disclosures in accordance with PSAS.
- We will agree fair value estimates of contributed tangible capital assets to supporting third party documentation or as estimated by the Town; we will perform procedures to address the relevant auditing standards related to valuation estimates.
- We will also perform required procedures to assess the potential risks with respect to impairment of assets. Based on the nature of the Town's operations, it is not expected that this will be a significant risk during the audit.

Other risks of material misstatement

Areas	Risk due to error	Audit approach
Asset retirement obligations Risk of material misstatement related to accuracy and completeness of liabilities	 Base	• Obtain management's updated assessment of ARO, including support for the calculation of any recorded liability related to future costs associated with legal obligations that will be incurred upon retirement of a controlled tangible asset. • Assess the costs that have been included in ARO liability based on information available to management and provided by any external experts. • Assess the presentation of ARO in the financial statements and ensure that the financial statements include appropriate note disclosure
Revenue Risk of material misstatement related to the existence and completeness of revenue and accuracy of timing of revenue recognition (except revenue recognized from deferred revenue obligatory discussed on page 13 which is at significant risk level).	 Base	• We will test the design and operating effectiveness of anti-fraud controls over the revenue process • We will review revenue recognition compliance • We will substantively vouch revenue transactions to invoices and supporting documents • We will perform analytical procedures over revenues
Deferred revenues –obligatory reserve funds Risk of material misstatement due to management assessment and judgment involved.	 Base	• Evaluate and test the design and operating effectiveness of selected controls over the initiation, authorization, processing, recording and reporting process activities. • Examine the Town-prepared calculation of deferred revenue balance and vouch receipts and expenditures on a sample basis. As part of our testing, we ensure recognition of revenue is based on project spending in accordance with the purpose of the obligatory reserve. • Recalculation of interest allocation. • Inquire with management if there were any concessions given to developers and perform audit procedures on the financial reporting impact, if relevant.

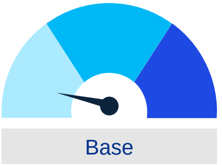
Other risks of material misstatement

Areas | **Risk due to error** | **Audit approach**

Employee future benefits (EFBs)

Risk of material misstatement related to accuracy and valuation of the estimate involved in employee future benefits.

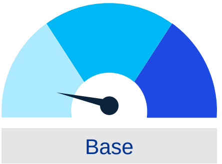
Involvement of management's third party expert, the actuary, as well as KPMG's specialists.



- Reliance on actuaries engaged by the Town; update our understanding of the activities over the quality of information used, the assumptions made, the qualifications, competence and objectivity of the preparer of the estimate, and the historical accuracy of the estimates.
- Assess method, data, and assumptions used by the actuary and management in the calculation of the EFB liability for reasonableness.
- We will perform audit procedures in accordance with the relevant auditing standards and related disclosure requirements for the estimates involved.
- Communicate with actuaries and test HR data provided to the actuaries, as applicable.
- Evaluate financial statement disclosures in accordance with PSAS.

Expenses – salaries and benefits

Risk of material misstatement related to accuracy and occurrence of expenses.



- Test and evaluate the design and operating effectiveness of selected controls over payroll.
- Test of employment expenses for a sample of employees by verifying payroll records to HR contracts and collective agreements.
- Substantive verification and recalculation of payroll-related accruals.
- Obtain new or amended collective bargaining agreements. Assess if management has evaluated these agreements for implications of retroactive application. Such retroactive application can result in additional financial obligations for the Town that are required to be reported in the financial statements.

Other risks of material misstatement

Areas	Risk due to error	Audit approach
Accounts payable, accrued liabilities and expenses Risk of material misstatement related to completeness of liabilities, and accuracy and occurrence of expenses.	Base	• Test and evaluate the design and operating effectiveness of selected controls over payables and procurement cycle. • Perform a search for unrecorded liabilities. • Examine significant accrued liabilities for existence, accuracy and completeness. • Perform substantive tests of details on selected non-payroll expenditures.
Contingencies Risk of material misstatement related to completeness of contingencies and corresponding disclosures.	Base	• Inspect Council meeting minutes for potential contingencies. • Direct communication with internal legal counsel (and external as necessary) to ensure that all significant contingent liabilities are appropriately disclosed and/or recorded. • Significant findings assessment with management during planning and completion stages of the audit.
Consolidation (Town and All Components) Risk of material misstatement related to the accuracy and completeness of intercompany eliminations and consolidation adjustments.	Base	• Perform consolidation procedures, as required, on the entities getting consolidated, including the Georgina Public Library. • Review the eliminating entries as prepared by management for accuracy and completeness. • Review financial statement note disclosures, including the information related to the components such as Town's share of net income, dividends, etc.

Required inquiries of the Audit Committee

Inquiries regarding risk assessment, including fraud risks

- What are the Audit Committee's views about fraud risks, including management override of controls, in the entity? And have you taken any actions to respond to any identified fraud risks?
- Are you aware of, or have 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 Audit Committee exercise oversight of the entity's fraud risks and the establishment of controls to address fraud risks?

Inquiries regarding company processes

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

Inquires regarding related parties and significant unusual transactions

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

Key milestones and deliverables

Oct 2024
Planning & Risk Assessment

- Debrief prior year with management
- Kick-off with management
- Planning and initial risk assessment procedures, including:
  - Involvement of others
  - Identification and assessment of risks of misstatements and planned audit response for certain processes
- Obtain and update an understanding of the Entity and its environment
- Inquire of the Audit Committee, management and others within the Entity about risks of material misstatement

Oct 2024
Risk assessment & Interim work

- Evaluate the Entity's components of internal control, other than the control activities component
- Perform process walkthroughs for certain business processes
- Identify process risk points for certain business processes
- Complete initial risk assessment
- Communicate audit plan
- Identify IT applications and environments

Oct 2024
Interim work

- Perform process walkthroughs for business processes
- Evaluate D&I of controls for remaining business processes
- Complete interim data extraction and processing activities
- Perform interim substantive audit procedures
- Provide update on audit progress

Apr - June 2025
Final Fieldwork & Reporting

- Complete year-end data extraction and processing activities
- Perform remaining substantive audit procedures
- Evaluate results of audit procedures, including control deficiencies and audit misstatements identified
- Assess financial statement disclosures
- Present audit results to Council and perform required communications
- Issue audit report on financial statements
- Closing meeting with Board
- Issue audit reports on financial statements

How do we deliver audit quality?

