



The Corporation of the City of Markham

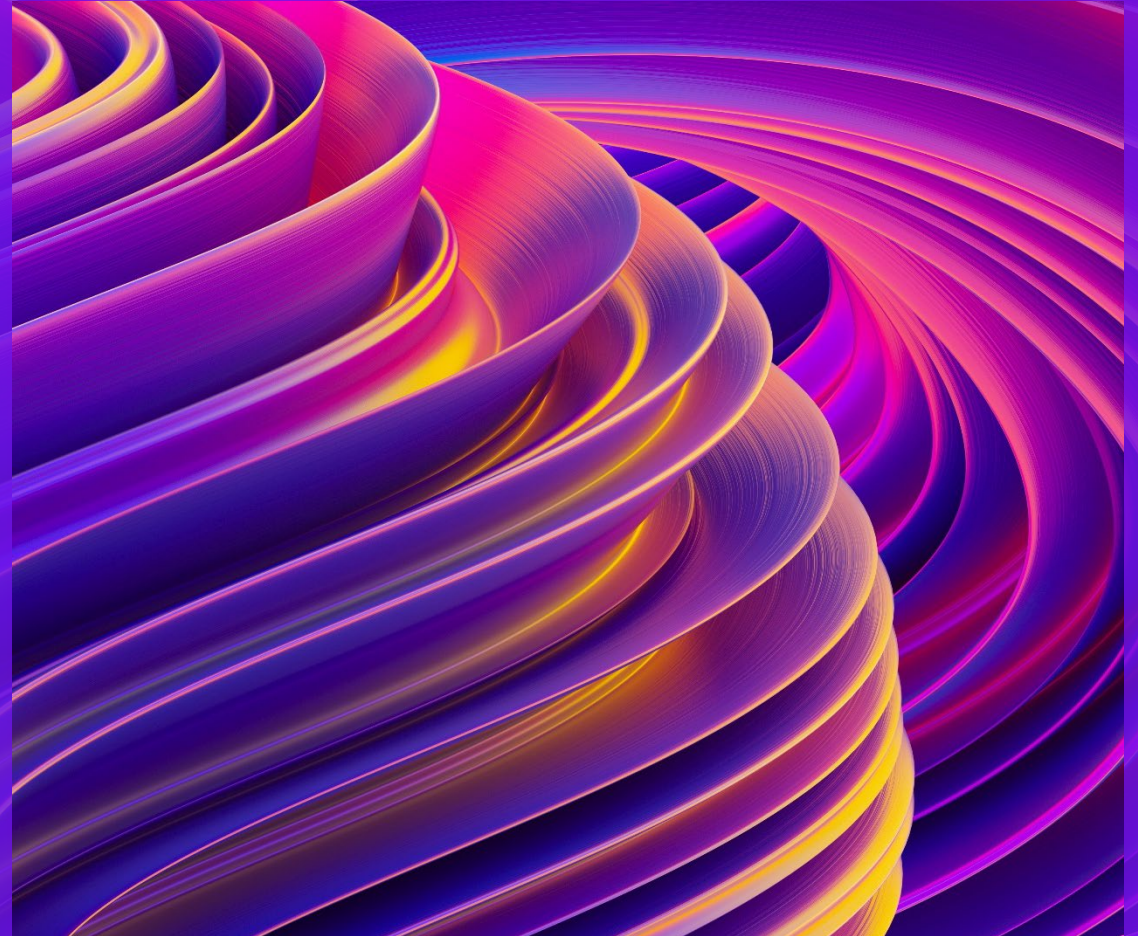
Audit Findings Report
for the year ended
December 31, 2025

KPMG LLP

Licensed Public Accountants

Prepared as of April 6, 2026 for presentation to the General
Committee on April 21, 2026

kpmg.ca/audit



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Digital use information

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

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



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Audit highlights



No matters to report



Matters to report – see link for details

Status

We have completed the audit of the consolidated financial statements (“financial statements”), with the exception of certain remaining outstanding procedures, which are highlighted on the ‘Status’ slide of this report.

