



The City of Ottawa

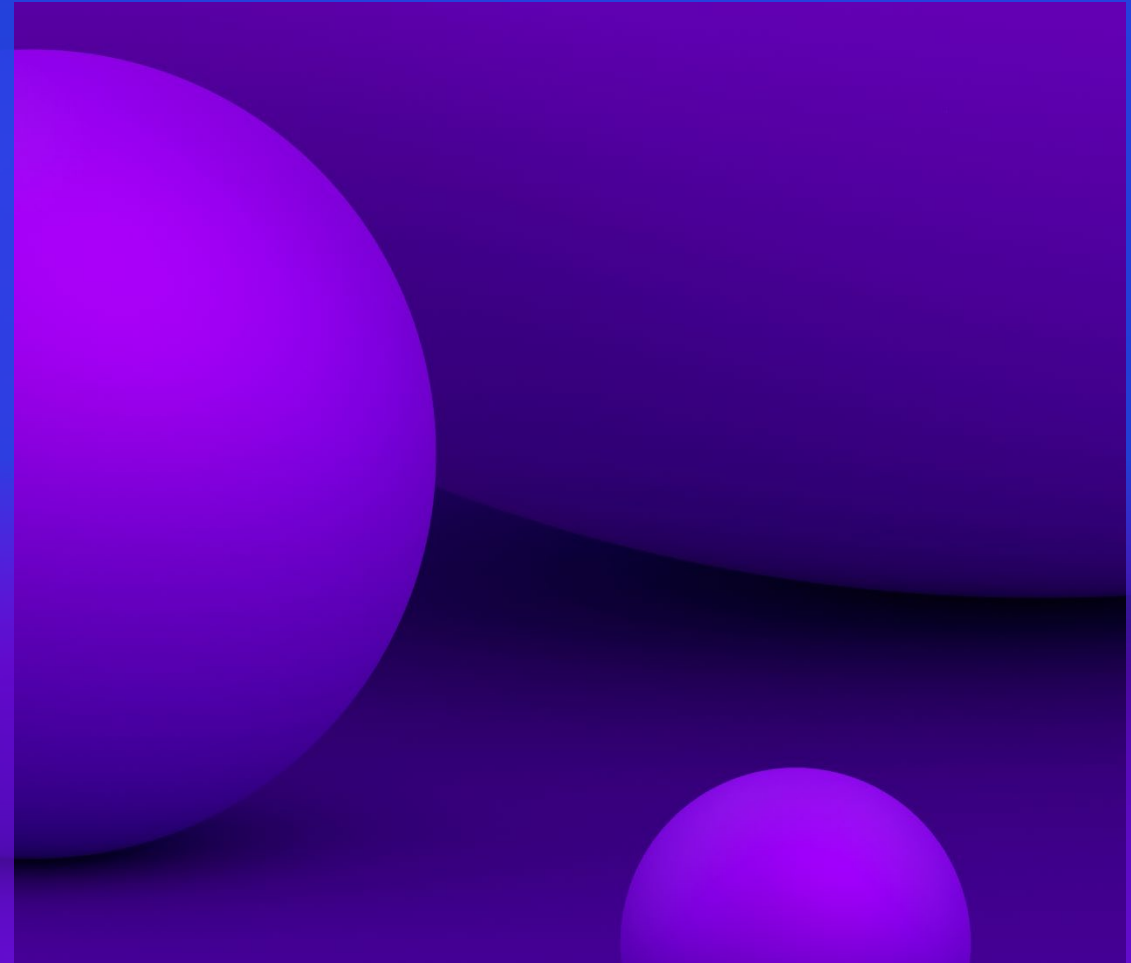
**Audit Planning Report
for the year ending
December 31, 2025**

KPMG LLP

Licensed Public Accountants

Prepared as of November 13, 2025 for presentation to the Audit
Committee on November 28, 2025

kpmg.ca/audit



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



Audit highlights



No matters to report



Matters to report – see link for details

Scope

Our audit of the consolidated financial statements (“financial statements”) of The City of Ottawa (“the City”) as of and for the year ending December 31, 2025, will be performed in accordance with Canadian generally accepted auditing standards (CASs).

[Engagement letter](#) provided under separate cover to members of the Audit Committee and City of Ottawa Council

Audit strategy

Materiality
 Group consolidated financial statements: \$130M
 City of Ottawa standalone entity: \$110M

Involvement of others

Involvement of non-KPMG firms

Audit strategy - Group audit

Total	Total assets	Total revenue
Total tested	95%	84%

Changes to Audit Approach

Independence

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

Risk assessment

Risk of management override of controls

Consolidation process

Presumed risk of fraudulent revenue recognition

Other risks of material misstatement

- Cash and investments
- Tangible capital assets
- Investments in Government Business Enterprises (GBEs)
- Employee future benefits and pension agreements
- Accounts payable, accrued liabilities and expenses
- Commitments and contingencies
- Long-term debt
- Trust funds (standalone financial statement audit)
- Sinking fund debt (standalone financial statement audit)
- Asset retirement obligations
- Tax and other revenue, accounts receivable, and deferred
- Salary and benefit expenses and related accruals



Updates to our prior year audit plan

Current year update and new significant risks



Current year update



The final construction activities and train testing on the Trillium Line were completed and went into revenue service January 6, 2025. KPMG will test the existence, accuracy and appropriateness of the capitalization of costs as well as the start of depreciation expensing when the extension is made available for use. KPMG will also test the existence and accuracy of revenues recognized related to the assets.



New significant risks



None noted for the year ended December 31, 2025.

Other significant changes



Newly effective accounting standards



None noted for the year ended December 31, 2025.