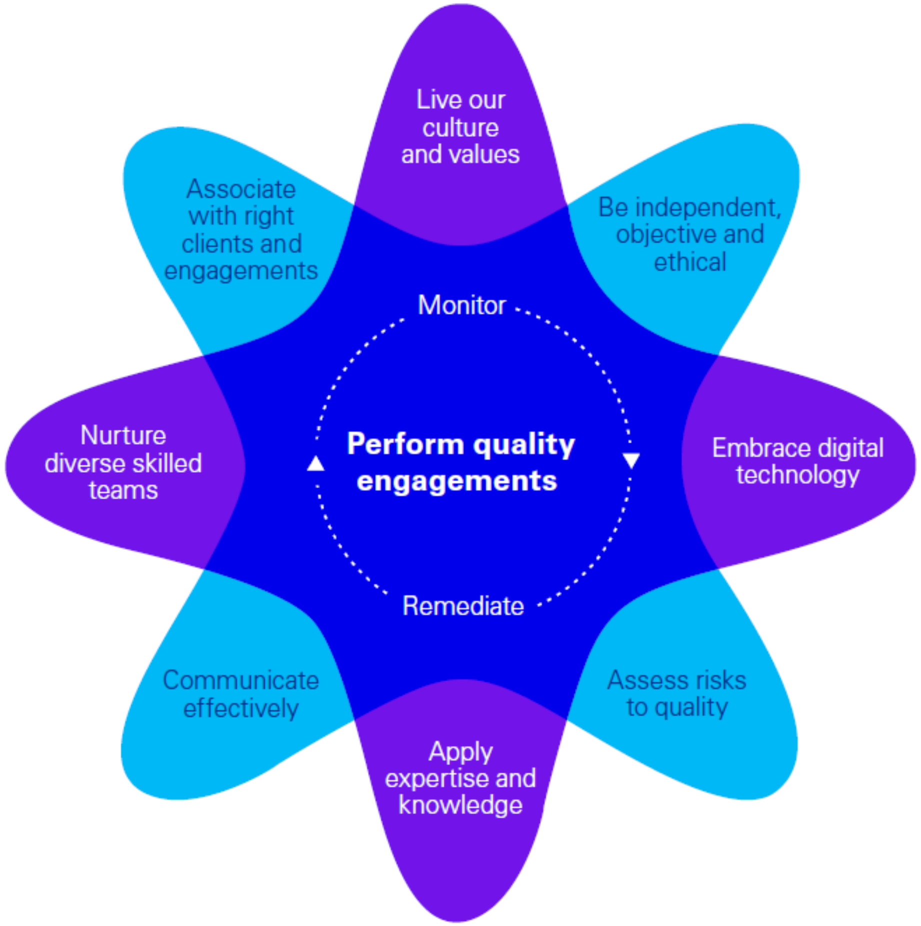
Quality essentially means doing the right thing and remains our highest priority. Our Global Quality Framework outlines how we deliver quality and how every partner and staff member contributes to its delivery.

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.

Appendices

A Regulatory communications

B New accounting standards

C New auditing standards

D Insights

E Technology

F Climate risk

G Municipal Government Service Offerings

H Unleashing tomorrow- today with AI

I Cyber Security

J Audit Technology

K Continuous Evolution

Appendix A: Regulatory communications

CPAB communication protocol

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

- CPAB Audit Quality Insights Report: 2022 Annual Inspections Results
- CPAB Audit Quality Insights Report: 2023 Interim Inspections Results
- CPAB Regulatory Oversight Report: 2023 Annual Inspections Results
- CPAB Audit Quality Insights Report: 2024 Interim Inspections Results

Appendix B: New accounting standards (current)

Standard	Summary and implications
Revenue	• The new standard PS 3400 *Revenue* is effective for fiscal years beginning on or after April 1, 2023 *(The Town's December 31, 2024 year-end).* • 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 entity 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 entity the right to the revenue.
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 Town's December 31, 2024 year-end).* • 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.

Appendix B: New accounting standards (current continued)

Standard	Summary and implications
Public Private Partnerships	• The new standard PS 3160 *Public private partnerships* is effective for fiscal years beginning on or after April 1, 2023 *(The Town's December 31, 2024 year-end).* • 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 entity 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 entity 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 B: Changes in accounting standards – Future

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. It will apply to fiscal years beginning on or after April 1, 2026. Early adoption will be permitted and guidance applied retroactively. • 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. • 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.
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.

Appendix B: Changes in accounting standards - Future (continued)

Standard	Summary and implications

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 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.
	• The Public Sector Accounting Board is currently deliberating on feedback received on exposure drafts related to the reporting model.

Government not-for-profit strategy	• The Public Sector Accounting Board has approved its government not-for-profit ("GNFP") strategy implementation plan. All proposed changes to the PS 4200 series, PSAS, and potential customizations will be subject to due process before PSAB finalizes any changes to the PS Handbook. There is no tentative date for the change. • 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 entity. Accounting and/or reporting customizations may be permitted if there are substantive and distinct accountabilities that warrant modification from public sector accounting standards.