Significant changes

Significant changes since our audit plan

There were no significant changes to our audit plan which was originally communicated in the audit planning report.

Risks and results

Presumption of the risk of fraud involving improper revenue recognition

Management override of controls

Other significant findings and results

- Tangible capital assets
- Deferred revenue earned
- Employee future benefits liabilities
- Investments
- Contingencies
- Markham Enterprise Corporation (MEC)

Policies and practices

Accounting policies and practices

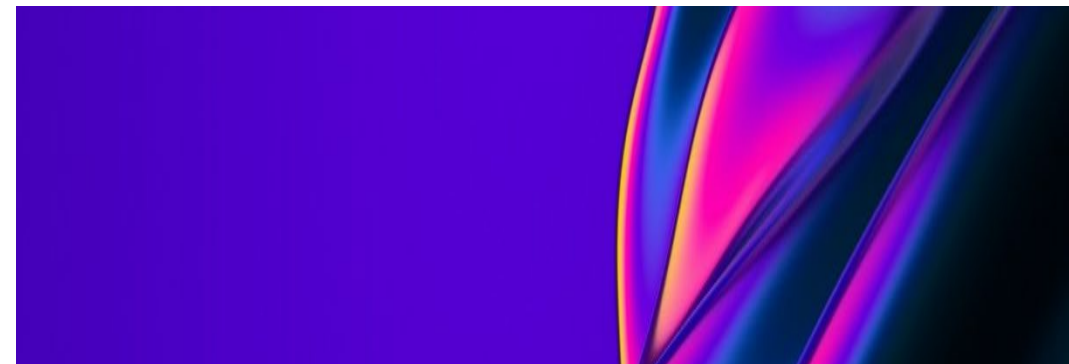
Control deficiencies

Significant deficiencies

- We did not identify any significant control deficiencies that we determined to be significant deficiencies in internal control over financial reporting. See slide 13 for certain required communications regarding control deficiencies.

Audit Quality

Learn more about how we deliver audit quality



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



Status

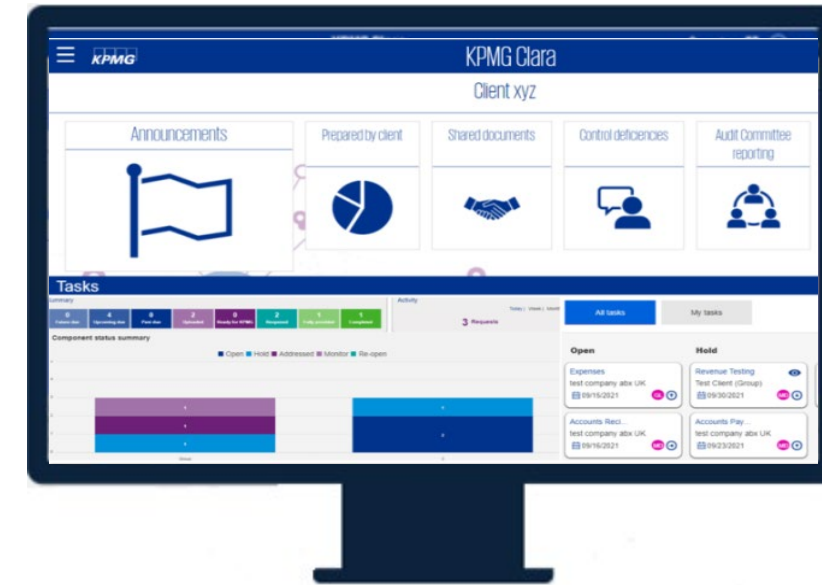
As of the preparation of this Audit Findings Report, we have completed the audit of the consolidated financial statements, with the exception of certain remaining procedures, which include amongst others:

- Completing our discussions with the General Committee
- Obtaining evidence of management's approval of the financial statements
- Completion of subsequent event review procedures
- Receipt of outstanding legal confirmation and completion of legal inquiries follow-up procedures
- Receipt of the signed management representation letter (to be signed upon the approval of the financial statements)

We will update the General Committee, and not solely the Chair, on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures.

