



# The Corporation of the City of Markham

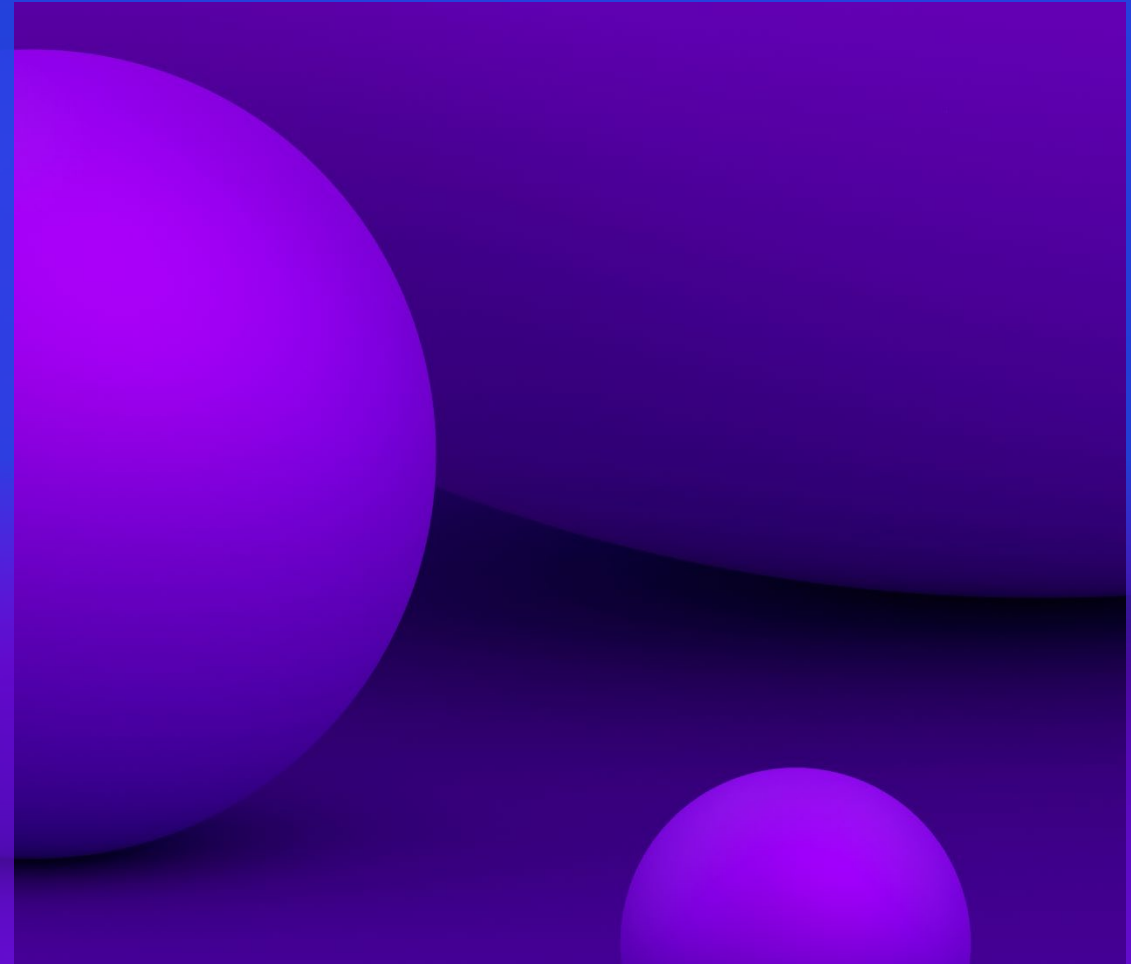
**Audit Planning Report  
for the year ending December 31, 2024**

*KPMG LLP*

Licensed Public Accountants

Prepared as of October 30, 2024

[kpmg.ca/audit](https://kpmg.ca/audit)



# KPMG contacts

## Key contacts in connection with this engagement



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## 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.



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# Audit highlights

Matters to report – see link for details

## Scope

Our audit of the consolidated financial statements (“financial statements”) of The Corporation of the City of Markham (“the City”) as of and for the year, ending December 31, 2024, will be performed in accordance with Canadian generally accepted auditing standards.

## Audit strategy

### Materiality

Group: \$19.2 million

City: \$17.3 million



Involvement of others



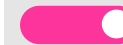
Updates to our prior year audit plan

## Required communications



Required inquiries of General Committee of the Council Members

## Risk assessment



Risk of management override of controls



Presumption of the risk of fraud involving improper revenue recognition



Other areas of focus

- Cash and investments
- Tangible capital assets
- Revenue and accounts receivable
- Deferred revenues – general and obligatory reserve funds
- Employee future benefits liabilities
- Expenses – salaries and benefits
- Accounts payable, accrued liabilities and expenses
- Contingencies

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



# Updates to our prior year audit plan

## New significant risks

No new significant financial reporting risks identified.

## Other significant changes



Newly effective and future 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 and future accounting standards



Newly effective auditing standards



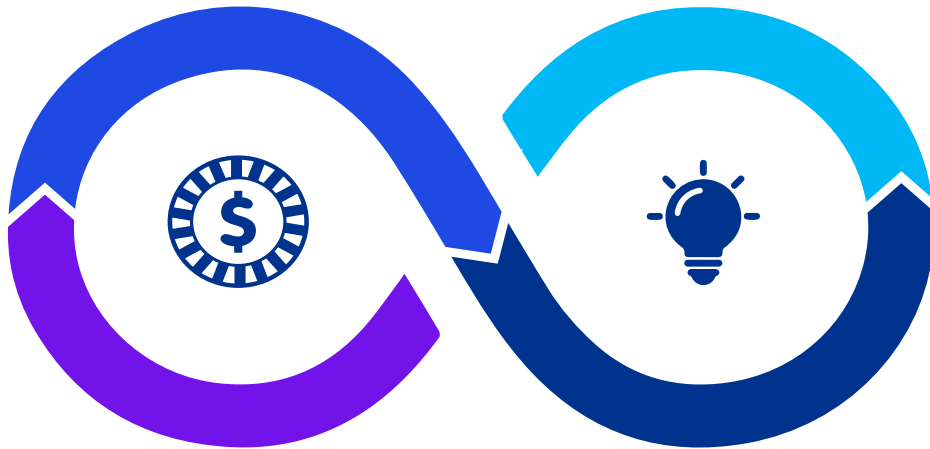
Refer to Appendix C for new standards impacting the fiscal 2024 audit.