Appendix C: Newly effective and upcoming changes to auditing standards

For more information on newly effective and upcoming changes to auditing standards - see Current Developments

Effective for periods beginning on or after December 15, 2023

ISA 600/CAS 600

Revised special considerations – Audits of group financial statements

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

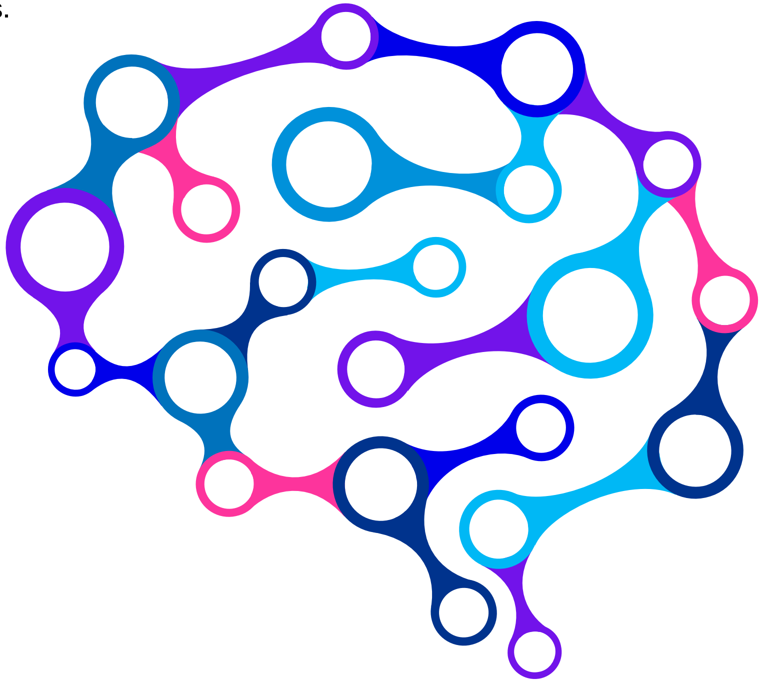
Appendix D: Audit and assurance insights

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

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

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

Current Developments
Series of quarterly publications for Canadian businesses including Spotlight on IFRS, Canadian Assurance & Related Services, Canadian Securities Matters, and US Outlook reports.



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

Sustainability Reporting
Resource centre on implementing the new Canadian reporting standards

IFRS Breaking News
A monthly Canadian newsletter that provides the latest insights on accounting, financial reporting and sustainability reporting.

Appendix E: Our technology story

Streamlined client experience

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

Secure

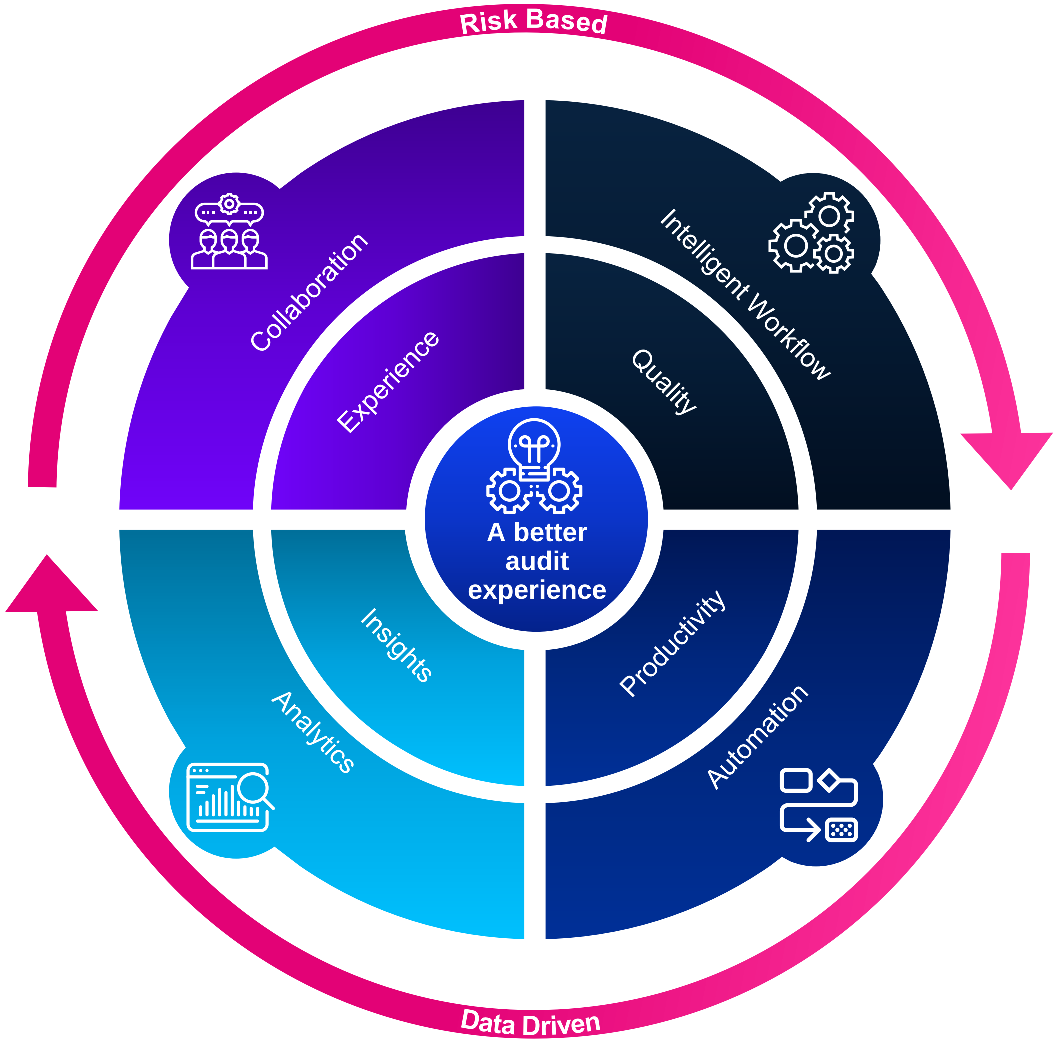
A secure client portal provides centralized, efficient coordination with your audit team.

Intelligent workflow

An intelligent workflow guides audit teams through the audit.

Increased precision

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



Appendix F: Climate risk in the financial statements

All entities are facing climate-related risks and opportunities – and are making strategic decisions in response. The impacts of climate-related risks in the financial statements are broad, potentially complex and will depend on industry-specific risks.

How might climate-related risks impact the financial statements?

01

Assets

Consider the useful lives and residual values of PP&E and intangible assets, cash flow projections used for impairment testing of non-financial assets, and the potential impacts on inventories.

02

Liabilities

Consider the recognition of environmental and decommissioning obligations, accounting for emissions or ‘green’ schemes, impact on employee-benefit arrangements, and restructuring provisions.

03

Borrowers

Consider the accounting for different forms of government assistance, potential for embedded derivatives in green bonds, lease of green technology, impacts of leasing polluting assets.