Newly effective auditing standards



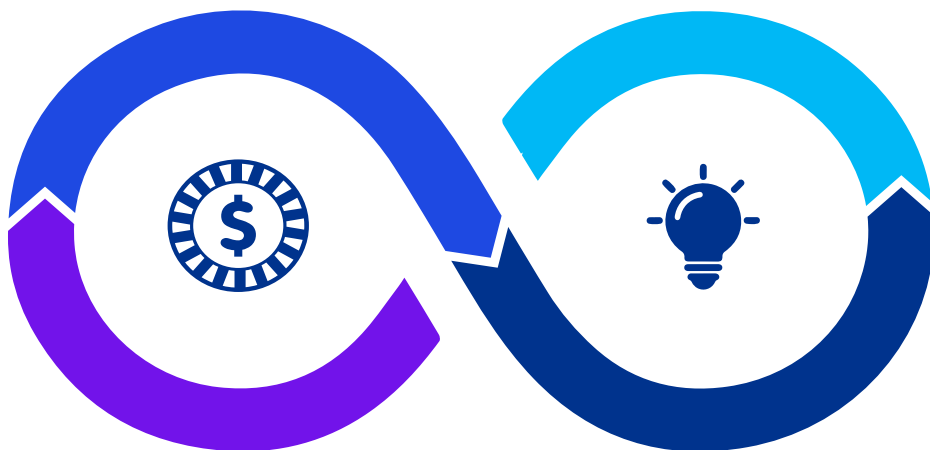
Effective for periods beginning on or after December 15, 2024:

ISA 260/CAS 260: Communicate with those in charge of governance the relevant ethical requirements, including those related to independence, that the auditor applied to the audit of the financial statements.

KPMG will address these requirements through our Audit Plan and Findings Report including our Independent Auditor's Report.



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 judgment**, considering both quantitative and qualitative factors, and is affected by our perception of the common financial information needs of users of the financial statements as a group. We do not consider the possible effect of misstatements on specific individual users, whose needs may vary widely.

We **reassess materiality** throughout the audit and revise materiality if we become aware of information that would have caused us to determine a different materiality level initially.

Plan and perform the audit

We **initially determine materiality** to provide a basis for:

- Determining the nature, timing and extent of risk assessment procedures;
- Identifying and assessing the risks of material misstatement; and
- Determining the nature, timing, and extent of further audit procedures.

We design our procedures to detect misstatements at a level less than materiality in individual accounts and disclosures, to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

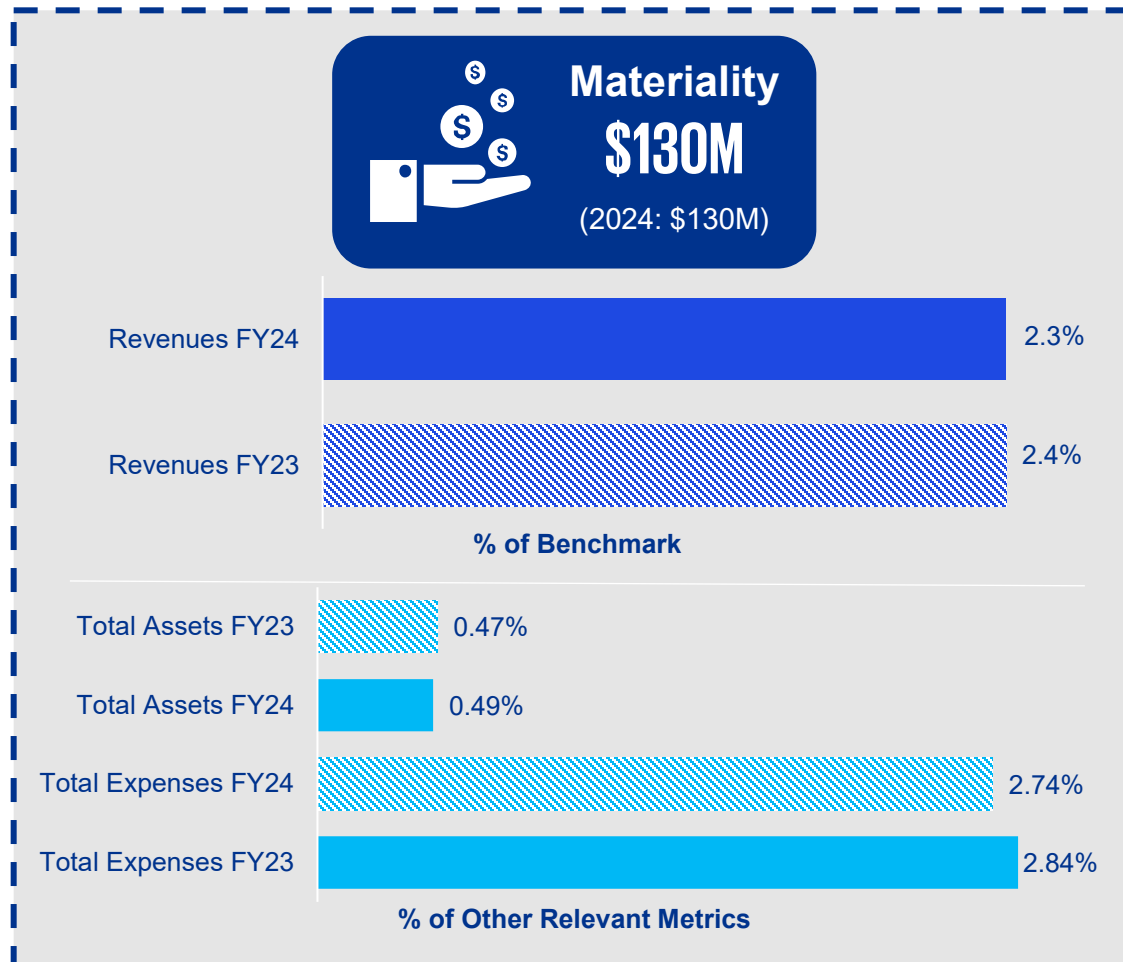
Evaluate the effect of misstatements

We also **use materiality** to evaluate the effect of:

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



Initial Group Materiality



Prior Year Actual Revenues
\$5.540B
 (2023: \$5.441B)

Prior Year Total Assets
\$27.728B
 (2023: \$26.734B)

Prior Year Total Expenses
\$4.746B
 (2023: \$4.576B)



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>IT Audit Team</p> <p>KPMG specialists to evaluate the City's IT environment and IT application controls in place. This will include evaluating the design and implementation of selected relevant controls in place over the consolidation and financial reporting process and the understanding of the automated inputs into the consolidation process, as relevant.</p> <p>Internal Audit, Risk & Compliance Services</p> <p>KPMG specialists to aid in the evaluation of key business process controls and overarching Entity Level Controls.</p> <p>Life and Pension Actuarial Specialist</p> <p>KPMG actuarial specialists to evaluate the reasonability of assumptions used by management's actuarial specialists to derive the valuations of the City's employee future benefits, WSIB, and retirement and sick leave benefits obligations and related amortization amounts.</p> <p>iRADAR team</p> <p>Involvement of KPMG iRADAR team in developing an independent expectation of fair value estimates together with a range of acceptable prices using iRADAR's own approved methods and valuation models. The pricing will support our analysis of the valuation of the City's equity instruments that are quoted in an active market and recorded at fair value.</p>



Involvement of others

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

Involved party	Nature and extent of planned involvement
Management's specialists	<p>Mercer - Employee Future Benefits Actuarial Firm, engaged by the City Actuary provides the valuation for the employee future benefits obligation.</p> <p>Normandin Beaudry - Employee Future Benefits Actuarial Firm, engaged by the City Actuary provides the valuation for the employee future benefits obligation related to legacy plans.</p> <p>Dillon Consulting – Environmental Science and Engineering, Engaged by the City Firm provides valuation of landfill closure and post closure liabilities along with the contaminated sites liability.</p>






Group audit - Scoping

We take a risk-based audit approach that requires an understanding of the Group, its environment and system of internal control in order to appropriately identify, assess, and plan responses to risks of material misstatement to the Group.

