KPMG

The Corporation of the City of Brampton
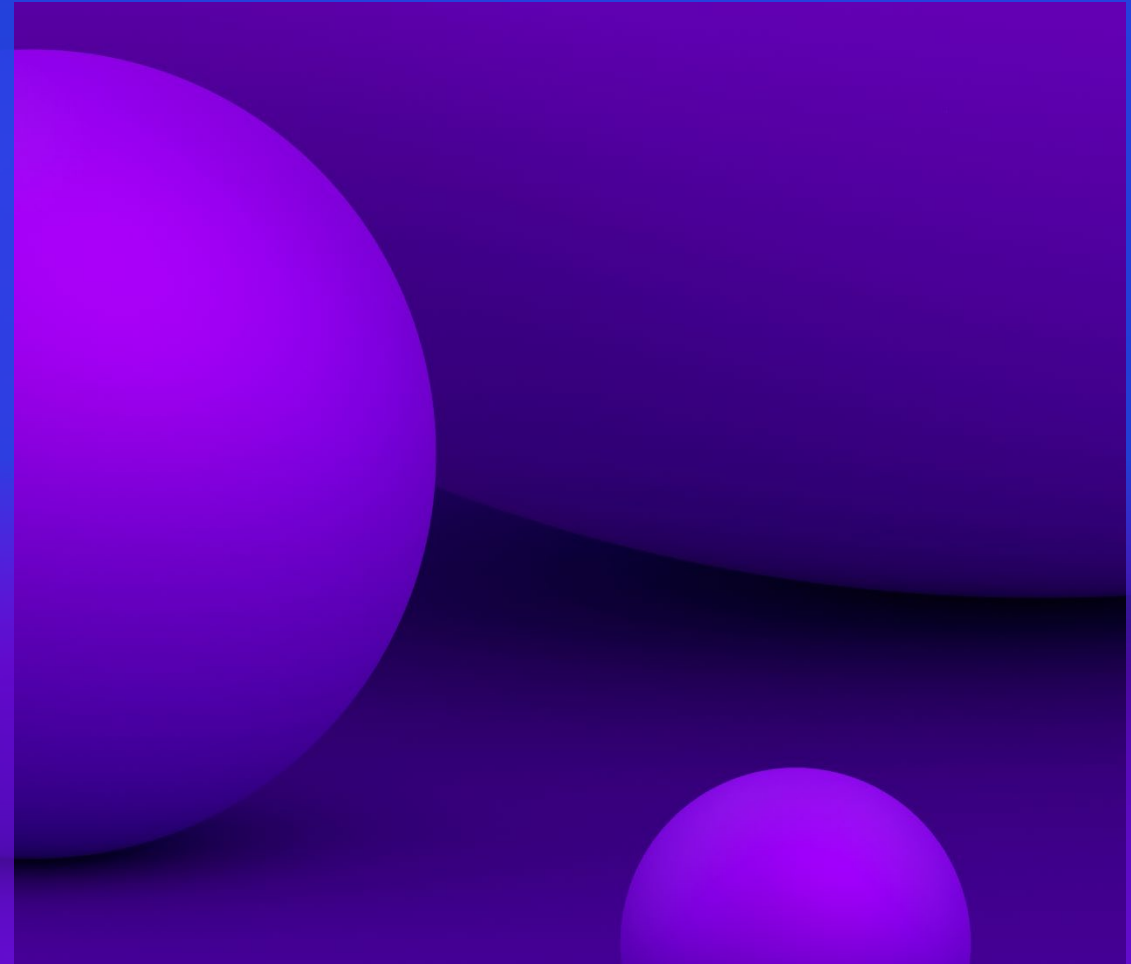
**Audit Planning Report
for the year ending
December 31, 2024**

KPMG LLP

Licensed Public Accountants

Prepared as of October 22, 2024 for presentation to the Audit
Committee on December 3, 2024

kpmg.ca/audit

KPMG contacts

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Digital use information

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.

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

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

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

Audit highlights

⚫ No matters to report   🔘 Matters to report – see link for details

Scope — Our audit of the consolidated financial statements ("financial statements") of The Corporation of the City of Brampton ("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 $27.2M 👆

Involvement of others 👆

Updates to our prior year audit plan 👆

Audit strategy - group audit

Total	Total assets	Total revenue	👆
Total work performed	99%	99%	

Involvement of other KPMG member firms

Involvement of non-KPMG firms

Risk assessment

Risk of management override of controls 👆

Presumed risk of fraudulent revenue recognition 👆

Other areas of focus 👆

- Cash and investments
- Tangible capital assets
- Revenue and accounts receivable
- Deferred revenues
- Employee benefits and other liabilities
- Expenses – salaries and benefits
- Asset retirement obligation
- Accounts payable, accrued liabilities and expenses
- Contingencies
- Consolidation

Updates to our prior year audit plan

New significant risks

No new significant financial reporting risks identified.

Other significant changes

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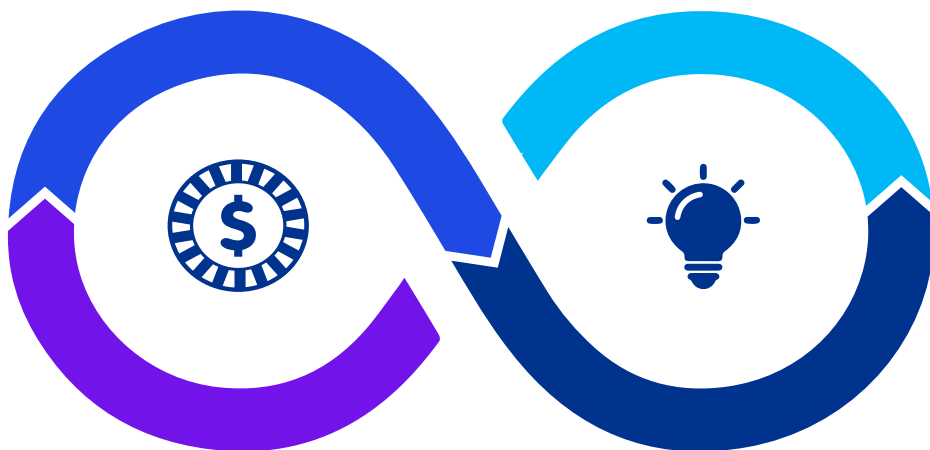
Newly effective auditing standards → Refer to Appendix C for new standards impacting the fiscal 2024 audit. **Newly effective auditing standards**

Materiality

We *initially determine materiality* at a level at which we consider that misstatements could reasonably be expected to influence the economic decisions of users. Determining materiality is a matter of *professional judgement*, considering both quantitative and qualitative factors, and is affected by our perception of the common financial information needs of users of the financial statements as a group. We do not consider the possible effect of misstatements on specific individual users, whose needs may vary widely.