04

Lenders

Consider how climate-related risks impact operating and financing leases, the potential impact on expected credit losses, and whether green loans meet the solely payments of principal and interest (SPPI) criterion.

05

Disclosures

Consider the impact on the going concern assessment and related disclosures and whether the impacts of climate-related matters have been disclosed clearly.

See here for more information

Appendix F: Climate risk in the financial statements (Continued)

All entities are facing climate-related risks and opportunities – and are making strategic decisions in response. The impacts of climate-related risks in the financial statements are broad, potentially complex and will depend on industry-specific risks.

How might climate-related risks impact the financial statements?

- 01 Long-lived assets
- 02 Leases
- 03 Impairment of nonfinancial assets
- 04 Financial instruments
- 05 Contingencies and insurance
- 06 Revenue and inventories
- 07 Compensation and benefits
- 08 Income taxes
- 09 Acquisitions and restructuring
- 10 Fair value measurement and projections
- 11 Presentation and disclosure

See here for more information

Appendix F: Greenwashing and Bill C-59: Key Facts & Considerations

Key Facts

Competition Act

Bill C-59 came into force on June 20, 2024.

Penalties

Penalties can range up to three times the value of the benefit derived from the claim, or 3% of the company's global annual gross revenue, whichever is greater.

Scope

Bill C-59 includes prohibitions relating to:

1. **Environmental claims re: products or services** *E.g. Low carbon fuels*
2. **Social claims re: products or services** *E.g. Indigenous Reconciliation; diversity, equity and inclusion (DEI); responsible supply chain / modern slavery*
3. **Environmental claims relating to a company** *E.g. Net-zero or Carbon-Neutral*
4. **Burden of proof on companies:**
   - Environmental / Social product or service claims: "adequate and proper test"
   - Company / Brand claims: in accordance with an "internationally recognized methodology"

Key Considerations

Assess your ability to substantiate environmental or social claims about your products, services and business by considering:

- What claims do we make that are specific to the company, brand or its products and services?
- What *methodologies* do we use to calculate emissions or other environmental and social effects?
- Is our net-zero plan realistic, operationally feasible, and can it be validated or proven?
- Have we allocated appropriate resources and personnel to our ESG initiatives?

Appendix F: Bill C-59: Key Facts & Considerations

Assess

- Identify and review ESG communications (ESG report, website, social media, press releases etc.)
- Assess ESG communications (product, service and company claims) against legal requirements
- Develop recommendations and action plans to mitigate ESG legal risk

Substantiate

- Analyze the feasibility of ESG targets and initiatives from technical, financial, commercial and regulatory perspectives
- Develop comprehensive plans to ensure effective implementation of ESG initiatives
- Establish metrics and manage ESG data to track performance and potential risks

Implement

- Prepare for new and emerging risks and requirements
- Enhance ESG reporting governance, processes and controls
- Incorporate ESG legal risk considerations into enterprise risk management program

In case you missed our recent webinar on this topic:

- Webinar **recording** and **slides**

Appendix F: Frequently Asked Questions

When is Bill C-59 in force?

The section specific to greenwashing (s. 236 of Bill C-59 and Subsection 74.01(1) of the Competition Act) came into force upon receiving Royal Assent on June 20, 2024. There is a one-year grace period against private rights of action with respect to s. 74.01(1). Although the Bureau has the authority to take enforcement action sooner, according to witness testimony, it is unlikely to do so prior to issuing guidelines following consultation. Some suggest this may occur in January 2026.

Can the Bureau investigate complaints retroactively (claims made before the Amendment comes into force)?

Not easily. There is a safeguard in the proposed bill, called the public interest ‘leave test’ (103.1 of the Act). The Tribunal will have to decide whether the case has merit (is in the public’s interest) and requires investigation retroactively.

What does “adequate and proper test” and “internationally recognized methodologies” mean?

This is yet to be determined, and it is not defined in the Bill or the Act. This is something the Bureau has committed to define following consultation and further research. Importantly, the Senate Committee believes that the analysis should also include federal and other Canadian best practices, such as those set by Environment and Climate Change Canada.

What corporate documents and communications does this affect?

The Act applies to performance claims about a service, product or business interest including “any form of statement, warranty or guarantee of a product’s performance, efficacy or length of life.” which make take the form of “messages, pictures, or verbal communications, including online and in-store advertisements, social media messages, promotional emails”. The Act does not apply in the case of collective bargaining, amateur sports, securities underwriting, or activities subject to other federal or provincial legislation. The Canadian Securities Administrators may provide guidance and national instruments related to greenwashing in securities disclosures.

Appendix F: IPSASB climate-related disclosure standard

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Breaking ground in sustainability reporting

The introduction of the first climate disclosure standard for the public sector

On 31 October, the International Public Sector Accounting Standards Boardi(IPSASB®) released the draft of the world's first climate-related disclosure standard tailored for public sector entities globally, with support from The World Bank. Marking a landmark moment, this draft of the inaugural Sustainability Reporting Standard (IPSASB SRS™) is now available for public comment.

Background

At its December 2022 meeting, the IPSASB acknowledged the significance of sustainability reporting for the public sector and initiated several related projects. By June 2023, the board decided to advance the development of a climate-related disclosures standard tailored for the public sector. This exposure draft is currently open for public consultation until 28 February 2025. [Read more link].

Objective of the standard

The draft standard proposes new sustainability reporting requirements for public sector entities, focusing on two key areas:

- Climate-related risks and opportunities affecting the entity's own operations[ii].
- Climate-related public policy programs[iii] and their outcomes, where applicable[iv].

These disclosures are designed to provide primary users of general-purpose financial reports with relevant information that supports decision-making and enhances accountability. The proposed requirements aim to help public sector entities communicate how climate-related factors may impact their financial and operational performance, while also demonstrating the effectiveness of their climate-related policy actions.

These proposals seek to align public sector reporting with global best practices, building on established international sustainability standards, while also addressing the unique characteristics and information needs of primary users of public sector reports. This approach ensures that public sector entities meet global expectations while providing relevant and tailored information for effective decision-making and accountability.