We will perform group-wide risk assessment procedures, and when sufficient information is not available at the group level, we perform risk assessment procedures at a component level in order to appropriately identify, assess, and plan responses to risks of material misstatement to the group.

We plan to perform risk assessment procedures at a component level for the following components:

Components						
 Audit participant	 Component name	 Description of involvement	Materiality	Total assets*	Total revenue*	
KPMG Ottawa	City of Ottawa – Non-Consolidated***	Full scope audit	\$110 Million	94.6%	84.8%	
				Total full-scope audits	94.6%	84.8%
KPMG Ottawa	Hydro Ottawa Holding Inc. (HOHI)	N/A**		2.0%	0.5%	
KPMG Ottawa	Ottawa Community Housing Corporation (OCHC)	N/A**		2.9%	3.9%	
KPMG Ottawa	Business Improvement Areas (BIAs)	N/A**		0.1%	0.2%	
Non-KPMG	Police Services Board, Ottawa Public Library Board, and Ottawa Board of Health	N/A		0.4%	10.6%	
				Total consolidated assets and revenues of the City of Ottawa	100%	100%

* Figures are derived from identifiable information based on business area for the 2024 fiscal year.





** Based on our assessment of prior year amounts, we determined that HOHI, OCHC, and the BIAs are not considered significant components for the City of Ottawa Group audit. KPMG will perform separate standalone audits of these entities to meet local requirements.

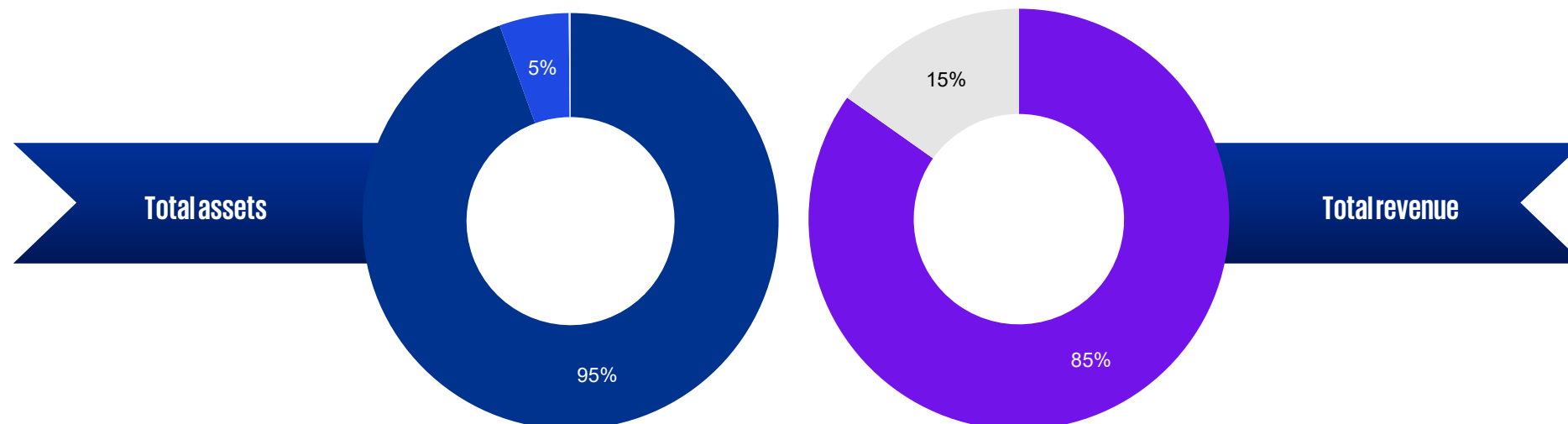
*** The Sinking Fund and Trust Fund are a part of City of Ottawa non-consolidated audit for our group audit scoping purposes.



Group audit – Scoping

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

Further audit procedures to be performed by:		Total assets	Total revenue
Total group auditor	Breakdown	94.6% 	84.8% 
Total tested	Breakdown	94.6%	84.8%
Not subject to further audit procedures (i.e., untested)		5.4% 	15.2% 
Total consolidated		100%	100%





Risk assessment summary

	Risk of fraud	Risk of error	PY risk rating
● Management Override of Controls	✓		Significant
● Presumed Risk of Improper Revenue Recognition	Rebutted		Rebutted
● Consolidation Process		✓	Significant
● Cash and investments		✓	Base
● Tangible capital assets		✓	Elevated
● Investments in Government Business Enterprises (GBEs)		✓	Base
● Employee future benefits and pension agreements		✓	Base
● Accounts payable, accrued liabilities and expenses		✓	Base
● Commitments and contingencies		✓	Base
● Long-term debt		✓	Base
● Trust funds (standalone financial statement audit)		✓	Base
● Sinking fund debt (standalone financial statement audit)		✓	Base
● Asset retirement obligations		✓	Base
● Tax and other revenues, accounts receivable, and deferred		✓	Base
● Salary and benefit expenses and related accruals		✓	Base

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

● PRESUMED RISK OF MATERIAL MISSTATEMENT

● SIGNIFICANT RISK

● OTHER RISK OF MATERIAL MISTATEMENT

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.



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.

Our approach to the Entity's system of internal control is to take substantive approach.

Advanced technologies

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



[Click to learn more](#)



Significant risks



Presumption of the risk of fraud involving improper revenue recognition

RISK OF



FRAUD

**Presumption
of the risk of fraud
resulting from
fraudulent revenue
recognition**

Why is it significant?

This is a presumed risk of material misstatement due to fraud. 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 (including obligatory reserve funds) and government transfers.