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.

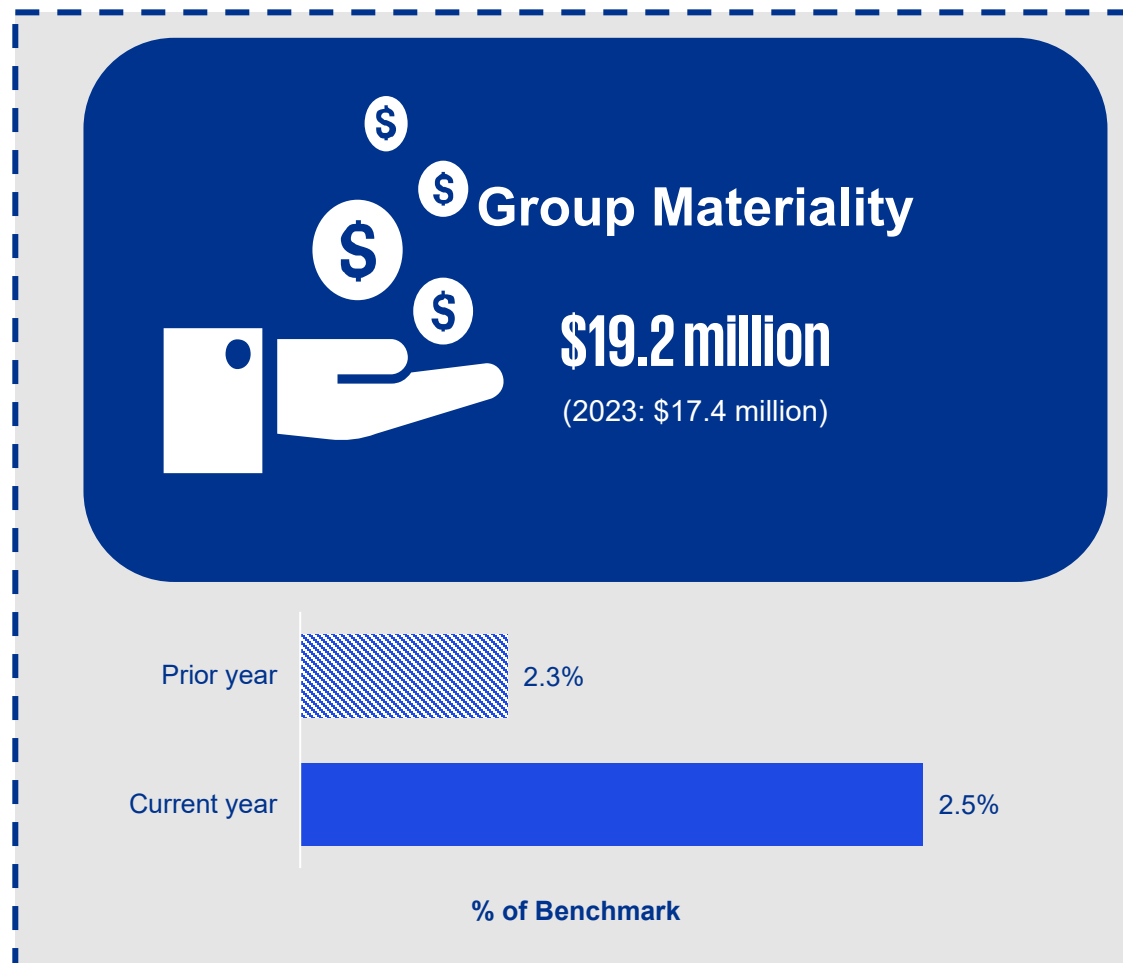
## Evaluate the effect of misstatements

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.



# Group materiality – Consolidated Entity



## Total Normalized Estimated Revenue

**\$769 million**

(2023: \$769 million)

## Total Estimated Assets

**\$6.2 billion**

(2023: \$6.2 billion)

## Group Performance Materiality

**\$16.3 million**

(2023: \$14.7 million)