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

Plan and perform the audit

We *initially determine materiality* to provide a basis for:
- Determining the nature, timing and extent of risk assessment procedures;
- Identifying and assessing the risks of material misstatement; and
- Determining the nature, timing, and extent of further audit procedures.

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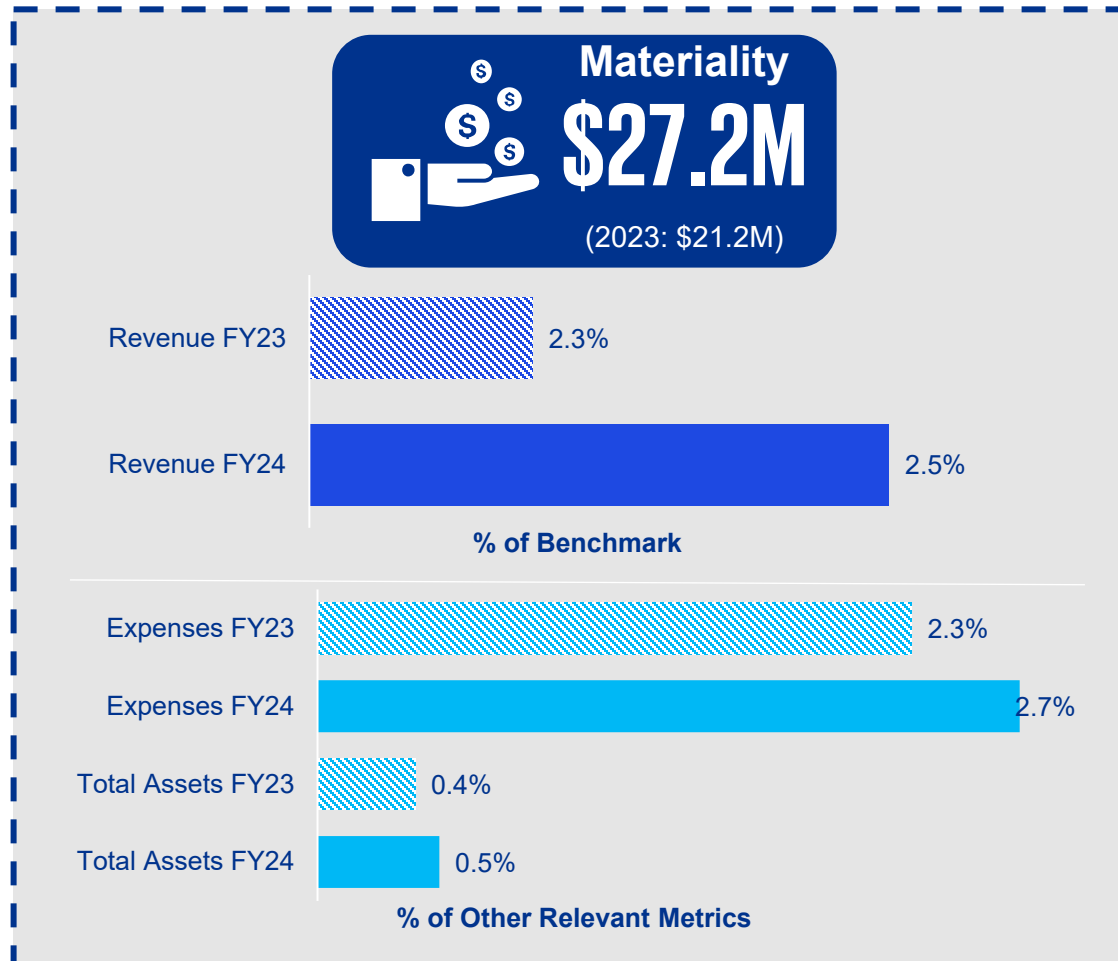
Evaluate the effect of misstatements

We also *use materiality* to evaluate the effect of:
- Identified misstatements on our audit; and
- Uncorrected misstatements, if any, on the financial statements and in forming our opinion.

Initial Group Materiality

Materiality
$27.2M
(2023: $21.2M)

Revenue FY23 — 2.3%

Revenue FY24 — 2.5%

% of Benchmark

Expenses FY23 — 2.3%

Expenses FY24 — 2.7%

Total Assets FY23 — 0.4%

Total Assets FY24 — 0.5%

% of Other Relevant Metrics

Adjusted prior period actual revenue
$1,088M
(2023: $904M)

Prior period total assets
$5,708M
(2023: $5,556M)

Prior period total expenses
$990M
(2023: $912M)

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 who are involved in performance of audit procedures	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.
KPMG professionals with specialized skills or knowledge	Actuarial Specialist – Employee Future Benefits: - Evaluation of employee future benefits actuarial assessment and estimate

Group audit - Scoping

Type of work performed	Total assets	Total revenue
Total full-scope audits	99%	99%
Total work performed	**99%**	**99%**
Non-significant components audited for statutory purposes – **Note 1**	1%	1%
Total consolidated	**100%**	**100%**

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 Brampton.
These components are tested separately for statutory purposes:
• The Brampton Public Library Board
• Downtown Brampton Business Improvement Area

Total assets — 1% / 99%

Total revenue — 1% / 99%
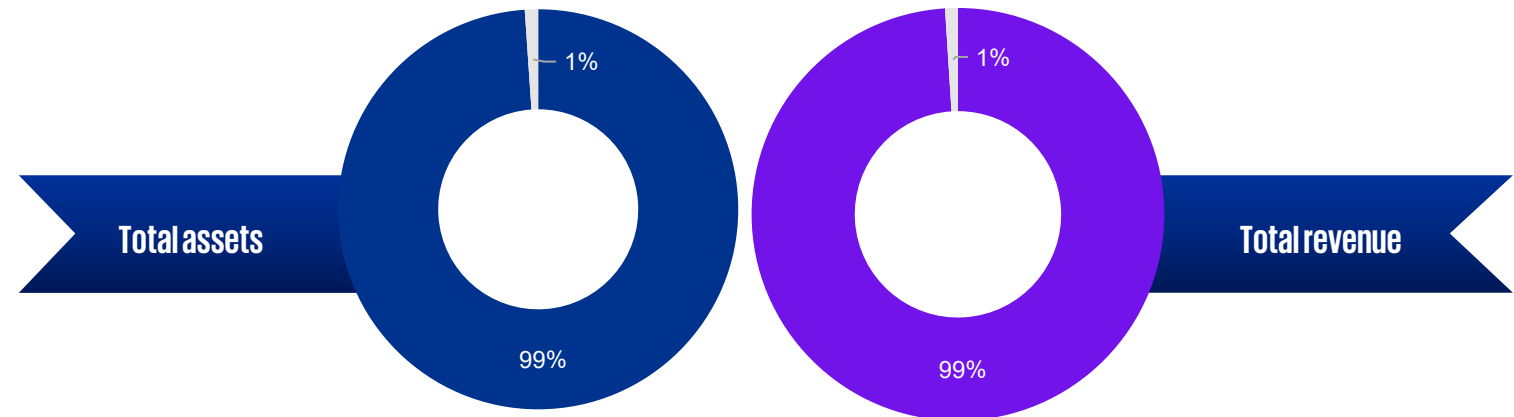
Audit risks - Significant risks