Our planned response

Generally, there are pressures or incentives on management to commit fraudulent financial reporting through inappropriate revenue recognition when performance is measured in terms of year-over-year revenue growth or profit.

The City is not publicly traded, is not incentivized to meet analyst expectations, and does not sell goods or services with complex contracts as its main line of business. The City receives majority of its revenue through property taxes, government funding, contributed tangible capital assets, wastewater fees and transit fees which are generally viewed as non-judgmental and/or routine in nature. Although other revenues such as development charges require greater judgement, management is not incentivized in overstating the revenues as there are no additional financial compensation (e.g. bonuses) that are dependent on meeting financial metrics.

The fraud risk related to improper revenue recognition has been rebutted for the purposes of this audit, consistent with the prior year.



Significant risks



Consolidation process

RISK OF



ERROR

Significant risk

Estimate?

New or changed?

Risk of material misstatement related to the consolidation process due to complex organizational structure and the manual process (in Excel spreadsheets) followed by the City.

No

No

Relevant inherent risk factors affecting our risk assessment

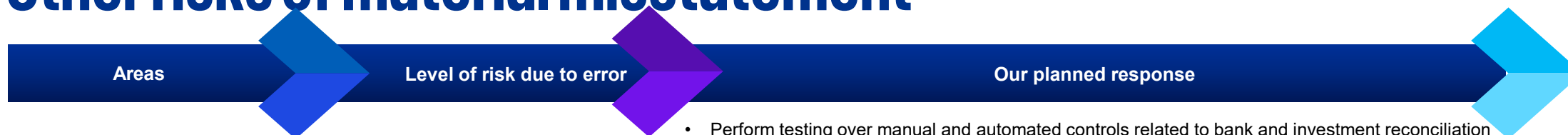
Complexity and volume of transactions within the consolidation process

Our audit approach

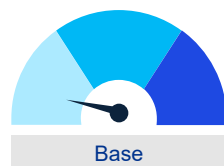
- We will evaluate the design and implementation of selected relevant controls in place over the consolidation and financial reporting process.
- We will perform substantive procedures over the consolidation workbooks including material adjustments booked as part of the consolidation process.
- We will involve our IT Audit specialists to gain an understanding of the automated inputs into the consolidation process, as relevant.
- We will gain an understanding of the consolidation process at the City and various elements and inputs for the consolidation. We will obtain supporting schedules to understand the inputs into the consolidation workbook and perform further audit procedures related to these supporting schedules.
- We will perform procedures on the completeness of reporting the City's interest in all entities under its control including those that qualify as Government Business Entities which are accounted for using the modified equity basis and entities subject to joint control, which are accounted for using the proportionate consolidation method.
- We will audit the consolidation workbook for accuracy through recalculation and reperformance of the key aspects (e.g. elimination of related party transactions) of consolidation exercise.
- We will test significant manual journal entries by obtaining supporting documentation for the amounts calculated for these manual journal entries.
- We will test consolidation information related to the significant components to source records for these respective significant components. We will obtain financial information of these significant components from the respective component audit teams to ensure we are using the audited information for the purposes of the consolidation.



Other risks of material misstatement



Cash and investments



- Perform testing over manual and automated controls related to bank and investment reconciliation process.
- Perform test of details over significant reconciling items for cash and investments.
- Perform substantive test of details over additions and disposals of investments and for any derivative financial instruments included in the City's financial statements.
- Obtain supporting documentation regarding and recalculate the investment income earned including on deferred revenue to ensure appropriate revenue recognition.
- Obtaining confirmation of investment holdings with third party investment custodians, as well as obtaining and reviewing the most recent CSAE 3416 Service Auditor report.
- Performing independent price testing over investments to verify the valuation of equity investment balances, through the use of our iRADAR team, KPMG specialists.
- Review of financial statement note disclosure in line with the Public Sector Accounting Standards (PSAS).

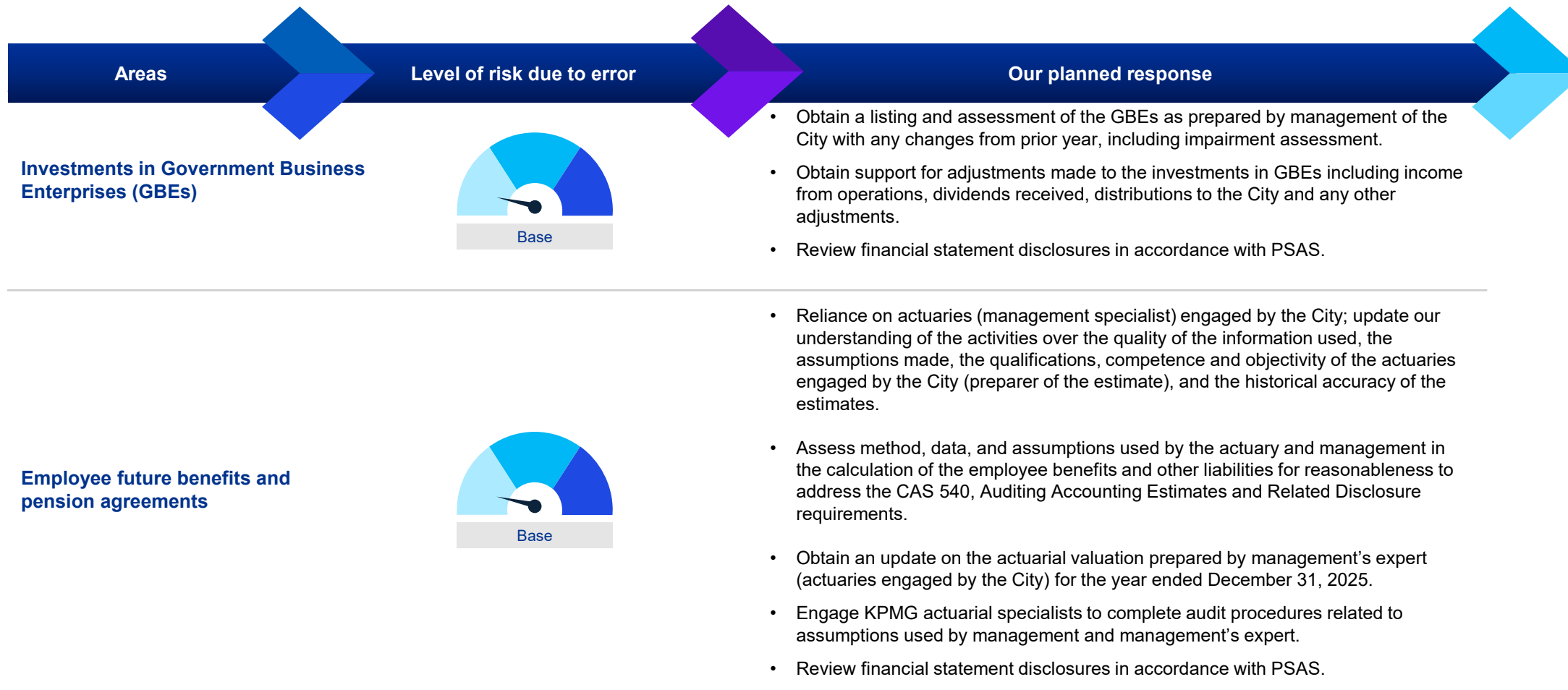
Tangible capital assets (includes contributed tangible capital assets)