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Applicability criteria

IPSASB standards are designed for public sector entities that meet the following three criteria:

a. Are responsible for the delivery of services (encompassing goods, services, and policy advice, including to other public sector entities) to benefit the public and/or to redistribute income and wealth
b. Mainly finance their activities, directly or indirectly, by means of taxes and/or transfers from other levels of government, social contributions, debt, or fees
c. Do not have the primary objective to make a profit

Relationship with other standards

The draft standard adopts disclosure requirements from established private sector frameworks, primarily the TCFD (Task Force on Climate-related Financial Disclosures) and ISSB's standards, especially IFRS S2 (climate related disclosures), specifically for reporting climate-related risks and opportunities that impact an entity's own operations.

The proposals also introduce additional requirements specific to the public sector's ability to exercise sovereign power in setting policies, such as through legislation, regulation, and spending on programs aimed at driving behavioral change among other public sector entities, private sector organizations, and households. These requirements are designed to integrate the Global Reporting Initiative (GRI) standards, which focus on multi-stakeholder outcomes, to facilitate reporting on the results of climate-related public policy programs.

Source: IPSAS releases

The draft standard also builds on existing public sector guidance, including the IPSASB Conceptual Framework, as well as RPG[v] 1 (Reporting on the Long-Term Sustainability of an Entity's Finances) and RPG 3 (Reporting Service Performance Information) and IPSAS.

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Appendix F: IPSASB climate-related disclosure standard

The four pillars of reporting

Under the draft standards, the key pillars of reporting are aligned with the TCFD (Task Force on Climate-related Financial Disclosures) and IFRS S2 standards. These pillars are:

01 Governance

The objective is to enable primary users of general-purpose financial reports to understand the governance processes, controls, and procedures an entity uses to monitor, manage, and oversee climate-related risks and opportunities for its own operations and climate-related public policy programs and their outcomes.

02 Strategy

The objective is to enable primary users of general-purpose financial reports to understand an entity's strategy for managing climate-related risks and opportunities for its own operations and climate-related public policy programs and their outcomes.

03 Risk and outcome management

The objective of climate-related disclosures on risk and outcome management is to enable primary users of general-purpose financial reports to understand an entity's processes of identifying, assessing, prioritizing and monitoring:

- Climate-related risks and opportunities for its own operations, including whether and how those processes are integrated into and inform the entity's overall risk management process; and
- Anticipated and unanticipated challenges to the achievement of the intended outcomes of the climate-related public policy programs, including whether and how those processes are integrated into and inform the entity's overall risk management process.

04 Metrics and targets

The objective is to enable primary users of general-purpose financial reports to understand an entity's performance, including progress towards any climate-related targets it has set, and any targets it is required to meet by law or regulation in relation to climate-related risks and opportunities for its own operations and climate-related public policy programs and their outcomes.

Next steps

Our recommendations for next steps fall under two broader categories, as outlined below:

- National standard-setters are encouraged to respond to the exposure draft and engage with the IPSASB to share their views. They are also encouraged to consider the future implementation of the standards and think about how they can support public sector entities in the implementation process."
- Other public sector bodies are encouraged to consider the impact of climate on their operations and developing their strategies.

The draft standard, and expected subsequent standards[vi], will accelerate improved and more robust disclosure of the impact of climate in the public sector. Organizations should start planning for this and ensuring they have the appropriate mechanisms in place to report accurately.

Footnotes

[i] Developer of international reporting standards for use by governments and other public sector entities around the world
[ii] Own operations include all the activities in an entity's operational model.
[iii] Public policy programs are any type or set of interventions taken or mandated by a public sector entity exercising its sovereign powers to influence the decisions or behaviors of other entities or individuals.
[iv] when the entity has responsibility for those programs and their outcomes.
[v] Recommended Practice Guide.
[vi] IPSASB has prioritized key research areas, including: general requirements for the disclosure of sustainability-related financial information, and natural resources and non-financial disclosures.

Source:

IPSASB SRS Exposure Draft 1, Climate-related Disclosures | IPSASB

kpmg.com/ca

Appendix G: Municipal Government Service Offerings

Overview

KPMG's Governance, Risk and Compliance services team has vast experience working with clients across the municipal government sector, assessing organizations risk management, internal control and governance processes and providing value adding insight across our municipal government clients. KPMG has a successful track record and are the leading service provider of municipal government services across a variety of audit areas including operations, finance, service delivery reviews, cyber security and HR. KPMG also provides full outsourced and co-sourced audit services to a number of municipalities, helping clients to identify more efficient and effective ways of delivering their services and streamlining costs. Below we have provided further details of our service offerings to municipalities.

Experience

KPMG brings a wealth of practical experience delivering services to municipal government clients. We have listed some example audited areas below.

• Absence Management	• Cyber Security	• Insurance	• Real Estate
• Accounts Payable	• Enforcement	• IT Governance	• Reserves
• Accounts Receivable and Cash Handling	• Facility Management	• Overtime	• Recruitment and Retention
• Asset Management	• Fleet Inventory	• Parks and Recreation	• Remuneration
• By-Law Compliance	• Fleet Management	• Physical Security	• Snow Clearing
• Councillor Budgets	• Health and Safety	• Procurement	• Support Functions

Client list

We are the leading municipal government advisor in Ontario in relation to internal audit, compliance, service delivery and process reviews. We have shown below a summary of the municipalities we have provided services to.