Our auditor's report will be dated upon the completion of any remaining procedures.

KPMG Clara for Clients (KCC)



Real-time collaboration and transparency

We leveraged **KCC** to facilitate real-time collaboration with management and provide visual insights into the status of the audit!

On our audit we used KCC to coordinate requests with management.





Significant risks and results

We highlight our significant findings in respect of **significant risks**.



Management override of controls

RISK OF

FRAUD

Significant risk

Estimate?

No

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 response

- As this risk is not rebuttable, our audit methodology incorporated the required procedures in professional standards to address this risk.
- We performed procedures consistent with professional standards to address this risk. These procedures include the following:
 - testing of journal entries and other adjustments;
 - performing retrospective review of estimates;
 - evaluating the business rationale of significant unusual transactions.

Significant findings

We did not identify any issues or concerns regarding management override of controls.



Other significant findings and results

We highlight **other significant findings**, including such findings in other areas of focus as identified in the Audit Plan as follows:



Tangible capital assets

Other significant findings

Estimate?

Tangible capital assets present the biggest non-financial asset for the City. There is a risk of material misstatement related to the existence and accuracy of tangible capital assets and accuracy of timing of revenue recognition, particularly related to funds intended for tangible capital assets.

No

Our response and significant findings

- We reviewed on a sample basis the additions to tangible capital assets and noted that management has appropriately capitalized the additions including transfers from work in progress to tangible capital assets. We obtained assurance related to the accuracy and existence of these additions and also assessed if these additions met the criteria for capitalization.
- For each sample of additions to tangible capital assets reviewed, we also assessed whether any of the additions related to a procurement contract for infrastructure or a betterment to infrastructure with private sector partners that would meet the recognition criteria under PS 3160, Private Public Partnership and PSG-8, Purchased Intangibles.
- We reviewed work in progress additions to ensure amounts are properly transferred to correct capital asset classes and amortization commences on a timely basis.
- We obtained amortization policy and assessed reasonableness of estimated useful lives in use and to address the requirements of CAS540, Auditing Accounting Estimates and Related Disclosure related to useful lives.
- There were no other significant findings as a result of our audit procedures for tangible capital assets. The amounts reported for tangible capital assets are reasonable and disclosures in the financial statements are in accordance with the Public Sector Accounting Standards.



Other significant findings and results



Deferred revenue earned

Other significant findings

Estimate?

Recognition of revenue relating to amounts previously deferred as a result of legislation or contractual agreements. During our substantive testing, we noted that the City recognized \$50M (2024 - \$40M) of deferred revenue earned.

No

Our response and significant findings

- We obtained the deferred revenue continuity schedule and selected samples for testing to determine if the selected amounts had been recognized in the current year in accordance with the appropriate legislation or agreements that the revenues pertain to.
- We recalculated management's calculation of deferred revenue – obligatory reserve funds as at year-end.
- We also selected a sample of the increases (cash receipts) and decreases (revenue recognized) for deferred revenue during the current year to ensure appropriate revenue recognition.
- No exceptions were noted during testing.



Other significant findings and results



Employee future benefits liabilities

Other significant findings

Employee future benefits represent a liability computed by management's actuarial experts. As the employee future benefits liabilities are significant and complex estimates, KPMG actuarial specialists were involved in completing the audit procedures.

Estimate?

Yes – Employee future benefits is a calculation as determined by actuarial experts. This involved numerous inputs and assumptions.

Our response

- We assessed the participant data supplied by management to the Actuary for completeness and accuracy.
- We obtained the actuarial valuation report and engaged our KPMG actuarial specialist team to audit the method and assumptions applied in the valuation.
- We evaluated the discount rate in comparison with rates issued by the Canadian Institute of Actuaries ("CIA") and KPMG LLP.
- We assessed the qualifications, competence and objectivity of the actuary as required by the Canadian auditing standards.
- We assessed the disclosures in the financial statements against the requirements of the PSAS.