- Perform testing over manual and automated controls related to recording costs to the relevant capital projects.
- Perform substantive test of details over additions and disposals using a representative sample.
- Obtain the amortization policy, verify the mathematical accuracy of amortization and assess reasonableness of the estimated useful lives in use to address the requirements of CAS540, Auditing Accounting Estimates and Related Disclosure related to useful lives.
- Review assets under construction to ensure amounts are properly transferred to correct capital asset classes and amortization commences on the appropriate basis.
- Obtain an understanding of asset write-downs during the year and the rationale behind these write-downs with corroborating evidence.
- We will also perform required procedures to assess the potential risks with respect to impairment of assets. Based on the nature of the City's operations, it is not expected that this will be a significant risk during the audit.
- Review of financial statement note disclosure in line with the PSAS.

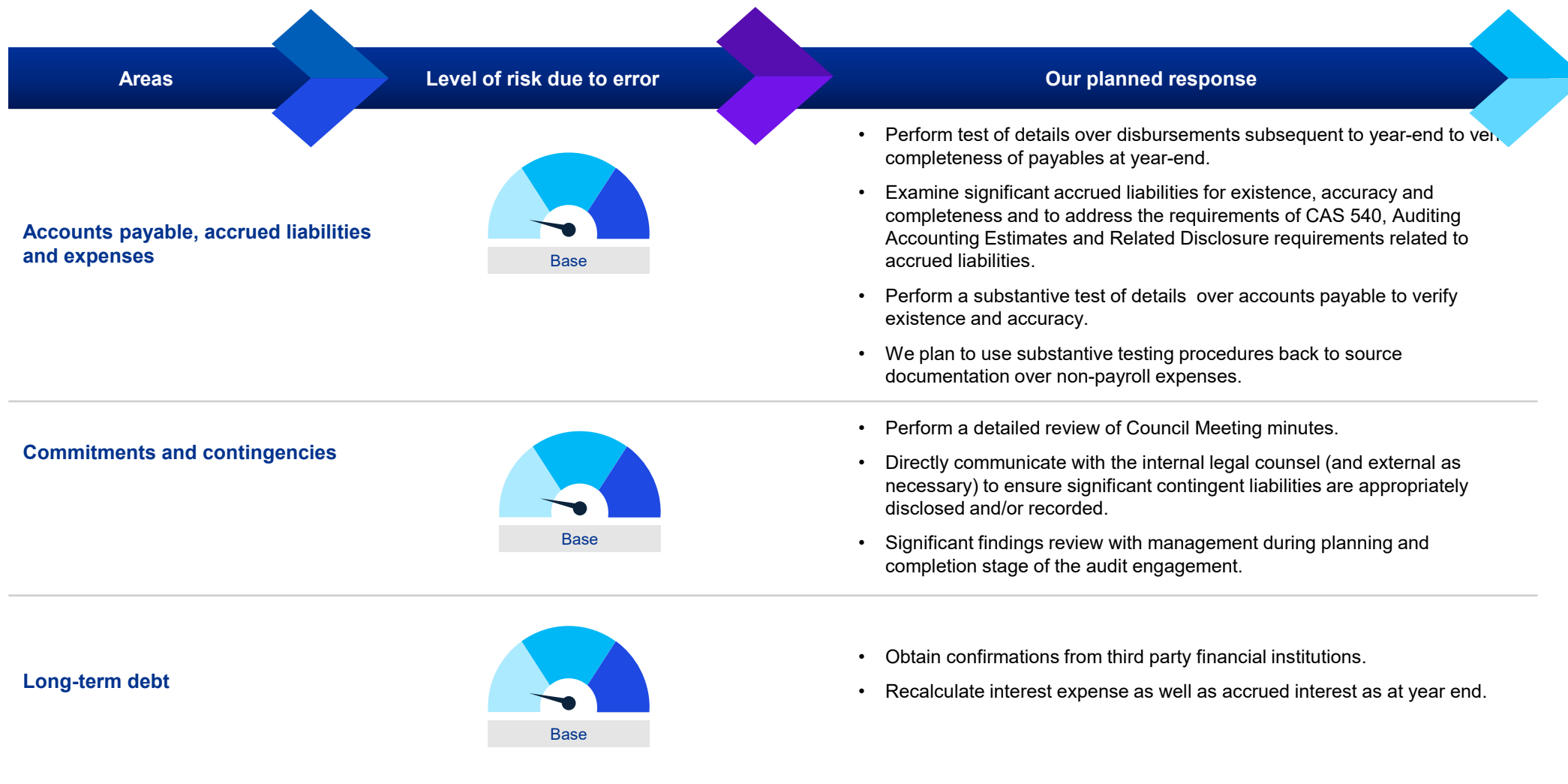


Other risks of material misstatement



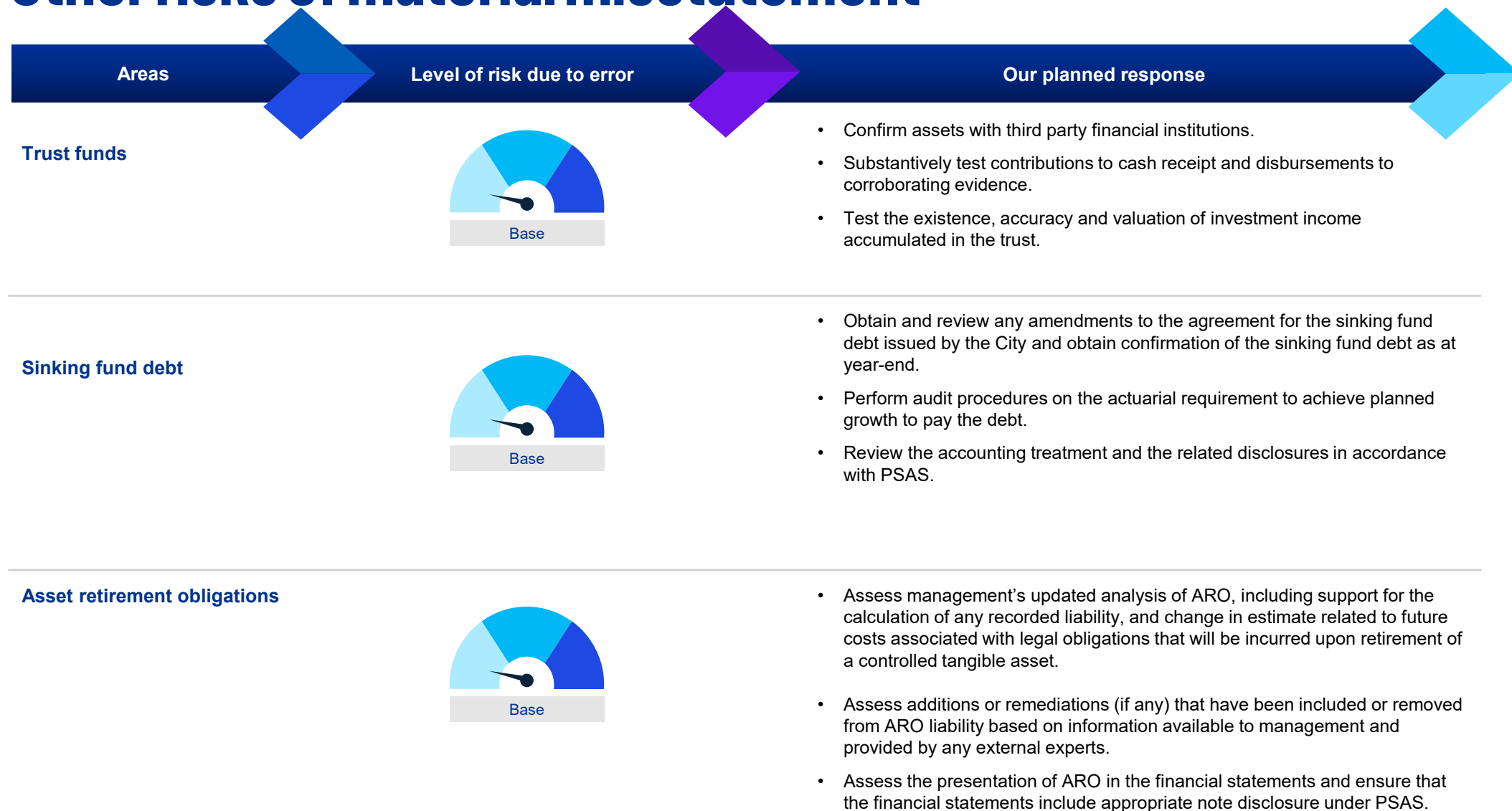


Other risks of material misstatement





Other risks of material misstatement

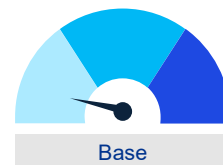




Other risks of material misstatement

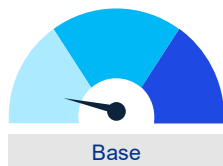


Tax and other revenues, accounts receivable and deferred



- Update our understanding of the activities over the initiation, authorization, processing, recording and reporting of revenue.
- Obtain the City-prepared calculation of revenue balances and perform test of details using a combination of substantive analytical and representative sampling approaches back to source documentation and cash receipt. As part of our testing, we ensure recognition of revenue, if based on project spending, is in accordance with the purpose of the terms and agreements.
- Perform Data and Analytic (D&A) procedures over property tax revenues.
- Evaluate revenue recognition, revenue restrictions, and presentation considerations including deferred balances of revenues.