Appendix G: Municipal Government Service Offerings (Continued)

Review areas

Below we have shown an examples of the types of reviews we have conducted through our work with Ontario Municipalities

<u>Internal Audit reviews</u>

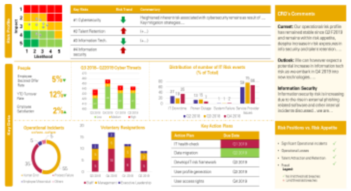
- Review of the design and operation of key business controls
- Identifying recommendations to improve and optimize the control environment
- Using data analytics and visualization to test large data sets
- Examples include AP, cash handling and Fleet Inventory

<u>Service delivery/process reviews</u>

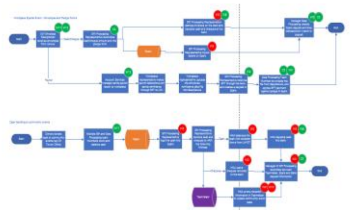
- Review of the operational efficiency and effectiveness of a service area
- Using lean methodologies to identify more efficient and effective ways of delivering services.
- Creation of process maps and identification of opportunities to streamline processes and create cost savings
- Examples include Snow Clearing, Parks & Recreation and Security

<u>Specialist reviews</u>

- Using specialist KPMG resources to provide assurance and recommendations across specialist service areas
- Using best practice methodologies and frameworks to provide value adding insights and recommendations
- Examples include, Cyber Security, IT Risk Assessments, Facilities and Real Estate



Control Testing Analysis



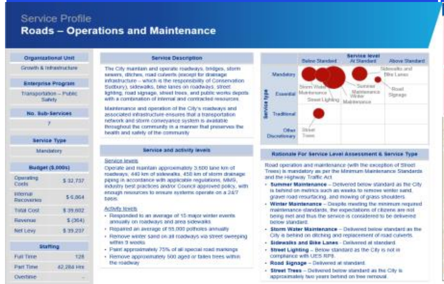
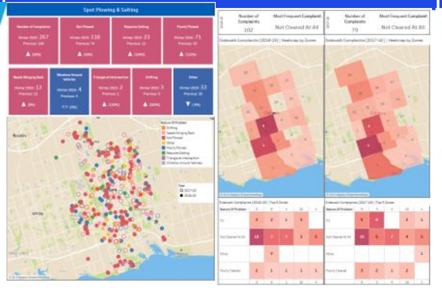
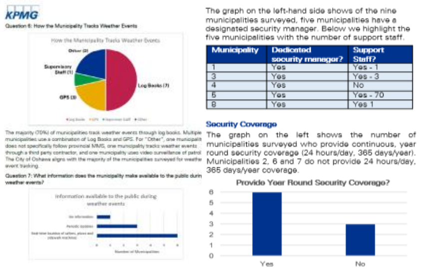
Process Flow Charts

Opportunity Scorecard

Additional Services

Appendix G: Municipal Government Service Offerings (Continued)

Additional Services

Service Profiles	Data Analytics	Benchmarking
		
E.g. We use service profiles as part of our organizational service delivery reviews across areas such as roads, parks, IT and finance. These show the key staffing and budget requirements, service levels, activity, metrics and improvement opportunities.	E.g. We used data analytics to plot complaints received relating to snow clearing, showing the types of complaints received and their geographic locations. This enabled the organization to track complaints more proactively and follow up on any hotspot areas.	E.g. We used benchmarking to provide comparable analysis on how security services are provided, including costs to deliver services, types of services, staffing levels and service delivery models.

Appendix H: Unleashing tomorrow - today with AI

Turn AI into a cornerstone of sustainable, competitive growth.

A comprehensive business strategy can seamlessly intertwine technology with your business's **goals, transform AI from a concept into a key driver of your objectives, strategy and ROI.**

It's not just about tech; it's about people, striving to ensure smooth transitions and unlocking human potential alongside AI innovations.

This holistic approach can extend to governance, supply chain, data analytics, implementation and more, solidifying your operations against future challenges.

Assessing opportunities
Seek to understand how AI can impact or disrupt your business and what the existing opportunities are.

Scaling AI initiatives
Scaling up existing AI projects, aligned to the overall business strategy to help ensure success.

Competitive edge
Staying competitive in a rapidly evolving market where AI is disrupting business operations is key.

Brighter business intelligence, powered by AI

Your company's strategy and business intelligence are at the heart of your business decisions. It should be intimately linked to your artificial intelligence (AI) strategy, efforts, and goals.

Executive training → Explore and test → Evolving the operating model (Technology) → Implementing solutions

Business strategy – AI disruption

Optimizing data structure

Maximizing Microsoft Copilot integration

Governing and managing risk

Appendix H: Unleashing tomorrow - today with AI (Continued)

4 key phases of a successful AI strategy

Understand

Hyper Diagnostic
Demonstrate the ”art of the possible” and the current AI landscape, explore diverse use cases, and assess peer adoption.

AI readiness assessment
Deploy AI readiness assessment to ensure the company is prepared from a tech, data, governance and people perspective.

Perspective on AI strategy
Assess AI's disruptive potential across core and support functions, demonstrate its impact on operations and costs, and establish an initial AI strategy aligned with company priorities.

Design

Risk Assessment
Discuss the potential risks and opportunities associated with the key scenarios.

Opportunity assessment
Pinpoint quick wins, evaluating their potential benefits, and conduct a high-level feasibility assessment.

Present available subsidy and grant options for relevant AI projects.

Initiate

Stakeholder involvement
Provide recommendations for engaging internal stakeholders and collect insights on AI adoption throughout the company's value chain.

Financial implications and opportunity validation Quantify the impact of various AI scenarios, calculating ROI. Identify and engage necessary people, processes, and technologies for execution.

Strategic roadmap
Create a concise strategic plan, encompassing vision, values, competitive advantage, key initiatives, and a roadmap with resource allocation and KPIs.

Operationalize

Transform technology services with generative AI
Assessment of current IT capabilities and the foundations necessary for the implementation of the selected generative AI solutions

Define the IT delivery model for solutions.

Enterprise architecture adapted to AI
Support for the integration of Gen AI into the enterprise architecture and into the organization's roadmap.

Define a Target Operating Model

Orchestrate business capabilities
Orchestration of all business practices and underlying IT capabilities necessary for operationalization.

Appendix H: AI Education and Training for executives & boards

Embrace the future with AI, the driving force of the new economy, set to help transform your business model. This transformative power can drive your organization’s position in the market. Consider the impending changes and strategize for the years ahead, helping to ensure a seamless and secure integration of this groundbreaking technology.

60% of organizations plan to adopt generative AI within 6 to 12 months*.

Change starts with you

01 Understand the impact and trends of generative AI adoption in your organization and industry

02 Foster a continuous learning culture and manage change for successful AI implementation

03 Discover the commercial and competitive potential of working with AI

04 Learn how to manage AI risk and governance as a business leader

05 Identify your productivity and automation challenges and take corrective action

06 Redefine your business model holistically

- Governing and managing risk (Trusted AI)
- Workforce transformation and adoption
- AI Data & Cloud infrastructure

*KPMG survey of 300 executives on generative AI, March 2023

A first step in the adoption of AI in your business

Implementing generative AI starts with your business priorities, supported by executive and board engagement to drive a transformation aligned with your corporate ambitions.