Significant findings

- Based on our review of the memo prepared by the Actuary, we noted that method applied for the estimate is acceptable per CIA and PSAS 3250 Retirement Benefits.
- KPMG actuarial specialist team assessed the key assumptions including discount rate used by the Actuary in light of the City's financial results. KPMG specialists noted that the assumptions used were set at the time of the most recent full valuation of the Plans (December 31, 2024). This is not in accordance with the Accounting Standard for an unfunded plan which requires assumptions to be appropriate at the measurement date. Some assumptions may not need to be updated annually but certain assumptions such as the discount rate for the funded plans can differ significantly year-over-year due to change in market conditions and thus need to be reassessed and re-determined on an annual basis at each measurement date. For 2025 year-end, this issue has immaterial impact on financial reporting.
- The disclosures included in the financial statements are in accordance with the requirements of the PSAS.



Other significant findings and results



Investments

Other significant findings

In accordance with PS 3450 Financial Instruments, investments with embedded derivative components must be recorded at fair value. PS 3450 allows the City to either bifurcate the embedded derivatives from the host contract or value the entire contract at fair value. The City has elected to designate the entire instrument at fair value.

The City records the Principal Protected Notes (PPNs) at fair value due to that embedded derivatives that fall under the requirements of PS 3450. The cumulative change in fair value of the instrument is recorded in accumulated surplus as remeasurement gains and losses.

During the year, the City recognized \$61.2M (2024 – \$26.9M) as unrealized gain attributable to revaluation of PPNs, as reflected in the Statement of Remeasurement Gains and Losses.

The other remaining investments are carried at cost and amortized cost but have their fair value disclosed in the Financial statement notes.

Estimate?

Yes – PPNs are hybrid structured products combining a zero-coupon bond with an embedded derivative linked to an underlying asset.

Valuation of the embedded derivative requires decomposing the note and isolating the option-based return feature, often requiring complex, fair-value-based modeling.

Our response and significant findings

- We obtained and reviewed management's support for fair value reported by the City for PPNs.
- We confirmed all of the investment balances with investment managers, CIBC Wood Gundy and BMO Nesbitt Burns.
- We performed testing on a sample of PPNs by agreeing the values reported on confirmations to the financial institution's website to assess comparability.
- We assessed the fair value of the other remaining investments using observable, independent market pricing data obtained from S&P Global Market Intelligence (Capital IQ).
- We engaged the financial instruments valuation specialist to assist us with the assessment of the fair market value of the bond instruments.
- We reviewed financial statement note disclosure in line with the PSAS.
- No matters to report.



Other significant findings and results



Contingencies

Other significant findings

Estimate?

Yes

PSAS 3300 Contingent Liabilities requires that the City recognize a liability when “it is likely that a future event will confirm that a liability has been incurred at the date of the financial statements; and the amount can be reasonably estimated.” At any point in time, the City is subject to a number of matters which could potentially result in the determination of a contingent liability as defined above, including, but not limited to matters such as legal claims, etc.

At year end, no provision has been made in the financial statements for any liability that may result.

Our response and significant findings

- We reviewed the City’s assessments of contingent liabilities and the process employed to develop and record the estimated liabilities. Where applicable, we met with the individuals responsible for the process and are satisfied that the methodology used is consistent with the approach taken in prior years and has been appropriately reviewed.
- We obtained external legal confirmations and reviewed the pending legal matters in terms of determination of likelihood and measurability.
- We did not note any issues in the City’s assessment of contingent liabilities and amount of related liabilities for the year-ended December 31, 2025.



Other significant findings and results



Markham Enterprise Corporation (MEC)

Other risk of material misstatement

Estimate?

No

The City recognizes its investment in MEC using the modified equity method. We reviewed the criteria per PS 3070, Investment in Government Business Enterprises and noted the City's investment in MEC continues to meet the criteria of the section and therefore it is appropriate to continue to record the investment in MEC using the modified equity method of accounting.