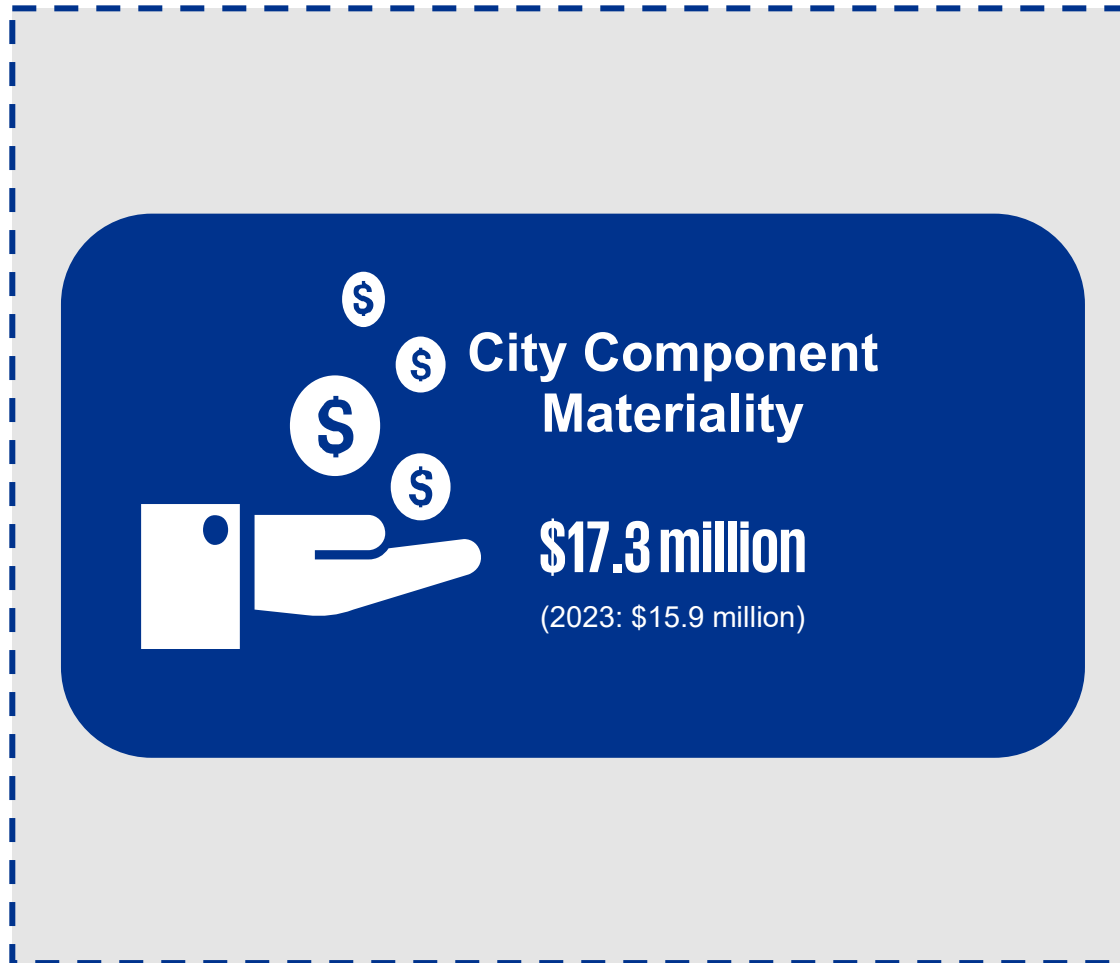
## Group AMPT

**\$960,000**

(2023: \$870,000)



# Component materiality – Non-consolidated City



## City Component Performance Materiality

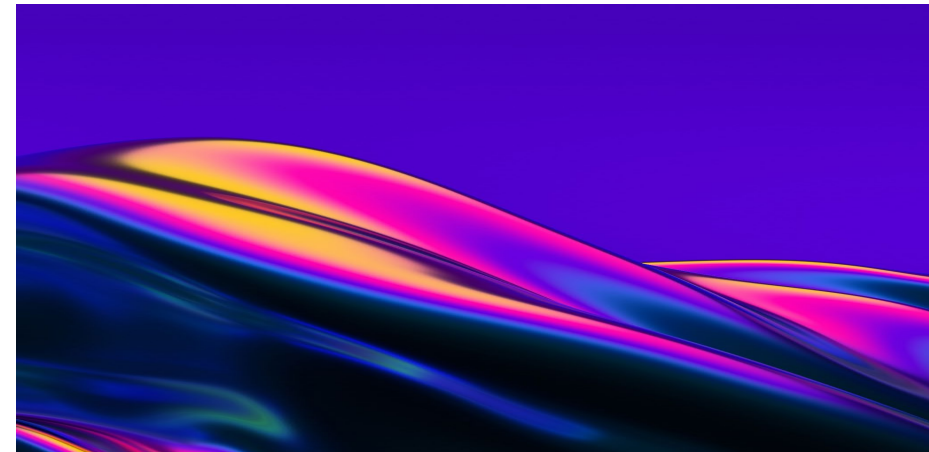
**\$14.7 million**

(2023: \$11.9 million)

## City Component AMPT

**\$865,000**

(2023: \$795,000)







# Involvement of others





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

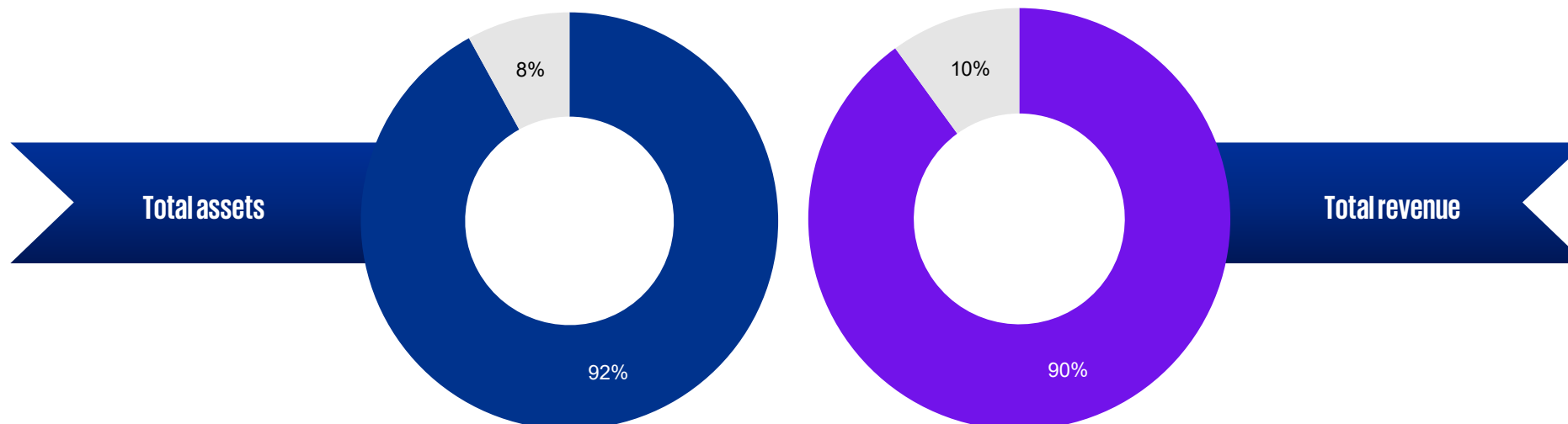
Involved party	Nature and extent of planned involvement
KPMG professionals with specialized skill or knowledge	<p><b>Actuarial Specialist – Employee Future Benefits:</b></p> <ul style="list-style-type: none"> <li>• Evaluation of valuation of the employee future benefits</li> </ul>
<b>Involved party – Management Specialists</b>	<b>Nature and extent of planned involvement</b>
Management’s actuarial specialists	<p><b>Actuarial Specialist – Employee Future Benefits:</b></p> <ul style="list-style-type: none"> <li>• Employee Future Benefits Actuarial Specialist has been engaged by management to prepare actuarial valuations to determine the value of the employee future benefits obligation.</li> </ul>



