



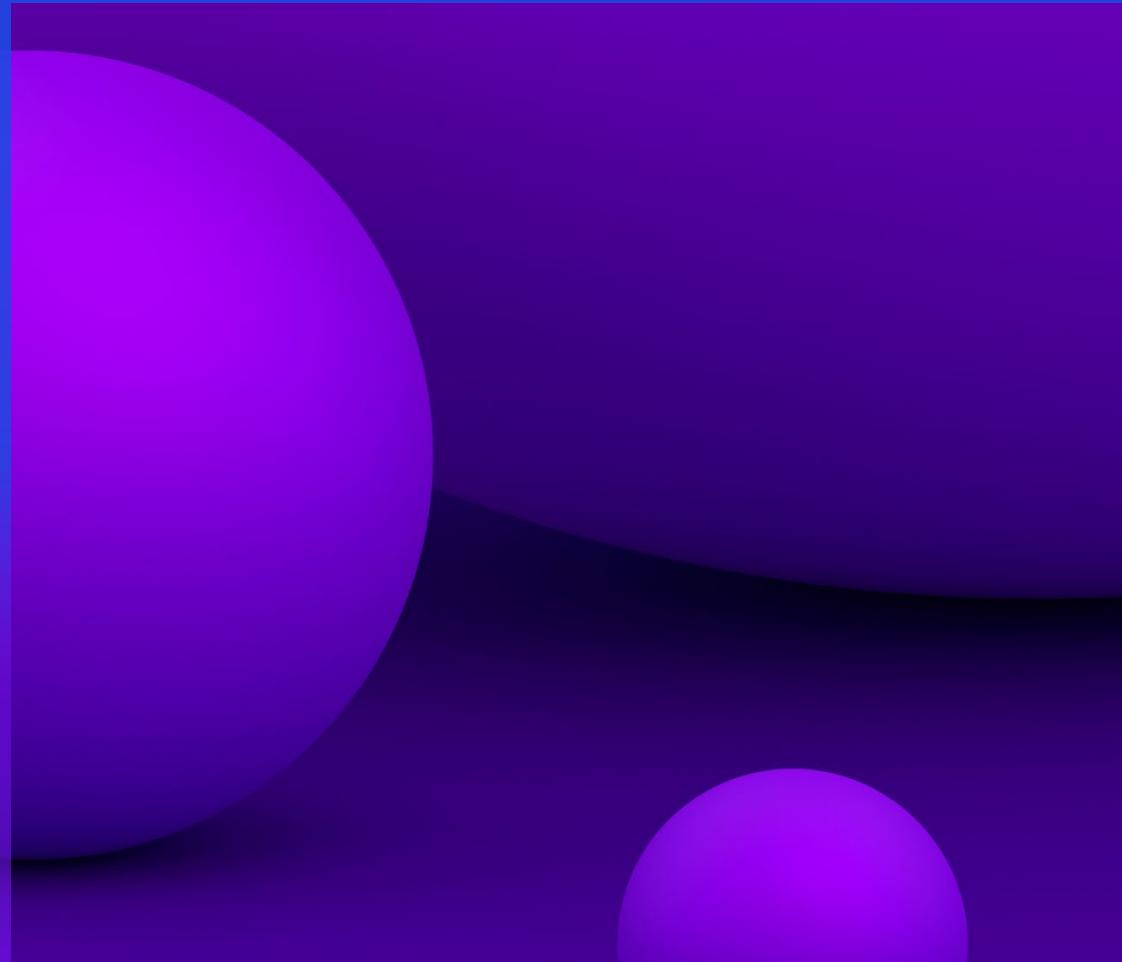
# Capital Regional District

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

*KPMG LLP*  
→

Prepared for the Finance Committee meeting on January 7, 2026.

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



# KPMG contacts

## Key contacts in connection with this engagement

### **Lenora Lee**

Lead Audit Engagement Partner

250-480-3588

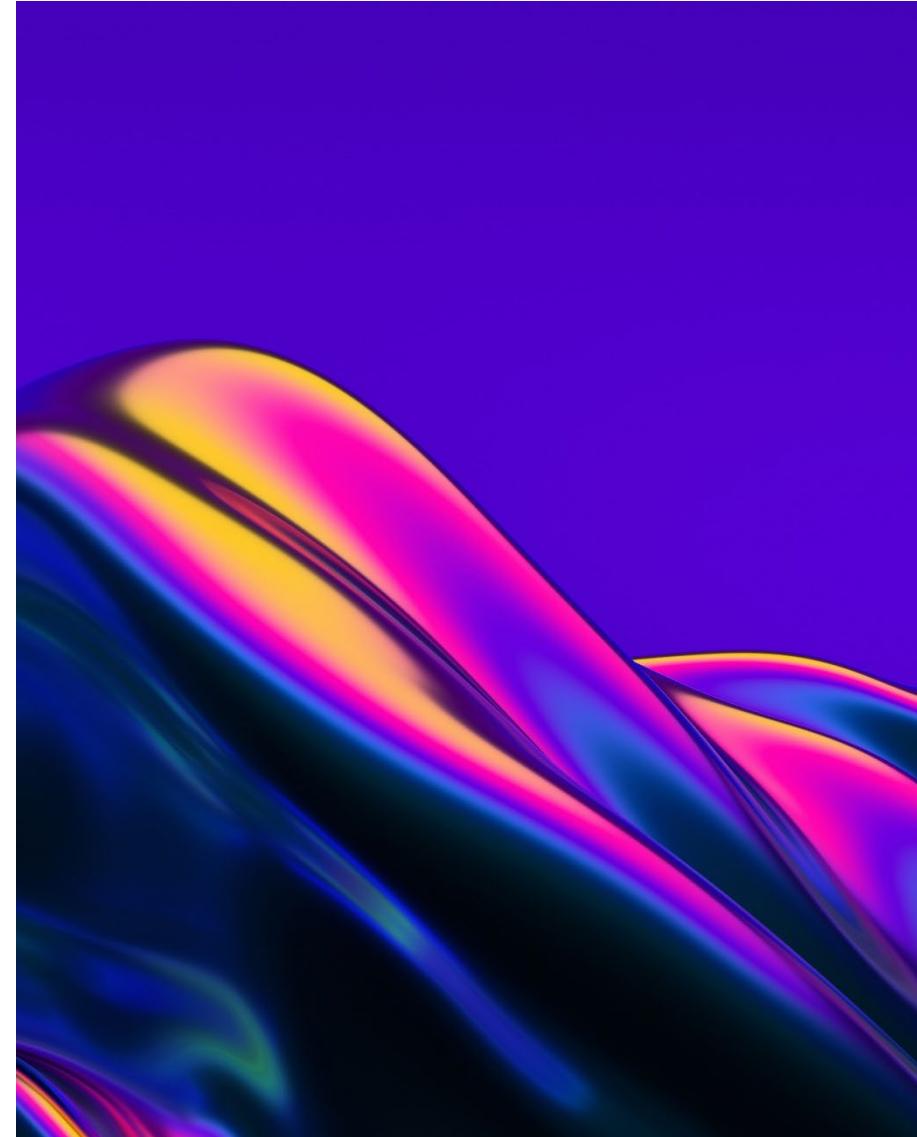
[lenoramlee@kpmg.ca](mailto:lenoramlee@kpmg.ca)