Risk of management override of controls
(non-rebuttable significant risk of material misstatement)

RISK OF

FRAUD

Why is it significant?	**Our planned response**

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.

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

Advanced technologies

	RISK OF
🔍 Presumption of the risk of fraud involving improper revenue recognition	⚠️ ERROR 🔍 FRAUD

Significant risk	Estimate?	New or changed?
Audit standards require us to assume there are generally pressures/incentives on management to commit fraudulent financial reporting through inappropriate revenue recognition.	No	No
We have considered the type and complexity of revenue transactions, and the perceived opportunities and incentives to fraudulently misstate revenue for the City and its subsidiaries.		
The primary risk of fraudulent revenue recognition resides with revenue recognized from deferred revenue – obligatory reserve funds for the non-consolidated City.		

Relevant inherent risk factors affecting our risk assessment

Complexity and magnitude of obligatory deferred revenue calculations

Our audit approach

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.
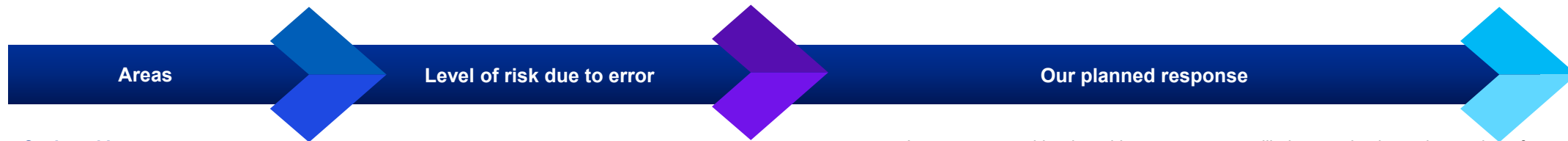
Our **KPMG Clara DataSnipper** is an automated vouching tool uses advanced Optical Character Recognition to automatically vouch unstructured data like invoices and contracts with a click of a button! This tool will be used throughout the audit allowing our teams to focus more attention on areas of higher risk.
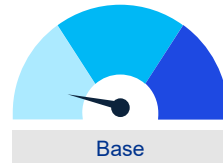
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Click to learn more

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Other risks of material misstatement

| Areas	Level of risk due to error	Our planned response

Cash and Investments

Base

- Inspect year-end bank and investment reconciliations and substantive testing of significant reconciling items.
- Obtain confirmations from third party financial institutions.
- Assessment of financial statement note disclosures in accordance with Public Sector Accounting Standards (PSAS).
- Obtain and conclude on the appropriateness of management's assessment of its portfolio of investments to the requirements for fair market value presentation per the newly implemented PS 1201 and PS 3041 standards.
- Agree fair market values of investments presented at fair market value to confirmations received from third party financial institutions.
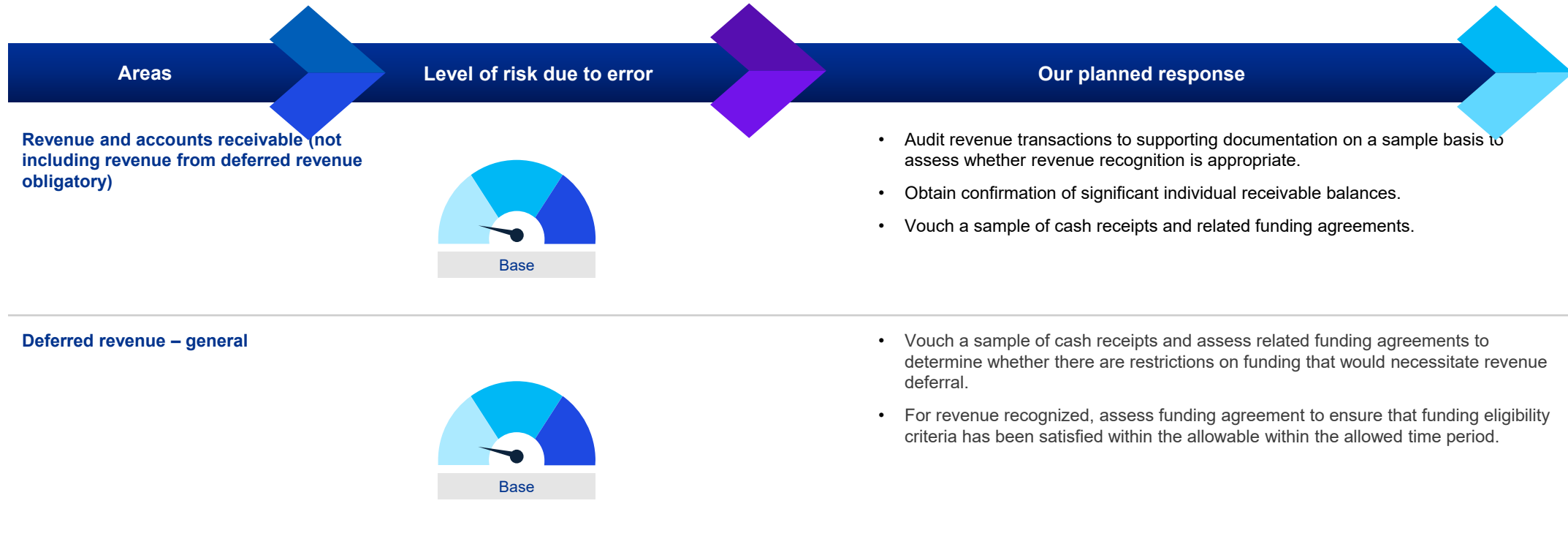
Tangible capital assets