- For significant amounts receivable at year-end, we will perform test of details including an assessment over the collectability of the receivable balance.
- Audit a sample of deferred capital grants and other deferred revenue by vouching to supporting documents.

Salary and benefits and related accruals



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



Required inquiries of the Audit Committee



Inquiries regarding risk assessment, including fraud risks

- What are the Audit Committee's views about fraud risks, including management override of controls, in the City? And have you taken any actions to respond to any identified fraud risks?
- Is the Audit Committee aware of, or has the Audit 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 Audit Committee exercise oversight over management's assessment of fraud risk and the establishment of controls to address/mitigate fraud risks?
- Is the Audit Committee aware of any instances of actual or possible violations of laws and regulations, including illegal acts (irrespective of materiality threshold)?
- Is the Audit Committee aware of any correspondence with regulators or licensing authorities?
- Is the Audit Committee aware of any additional matters relevant to the audit?



Inquiries regarding City processes

- Is the Audit Committee aware of or have they received tips or complaints regarding the City's financial reporting (including those received through the Audit Committee's internal whistleblower program, if such programs exist)? If so, what was the Audit 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 Audit Committee aware of any instances where the City entered into any significant unusual transactions?
- What is the Audit Committee's understanding of the City's relationships and transactions with related parties that are significant to the City?
- Is the Audit Committee concerned regarding relationships or transactions with related parties? If so, what is the substance of those concerns?



Key milestones and deliverables





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.