### **Cameron Rice-Gural**

Senior Manager

250-480-3677

[cricegural@kpmg.ca](mailto:cricegural@kpmg.ca)



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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.



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 Capital Regional District (“the Entity” or “CRD”) as of and for the year ended December 31, 2025, will be performed in accordance with Canadian generally accepted auditing standards.

## Audit strategy

Materiality \$7.5M 



Involvement of others



Audit timelines 

## Risk assessment

 Risk of management override of controls 



Other significant risks

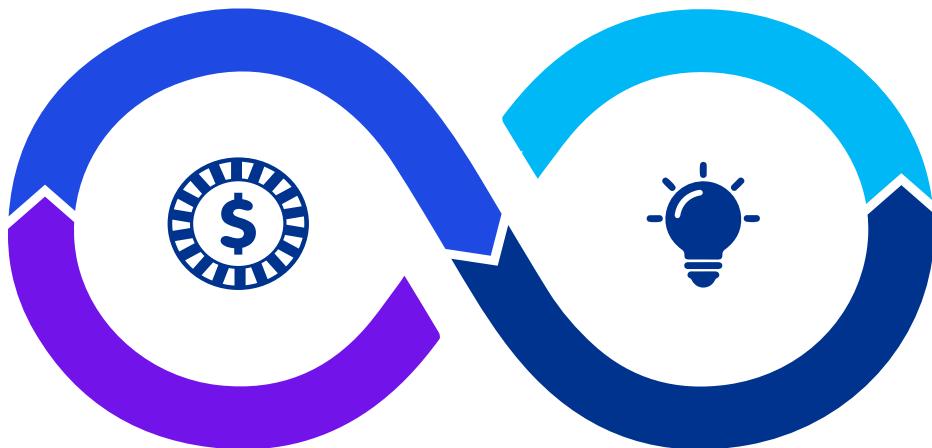


No significant risks to report beyond those required by professional standards

 Other risks of material misstatement 

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

# 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.

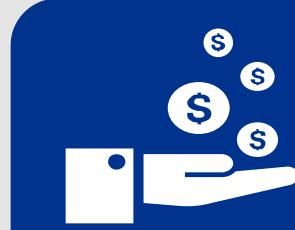
We design our procedures to detect misstatements at a level less than materiality in individual accounts and disclosures, to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

## 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 materiality



**Materiality**  
**\$7.5 Million**  
(2024: \$6.5 Million)

Prior Year Total Expenses

**\$313.0 million**  
(2024 : \$301.7 million)

% of Benchmark  
**2.4%**  
(2024 : 2.2%)

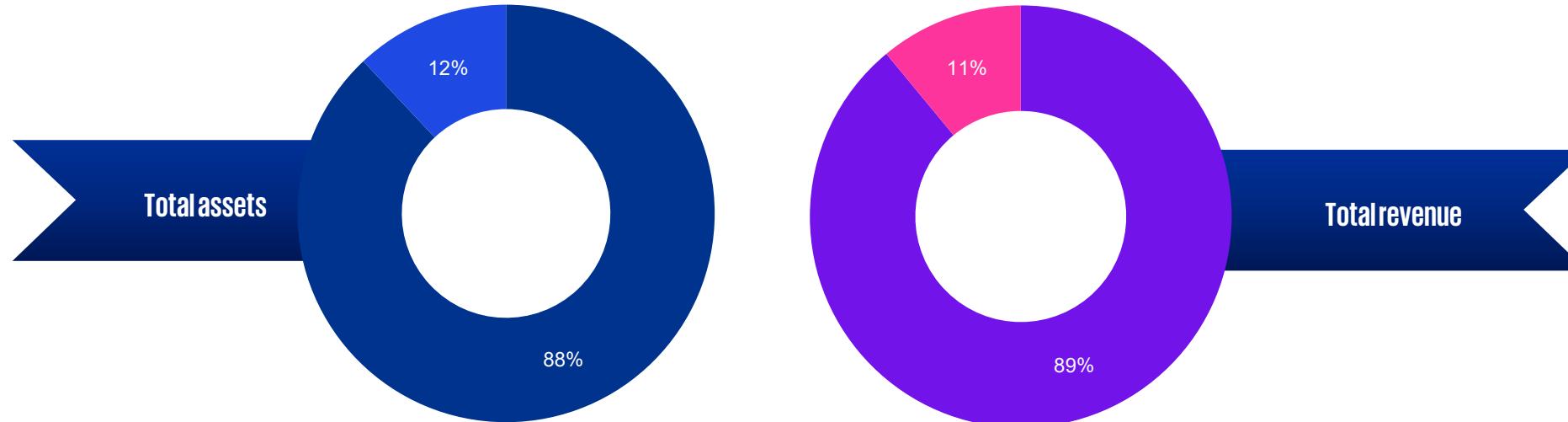
Audit Misstatement Posting Threshold

**\$375,000**  
(2024 : \$325,000)

# Group audit – Scoping

Professional standards require that we obtain an understanding of the Entity's organizational structure, including its components and their environments that is sufficient to identify those components that are financially significant or that contain specific risks that must be addressed during our audit of the Entity. The components included in the Entity over which we plan to perform our audit procedures are as follows:

