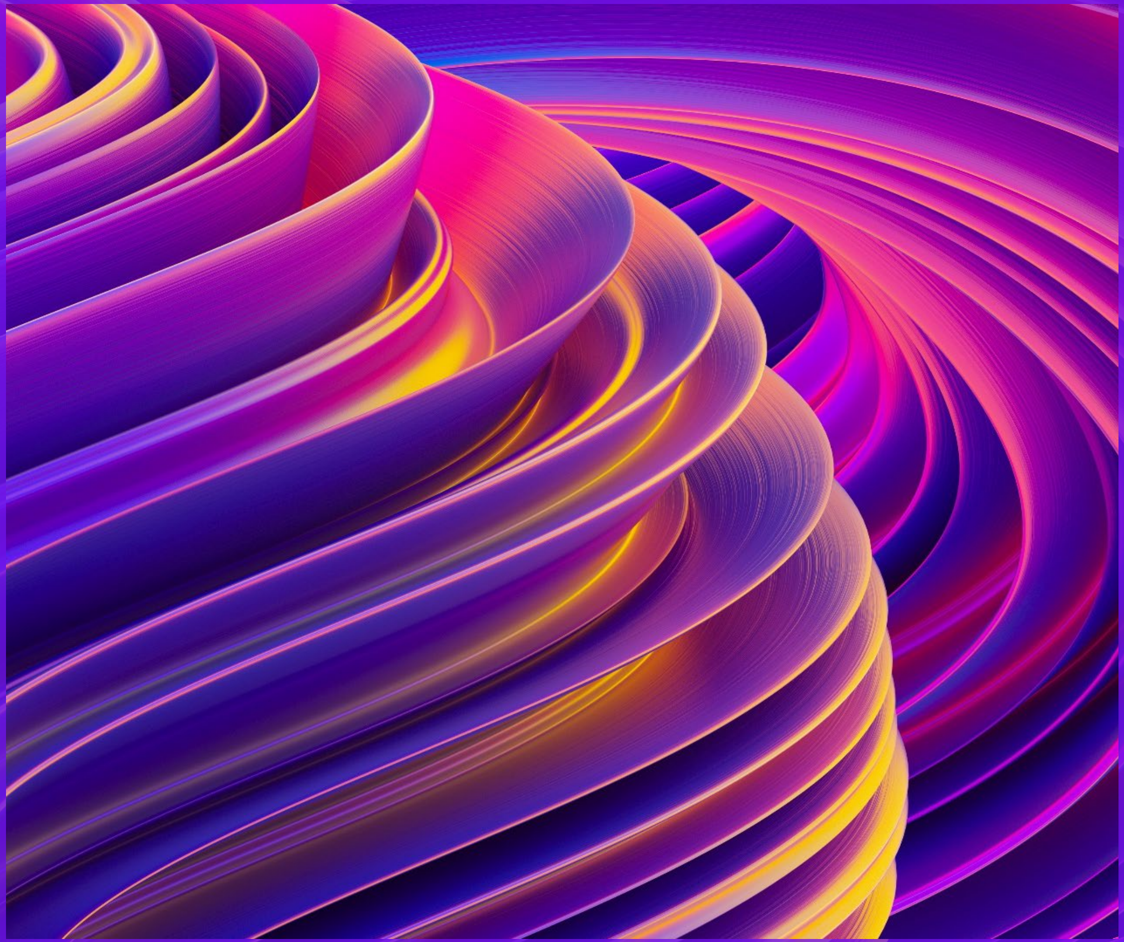
District of North Cowichan

Audit Findings Report for the year ended December 31, 2023

KPMG LLP

Prepared for the meeting on May 1, 2024

kpmg.ca/audit



KPMG contacts

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The purpose of this report is to assist you, as a member of Management or Council, in your review of the results of our audit of the financial statements as at and for the period ended December 31, 2023. This report is intended solely for the information and use of Management and 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 has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Digital use information

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

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

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 District of North Cowichan ("the Entity" or "DNC") as of and for the year ended December 31, 2023, was performed in accordance with Canadian generally accepted auditing standards.