# Group audit – Scoping

We respond to identified and assessed risks of material misstatement to the group by performing further audit procedures.

Work Performed:	Total assets	Total revenue
Total full-scope audits	92% 	90% 
<b>Total: Full-scope audit, audit of account balance(s) and/or disclosure(s), specified audit procedures</b>	<b>92%</b>	<b>90%</b>
Excluded from direct testing ( <b>Note 1</b> )	8% 	10% 
<b>Total consolidated</b>	<b>100%</b>	<b>100%</b>



**Note 1:** The following components are not significant for the purpose of issuing the auditors' opinion on the group audit of the consolidated financial statements of The Corporation of the City of Markham. However, statutory audits are completed for these entities to meet local requirements.

- Markham Enterprises Corporation
- Old Markham Village Business Improvement Area
- Unionville Business Improvement Area
- Markham Public Library Board
- Destination Markham



# 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 City and its environment (e.g. the industry, the wider economic environment in which the business operates, etc.), our understanding of the City's components of its system of internal control, including our business process understanding.

We use advanced technologies in performing our risk assessment procedures.

	Area of focus	Risk of fraud	Risk of error
●	Management override of controls	✓	
●	Presumption of the risk of fraud involving improper revenue recognition	✓	✓
●	Cash and investments		✓
●	Tangible capital assets		✓
●	Revenue and accounts receivable		✓
●	Deferred revenues – general and obligatory reserve funds		✓
●	Employee future benefits liabilities		✓
●	Expenses – salaries and benefits		✓
●	Accounts payable, accrued liabilities and expenses		✓
●	Contingencies		✓

● PRESUMED RISK OF MATERIAL MISSTATEMENT ● OTHER AREAS OF FOCUS





# Significant risks



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

RISK OF



FRAUD

## Why is it significant?

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

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.



# 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. This can be perpetrated through revenue cut-off or manual journal entries and other adjustments related to revenue recognition.

The primary risk of fraudulent revenue recognition is limited to revenue recognized from deferred revenue – obligatory reserve funds.

### Our planned response

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

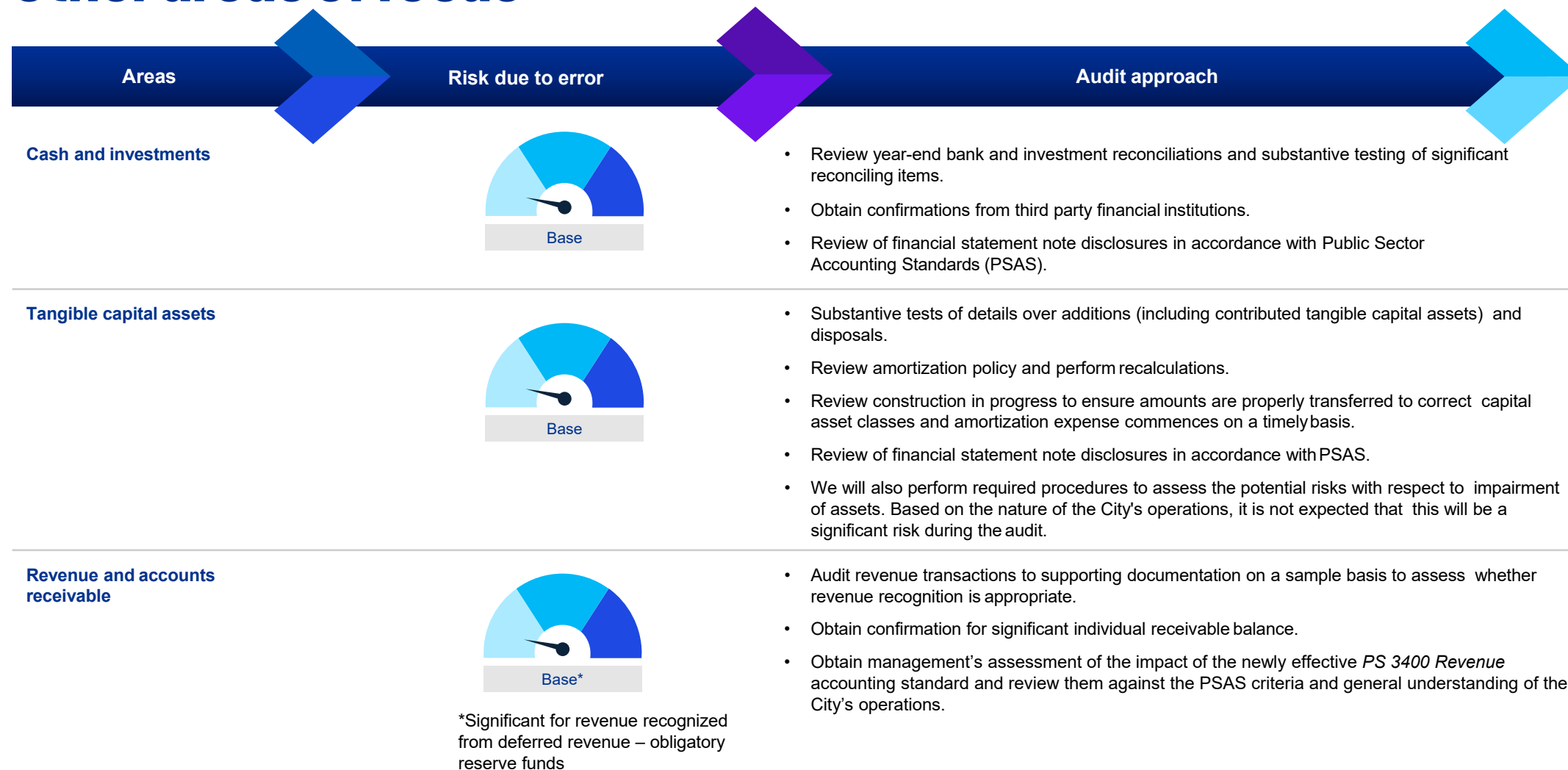
Our audit approach consists of evaluating the design and implementation of selected relevant controls.