Component name	Type of work performed	Total assets	Total revenue
Capital Regional District	Component	\$2,470.9M	\$320.4M
Capital Region Housing Corporation	Statutory Audit	\$334.9M	\$40.8M
<b>Total</b>		<b>\$ 2,805.8M</b>	<b>\$ 361.2M</b>



# Risk assessment summary

Our planning begins with an assessment of risks of material misstatement in your financial statements based on our understanding and risk assessment procedures. In assessing inherent risk, the auditor uses professional judgment in determining the significance of the combination of the likelihood and magnitude of a misstatement along a spectrum. We assess inherent risk at one of three levels: Base, Elevated, or Significant, depending on where it is on the spectrum.

Based on our assessment, we have identified the following areas of audit focus at other than base risk. Risk assessment is iterative in nature rather than something we perform only at the beginning of the audit. As we perform the audit, we will continue to consider our risk assessment throughout the audit.

		Risk of fraud	Risk of error	PY risk rating
●	Management override of controls	✓		Significant
●	Government transfers and deferred revenue (specific to grants)		✓	Elevated
●	Tangible capital assets (non-recurring transactions)		✓	Elevated

● ELEVATED RISK ● PRESUMED RISK OF MATERIAL MISSTATEMENT



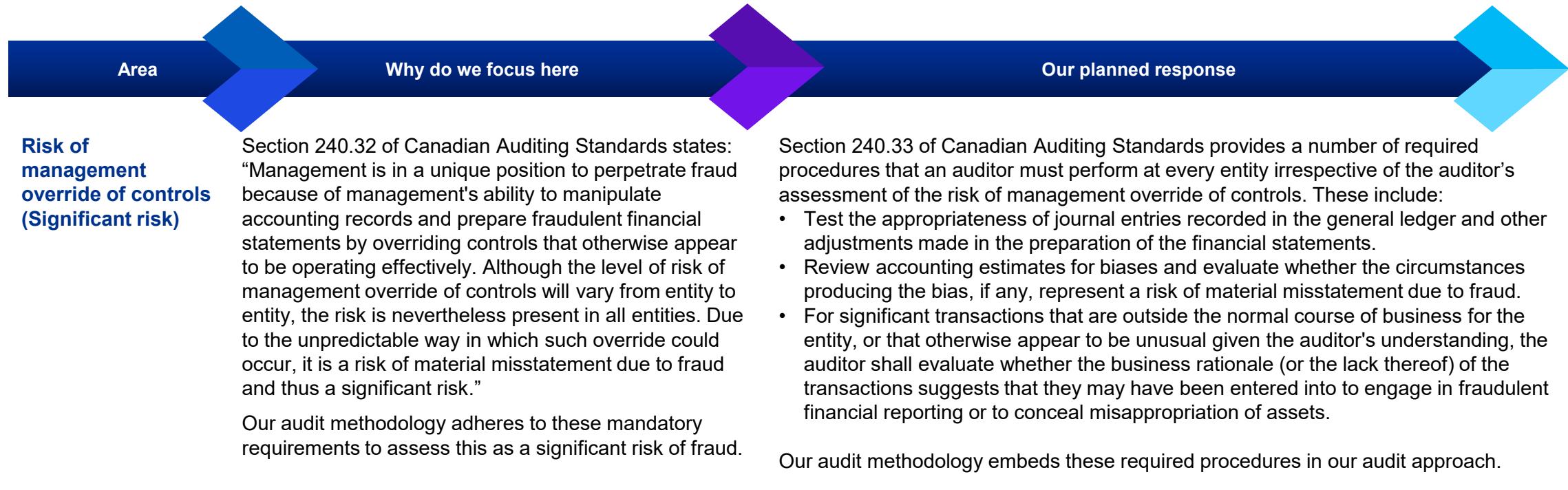
# Audit approach

We highlight below examples of audit procedures we will perform to obtain an understanding of the organization and its internal controls to inform our risk assessment and design procedures to address where material errors could occur.

## Procedures

- Obtain an understanding of the District and its environment (industry, economic environment, regulatory and legislative requirements).
- Identify key business processes (Treasury and Debt, Revenue, Capital, Purchases and Payments, Payroll) and where material errors in the financial statements could arise, including from error and fraud.
- Validate our understanding of key business processes by performing a walkthrough of each significant process to determine if the process operates as described.
- Obtain an understanding of the District's internal controls and risk assessment processes and evaluate their suitability based on the nature and complexity of the organization.
- Evaluate if a culture of honesty and ethical behaviour has been created and maintained.
- Evaluate if appropriate policies and procedures for communications and information systems are in place to support accurate and timely preparation of the financial statements.
- Documents inspected will include Code of Conduct, Reporting of Serious Misconduct Policy and Procedure, Quarterly financial reporting and management updates.

# Significant risks



# Significant risks (continued)

The following are inquiries that we are required to make to those charged with governance:



## Inquiries regarding risk assessment, including fraud risks

- What is the Board's views about fraud risks, including management override of controls, in the Entity? And have you taken any actions to respond to any identified fraud risks?
- Is the Board aware of, or has the Board 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 Board exercise oversight of the Entity's fraud risks and the establishment of controls to address fraud risks?