Status

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

Risks assessment and results

Significant risks

- Presumed risk of management override of controls

Other risks of material misstatement

- Asset retirement obligations
- Revenue (grants and government transfers, collections from developers and others)
- Cash and investments
- Tangible capital assets
- Expenses, procurement and payables
- Salaries and benefits

Going concern matters

Uncorrected misstatements

Uncorrected misstatements

There are no matters to report

Corrected misstatements

Corrected misstatements

The management representation letter includes all misstatements identified as a result of the audit, communicated to management and subsequently corrected in the financial statements. We identified two adjustments, which were subsequently corrected by management in the financial statements.

Control observations

Control observations

We did not identify any control deficiencies that we determined to be significant deficiencies in internal control over financial reporting. We have included a summary of new observations and an update on prior year observations.

Policies and practices

Accounting policies and practices

Other financial reporting matters

Status

As of the date of this report, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include amongst others:

- Completing our discussions with Council
- Obtaining evidence of Council’s acceptance of the financial statements
- Obtaining a signed management representation letter
- Completing subsequent event review procedures up to the date of Council’s acceptance of the financial statements.

We will update Council on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures.

A draft of our auditor’s report is included in the draft financial statements.

Significant risks and results

Fraud risk from management override of controls

This is a presumed fraud risk. 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. We have not identified any specific additional risks of management override relating to this audit.

Our response

Our procedures included:

- testing of journal entries and other adjustments,
- performing a retrospective review of estimates,
- evaluating the business rationale of significant unusual transactions.

Significant findings

- There were no issues noted in our testing.

Non-significant risks and results

Asset retirement obligation

The Entity adopted PS 3280 *Asset Retirement Obligations* ("ARO") for the fiscal year ended December 31, 2023. This accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets. Under the new standard, an entity is required to review its tangible capital assets and identify any legal obligations associated with the retirement of those tangible capital assets (ex: removal of asbestos), estimate the future remediation cost, and record that future obligation as a corresponding depreciable asset and liability in the statement of financial position today.

Management implemented the new standard on a prospective basis, using the best estimate of the liability including all costs directly attributable to asst retirement activities, based on information available at year-end. As a result, Management recognized a liability of $1.1M for asbestos and lead removal in DNC's buildings, a liability of $27.6M relating to the proportionate share of the Joint Utilities Board (JUB) lease obligation, and $1.2M relating to a proportionate share of the JUB accretion expense.

Our response

Other Hazardous Materials

- We obtained an understanding of management's process for adopting the standard through discussion with management and review of their scoping and measurement analysis.
- We assessed management's asset retirement obligation accounting policy against the requirements of PS 3280.
- We tested completeness of in-scope identified assets, through discussions with internal experts, review of external hazardous materials reports (where applicable), and review of other external source documents to validate whether any AROs existed at the financial reporting date.
- We tested the accuracy of the calculations made by management to arrive at the estimated remediation cost, including sampling a number of buildings and validating the appropriateness of assumptions and data that feed into the calculations.
- We reviewed the related financial statement presentation and disclosures for consistency with PS 3280.

Non-significant risks and results (continued)

Asset retirement obligation (continued)

Our response (continued)

<u>Joint Utilities Board</u>

- We obtained an understanding of management's process for adopting the standard as it relates to the Joint Utilities Board through discussion with management and review of their scoping and measurement analysis.
- We assessed management's asset retirement obligation accounting policy against the requirements of PS 3280.
- We verified the liability recognized includes an estimate of the total costs related to decommissioning as prepared by a third party engineering firm.
- We assessed the inputs used by management to determine the present value of the liabilities and verified management's calculations
- We reviewed the related financial statement presentation and disclosures for consistency with PS 3280.

Findings

- There were no issues noted in our testing.

Non-significant risks and results (continued)

Revenue (grant and government transfers, collections from developers and others)

The District recognized $82.5 million in revenue (2022 - $64.8 million), which was primarily attributed to taxation revenue of $43.0 million, sale of services revenue of $13.6 million and government transfers of $12.0 million, of which $7.7 million related to the Growing Communities grant.