Base
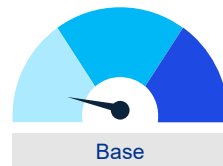
- Perform substantive tests of details over additions (including contributed tangible capital assets) and disposals.
- Assess amortization policy and perform recalculations.
- Assess construction in progress to ensure amounts are properly transferred to correct capital asset classes and amortization expense commences on a timely basis.
- Assessment of financial statement note disclosures in accordance with PSAS.
- 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.
- Vouch fair value estimates of contributed tangible capital assets to supporting third party documentation or estimated by the City, perform procedures to address the CAS 540, Auditing Accounting Estimates and Related Disclosure requirements related to valuation estimates.
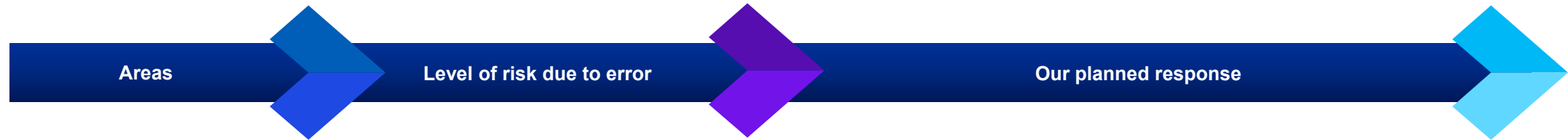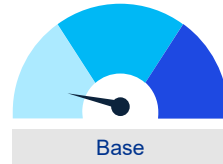
Other risks of material misstatement

Areas	Level of risk due to error	Our planned response
Revenue and accounts receivable (not including revenue from deferred revenue obligatory)	Base	• Audit revenue transactions to supporting documentation on a sample basis to assess whether revenue recognition is appropriate. • Obtain confirmation of significant individual receivable balances. • Vouch a sample of cash receipts and related funding agreements.
Deferred revenue – general	Base	• Vouch a sample of cash receipts and assess related funding agreements to determine whether there are restrictions on funding that would necessitate revenue deferral. • For revenue recognized, assess funding agreement to ensure that funding eligibility criteria has been satisfied within the allowable within the allowed time period.

Other risks of material misstatement

| Areas	Level of risk due to error	Our planned response

**Employee benefits and other liabilities**

Base

- 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.

- KPMG actuarial specialists to 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.

- Assess financial statement disclosure in accordance with PSAS.

Other risks of material misstatement

Areas	Level of risk due to error	Our planned response

**Asset retirement obligation**

Base
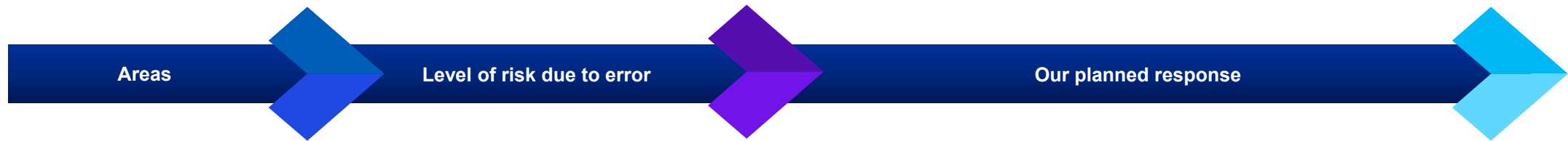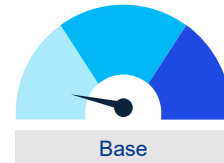
- Obtain management's assessment of ARO's recorded in prior year.

- Obtain an understanding of the activities performed by management to identify the legal obligations associated with retirement of tangible capital assets. Ensure that all of the recognition criteria have been met to recognize an ARO in the financial statements.

- Review any adjustments made to ARO liability based on information available to management and provided by any external experts.

- Review the presentation of ARO in the financial statements and ensure that the financial statements include appropriate note disclosure related to the adoption of the new standard.
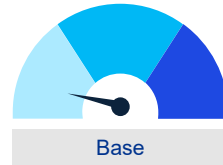
Other risks of material misstatement

Areas	Level of risk due to error	Our planned response

Expenses – salaries and benefits

Base
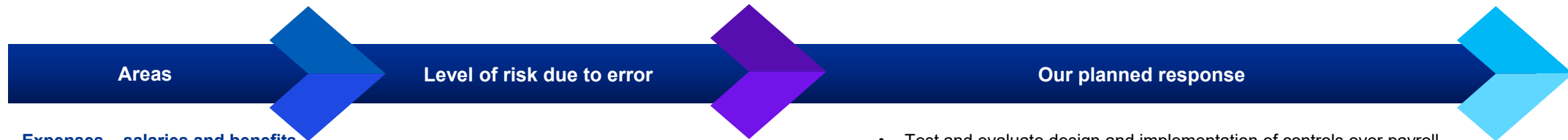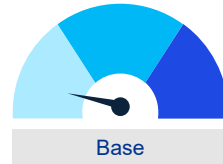
- Test and evaluate design and implementation of controls over payroll.
- Test of employment expenses for a sample of employees by verifying payroll records to employment contracts and collective agreements.
- Substantive verification and recalculation of payroll-related accruals.
- Obtain new or amended 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.

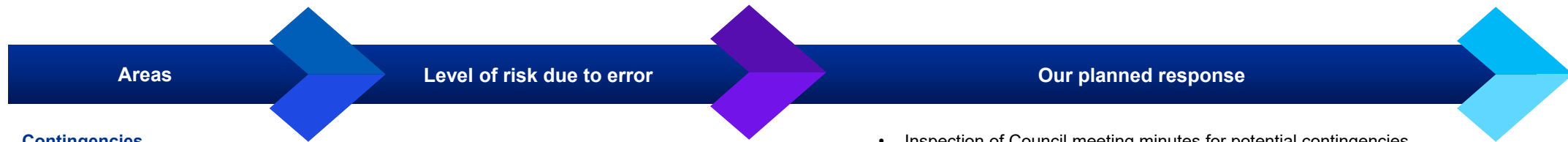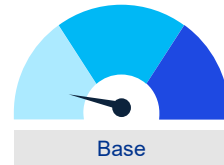**Accounts payable, accrued liabilities and expenses**

Base

- Search for unrecorded liabilities.
- Examine significant accrued liabilities for existence, accuracy and completeness.
- Perform substantive tests of details on selected non-payroll expenditures.
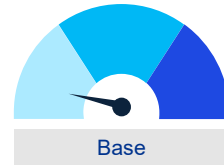
Other risks of material misstatement

Areas	Level of risk due to error	Our planned response
Contingencies	Base	• Inspection of Council meeting minutes for potential contingencies. • Direct communication with internal legal counsel (and external as necessary) to ensure that all significant contingent liabilities are appropriately disclosed and/or recorded. • Significant findings assessment with management during planning and completion stages of the audit.
Consolidation (City and all components)	Base	• Assess management's consolidation of the reporting entity by cross-checking to audited statutory financial statements for the respective entities. • Assess eliminating entries as prepared by management for accuracy and completeness. • Assess financial statement disclosures related to related parties, including the City's share of net income, dividends, etc. • Verify that the related party disclosures are complete and prepared in accordance with PSAS.