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.

As part of our audit approach to address the inherent risk of error in revenue recognition, we substantively test revenues (both recognized and amounts held as deferred at year end) and recalculate management's calculation of deferred revenue – obligatory reserve funds through auditing management's methodology.



# Other areas of focus





# Other areas of focus

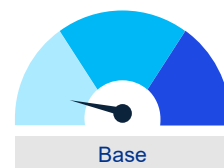


## Deferred revenues – general and obligatory reserve funds



- Update our understanding of the activities over the initiation, authorization, processing, recording and reporting.
- Review the City-prepared calculation for the development charge 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.
- Audit a sample of deferred capital grants and other deferred revenue by vouching to supporting documents.

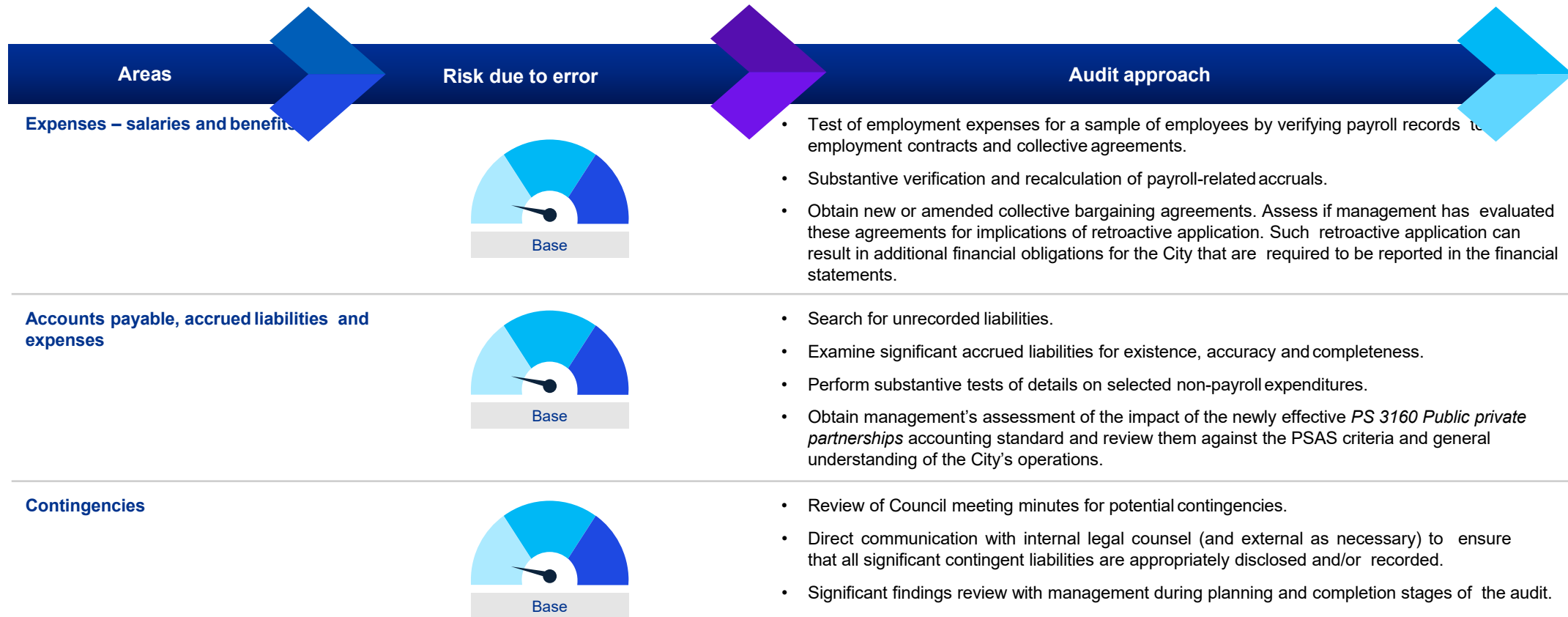
## Employee future benefits liabilities



- Reliance on actuaries (management specialist) engaged by the City; 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 employee benefits and other liabilities for reasonableness.
- We will perform audit procedures in accordance with the relevant auditing standards and related disclosure requirements related to the estimates involved.
- Perform inquiries with management to determine if this is the year of full valuation whereby new participant/member data is provided to the actuaries. If applicable, we will communicate with actuaries and test employment data provided to the actuaries.
- Review financial statement disclosure in accordance with PSAS.