## Inquiries regarding organization processes

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



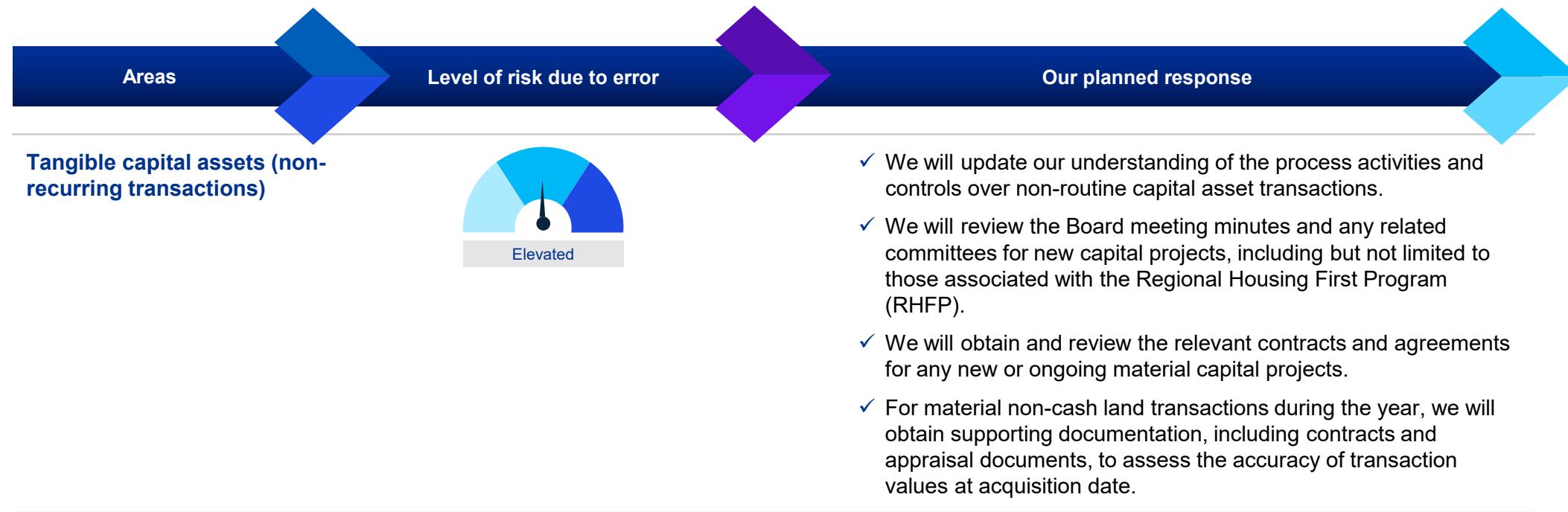
## Inquiries regarding related parties and significant unusual transactions

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

# Other risks of material misstatement



# Other risks of material misstatement



# Other substantive audit procedures

In addition to the areas of focus previously described, we highlight below examples of audit procedures we will perform to obtain evidence over the existence, accuracy and completeness of the financial statements, including presentation and disclosure.

## Substantive Audit Procedures

- Cash, investments and debt balances will be confirmed with the respective financial institutions.
- A sample of capital asset additions, disposals, and work in progress transfers will be compared to underlying source documents. An estimate of amortization expense will be compared to actual.
- A sample of payments made after year end will be tested to determine if they were recorded in the appropriate fiscal year.
- Revenues and expenses will be tested by way of analytical procedures, developing an expectation based on prior year and budget, and comparing to actual.
- Salaries and wage expense will include testing internal controls over management review of payroll expense as well as comparing actual to prior year.

# Concluding and Reporting

We highlight below examples of audit procedures we will perform to conclude on the reasonability of financial statements as a whole.

## Concluding and Reporting Procedures

- Evaluate management bias in the preparation of financial statements, based on patterns in the selection and application of accounting policies and principles.
- Financial statement presentation and disclosure will be evaluated for compliance with accounting standards and comparability to industry leading practice, for example financial reporting award requirements of Government Finance Officers Association International.
- Legal exposure and estimates of contingency provisions will be evaluated against supporting documentation including direct confirmation with external legal counsel.
- Disclosures in the financial statement notes will be evaluated for completeness based on our knowledge of the Entity's ability to continue as a going concern, related party transactions, future contractual commitments and events occurring after year end.
- Deficiencies in internal control and other control observations will be discussed with management, and if significant, communicated to the Board through a separate communication entitled Management Letter.

# Key milestones and deliverables



# Appendices

1

Required  
communications

2

Audit quality

3

Independence

4

Current  
developments

5

Thought leadership  
and insights

6

Sustainability



# Appendix 1: Required communications



## Auditor's report

A copy of our draft auditor's report setting out the conclusion of our audit will be provided at the completion of the audit.



## Audit findings report

At the completion of the audit, we will provide our findings report to the Finance Committee.



## Independence

We are independent and have a robust and consistent system of quality control. We provide complete transparency on all services and follow the Finance Committee's approved protocols. At the completion of our audit, we will re-confirm our independence to the Finance Committee.

## Engagement letter

The objectives of the audit, our responsibilities in carrying out our audit, as well as management's responsibilities, are set out in the engagement letter.

## Management representation letter

We will obtain from management certain representations at the completion of the audit. In accordance with professional standards, a copy of the representation letter will be provided to the Finance Committee.

## Internal control deficiencies

Significant control deficiencies identified during the audit will be communicated to management and the Finance Committee.

# Appendix 2: Audit quality - 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](#)

# Appendix 2: Audit quality - How do we deliver audit quality?

Quality essentially means doing the right thing and remains our highest priority.