Required inquiries of the Audit Committee

Inquiries regarding risk assessment, including fraud risks

- What are the Committee's views about fraud risks, including management override of controls, in the Entities? And have you taken any actions to respond to any identified fraud risks?

- Is the Committee aware of, or has the Audit and Risk Management 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 Committee exercise oversight of the Entities' fraud risks and the establishment of controls to address fraud risks?

Inquiries regarding company processes

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

Inquires regarding related parties and significant unusual transactions

- Is the Committee aware of any instances where the Entities entered into any significant unusual transactions?

- What is the Committee's understanding of the Entities' relationships and transactions with related parties that are significant to the Entities?

- Is the Committee concerned about those relationships or transactions with related parties? If so, the substance of those concerns?

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Key milestones and deliverables

Sept – Oct 2024
Planning & Risk Assessment

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

Nov – Dec 2024
Risk assessment & Interim work

- Evaluate the Entity's components of internal control, other than the control activities component
- Complete group audit scoping
- Complete initial risk assessment
- Communicate audit plan
- Identify IT applications and environments

Dec 2024
Interim work

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

Mar – May 2025
Final Fieldwork & Reporting

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

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# How do we deliver audit quality?

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

The drivers outlined in the framework are the ten components of the KPMG System of Quality Management (SoQM). Aligned with ISQM 1/CSQM 1, our SoQM components also meet the requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA) and the relevant rules of professional conduct / code of ethics applicable to the practice of public accounting in Canada, which apply to professional services firms that perform audits of financial statements. Our Transparency Report includes our firm's Statement on the Effectiveness of our SoQM.

▶ [KPMG Canada Transparency Report](#)

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

- audits are **executed consistently**, in line with the requirements and intent of **applicable professional standards** within a strong **system of quality management;** and

- all of our related activities are undertaken in an environment of the utmost level of **objectivity, independence, ethics** and **integrity.**
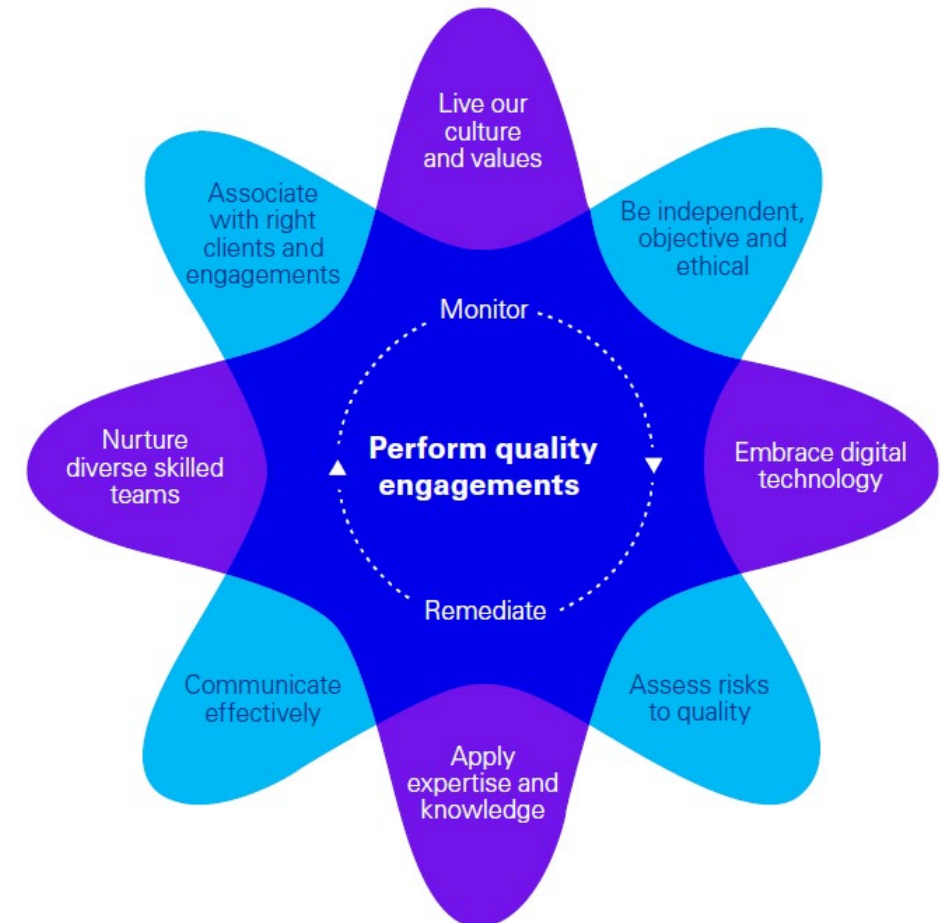
Doing the right thing. Always.

Appendices

A Regulatory communications

B New accounting standards

C New auditing standards

D Insights

E Technology

F Municipal service offering

G Unleashing tomorrow – today with AI

H Cyber for municipality

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Appendix A: Regulatory communications

CPAB communication protocol

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

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

- [CPAB Audit Quality Insights Report: 2023 Interim Inspections Results](#)

- [CPAB Regulatory Oversight Report: 2023 Annual Inspections Results](#)

- [CPAB Audit Quality Insights Report: 2024 Interim Inspections Results](#)

Appendix B: Changes in accounting standards – Current

Standard	Summary and implications
Revenue	• The new standard PS 3400 *Revenue* is effective for fiscal years beginning on or after April 1, 2023 *(City's December 31, 2024 year-end).* • The new standard establishes a single framework to categorize revenue to enhance the consistency of revenue recognition and its measurement. • The standard notes that in the case of revenue arising from an exchange transaction, a public sector entity must ensure the recognition of revenue aligns with the satisfaction of related performance obligations. • The standard notes that unilateral revenue arises when no performance obligations are present, and recognition occurs when there is authority to record the revenue and an event has happened that gives the public sector entity the right to the revenue.
Purchased Intangibles	• The new Public Sector Guideline 8 *Purchased intangibles* is effective for fiscal years beginning on or after April 1, 2023 with earlier adoption permitted *(City's December 31, 2024 year-end).* • The guideline allows public sector entities to recognize intangibles purchased through an exchange transaction. The definition of an asset, the general recognition criteria and GAAP hierarchy are used to account for purchased intangibles. • Narrow scope amendments were made to PS 1000 *Financial statement concepts* to remove the prohibition to recognize purchased intangibles and to PS 1201 *Financial statement presentation* to remove the requirement to disclose purchased intangibles not recognized. • The guideline can be applied retroactively or prospectively.