Our response

- We obtained an understanding of the District's various revenue streams, including accounting treatment for revenue recognition in accordance with the financial reporting framework.
- We selected a sample of government transfers received and government transfers recognized as revenue and obtained supporting documentation to validate the appropriateness of accounting treatment either as revenue or as deferred revenue.
- We performed analytical procedures over property tax revenue, comparing actual revenue balances on a financial statement account level to the assessed value and the approved bylaws.
- We performed analytical procedures over sales of services revenue and other revenue, comparing actual revenue balances to expectation.
- We performed a reconciliation of the accounts receivable subledger and evaluated the collectability of any overdue accounts.
- We tested the receipt of the Growing Communities Fund contribution of $7.7 million as revenue and assessed the appropriateness of the accounting treatment in accordance with public sector accounting standards, including government transfers.

Findings

- We identified an overstatement of government transfer revenue of $245,602 relating to the forestry grant. This has been corrected by management in the financial statements.
- We did not identify any other matters.

Non-significant risks and results (continued)

Cash and investments

Our response

- We obtained an understanding of management's process for implementing PS 3450 *Financial Instruments* and PS 2601 *Foreign Currency Translation*.
- We confirmed balances with third parties.
- We verified the existence of investments held with the investment advisors.
- We ensured amounts were appropriately recorded at cost or fair value as required by the financial reporting framework.
- We recalculated expected investment income and accrued interest.
- We reviewed financial statement presentation and notes disclosures for consistency with the requirement of PS 3450.

Findings

- We identified GICs recorded at fair value, rather than cost, resulting in an overstatement of investments and understatement of accounts receivables of $552,592. This has been corrected by management in the financial statements.
- We identified no other matters.

Non-significant risks and results (continued)

Tangible capital assets and developer contributed assets

The District has several ongoing capital projects. Tangible capital asset additions during 2023 totaled $63.9 million, of which $28.6 million relates to ARO assets on adoption of PS 3280, and the remainder relates to significant projects such as the RCMP Building, Crofton Firehall, Cowichan Sportsplex Field House, and the Canada Avenue Flood Gate.

Our response

- We updated our understanding of the process activities and controls over capital asset transactions.
- We reviewed the consistency and appropriateness of accounting policies for capitalization.
- We tested a sample of tangible capital asset additions, disposals and assets contributed by developers by agreeing samples to supporting invoices.
- We reviewed work in progress for assets with no additions in the year, agreeing to support to confirm capitalization remains appropriate.
- We performed an analytical procedure over amortization expense by comparing the current year expense, adjusting for current year additions, to prior year.
- We reviewed assets for indicators of impairment.
- We reviewed agreements for contractual commitments and related disclosure requirements.

Findings

- There were no issues noted in our testing. We identified a performance improvement opportunity in 2020, which remains open. See page 15.

Non-significant risks and results (continued)

Expenses, procurement and payables

Our response

- We updated our understanding of the District's activities over initiation authorization, recording and processing of disbursements
- We performed detailed testing of subsequent to year end cash payments and agreed them to underlying support
- We performed test of details of contracted services expense, agreeing amounts to external invoices.
- We performed substantive analytical procedures including comparisons to prior years and budgets.

Findings

- No issues were noted in our testing.

Salaries and benefits

Our response

- We updated our understanding of the payroll process
- We performed substantive analytical procedures over payroll expense and payroll accruals based on known staff numbers and salary increases
- We performed completeness and accuracy testing of the underlying payroll data used in the development of our expectations
- We tested the reasonability of the future employee benefits by reviewing reporting from the District's actuary and estimate of expected future payments

Findings

- No issues were noted in our testing

Corrected misstatements

Corrected misstatements include financial presentation and disclosure misstatements.

Impact of corrected misstatements

1. To recognized GICs at cost, rather than fair value, as required by PS 3450. Overstatement of investments and understatement of account receivable of $552,592.
2. To adjust government transfers with eligibility criteria for grants received, but not spent in the year. Overstatement of government transfer revenue, understatement of unearned revenue of $245,602

Below is a summary of the impact of the corrected misstatements:

	Statement of operations	Financial position		
Description	**Annual Surplus (Decrease) Increase**	**Assets (Decrease) Increase**	**Liabilities (Decrease) Increase**	**Opening accumulated surplus (Decrease) Increase**
To reclassify interest income earned on GICs	-	552,592 (552,592)	-	-
To adjust for unspent grants in the year	(245,602)	-	245,602	-
Total misstatements	**(245,602)**	**-**	**245,602**	**-**

Control deficiencies

Consideration of internal control over financial reporting (ICFR)

In planning and performing our audit, we considered ICFR relevant to the Entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on ICFR.