Included in the annual surplus for the City for the year is \$35.0M (2024 - \$28.4M), which represents 100% of the net income of MEC for the year. The City's share of MEC's other comprehensive gain of \$900K (2024 - \$300K) is reported in the Statement of Remeasurement Gains and Losses.

During the year, MEC paid the City dividends of \$10.8M (2024 - \$12.0M), which are treated as a reduction to the investment under the modified equity method. There was a return of capital to the City of \$1M (2024 - \$1M), which is also treated as a reduction to the investment.

Our response and significant findings

- We reviewed the MEC modified equity method calculation for above transactions.
- We reviewed notes disclosures and noted these transactions are disclosed properly in Note 7 of the consolidated financial statements
- Based on the audit work performed, there were no other items of significance to be reported.



Control deficiencies

Consideration of internal control over financial reporting (ICFR)

In planning and performing our audit, we considered ICFR relevant to the Entity'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.

No significant deficiencies in internal control were noted during the audit.





Our commitment to delivering audit quality

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

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

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

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

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

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

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

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



[KPMG Canada Transparency Report](#)



How do we deliver audit quality?

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

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

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



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



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



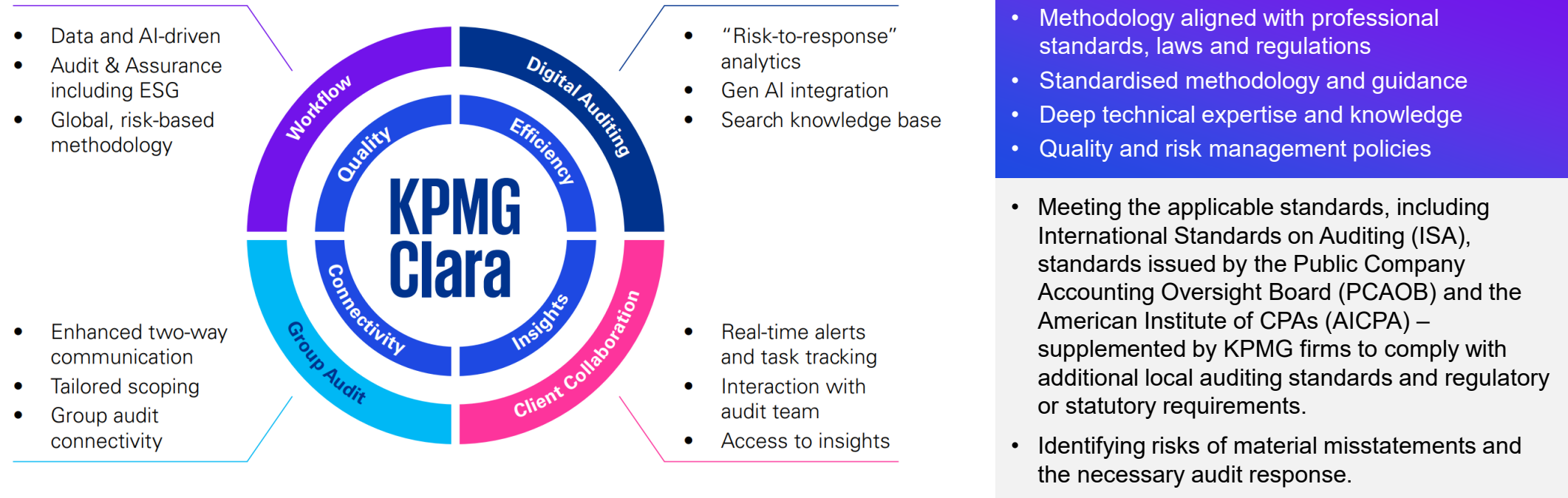
Doing the right thing. Always.



The KPMG Audit

Globally consistent audit and assurance methodology and tools

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





Appendices

A Other required communications

B Required inquiries

C Future changes in accounting standards

D Insights

E Cyber for Municipality

F Municipal Government Service Offering

G Unleashing tomorrow – today with AI





Appendix A: Other required communications



Engagement terms

A copy of the engagement letter and any subsequent amendments has been provided to the General Committee.