Executive and board training

- Presentation to various executive committees
- Presentation to the Board of Directors
- Role and responsibilities around AI as a board member and executive
- Workshop on concrete business potential
- AI strategic plan

AI strategy and value

Use case development

Implement AI solutions

Appendix H: AI Education and Training for executives and boards (Continued)

A three-part training program

Discover real-life uses of generative AI, tailored to your business sector

Updated overview of this fast-paced technology

- Learn what is new in the world of AI
- Explore industry-specific use cases that could benefit your organization
- Manage AI risk and governance adequately

Technology demonstrations

- See the impact of generative AI on the future of your organization through concrete, contextualized demonstrations
- Assess the potential benefits for your organization

Brainstorming workshops

- Identify organizational priorities for AI adoption and how to prepare your teams for change upstream
- Educate and empower key stakeholders to drive AI strategy and the governance framework at the executive level

KPMG, a leader in generative AI

200+

Professionals dedicated to generative AI recognized for their technical skills and innovative strategic vision.

800+

Tailor-made use cases for all business sectors.

50+

Board and executive education and training sessions delivered in the last year. Our team understands the challenges you face as an executive or board member and can help you build confidence and accelerate the value AI can bring to your business.

Appendix I: Cyber Security

Hamilton cyberattack shows municipalities need to shore up digital defences: expert

TORONTO – A recent ransomware attack that knocked out several online services in one of Ontario's largest cities has brought into sharp focus the need for municipalities to have a plan to respond to what's become an unavoidable – and increasingly sophisticated – threat, a top cybersecurity expert said.

By **Paola Loriggio** The Canadian Press

Monday, March 11, 2024 | 3 min to read

Article was updated Mar 11, 2024

NORTHERN ONTARIO | News

'It's really a coin flip': Experts weigh in on if Sudbury will recover $1.5M lost to fraud

Cyberattack cost local town $1.3M, including $290k in Bitcoin ransom

A cyberattack on the Town of St. Marys that encrypted municipal systems and stole sensitive data cost the local government roughly $1.3 million, including a $290,000 Bitcoin ransom payment made to the hackers, officials have revealed.

Galen Simmons • Stratford Beacon Herald

Published Apr 13, 2023 • Last updated Apr

Hamilton cybersecurity breach continues to paralyze city services

Public, councillors left in the dark as to nature of incident that has hampered communications, transit and payment processing

Nova Scotia

Personal information 'likely stolen' in Kings County cyberattack

Councillors, staff and others impacted by July incident

Haley Ryan · CBC News · Posted: Aug 14, 2023 4:38 PM EDT | Last Updated: August 14, 2023

Canadian city says timeline for recovery from ransomware attack 'unknown'

The city of Hamilton, Canada, is still recovering from a ransomware attack that has affected nearly every facet of government functions.

Appendix I: How can a cyber attack impact you?

Organizational Disruption

Technology is a main enablement tool used in our cities, many core services rely on technology to deliver services.

When access to technology is disrupted it can have severe impacts to public services, emergency services, infrastructure and sensitive information.

Associated Costs

Cyber incidents have a variety of costs associated with recovery, which include:

- Ransom Payments
- System Restoration
- Security Upgrades
- Legal & Professional Services
- Follow-on Monitoring
- Loss of Revenue
- Financial Fraud/Theft

These costs start to balloon quickly and can have long lasting effects.

Reputational Damage & Residents Impact

A cyber incident can cause significant reputational damage to a town, leading to a loss of trust among residents and potential investors, which can indirectly impact the town's financial health. For residents, the breach of their personal information can lead to a loss of confidence in the town's ability to protect their data, potentially resulting in decreased use of town services that require personal information.

Appendix I: What is a cyber resilient

Preparation

This involves understanding your organization’s risk profile, identifying business critical assets, and developing a comprehensive cybersecurity strategy. It includes training employees on cybersecurity best practices and implementing robust security measures where possible.

Protection

This entails implementing measures to prevent cyber attacks. It includes maintaining up-to-date security software, regularly patching vulnerabilities, and controlling access to sensitive information. Protecting your organization requires cybersecurity to be a part of all business conversations.

Detection

This includes continuously monitoring systems and networks for signs of a cyber attack. It calls for the use of security tools, conducting regular security audits and making consistent updates to improve detection capabilities.

Response & Recovery

This consists of having a plan in place to respond to a cyber attack and recover from it. It is made up of incident respond planes, disaster recovery plans, and business continuity plans. These plans should be regularly tested and improved upon.

What is a cyber resilient municipality?

01 Risk Prioritization

To be a cyber resilient municipality, you must be able to prioritize your resources to address the risks that threaten you. To prioritize risks, you must understand all the risks currently facing your organization.

02 Implement the Basics

Implementing basic cyber security practices like training, maintaining security software, regularly patching and multifactor authentication can be cost effective ways to dramatically improve cybersecurity resilience.

03 Defence in Depth

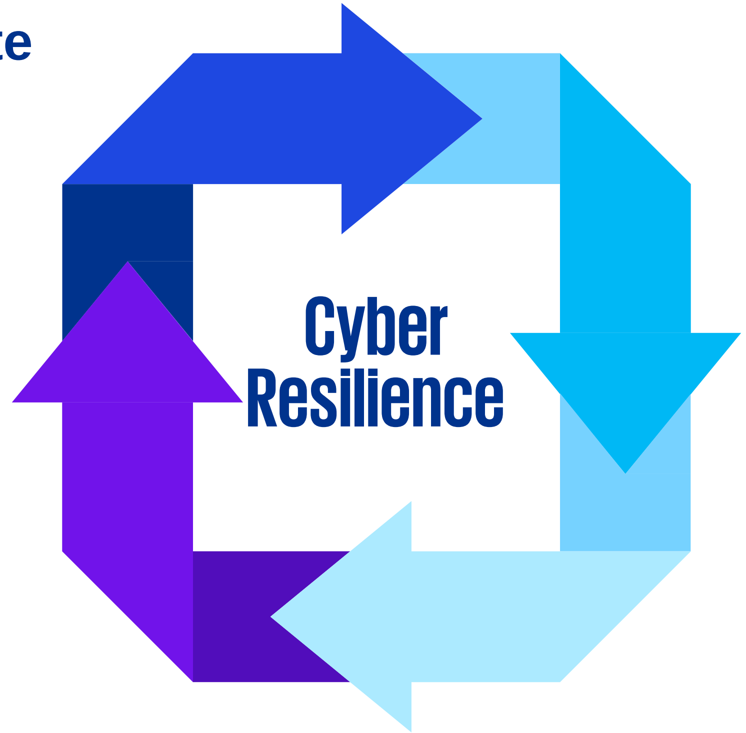
This is a crucial strategy for municipalities as it reduces the risk of a single point of failure, enhances efficiency in threat detection and response, increase resilience to attacks, and provide protection against advanced cyber threats.