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

Standard	Summary and implications
Public Private Partnerships	• The new standard PS 3160 *Public private partnerships* is effective for fiscal years beginning on or after April 1, 2023 *(City's December 31, 2024 year-end)*. • The standard includes new requirements for the recognition, measurement and classification of infrastructure procured through a public private partnership. • The standard notes that recognition of infrastructure by the public sector entity would occur when it controls the purpose and use of the infrastructure, when it controls access and the price, if any, charged for use, and it controls any significant interest accumulated in the infrastructure when the public private partnership ends. • The public sector entity recognizes a liability when it needs to pay cash or non-cash consideration to the private sector partner for the infrastructure. • The infrastructure would be valued at cost, which represents fair value at the date of recognition with a liability of the same amount if one exists. Cost would be measured in reference to the public private partnership process and agreement, or by discounting the expected cash flows by a discount rate that reflects the time value of money and risks specific to the project. • The standard can be applied retroactively or prospectively.
Concepts Underlying Financial Performance	• The revised conceptual framework is effective for fiscal years beginning on or after April 1, 2026 with earlier adoption permitted. • The framework provides the core concepts and objectives underlying Canadian public sector accounting standards. • The ten chapter conceptual framework defines and elaborates on the characteristics of public sector entities and their financial reporting objectives. Additional information is provided about financial statement objectives, qualitative characteristics and elements. General recognition and measurement criteria, and presentation concepts are introduced.

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

Standard	Summary and implications

Financial Statement Presentation	• The proposed section PS 1202 *Financial statement presentation* will replace the current section PS 1201 *Financial statement presentation*. PS 1202 *Financial statement presentation* will apply to fiscal years beginning on or after April 1, 2026 to coincide with the adoption of the revised conceptual framework. Early adoption will be permitted.
	
	 • The proposed section includes the following:
	   • Relocation of the net debt indicator to its own statement called the statement of net financial assets/liabilities, with the calculation of net debt refined to ensure its original meaning is retained.
	   • Separating liabilities into financial liabilities and non-financial liabilities.
	   • Restructuring the statement of financial position to present total assets followed by total liabilities.
	   • Changes to common terminology used in the financial statements, including re-naming accumulated surplus (deficit) to net assets (liabilities).
	   • Removal of the statement of remeasurement gains (losses) with the information instead included on a new statement called the statement of changes in net assets (liabilities). This new statement would present the changes in each component of net assets (liabilities), including a new component called "accumulated other".
	   • A new provision whereby an entity can use an amended budget in certain circumstances.
	   • Inclusion of disclosures related to risks and uncertainties that could affect the entity's financial position.
	
	 • The Public Sector Accounting Board is currently deliberating on feedback received on exposure drafts related to the reporting model.

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

Standard	Summary and implications
Employee benefits	• The Public Sector Accounting Board has initiated a review of sections PS 3250 *Retirement benefits* and PS 3255 *Post- employment benefits, compensated absences and termination benefits*. • The intention is to use principles from International Public Sector Accounting Standard 39 *Employee benefits* as a starting point to develop the Canadian standard. • Given the complexity of issues involved and potential implications of any changes that may arise from the review of the existing guidance, the new standards will be implemented in a multi-release strategy. The first standard will provide foundational guidance. Subsequent standards will provide additional guidance on current and emerging issues. • The proposed section PS 3251 *Employee benefits* will replace the current sections PS 3250 *Retirement benefits* and PS 3255 *Post-employment benefits, compensated absences and termination benefits*. It will apply to fiscal years beginning on or after April 1, 2026. Early adoption will be permitted and guidance applied retroactively. • This proposed section would result in public sector entities recognizing the impact of revaluations of the net defined benefit liability (asset) immediately on the statement of financial position. Organizations would also assess the funding status of their post-employment benefit plans to determine the appropriate rate for discounting post-employment benefit obligations. • The Public SectorAccounting Board is in the process of evaluating comments received from stakeholders on the exposure draft.

Appendix C: Newly effective and upcoming changes to auditing standards

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

Effective for periods beginning on or after December 15, 2023

ISA 600/CAS 600

Revised special considerations – Audits of group financial statements

Effective for periods beginning on or after December 15, 2024

ISA 260/CAS 260

Communications with those charged with governance

ISA 700/CAS 700

Forming an opinion and reporting on the financial statements

Appendix D: Audit and assurance insights

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

KPMG Audit & Assurance Insights

Curated research and insights for audit committees and boards.

Board Leadership Centre

Leading insights to help board members maximize boardroom opportunities

Current Developments

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

Audit Committee Guide – Canadian Edition

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

Sustainability Reporting

Resource centre on implementing the new Canadian reporting standards

IFRS Breaking News

A monthly Canadian newsletter that provides the latest insights on accounting, financial reporting and sustainability reporting.
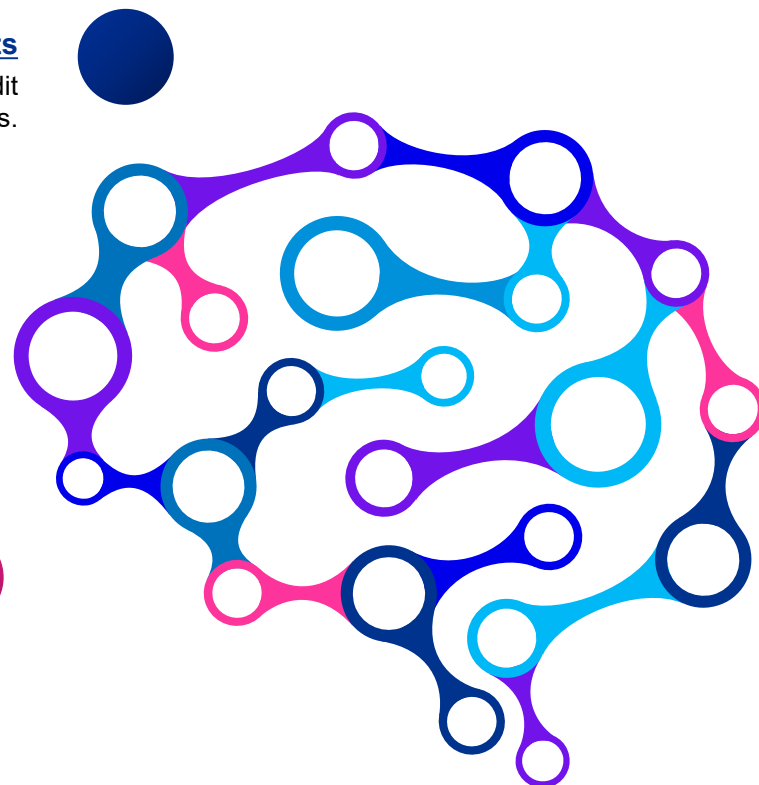
Appendix E: Our technology story