Our understanding of internal control over financial reporting was for the limited purpose described above and was not designed to identify all control deficiencies that might be significant deficiencies. The matters being reported are limited to those deficiencies that we have identified during the audit that we have concluded are of sufficient importance to merit being reported to those charged with governance.

Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing, and extent of audit procedures performed, as well as other factors. Had we performed more extensive procedures on internal control over financial reporting, we might have identified more significant deficiencies to be reported or concluded that some of the reported significant deficiencies need not, in fact, have been reported.

A deficiency in internal control over financial reporting

A deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed, or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

Significant deficiencies in internal control over financial reporting

A deficiency, or a combination of deficiencies, in internal control over financial reporting that, in our judgment, is important enough to merit the attention of those charged with governance.

We did not identify any significant deficiencies in internal control over financial reporting.

Control deficiencies and other observations

Description	Year	Status	Potential effect	Recommendation / Update
Government Transfers – Grant Agreements KPMG identified an adjustment relating to a government transfer grant agreements with eligibility criteria, where there was a difference between eligible expenses incurred and revenue recognized.	2023	Open	A lack of formal process in place for tracking eligible expenses could result in a material misstatement in the revenue and unearned revenue captions.	KPMG recommends that a formal process be put in place to review grant agreements and to track eligible expenses for each grant to ensure that the appropriate amount of revenue is recognized each period.
Timely Review of Bank Reconciliations	2022	Closed in 2023		
Approval of Expense Reports	2020	Closed in 2023		
Recognition of Developer Contributed Assets KPMG noted during our testing of developer contributed assets (DCA) that there is no formal documentation to corroborate the transfer of ownership from the developer to the District. Currently assets are recorded when the asset is registered with the Land Titles Office.	2020	Open	Without a formal documentation process for recognizing DCA’s, there is a risk that assets will not be recognized or will be recognized before the responsibility for the asset has transferred to the District.	KPMG recommends an official sign-off by the Director of Subdivision and Development Planner. Management has agreed that a sign-off would be benefit and plans to implement and include in the updated Subdivision bylaw.

Accounting policies and practices

We also highlight the following:

Significant accounting policies

- Management adopted PS 3280 *Asset Retirement Obligations* during the year using the prospective method. There were no issues noted as a result of adoption.
- Management adopted PS 3450 *Financial Instruments* and PS 2601 *Foreign Currency Translation* during the year.
- There were no significant accounting policies in controversial or emerging areas.
- There were no issues noted with the timing of the District's transactions in relation to the period in which they were recorded.
- There were no issues noted with the extent to which the financial statements are affected by a significant unusual transactions and extent of disclosure of such transactions.
- There were no issues noted with the extent to which the financial statements are affected by non-recurring amounts recognized during the period and extent of disclosure of such transactions.

Significant accounting estimates

- There were no issues noted with management's identification of accounting estimates.
- There were no issues noted with management's process for making accounting estimates.
- There were no indicators of possible management bias.

Significant qualitative aspects of financial statement presentation and disclosure

- There were no issues noted with the judgments made, in formulating particularly sensitive financial statement disclosures.
- There were no issues noted with the overall neutrality, consistency, and clarity of the disclosures in the financial statements.
- There were no significant potential effects on the financial statements of significant risks, exposures and uncertainties.

Appendices

1. Required communicated
2. Management representation letter
3. Audit quality
4. Current developments
5. Audit and Assurance Insights
6. Technology
7. Infrastructure

Appendix 1: Required communications

Auditor's report

Refer to the draft report attached to the financial statements.

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.

Independence

As required by professional standards, we have considered all relationships between KPMG and the Entity that may have a bearing on independence. We confirm that we are independent with respect to the Entity within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any other standards or applicable legislation or regulation from January 1, 2023 up until the date of this report.