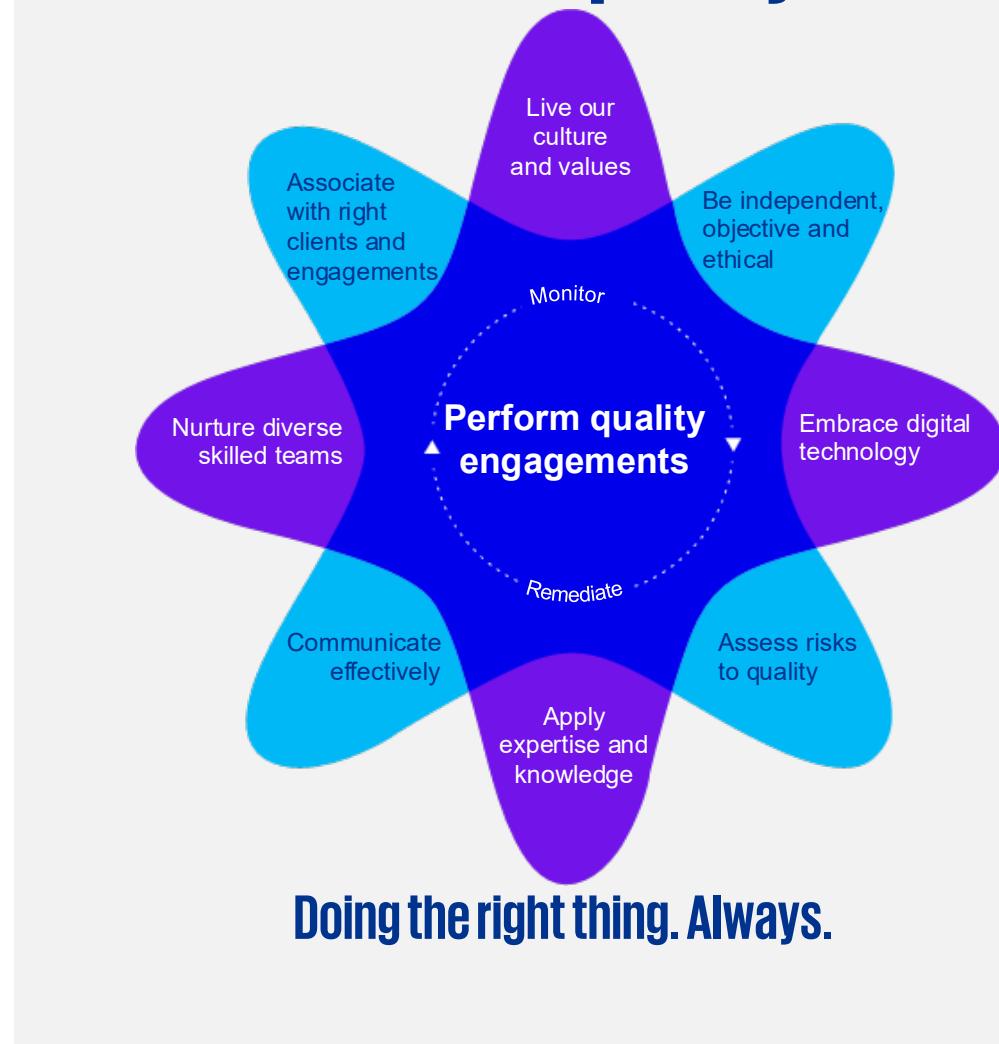
We have strengthened the consistency and robustness of our system of quality management to meet the requirements of ISQM 1 (CSQM 1), issued by the International Audit and Assurance Standards Board. Foundational for quality management, KPMG's globally consistent approach to ISQM 1 drives compliance with 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.

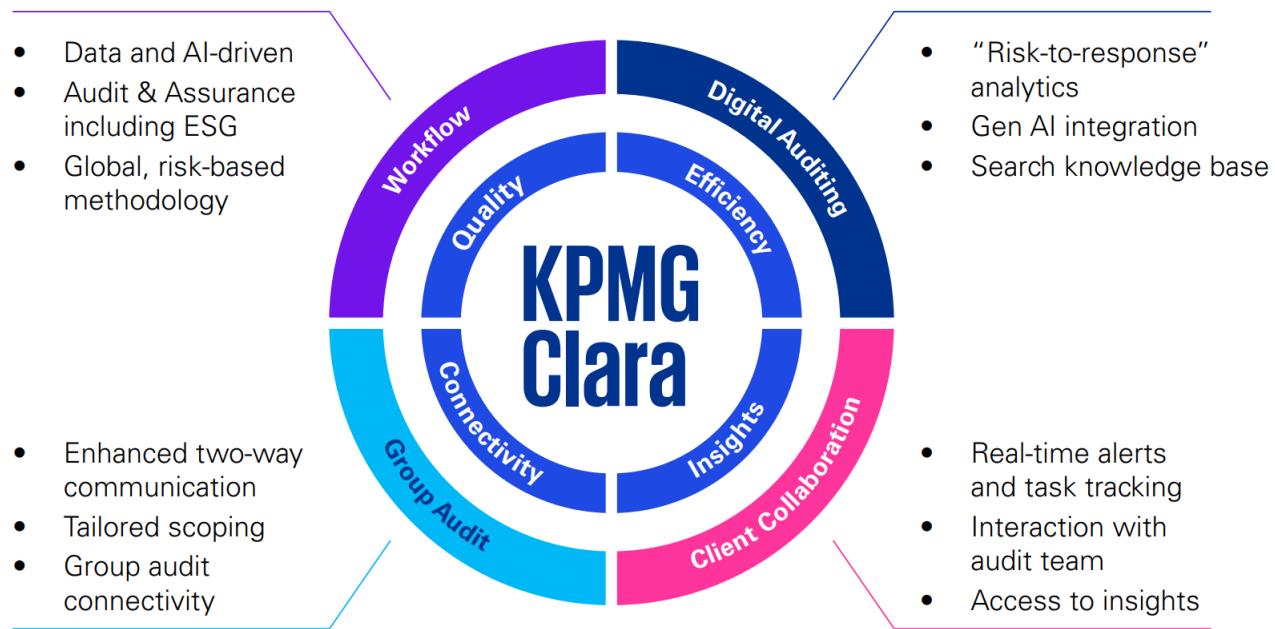
 Our **quality value drivers** are the cornerstones to our approach underpinned by the **supporting drivers** and give clear direction to encourage the right behaviours in delivering audit quality.