# Other areas of focus







# Required inquiries of the General Committee of Council Members



## Inquiries regarding risk assessment, including fraud risks

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



## Inquiries regarding company processes

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



## Inquires regarding related parties and significant unusual transactions

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



# Key milestones and deliverables





# How do we deliver audit quality?

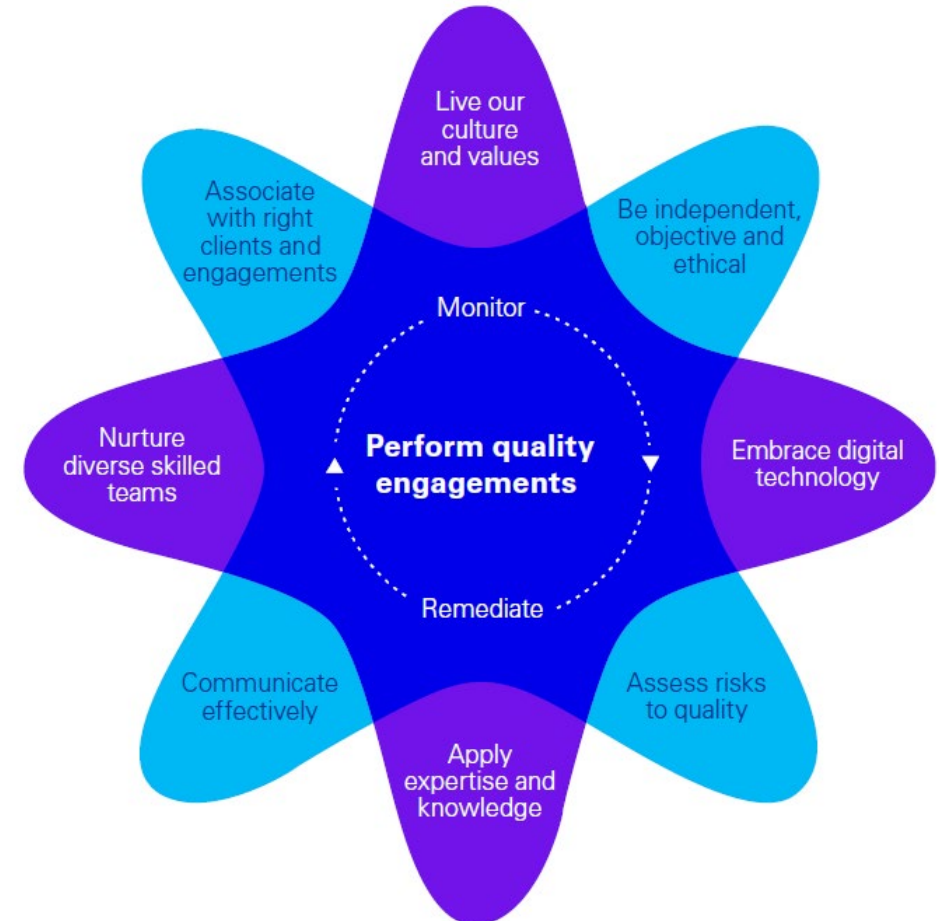
Quality essentially means doing the right thing and remains our highest priority. Our Global Quality Framework outlines how we deliver quality and how every partner and staff member contributes to its delivery.

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** Newly effective and future accounting standards

**C** New auditing standards

**D** Insights

**E** Technology

**F** Anti-Greenwashing and ESG

**G** Cyber for Municipality

**H** Municipal Government Service Offerings

**I** Unleashing tomorrow – today with AI





# Appendix A: Regulatory communications



## CPAB communication protocol

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

- [CPAB Audit Quality Insights Report: 2022 Interim Inspections Results](#)
- [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](#)



# Appendix B: Current changes in accounting standards

Standard	Summary and implications
<b>Revenue</b>	<ul style="list-style-type: none"> <li>The new standard PS 3400 <i>Revenue</i> is effective for fiscal years beginning on or after April 1, 2023 (<i>the City's December 31, 2024 year-end</i>).</li> <li>The new standard establishes a single framework to categorize revenue to enhance the consistency of revenue recognition and its measurement.</li> <li>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.</li> <li>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.</li> </ul>
<b>Purchased Intangibles</b>	<ul style="list-style-type: none"> <li>The new Public Sector Guideline 8 Purchased intangibles is effective for fiscal years beginning on or after April 1, 2023 (<i>the City's December 31, 2024 year-end</i>) with earlier adoption permitted.</li> <li>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.</li> <li>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.</li> <li>The guideline can be applied retroactively or prospectively.</li> </ul>
<b>Public Private Partnerships</b>	<ul style="list-style-type: none"> <li>The new standard PS 3160 Public private partnerships is effective for fiscal years beginning on or after April 1, 2023 (<i>the City's December 31, 2024 year-end</i>).</li> <li>The standard includes new requirements for the recognition, measurement and classification of infrastructure procured through a public private partnership.</li> <li>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.</li> <li>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.</li> <li>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.</li> <li>The standard can be applied retroactively or prospectively.</li> </ul>



# Appendix B: Future changes in accounting standards

Standard	Summary and implications
<b>Financial Statement Presentation</b>	<ul style="list-style-type: none"> <li>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.</li> <li>The section includes the following: <ul style="list-style-type: none"> <li>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.</li> <li>Separating liabilities into financial liabilities and non-financial liabilities.</li> <li>Restructuring the statement of financial position to present total assets followed by total liabilities.</li> <li>Changes to common terminology used in the financial statements, including re-naming accumulated surplus (deficit) to net assets (liabilities).</li> <li>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".</li> <li>A new provision whereby an entity can use an amended budget in certain circumstances.</li> <li>Inclusion of disclosures related to risks and uncertainties that could affect the entity's financial position.</li> </ul> </li> </ul>
<b>Concepts Underlying Financial Performance</b>	<ul style="list-style-type: none"> <li>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.</li> <li>The framework provides the core concepts and objectives underlying Canadian public sector accounting standards.</li> <li>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.</li> </ul>



# Appendix B: Future changes in accounting standards(continued)

Standard	Summary and implications
<b>Employee benefits</b>	<ul style="list-style-type: none"><li>• 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>.</li><li>• 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.</li><li>• 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.</li><li>• 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>. It will apply to fiscal years beginning on or after April 1, 2026 (<i>the City's December 31, 2027 year-end</i>). Early adoption will be permitted and guidance applied retroactively.</li><li>• 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.</li><li>• The Public Sector Accounting Board is in the process of evaluating comments received from stakeholders on the exposure draft.</li></ul>







# 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.

## Accelerate 2024

The key issues driving the audit committee agenda in 2024.