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 is attached.

Appendix 2: Management representation letter

KPMG LLP
St. Andrew's Square II
800 – 730 View Street
Victoria, BC V8W 3Y7

May 1, 2024

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the consolidated financial statements (hereinafter referred to as "financial statements") of the Corporation of the District of North Cowichan ("the Entity") as at and for the period ended December 31, 2023.

General:

We confirm that the representations we make in this letter are in accordance with the definitions as set out in **Attachment I** to this letter.

We also confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Responsibilities:

1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated December 11, 2020, including for:
   a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework.
   b) providing you with all information of which we are aware that is relevant to the preparation of the financial statements ("relevant information"), such as financial records, documentation and other matters, including:
      - the names of all related parties and information regarding all relationships and transactions with related parties;
      - the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of shareholders, board of directors and committees of the board of directors that may affect the financial statements. All significant actions are included in such summaries.
   c) providing you with unrestricted access to such relevant information.
   d) providing you with complete responses to all enquiries made by you during the engagement.
   e) providing you with additional information that you may request from us for the purpose of the engagement.

f) providing you with unrestricted access to persons within the Entity from whom you determined it necessary to obtain audit evidence.

g) such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We also acknowledge and understand that we are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.

h) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.

Internal control over financial reporting:

2) We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over financial reporting of which we are aware.

Fraud & non-compliance with laws and regulations:

3) We have disclosed to you:

a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

b) all information in relation to fraud or suspected fraud that we are aware of that involves:

— management;

— employees who have significant roles in internal control over financial reporting; or

— others

where such fraud or suspected fraud could have a material effect on the financial statements.

c) all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements, communicated by employees, former employees, analysts, regulators, or others.

d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements, whose effects should be considered when preparing financial statements.

e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Subsequent events:

4) All events subsequent to the date of the financial statements and for which the relevant financial reporting framework requires adjustment or disclosure in the financial statements have been adjusted or disclosed.

Related parties:

5) We have disclosed to you the identity of the Entity's related parties.

6) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.

7) All related party relationships and transactions/balances have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

Estimates:

8) The methods, the data and the significant assumptions used in making accounting estimates, and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

Going concern:

9) We have provided you with all information relevant to the use of the going concern assumption in the financial statements.

10) We confirm that we are not aware of material uncertainties related to events or conditions that may cast significant doubt upon the Entity's ability to continue as a going concern.

Misstatements:

11) We approve the corrected misstatements identified by you during the audit described in **Attachment II**.

Employee Future Benefits:

12) The employee future benefits costs, assets and obligation, if any, have been determined, accounted for and disclosed in accordance with the financial reporting framework.

13) All arrangements (contractual or otherwise) by which programs have been established to provide employee benefits have been disclosed to you and included in the determination of pension costs and obligations.

14) Each of the best estimate assumptions used reflects management's judgment of the most likely set of conditions affecting future events.

15) The source data and plan provisions provided used for preparation of the actuarial valuation are accurate and complete.

16) The discount rate used to determine the accrued benefit obligation for each plan was determined by reference to market interest rates at the measurement date on high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments; or inherent in the amount at which the accrued benefit obligation could be settled.

17) All changes to plan provisions or events occurring subsequent to the date of the actuarial valuation and up to the date of this letter have been considered in the determination of pension costs and obligations and as such have been communicated to you.

Segment Disclosures:

18) The District's operating segments have been appropriately identified and the related segment and enterprise-wide disclosures have been made in the financial statements in accordance with the relevant financial reporting framework. The operating segment information disclosed in the financial statements is consistent with the form and content of the information used by the District's decision makers for the purposes of assessing performance and making operating decisions about the District's individual operations. All significant differences in measures used to determine segment income have been appropriately identified and described in the disclosures of segment information in accordance with the relevant financial reporting framework.

Other:

19) We confirm that the final version of Annual Report 2023 will be provided to you when available, and prior to issuance by the Entity, to enable you to complete your audit procedures in accordance with professional standards.

20) Expenditures will be appropriately authorized and actual expenditures will not exceed budgeted expenditures detailed in the budget bylaw.