# Appendix 2: Audit quality - 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.



- Methodology aligned with professional standards, laws and regulations
- Standardised methodology and guidance
- Deep technical expertise and knowledge
- Quality and risk management policies
- Meeting the applicable standards, including International Standards on Auditing (ISA), standards issued by the Public Company Accounting Oversight Board (PCAOB) and the American Institute of CPAs (AICPA) – supplemented by KPMG firms to comply with additional local auditing standards and regulatory or statutory requirements.
- Identifying risks of material misstatements and the necessary audit response.

# Appendix 3: Independence: Shared responsibilities

Auditor independence is a shared responsibility and most effective when management, audit committees, and audit firms work together in considering compliance with relevant independence rules. In order for KPMG to fulfill its professional responsibility to maintain and monitor independence, management, the Board of Directors, and KPMG each play an important role. We apply the following ethical requirements, including independence requirements, in:

- the rules of professional conduct / code of ethics applicable to the practice of public accounting issued by various professional accounting bodies in Canada (“CPA code”) that are relevant to audits of financial statements of reporting issuers; and
- the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (“IESBA independence rule”) that are relevant to audits of financial statements of public interest entities.



The firm maintains a system of quality control over compliance with independence rules and firm policies. Timely information before the effective date of transactions or other business changes is necessary to effectively maintain the firm's independence in relation to:

- New related entities
- Any former KPMG professional who are directors, officers, or employee in a position to exert significant influence over the preparation of the client's accounting records or the financial statements.

- The CPA Code and IESBA independence rules require the audit committee to pre-approve all audit and permitted non-audit services to be provided by the auditor.
- IESBA also has requirements to obtain the audit committee's concurrence with the provision of non-assurance services and the auditor's conclusion on the impact to independence.

- We are required report to the Board of Directors all relationships that may reasonably be thought to bear on our independence, including fees charged, and discuss the potential effects of such relationships on our independence. We are also required report to the related safeguards that have been applied, as applicable, to eliminate identified threats to independence or reduce them to an acceptable level.
- This communication will be provided during our year-end communications.

# Appendix 4: Current developments

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 4: Current developments (continued)

## Accounting standards

Standard	Summary and implications
<b>Concepts Underlying Financial Performance</b>	<ul style="list-style-type: none"> <li>The revised Conceptual Framework is effective for fiscal years beginning on or after April 1, 2026 with early adoption permitted.</li> <li>The framework provides the core concepts and objectives underlying Canadian public sector accounting standards.</li> <li>The ten chapter conceptual framework defines and elaborates on the characteristics of public sector entities and their financial reporting objectives. Additional information is provided about financial statement objectives, qualitative characteristics and elements. General recognition and measurement criteria, and presentation concepts are introduced.</li> </ul>
<b>Financial Statement Presentation</b>	<ul style="list-style-type: none"> <li>The proposed section PS 1202 <i>Financial statement presentation</i> will replace the current section PS 1201 <i>Financial statement presentation</i>. PS 1202 <i>Financial statement presentation</i> will apply to fiscal years beginning on or after April 1, 2026 to coincide with the adoption of the revised conceptual framework. Early adoption is permitted.</li> <li>The proposed section includes the following: <ul style="list-style-type: none"> <li>Relocation of the net debt indicator to its own statement called the statement of net financial assets/liabilities, with the calculation of net debt refined to ensure its original meaning is retained.</li> <li>Separating liabilities into financial liabilities and non-financial liabilities.</li> <li>Restructuring the statement of financial position to present total assets followed by total liabilities.</li> <li>Changes to common terminology used in the financial statements, including re-naming accumulated surplus (deficit) to net assets (liabilities).</li> <li>Removal of the statement of remeasurement gains (losses) with the information instead included on a new statement called the statement of changes in net assets (liabilities). This new statement would present the changes in each component of net assets (liabilities), including a new component called “accumulated other”.</li> <li>A new provision whereby an entity can use an amended budget in certain circumstances.</li> <li>Inclusion of disclosures related to risks and uncertainties that could affect the entity's financial position.</li> </ul> </li> </ul>

# Appendix 4: Current developments (continued)

## Accounting standards (continued)

Standard	Summary and implications
<b>Employee Benefits</b>	<ul style="list-style-type: none"> <li>The Public Sector Accounting Board has issued proposed new standard PS 3251 <i>Employee benefits</i> which would replace the current sections PS 3250 <i>Retirement benefits</i> and PS 3255 <i>Post-employment benefits, compensated absences and termination benefits</i>.</li> <li>After evaluating comments received about the July 2021 exposure draft, a new re-exposure draft was released in October 2024. The re-exposure draft continues to use principles from International Public Sector Accounting Standard 39 <i>Employee benefits</i> as a starting point to develop the Canadian standard.</li> <li>The proposed standard 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.</li> <li>The re-exposure draft also proposes that fully funded post-employment benefit plans use a discount rate based on the expected market-based return of plan assets and unfunded plans use a discount rate based on the market yield of government bonds, high-quality corporate bonds or another appropriate financial instrument. A simplified approach to determining a plan's funding status is provided.</li> <li>For most other topics, the re-exposure draft is consistent with the original exposure draft. A few exceptions are: <ul style="list-style-type: none"> <li>Deferral provisions – Remeasurement gains and losses will be presented as part of accumulated remeasurement gains and losses.</li> <li>Valuation of plan assets – Public sector entities may continue to recognize non-transferable financial instruments that meet the definition of plan assets under existing PS 3250 guidance.</li> <li>Joint defined benefit plans – Defined benefit accounting will be used for measurement of the proportionate share of the plan, instead of previously proposed multi-employer plan accounting which was based on defined contribution plan concepts.</li> <li>Disclosure of other long-term employee benefits and termination benefits – The re-exposure draft does not include prescriptive disclosure requirements for other long-term employee benefits and termination benefits.</li> </ul> </li> <li>The proposed section PS 3251 <i>Employee benefits</i> will apply to fiscal years beginning on or after April 1, 2029. Early adoption will be permitted and guidance applied retroactively, with or without prior period restatement.</li> <li>Comments on the re-exposure draft were due on January 20, 2025. The re-exposure draft can be viewed at the following link: <a href="#">Click here</a></li> </ul>