## 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.



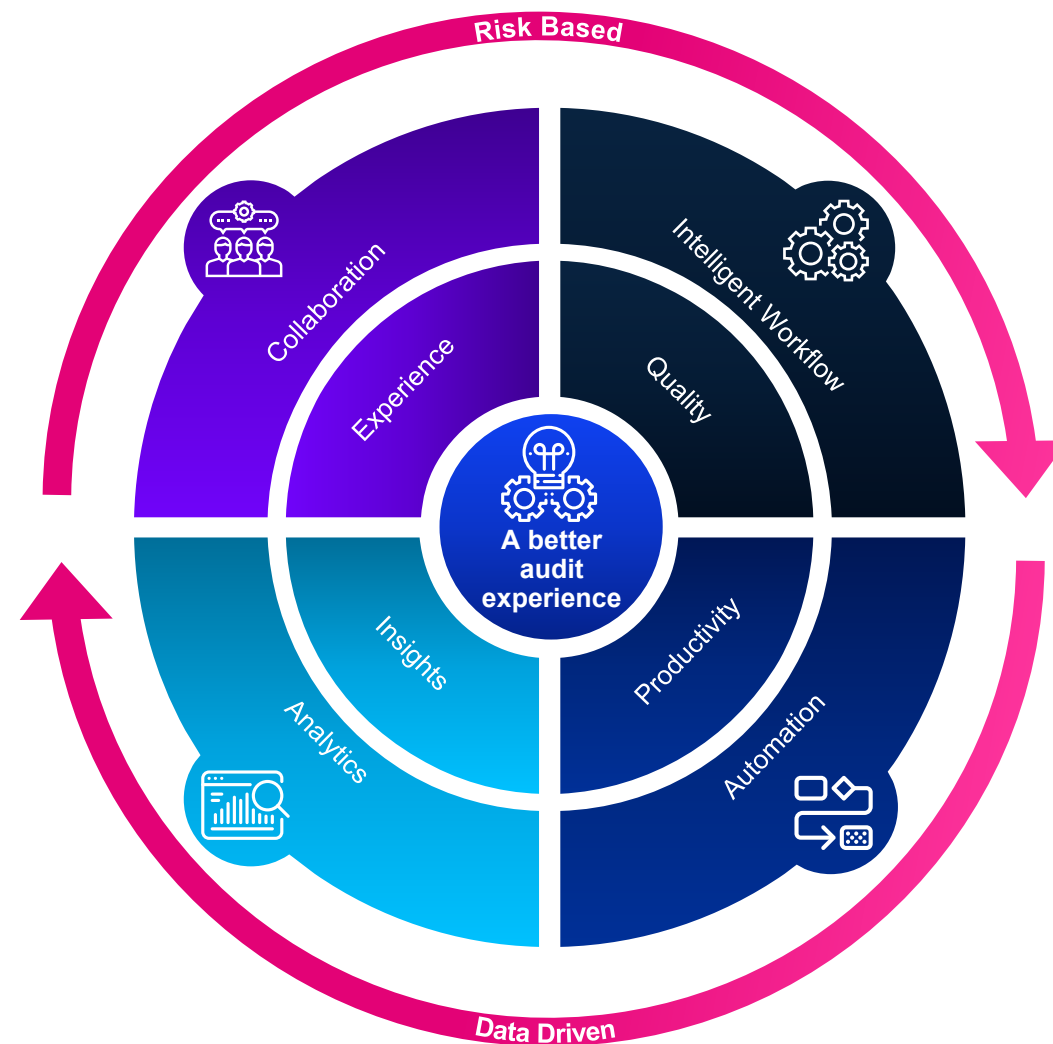
## Intelligent workflow

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: Anti-Greenwashing and ESG

## 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: Anti-Greenwashing and ESG (continued)

## Our service offerings to clients\*

### 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](#)

**\*All services can be provided on a legally privileged basis for non-audit clients**



# Appendix F: Anti-Greenwashing and ESG (continued)

## 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.



# Are you on top of your municipal ESG reporting requirements?



Understand how ESG impacts municipalities, what the current requirements are, and how to communicate the value you deliver through ESG reporting.

## A coordinated ESG strategy is essential for municipalities

Stakeholders are increasingly putting pressure on municipalities to deliver services in a way that manages Environmental, Social and Governance (ESG) risks and opportunities, and discloses their ESG performance in alignment with global standards. A coordinated strategy is critical to enable ESG reporting, and to enhance service delivery to respond to this pressure. This will enable better informed budgeting and reporting decisions that proactively consider and account for emerging regulatory requirements, unlocking greater value for the municipal corporate entity and for stakeholders alike. Benefits of developing and implementing an ESG strategy in coordination with program and service delivery include:

- **Decreased operational costs:** Lowered costs through sustainable suppliers and other financial arrangements
- **Increased citizen engagement:** Improved reputation and engagement from citizens on ESG priorities and how you deliver on them.
- **Enhanced ability to communicate value creation through sustainability indicators** to key stakeholders

Reporting is just one step in the ESG journey. Ultimately, it begins with Discovery, and aligning your sustainability priorities with stakeholder needs.