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

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

Intelligent workflow
An intelligent workflow guides audit teams through the audit.

Increased precision
Advanced data analytics and automation facilitate a risk-based audit approach, increasing precision and reducing your burden.
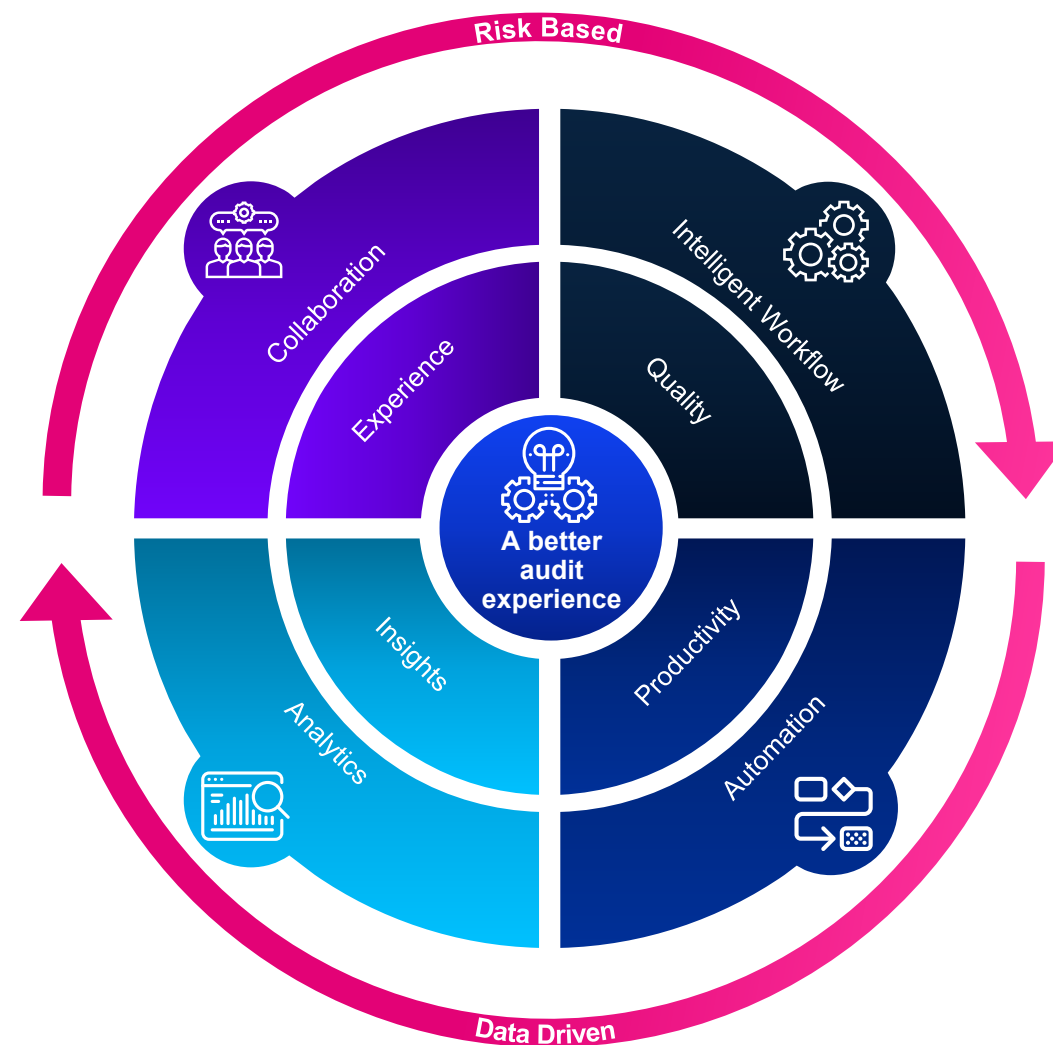
Appendix E: Continuous evolution

Our investment: $5B
We are in the midst of a five-year investment to develop our people, digital capabilities, and advanced technology.

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

Result: A better experience
Enhanced quality, reduced disruption, increased focus on areas of higher risk, and deeper insights into your business.

- Standardization
- Automation
- Centralization

Methodology and Approach

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

Quality Management System

- Enhanced audit quality
- Increased efficiency
- Exceptional experiences

Appendix F: Municipal Government Service Offerings

Overview

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

Experience

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

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

Client list

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

Appendix F: Municipal Government Service Offerings (Continued)

Review areas

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

**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
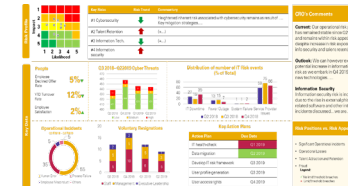
Control Testing Analysis
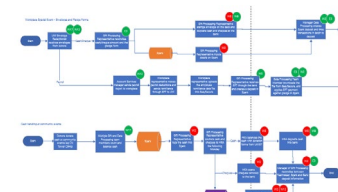
Process Flow Charts
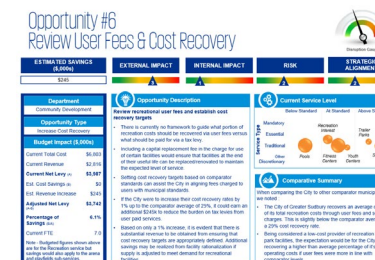
Opportunity Scorecard

Additional Services

Appendix F: Municipal Government Service Offerings (Continued)