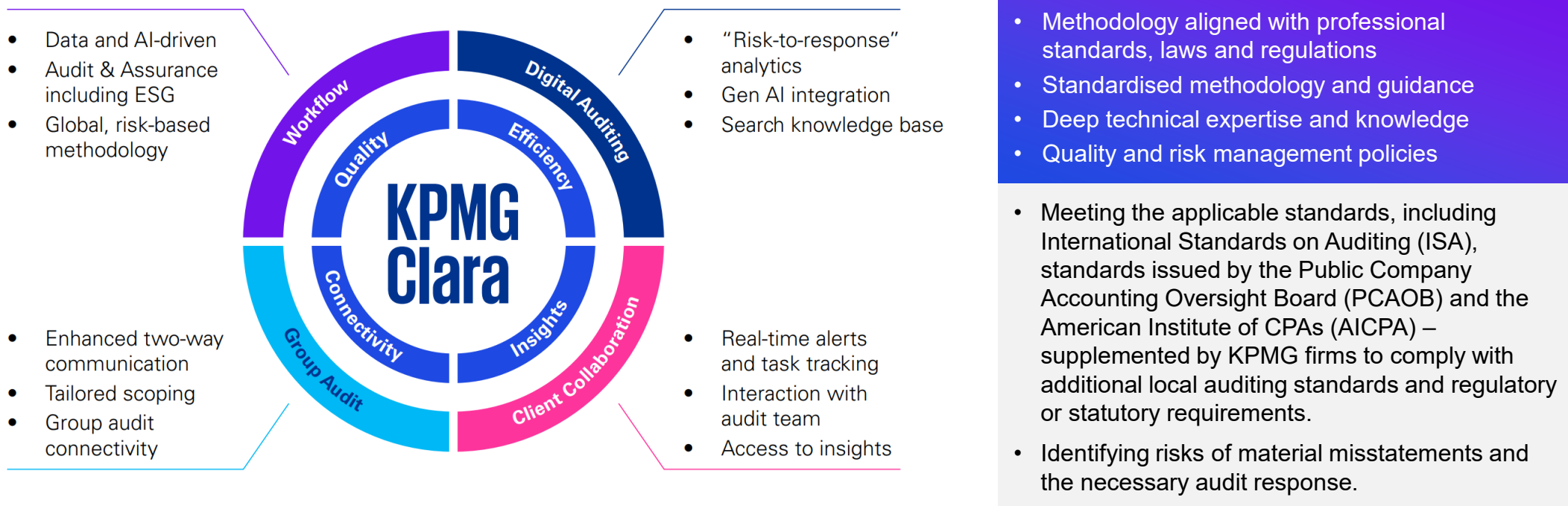
Doing the right thing. Always.



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.





Independence: Request for pre-approval of services



The services are not prohibited, and threats to our independence, if any, resulting from the provision of the services will be eliminated or reduced to an acceptable level.

Our audit services have been approved as part of our Engagement Letter with the City of Ottawa.



Appendices

A Regulatory communications

B New auditing standards

C New accounting standards

D Insights

E Technology

F Anti-Greenwashing and ESG

G Cyber for Municipality

H Municipal Government Service Offering

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 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](#)



Appendix B: Newly effective and upcoming changes to auditing standards

Effective for periods beginning on or after December 15, 2024

ISA 260/CAS 260

.....
Communications
with those charged
with governance

Summary of Changes:

New requirements for the auditor to communicate:

- about the relevant ethical requirements, including those related to independence, that the auditor applied to the audit of the financial statements; and
- any enhanced independence requirement that the auditor applied specific to the audit of financial statements of certain entities.

ISA 700/CAS 700

.....
Forming an opinion
and reporting on
the financial
statements

Summary of Changes:

New requirements for the auditor to publicly disclose when the auditor applied independence requirements specific to audits of financial statements of certain entities WHEN the ethical requirements require public disclosure.



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

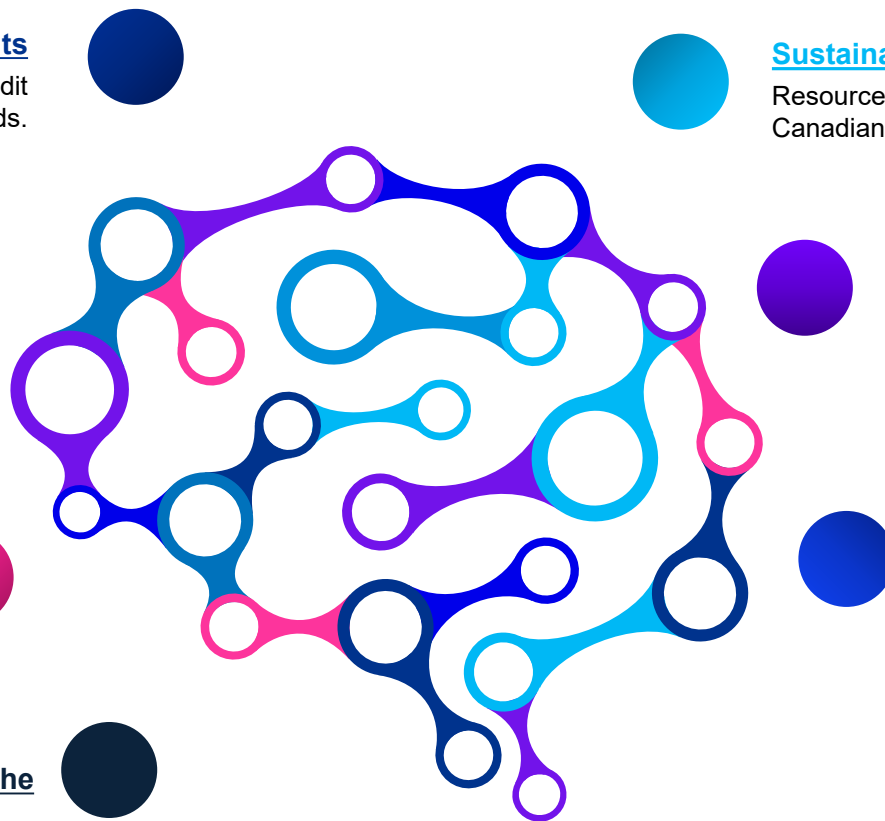
Resource centre on implementing the new Canadian reporting standards

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: 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.