## Contact us

Book a free exploratory call with our team to assess your next steps.



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## How to start: ESG Discovery sessions



### OVERVIEW

- **Length:** 3 hours
- **Format:** Virtual, hybrid or in-person



### WHO CAN BE INVOLVED

- Leadership & management
- C-Suite (e.g., CAO; Treasurer)
- Program and service leaders
- Capital and asset managers



### DISCOVER

- Insights into market dynamics, future trends and why ESG is gaining in importance
- Industry and peer ESG performance
- How to effectively integrate ESG into your strategy and service delivery model



### SESSION OUTCOMES

- An **ESG trend diagnostic** highlighting the priority policies for the municipal sector
- Your **ESG maturity** across seven dimensions
- An **ESG roadmap** of your priorities

## Considerations for your leadership team

- Are you able to express the value you deliver in terms the business community your stakeholders expressed their expectations regarding ESG issues?
- What are your priority ESG issues? Which will have the most impact? In one year? In five years?
- Where do you have blind spots?
- Where can you proactively mitigate future concerns?
- Do you have a central ESG strategy and vision that connects your various initiatives?
- Are decarbonation efforts effectively tied to financial budgeting and reporting?



# Appendix G: 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

Fakih 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 Fakih 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

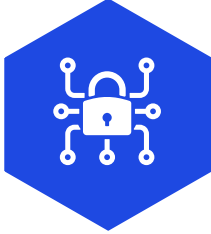
Councillors, staff and others impacted by July incident

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 H: 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.



## Review areas

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

### Internal Audit reviews

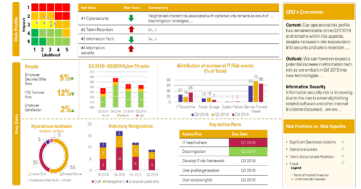
- Review of the design and operation of key business controls
- Identifying recommendations to improve and optimize the control environment
- Using data analytics and visualization to test large data sets
- Examples include AP, cash handling and Fleet Inventory

### Service delivery/process reviews

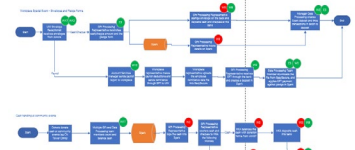
- Review of the operational efficiency and effectiveness of a service area
- Using lean methodologies to identify more efficient and effective ways of delivering services.
- Creation of process maps and identification of opportunities to streamline processes and create cost savings
- Examples include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

### Specialist reviews

- 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

### Service Profiles

Service Profile: Roads – Operations and Maintenance

**Organizational Unit:** Roads & Infrastructure

**Enterprise Program:** Transportation – Public Safety

**No. Sub-Services:** 7

**Service Type:** Infrastructure

**Budget (\$,000):** Operating: \$1,373; Capital: \$1,984; Total Cost: \$3,357; Net Cost: \$2,323

**Staffing:** Full Time: 128; Part Time: 42,284 FTE

**Service Description:** The City maintains and operates roads, streets, storm sewers, bridges, street lighting, overhead lighting, street lighting, street signs, street trees, and other works related to the operation and maintenance of roads and streets.

**Service Level:** Roads & Infrastructure: Maintain and operate the City's roadways and associated infrastructure services that is representative of the service level provided to the community in a manner that preserves the health and safety of the community.

**Service and activity levels:** Roads & Infrastructure: Operate and maintain approximately 1,400 km of roads, streets, bridges, sidewalks, and other infrastructure services. The City also maintains and operates storm sewers, which require regular maintenance and repair.

**Additional Services:** Winter Maintenance: Provide winter maintenance services to ensure year-round road safety. This includes snow removal, salt application, and plowing. The City also maintains and operates street lighting, street signs, and other infrastructure services.

**Related Risk Level Assessment & Service Type:** Roads & Infrastructure: Roads & Infrastructure services are essential to the community's ability to move people and goods. The service level provided to the community is critical to the City's ability to provide safe and efficient transportation services.

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.

### Data Analytics

Heatmap showing complaint density by geographic area. The map is overlaid with a grid and color-coded by complaint density, with red indicating high density and blue indicating low density. The map shows a high concentration of complaints in the central and eastern parts of the city.

Complaint counts by area and category:

Area	Category	Count
Center	Accidents	21
Center	Infrastructure	11
Center	Parks & Recreation	1
Center	Public Safety	1
Center	Transportation	1
Center	Water & Sewer	1
Center	Waste Management	1
Center	Other	1

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.

### Benchmarking

Graph showing the number of municipalities surveyed and the number of municipalities that have a designated security manager. The graph shows that 9 out of 10 municipalities surveyed have a designated security manager.

Table showing Security Coverage data:

Municipality	Designated Security Manager?	Support Staff?
1	Yes	Yes - 1
2	Yes	Yes - 3
4	Yes	No
6	Yes	Yes - 70
8	Yes	Yes - 1

Bar chart showing Provide Year Round Security Coverage? 5 Yes, 1 No.

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 security delivery models.



# Appendix I: 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.**

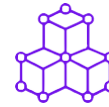
**It's not just about tech; it's about people,** striving to ensure smooth transitions and unlocking human potential alongside AI innovations.

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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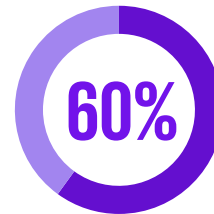


# AI Education and Training for executives and boards

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.



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

## Change starts with you

<b>01</b> Understand the impact and trends of generative AI adoption in your organization and industry	<b>02</b> Foster a continuous learning culture and manage change for successful AI implementation	<b>03</b> Discover the commercial and competitive potential of working with AI	<b>04</b> Learn how to manage AI risk and governance as a business leader	<b>05</b> Identify your productivity and automation challenges and take corrective action	<b>06</b> 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.



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