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 Regulatory Oversight Report: 2023 Annual Inspections Results](#)
- [CPAB Audit Quality Insights Report: 2024 Interim Inspections Results](#)
- [CPAB Regulatory Oversight Report: 2024 Annual Inspections Results](#)
- [CPAB Audit Quality Insights Report: 2025 Interim Inspections Results](#)



Appendix B: Required inquiries of the General Committee



Inquiries regarding risk assessment, including fraud risks

- What are the General Committee'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 General Committee aware of, or has the General Committee 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 General Committee exercise oversight over management's assessment of fraud risk and the establishment of controls to address/mitigate fraud risks?
- Is the General Committee aware of any instances of actual or possible violations of laws and regulations, including illegal acts (irrespective of materiality threshold)?
- Is the General Committee aware of any correspondence with regulators or licensing authorities?
- Is the General Committee aware of any additional matters relevant to the audit?



Inquiries regarding company processes

- Is the General Committee aware of or have they received tips or complaints regarding the City's financial reporting (including those received through the General Committee's internal whistleblower program, if such programs exist)? If so, what was the General Committee's responses to such tips and complaints?
- Has the City complied with all covenants during the financial statement period and before the date of the auditor's report? Have there been any events of default during the financial statement period and before the dates of the auditor's report?



Inquires regarding related parties and significant unusual transactions

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



Appendix C: Future changes in accounting standards

Standard	Summary and implications
Financial Statement Presentation	<ul style="list-style-type: none"> The proposed section PS 1202 <i>Financial statement presentation</i> will replace the current section PS 1201 <i>Financial statement presentation</i>. PS 1202 <i>Financial statement presentation</i> will apply to fiscal years beginning on or after April 1, 2026 (<i>the City's December 31, 2027 year-end</i>) to coincide with the adoption of the revised conceptual framework. Early adoption will be permitted. The section includes the following: <ul style="list-style-type: none"> 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.
Concepts Underlying Financial Performance	<ul style="list-style-type: none"> The revised conceptual framework is effective for fiscal years beginning on or after April 1, 2026 (<i>the City's December 31, 2027 year-end</i>) 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 C : Future changes in accounting standards (continued)

Standard	Summary and implications
Employee benefits	<ul style="list-style-type: none">• The Public Sector Accounting Board has initiated a review of sections PS 3250 <i>Retirement benefits</i> and PS 3255 <i>Post-employment benefits, compensated absences and termination benefits</i>.• The intention is to use principles from International Public Sector Accounting Standard 39 <i>Employee benefits</i> 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 <i>Employee benefits</i> will replace the current sections PS 3250 <i>Retirement benefits</i> and PS 3255 <i>Post-employment benefits, compensated absences and termination benefits</i>.• 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.• Final approval of the standard is expected in Spring 2026, with an effective date of April 1, 2029 (<i>the City's December 31, 2030 year-end</i>).





Appendix C : Future changes in accounting standards (continued)

Standard	Summary and implications
2024-2025 Annual Improvements to Public Sector Accounting Standards	<ul style="list-style-type: none"> The Public Sector Accounting Board has issued an exposure draft proposing terminology updates and amendments to align various sections of the PSA Handbook with PSAB's Conceptual Framework and Reporting Model. The comment period is closed. Final amendments are expected to be issued in November 2025, with an effective date of April 1, 2026 (<i>the City's December 31, 2027 year-end</i>).
Tangible Capital Assets	<ul style="list-style-type: none"> The Public Sector Accounting Board has issued amendments to Section PS 3150 in May 2025 as part of implementing its Government Not-for-Profit Strategy, which incorporates the PS 4200 series into public sector accounting standards with potential customizations. The amendments add: <ul style="list-style-type: none"> a new criterion to the definition of a tangible capital asset; a new definition of a collection; new disclosure requirements for works of art, historical treasures and/or collections; new guidance for situations where an entity purchases a tangible capital asset at substantially below fair value; and new guidance for situations where an entity receives contributed materials and/or labour when constructing or developing a tangible capital asset For public sector entities that have not applied the PS 4200 series, the amendments to this Section are effective for fiscal periods beginning on or after April 1, 2030 (<i>the City's December 31, 2031 year-end</i>). The amendments would be applied retroactively with restatement of prior periods except for the amendments related to purchases of tangible capital assets at substantially below fair value and including in the cost of a constructed or developed tangible capital asset, the contributed materials and/or labour, which are applied only to new transactions or events from the date of change.