Additional Services

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

Appendix G: Unleashing tomorrow - today with AI

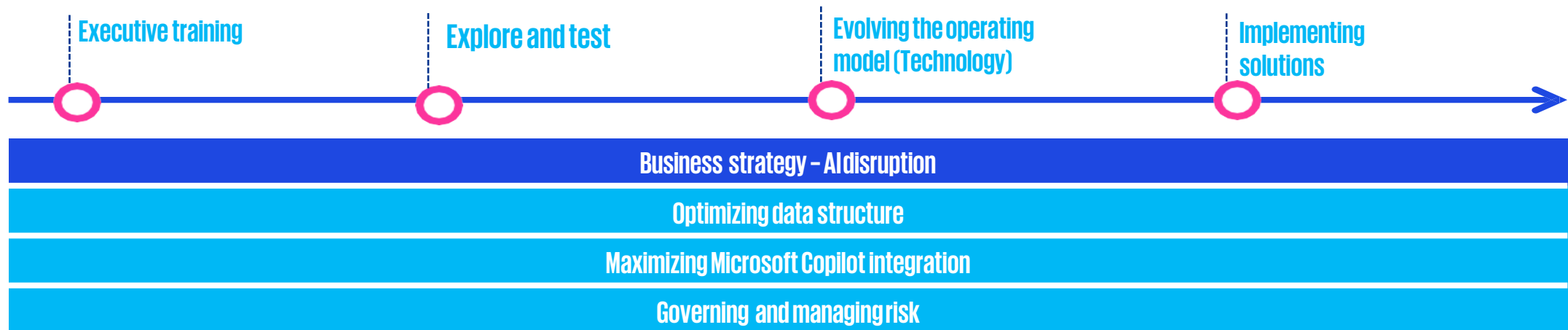## Turn AI into a cornerstone of sustainable, competitive growth.

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

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

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

Assessing opportunities
Seek to understand how AI can impact or disrupt your business and what the existing opportunities are.
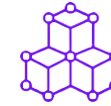
Scaling AI initiatives
Scaling up existing AI projects, aligned to the overall business strategy to help ensure success.

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

Brighter business intelligence, powered by AI

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

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

Business strategy – AI disruption

Optimizing data structure

Maximizing Microsoft Copilot integration

Governing and managing risk

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

4 key phases of a successful AI strategy

Understand

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

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

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

Design

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

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

Present available subsidy and grant options for relevant AI projects.

Initiate

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

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

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

Operationalize

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

Define the IT delivery model for solutions.

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

Define a Target Operating Model

Orchestrate business capabilities
Orchestration of all business practices and underlying IT capabilities necessary for operationalization.
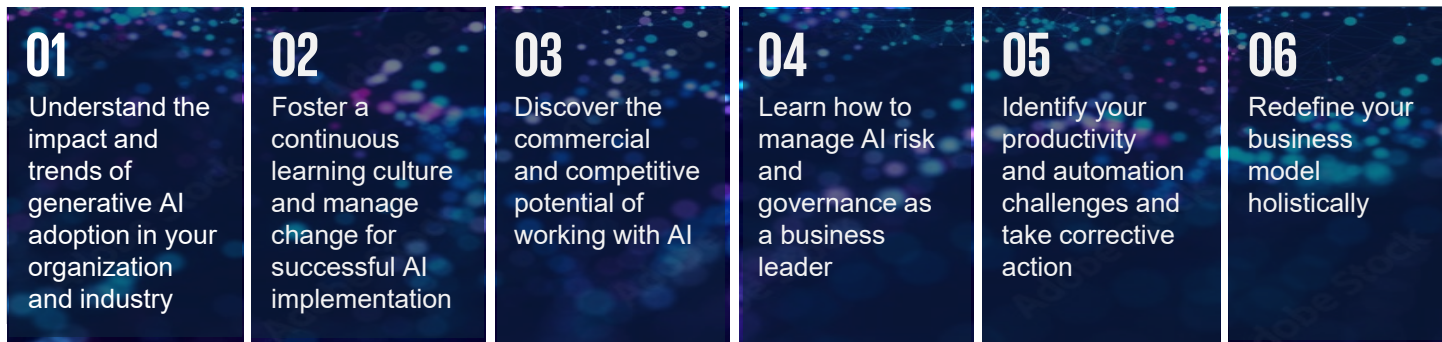
Appendix G: AI Education and Training for executives & boards

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

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

Change starts with you

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

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

03 Discover the commercial and competitive potential of working with AI

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

05 Identify your productivity and automation challenges and take corrective action

06 Redefine your business model holistically

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.
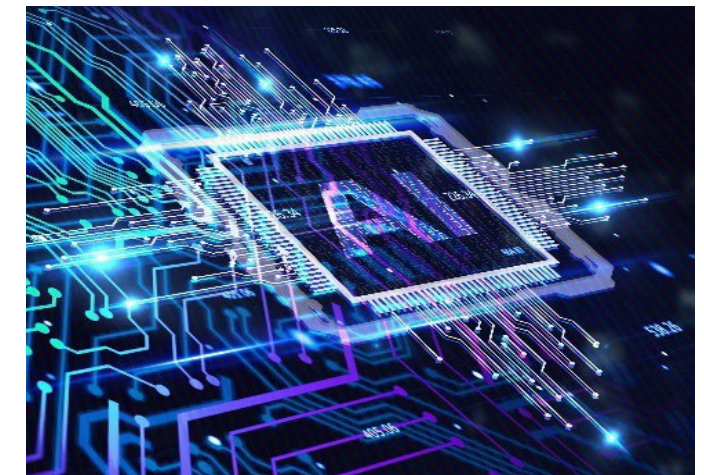
Executive and board training

- 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

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

A three-part training program
Discover real-life uses of generative AI, tailored to your business sector

Updated overview of this fast-paced technology

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

Technology demonstrations

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

Brainstorming workshops

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

KPMG, a leader in generative AI

200+
Professionals dedicated to generative AI recognized for their technical skills and innovative strategic vision.

800+
Tailor-made use cases for all business sectors.

50+
Board and executive education and training sessions delivered in the last year. Our team understands the challenges you face as an executive or board member and can help you build confidence and accelerate the value AI can bring to your business.

Appendix H: 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

EDWARD 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.
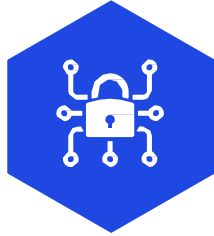
Appendix H: How can a cyber attack impact you?

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.

Appendix H: What is a cyber resilient

Preparation

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

Protection

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

Detection

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

Response & Recovery

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

What is a cyber resilient municipality?

01

Risk Prioritization

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

02

Implement the Basics

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

03

Defence in Depth

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

Appendix H: 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.

Cyber Resilience

2 – Test your Technology

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

3 – Validate Response

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

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