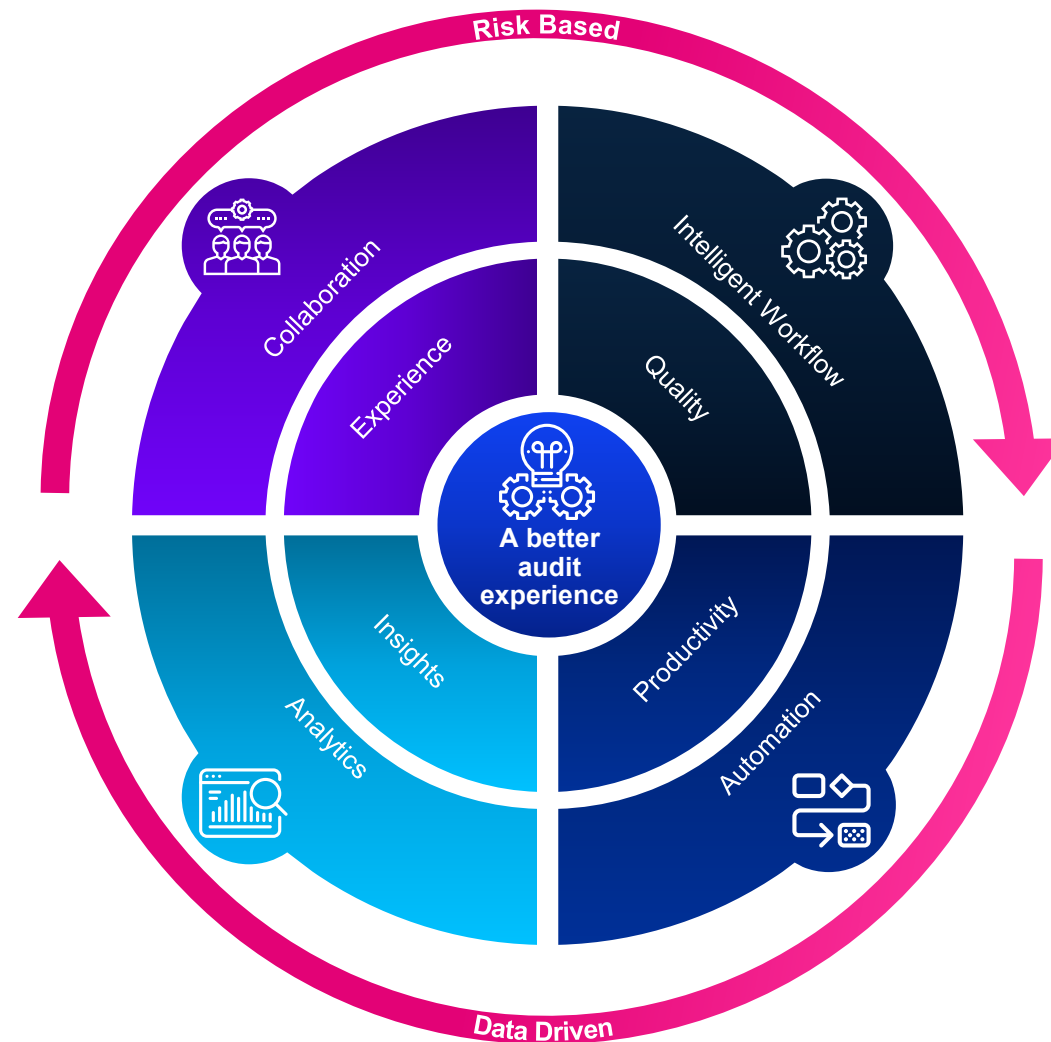
Intelligent workflow

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 E: Expanding the use of audit technology



Analytics

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



Automation

- Agentic AI with Clara AI - Chat
- Automated Industry Routines
- Confirmation
- Data Extraction Scripts
- DataShare
- DataSnipper
- Inventory Counter App
- iRadar and iNav
- Offset Remover



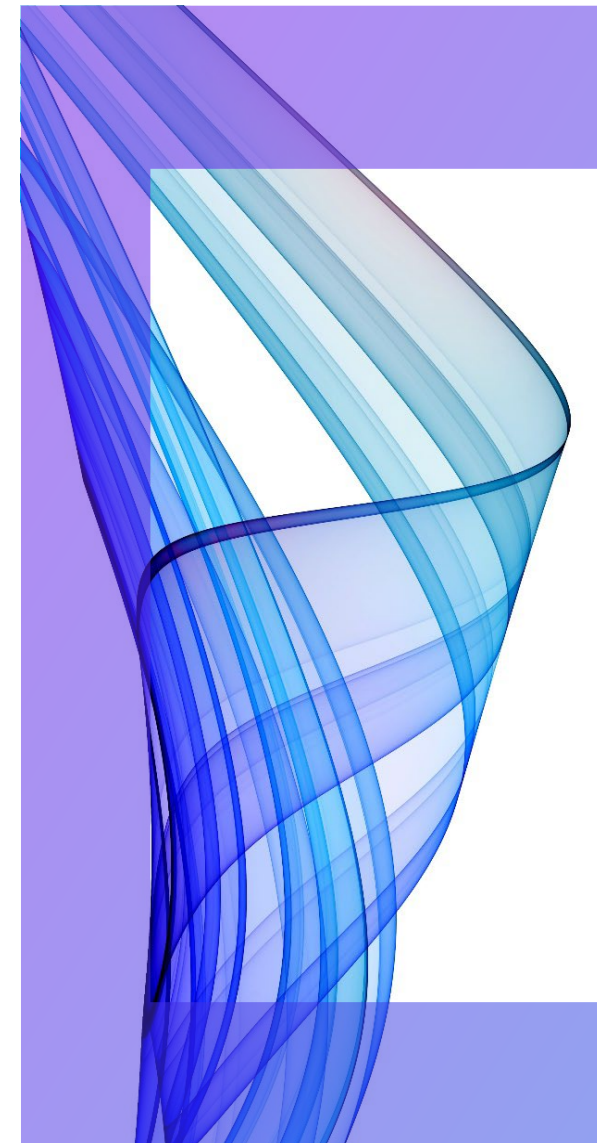
Collaboration

- DocuSign™
- KPMG Clara for Clients



Workflow

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





Appendix E: Next-generation technology

AI empowerment leading to focused insights

Insights

Now

Near

Next

AI boosting Insights

- Generative AI Chat embedded directly in the workflow
- AI enabled assistants (compare, prepare, summarize, review)
- AI Transaction scoring and D&A to provide targeted insights

A better audit experience

AI Agents working to enhance the audit experience

- AI agents embedded in the workflow
- Expanded AI transaction scoring and D&A
- AI generated process documentation

AI Vision

- Automated data extraction maximizing algorithmic testing approach
- AI enabled workflow for enhanced real-time insights
- A data driven audit that leverages embedded knowledge to help the audit team design a customized audit approach

We maximize quality and insights through a data-enabled, AI-powered platform



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.



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

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

NORTHERN ONTARIO | News

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

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

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

Galen Simmons · Stratford Beacon Herald
Published Apr 13, 2023 · Last updated Apr

Hamilton cybersecurity breach continues to paralyze city services

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

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

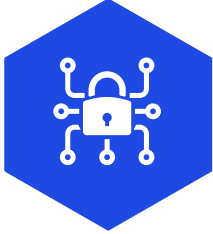
Councillors, staff and others impacted by July incident

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.





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.**

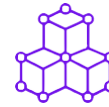
It's not just about tech; it's about people, striving to ensure smooth transitions and unlocking human potential alongside AI innovations.

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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