Appendix C : Future changes in accounting standards (continued)

Standard	Summary and implications
Elevation of GAAP Designation of Application Guidance	<ul style="list-style-type: none"> The Public Sector Accounting Board has issued amendments to elevate the level of generally accepted accounting principles (GAAP) designated for four CPA Canada Public Sector Accounting Handbook Appendices (i.e., what level of GAAP an appendix comprises). The GAAP designation level (i) per GAAP hierarchy in paragraph 03(d) of Section PS 1150, Generally Accepted Accounting Principles has been specified and paragraphs renumbered as AG.02, AG.02, etc. for four application guidance appendices: <ul style="list-style-type: none"> Appendix A to Section PS 3400, <i>Revenue</i>; Appendix B to Section PS 3410, <i>Government Transfers</i>; Appendix A to Section PS 3450, <i>Financial Instruments</i>; and Appendix A to Section PS 4270, <i>Disclosure of Allocated Expenses by Not-for-Profit Organizations</i>. The elevation of the GAAP designation of these four application guidance appendices is effective for fiscal years beginning on or after April 1, 2026 (<i>the City's December 31, 2027 year-end</i>).
Lessee Accounting for Operating Leases of Tangible Capital Assets	<ul style="list-style-type: none"> The Public Sector Accounting Board has issued the following amendments to PSG-2, <i>Leased Tangible Capital Assets</i> <ul style="list-style-type: none"> deleted an outdated cross-reference to Section 3065, <i>Leases</i> in former Part V of the CPA Canada Handbook – Accounting, pre-changeover accounting standards, in Appendix A to PSG-2, <i>Leased Tangible Capital Assets</i>; renamed Appendix A as the glossary is no longer identified as an appendix, consistent with other glossaries in the PSA Handbook; added paragraphs PSG-2.4A-4C of to set out minimal requirements for lessee accounting for operating leases of tangible capital assets; and replaced the deleted cross-reference in the appendix with a reference to new paragraphs PSG-2.4A-4C These changes do not comprise a change in practice and are effective immediately.



Appendix C : Future changes in accounting standards (continued)

Standard	Summary and implications
Intangible Assets, Proposed Section 3155	<ul style="list-style-type: none">• The Public Sector Accounting Board has issued an exposure draft proposing a new intangible assets standard that will replace Public Sector Guideline (PSG) 8, Purchased Intangibles.• The proposed standard provides foundational guidance on intangible assets including the definition, recognition, measurement and required disclosures of intangible assets.• The proposed standard covers both acquired and internally generated intangible assets.• PSG-8 content has been incorporated into the new section, ensuring continuity of recognition for purchased intangibles.• The scope of the proposed standard excludes intangible assets addressed in other Sections of the PSA Handbook, as well as other intangible items such as exploration and extraction costs for non-renewable resources or intangible assets related to insurance contracts.• In alignment with PSAB's international strategy, the proposed guidance leveraged principles from the existing International Public Sector Accounting Standard (IPSAS) 31, Intangible Assets.• The comment period is closed and under review.





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.