21) All reserve transactions have been appropriately approved, in accordance with applicable legislation and are appropriately credited to or charged against fund balances. Reserve amounts represent only those amounts that are available for use at the District's discretion and do not include restrictions on use by third parties

22) All transfers out of statutory reserves have been conducted in accordance with the approved bylaws.

Non-SEC registrants or non-reporting issuers:

23) We confirm that the Entity is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission (“SEC”) Issuer (as defined by the Sarbanes-Oxley Act of 2002).

24) We also confirm that the financial statements of the Entity will not be included in the group financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

Yours very truly,

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Teri Vetter, Director, Financial Services

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James Goodman, Manager, Budgets and Infrastructure

cc: Mayor and Council

Attachment I – Definitions

Materiality

Certain representations in this letter are described as being limited to matters that are material.

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgments about materiality are made in light of surrounding circumstances, and are affected by perception of the needs of, or the characteristics of, the users of the financial statements and, the size or nature of a misstatement, or a combination of both while also considering the entity's own circumstances.

Information is obscured if it is communicated in a way that would have a similar effect for users of financial statements to omitting or misstating that information. The following are examples of circumstances that may result in material information being obscured:

a) information regarding a material item, transaction or other event is disclosed in the financial statements but the language used is vague or unclear;

b) information regarding a material item, transaction or other event is scattered throughout the financial statements;

c) dissimilar items, transactions or other events are inappropriately aggregated;

d) similar items, transactions or other events are inappropriately disaggregated; and

e) the understandability of the financial statements is reduced as a result of material information being hidden by immaterial information to the extent that a primary user is unable to determine what information is material.

Fraud & error

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization.

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Attachment II – Summary of Audit Misstatements Schedule

Corrected Misstatements

Financial statement amounts:

	Statement of operations	***Financial position***		
Description	***Annual Surplus (Decrease) Increase***	***Assets (Decrease) Increase***	***Liabilities (Decrease) Increase***	***Opening accumulated surplus (Decrease) Increase***
To recognize GICs at cost.	*-*	*552,592* *(552,592)*	*-*	*-*
To adjust for unspent grants in the year	*(245,602)*	*-*	*245,602*	*-*
Total misstatements	***(245,602)***	***-***	***245,602***	***-***

Appendix 3: Audit quality - How do we deliver audit quality?

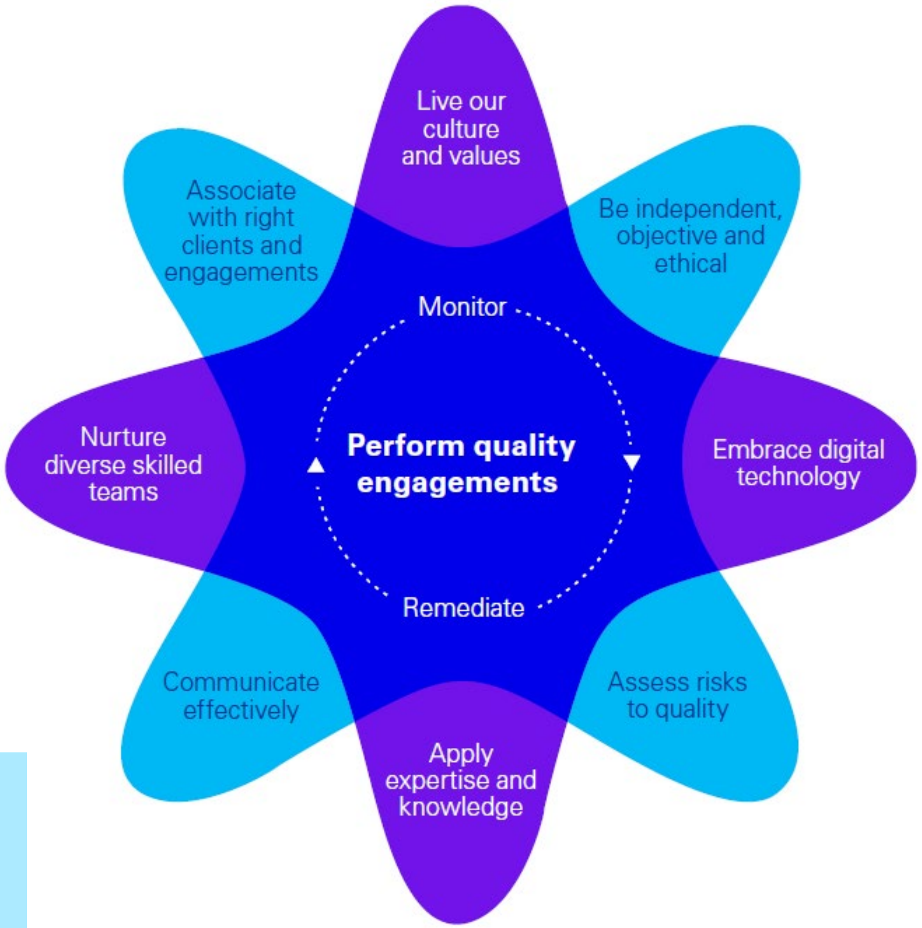
Quality essentially means doing the right thing and remains our highest priority. Our Global Quality Framework outlines how we deliver quality and how every partner and staff member contributes to its delivery.