Appendix I: Steps to building cyber resilience

The following principles serve as the bedrock for establishing a continuous lifecycle that fosters cyber resilience. These principles provide a consistent framework of actions to progressively build and enhance cyber resilience.

1 – Understand Current State

To build a robust cyber resilience framework, it is imperative to start with a comprehensive understanding of your current cybersecurity status. This includes an evaluation of the protective measures already implemented, identification of critical assets, understanding the policies and procedures that regulate your operations, and an assessment of system vulnerabilities. By gaining these insights, you can make risk informed decisions that protect your organization and efficiently allocate the resources available.



2 – Test your Technology

Testing technology is crucial for building cyber resilience as it helps identify potential vulnerabilities and weaknesses in the system that could be exploited by cyber threats. It also allows organizations to evaluate the effectiveness of their current security measures and protocols. By testing your technology, you can deepen the understanding of risks your organization faces and perform ongoing risk management. Theses tests allow for an unbiased look at your infrastructure and contribute to a proactive prevention of unauthorized users.

3 – Validate Response

Validating response efforts is a crucial part of building cyber resilience as it ensures that the organization's incident response plan is effective and efficient. It allows for the identification of any gaps or weaknesses in the response strategy, enabling improvements to be made. Furthermore, it provides an opportunity for staff to practice and refine their skills in a controlled environment, enhancing their readiness for real cyber incidents.

4 – Increase Resilience

Increasing resilience and developing business continuity is an important part of building cyber resilience. It ensures uninterrupted business operations even in the face of cyber threats and allows organizations to quickly recover from cyber incidents, minimizing downtime and associated costs. Furthermore, a robust business continuity plan demonstrates an organization's commitment to security, which can enhance its reputation among stakeholders.

Appendix J: Expanding the use of audit technology

Analytics

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

Automation

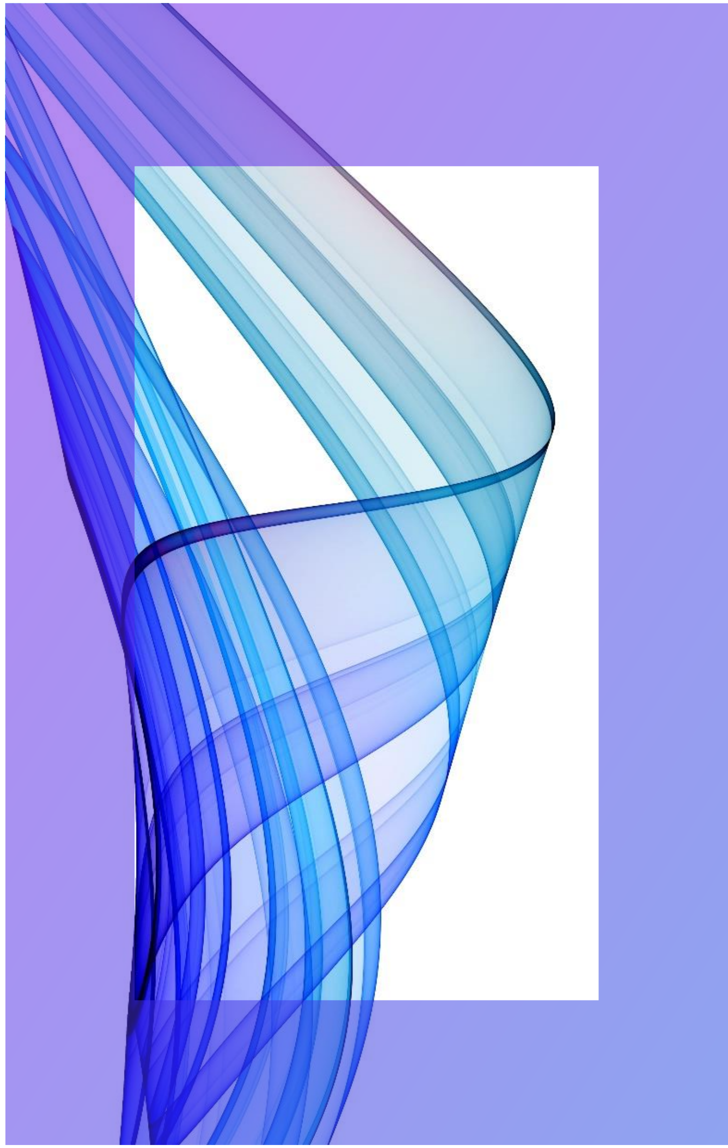
- Automated Industry Routines
- Confirmation
- Data Extraction Scripts
- DataShare
- DataSnipper
- Inventory Counter App
- iRadar and iNav
- Offset Remover

Collaboration

- DocuSign™
- KPMG Clara for Clients

Workflow

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



Appendix K: Continuous evolution

Our investment: $5B

We are in the midst of a five-year investment to develop our people, digital capabilities, and advanced technology.

Responsive delivery model

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

Result: A better experience

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

Standardization
+
Automation
+
Centralization

Methodology and Approach

Data and tech enablement + Center for Audit Solutions + Next-gen auditor

Quality Management System

Enhanced audit quality
+
Increased efficiency
+
Exceptional experiences

kpmg.ca