Accelerate - The key issues driving the audit committee agenda

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

Sustainability Reporting

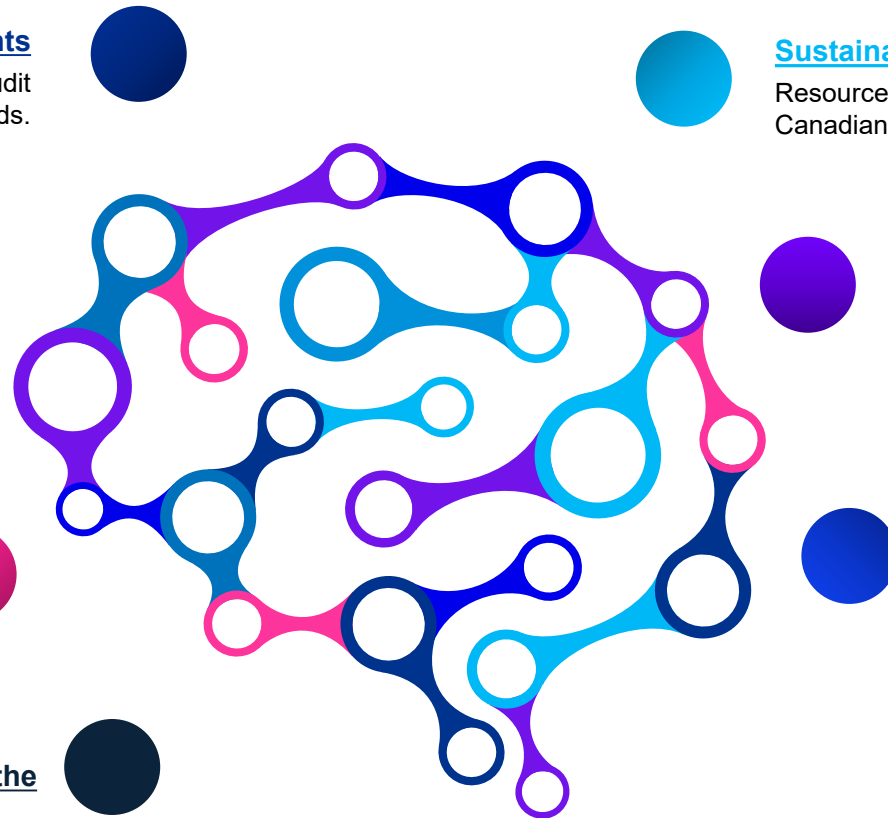
Resource centre on implementing the new Canadian reporting standards

IFRS Breaking News

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

Audit Committee Guide – Canadian Edition

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





Appendix E: Cyber for Municipality

(see attachment below)

Municipalities in the news

Town of Huntsville closes municipal office for 2nd day amid cybersecurity incident

Huntsville is the 2nd Ontario municipality to report hack in 3 weeks

Fakiha Baig · The Canadian Press · Posted: Mar 12, 2024 11:05 AM EDT

Town of Greater Napanee targeted by hackers, impact as yet unknown



By Shane Gibson · Global News
Posted January 12, 2024 6:49 pm · 1 min read

Second Ontario municipality reports cybersecurity incident within three weeks

By Fakiha Baig · The Canadian Press

Posted March 12, 2024 10:42 am · Updated March 12, 2024 11:43 am · 2 min read

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

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

NORTHERN ONTARIO | News

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

Email hack may have revealed personal information, B.C. city warns residents

WARD SOLOMON

JULY 11, 2023

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.

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

What is a cyber resilient organization?

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 response plans, 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.

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.

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.



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. These 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.



Appendix F: Municipal Government Service Offerings

(see attachment below)



Municipal Government Service Offerings

Governance, Risk and Compliance Services



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: Unleashing tomorrow – today with AI

(see attachment below)



Unleashing tomorrow, today with AI

Business strategy with AI disruption



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.**

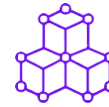
It's not just about tech; it's about people, striving to ensure smooth transitions and unlocking human potential alongside AI innovations.

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



4 key phases of a successful AI strategy



Understand

01

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

02

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

03

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

04

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.

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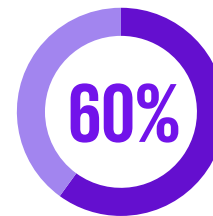


AI Education and Training for executives and boards

Start your AI journey with confidence.



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
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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

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 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.



<https://kpmg.com/ca/en/home.html>

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