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 2023 Audit Quality and 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.

Appendix 4: Current developments

No changes since our audit planning report issued in December 2023

Appendix 5: Audit and assurance insights

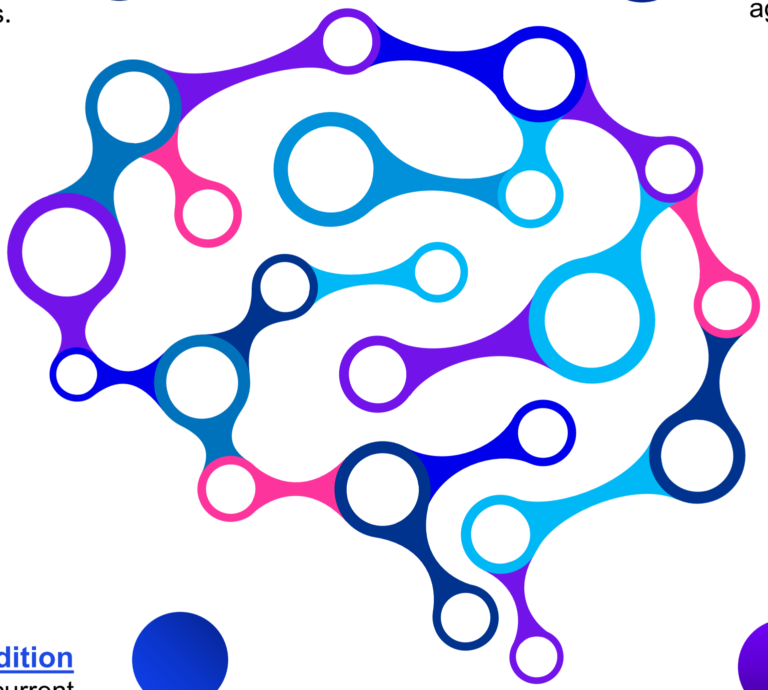
Our latest thinking on the issues that matter most to the Finance and Audit Committee, board of directors and management.

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 Securities & Auditing Matters and US Outlook reports.

Audit Committee Guide – Canadian Edition
A practical guide providing insight into current challenges and leading practices shaping audit committee effectiveness in Canada.



Accelerate 2023
The key issues driving the audit committee agenda in 2023.

Momentum
A quarterly newsletter with the latest thought-leadership from KPMG's subject matter leaders across Canada and valuable audit resources for clients.

KPMG Climate Change Financial Reporting Resource Centre
Our climate change resource center provides insights to help you identify the potential financial statement impacts to your business.

IFRS Breaking News
A monthly Canadian newsletter that provides the latest insights on international financial reporting standards and IASB activities.

Appendix 6: Technology – Adoption of AI

KPMG research into how generative AI is being adopted in Canadian workplaces

Details:

- In May 2023, KPMG in Canada surveyed 5,140 Canadians about their generative AI use. In November 2023, we surveyed a further 4,515 individuals and compared the results. Our research reveals that generative AI platforms like ChatGPT have already transformed the way people and organizations approach work, yet opportunities remain to scale the significant benefits and manage emerging risks.