# Appendix 4: Current developments (continued)

## Accounting standards (continued)

Standard	Summary and implications
<b>Intangible assets</b>	<ul style="list-style-type: none"> <li>The Public Sector Accounting Standards Board has issued proposed new standard PS 3155 <i>Intangible Assets</i> which would replace Public Sector Guideline 8 <i>Purchased Intangibles</i>. The new standard would be effective for fiscal years beginning on or after April 1, 2030 with early adoption permitted.</li> <li>The standard will include foundational guidance on acquired and internally generated intangibles. It excludes intangible assets addressed in other public sector accounting standards and other intangible items such as exploration and extraction costs for non-renewable resources or intangible assets related to insurance contracts.</li> <li>The definition of “intangible assets” requires an intangible resource to be separate and identifiable from goodwill. It also requires that the entity has control over the intangible resource, future economic benefits flow from the intangible resource, and the intangible resource is the result of a past transaction and/or other events.</li> <li>Internally generated goodwill is not permitted to be recognized as an asset.</li> <li>An intangible resource is recognized when it meets the definition of an intangible asset and the asset’s cost can be measured in a faithfully representative way. The generation of the asset is classified into a research phase and a development phase. Expenditures from the research phase of an internally generated project are expensed. An intangible asset arising from the development phase can be recognized if it meets certain requirements.</li> <li>Intangible assets are initially measured at cost and subsequently carried at cost less accumulated amortization and accumulated impairment losses. Intangible assets acquired through a non-exchange transaction are measured at fair value as of the date it is acquired.</li> <li>Comments on the exposure draft are due on May 30, 2025. The exposure draft can be viewed at the following link: <a href="#">Click here</a></li> </ul>
<b>Cloud computing arrangements</b>	<ul style="list-style-type: none"> <li>As part of its intangible assets project, the Public Sector Accounting Standards Board is also developing guidance on cloud computing arrangements. To ensure the development of this accounting guidance reflects current practices and needs, a survey has been launched to gather insights. The survey will inform the Public Sector Accounting Board about the types of cloud computing arrangements being encountered, magnitude of costs, key arrangement terms, current accounting policies and unique challenges in practice.</li> <li>We encourage all entities to complete the survey by May 30, 2025, which is at the following link: <a href="#">Click here</a></li> </ul>

# Appendix 5: Thought leadership and insights

Our latest thinking on the issues that matter most to the 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 5: Thought leadership and insights (continued)

## Cybersecurity: Incident Response Preparedness

With cyber attacks growing more widespread, it is becoming essential for executives to be involved in responding to cybersecurity incidents. Incident response preparedness can help leaders quickly identify gaps and gain information necessary to make informed decisions when faced with cybersecurity threats. Example of common topics addressed in incident response plans are noted below.



**Which roles are included in the Entity's core executive incident response team to make decisions and address circumstances surrounding an incident?**

### Who is responsible for engaging the Entity's insurer?

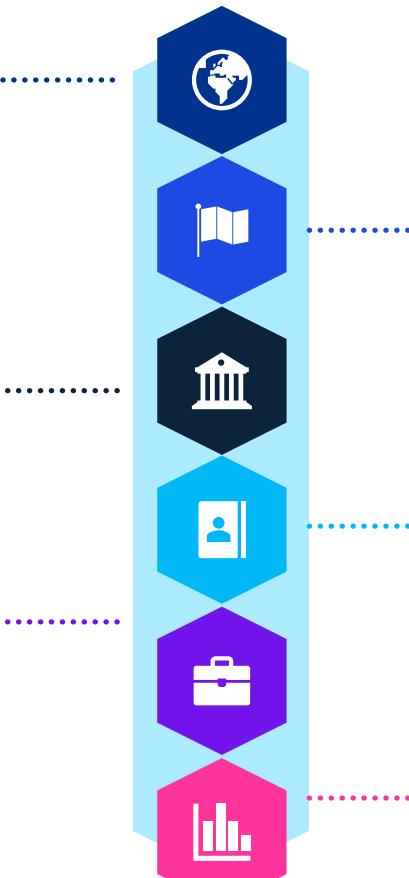
Consideration should be given to who should contact the insurance provider and under what circumstances the insurance provider should be engaged.

### Who is responsible for leading communications?

Consideration should be given to who should be involved in enacting the communication plan and managing internal and external communications.

### Should a ransom be paid?

Consideration should be given to who should be involved in the decision to pay a ransom, the engagement of a third-party to negotiate the ransom on behalf of the Entity risks associated with ransom demands from prohibited organizations or countries and the Entity insurance provider's stance on ransom payment.



### Who is responsible for notifying the Board of Directors?

Consideration should be given to who should engage the Board of Directors and under what circumstances the Board of Directors should be engaged?

### Should law enforcement be Involved?

Consideration should be given to whether law enforcement should be contacted regarding the incident and, if so, who should be responsible for contacting law enforcement.

### Who is responsible for considering additional risks?

Consideration should be given to risks associated with non-restoration of systems, data exposure, subsequent attacks and potential sanctions.

# Appendix 5: Thought leadership and insights (continued)

## Current trends in internal audit

Organizations continually face a wide spectrum of risks beyond the already complex financial and regulatory compliance risks. Many organizations are recognizing the impact and benefit of internal audit activity that is agile, properly resourced, effectively managed, and aligned with strategic priorities, which can improve risk management and control processes and drive better efficiencies.

Examples of internal audits are noted below.

### Cost reduction / efficiency planning

Review the governance arrangements for the monitoring and efficiency delivery of programs / services as required. This includes considering how efficiency requirements have been apportioned and communicated to support planning.

### Fraud risk management

Internal Audit assesses whether a fraud risk management framework exists and whether fraud risk assessment is performed at these levels. Internal Audit reviews the overall governance surrounding this process and review the communication and reporting protocols in place.

### Staff inclusion and diversity

Assess the strategy and plan in place for inclusion and diversity amongst staff, their governance and the measures in place to measure achievement of goals. Training and awareness programs offered to staff and faculty to provide understanding of roles and responsibilities and material updated on a regular basis. Increasing trends also include mental health resources and support systems to manage external expectations.

### Asset management / maintenance

Review the processes and controls in place to ensure assets are adequately managed based on an appropriate schedule.

### Business continuity management

Review of the elements of the life cycle of business continuity management (BCM). The main goal is to ensure the recovery of crucial services within an acceptable timeframe following disturbances in operations. Elements may include: business impact analysis, evaluation of threats and vulnerabilities, defining critical asset requirements, preparation of business continuity and disaster recovery plans.

### Cybersecurity and privacy protection

The increase in cyber attacks targeting educational institutions, coupled with implementation of stricter privacy regulations has led to heightened expectations for schools to effectively safeguard the privacy and identities of students and staff. The rapid pace of disruptive innovations driven by new and emerging technologies may introduce additional vulnerabilities.

# Appendix 5: Thought leadership and insights (continued)

## Where are Finance Teams adopting AI

Finance's role as a business partner has put them in an ideal position to lead enterprise adoption

### Generating commentary

Reduce the time and effort needed to create recurring materials required for financial reporting, business reviews, management reports, and board meetings.



### Forecasting & budgeting

Integrating predictive models, creating scenarios, and generating insights on potential financial outcomes.

### Generating strategic insights

Partner with other functions to provide insights across the business. Use finance's position to inform strategic decisions and solve problems with pricing, performance, and benchmarking metrics.



### Collecting marketing intelligence

Powerful research tool able to find and synthesize public data to generate insights on markets, competitors, and customers.

### Managing contracts

Generative AI tools can draft contracts with preferred terms and prioritize contract reviews based on deviations from standard terms and conditions.



### Detecting anomalies

Generative AI shows promise as a tool for detecting errors and potential fraud. It can compare new data with past patterns to identify anomalies.

AI naturally aligns to CFO's existing responsibilities related to business strategy, digital transformation, and risk management

# Appendix 5: Thought leadership and insights (continued)

## AI brings Risks as well as Opportunities

### Internal Risks & Considerations



#### Breaking Confidentiality

Many Generative AI models are built to absorb user-inputted data to improve the model over time. This could lead to exposure of key confidential information



#### Employee Misuse and Inaccuracies

Models generate responses based on input, so there is a risk of providing false or malicious content. Employees need to be cautious and review AI-generated content with a critical



#### Talent Implications

Professionals need to be made aware of their role in training and evolving the solution as high-quality output can only be achieved through high-quality, expert queries



#### Policies and Regulations

As the world's understanding of AI evolves, more policies and regulations will be brought upon by regulators which in turn need to be complied with

### External Risks & Considerations



#### Misinformation, Bias and Discrimination

The model could generate a response containing inappropriate information or language. In cases where the model does not have an accurate response, it may 'hallucinate' with a false response.



#### Financial, Brand & Reputational Risk

Copying AI-produced information or code into any deliverable or product could constitute copyright infringement leading to legal and reputational harm



#### Intellectual Property and Copyright

Risks in copyright include the potential creation of unauthorized plagiarized content, leading to infringement and violations of intellectual property rights



#### Cybersecurity

Generative AI models could be trained and employed for many cybersecurity attacks such as phishing scams, malware, data poisoning etc.

# Appendix 6: Canadian sustainability reporting activities

## What's here and what's coming?

Globally 2025 has seen a mix of progress and resistance in sustainability reporting. The EU continued to make strides on its proposals aimed to lessen the burden of sustainability reporting, while the ISSB published practical proposals to ease implementation. Meanwhile, in the US, California's climate laws took another step forward, but all state-level initiatives look set to face federal resistance. *In Canada, the CSSB released its first two voluntary reporting standards, but the CSA stated that they are pausing development of a new mandatory climate disclosure rule.*

### ► Voluntary Canadian standards rollout

- In December 2024, the Canadian Sustainability Standards Board (CSSB) released its first two voluntary Canadian Sustainability Disclosure Standards (CSDS).
- The standards are aligned with the IFRS Sustainability Disclosure Standards, with the exception of a Canadian-specific effective date and incremental transition reliefs.

### ► Road to mandatory application in Canada?

- Canada's regulators and legislators will determine if and when application of the standards should be mandated.
- In April 2025, the Canadian Securities Administrators (CSA) announced that they are pausing the development of a new mandatory climate disclosure rule and amendments to the existing diversity-related disclosure requirements in an effort "to support Canadian markets and issuers as they adapt to the recent developments in the US and globally." The CSA stated that they will monitor Canadian and international regulatory developments and expect to revisit these projects in future years.

### ► Other Canadian regulatory developments

- Federally regulated financial institutions are required to comply with OSFI B-15 which is broadly based on the ISSB standards.
- Canadian government anti-greenwashing regulations introduced (Bill C-59).

### ► What could you be doing now?

#### 1 (Re) Establish reporting strategy

- Undertake a regulatory impact assessment to determine the sustainability reporting requirements that apply to your organization.
- Document your reporting strategy, including any planned voluntary reporting and assurance.
- Conduct a materiality assessment considering the frameworks you plan to comply with.

#### 2 Assess current state

- Identify the differences between applicable regulations and/or standards and current reporting.
- Conduct a current state maturity analysis of processes, controls, people, technology and governance structures.
- Complete data gap assessment and develop plan to close gaps.

#### 3 Design reporting policies & target operating model (TOM)

- Develop and/or adapt policies, regarding identified material risks and opportunities.
- Develop standard Key Performance Indicator (KPI) definitions and calculation methodologies.
- Determine TOM and solutions to support sustainability reporting and assurance.

#### 4 Implement sustainability reporting roadmap

- Develop roadmap for delivery, identify milestones, interim and final targets.
- Design future reports.
- Rollout of TOM, including implementation and training required.



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