Executive summary - highlights

In six months, the number of **Canadians who reported using generative AI at work rose 16%,** representing a **32%** annualized growth rate.

Majority said generative AI tools have helped enhance the **quality** of their work and accelerate **productivity**.

- **90%** - has enhanced the quality of their professional work
- **72%** - is essential to address their workload

Top **use cases** for using generative AI at work:

- **48%** - Research
- **45%** - Generating ideas
- **29%** - Creating presentations

Most users rely on public tools as **private AI platforms** are still a nascent market.

- **24%** use private generative AI platforms built by their employer.
- **51%** of private platform users report saving more than 3 hours of work per week, compared to **40%** of public platform users.

Many users are still engaging in **risky behaviour** and putting sensitive data into public generative AI platforms.

- **13%** - Private financial data about my company
- **18%** - Proprietary non-financial data about my company (e.g. HR data)
- **29%** - Always claim gen AI output as their own original content

Upskilling and learning is seen as a key driver for adoption.

- **27%** of Canadians don't see the benefits of using generative AI
- **85%** want to upskill to learn how to use generative AI more effectively
- **81%** would like their employers to offer upskilling courses on how to use generative AI

Dive deeper

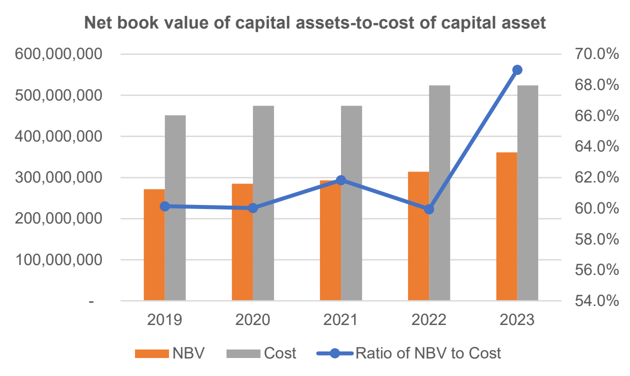
Contact your local KPMG generative AI leader or digitalsolutions@kpmg.ca to request a tailored deep dive into the Generative AI Adoption Index.

Download the Executive Summary

Appendix 7: Infrastructure

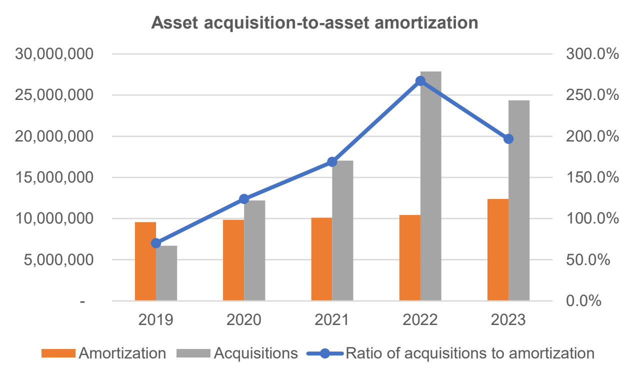
Public Sector Statements of Recommended Practice ("SORP") 4 identifies sustainability and flexibility indicators for governments.

Specific to the District, are the following:



The ratio of NBV to cost is an indicator of the age of the assets. As the ratio increases, this is an indicator that the District is replacing assets faster than they are aging.

The ratio has grown from 60% in 2019 to 69% in 2023.



The ratio of asset acquisitions is another indicator of asset replacement. A ratio below 100% indicates that assets are being used in delivery of services faster than they are being replaced.

The District's ratio has grown from 70% in 2019 to 197% in 2023

KPMG's 2024 Emerging Trends in Infrastructure highlights ten trends that will shape the world of infrastructure in the next year.

All at one time, we want to change our energy mix, our climate, our economies, our global trade patterns, our cities, our technology and our social equity. And we plan to do it all against a backdrop of a non-stationary environment, divisive geopolitical rhetoric and deep economic uncertainty. It is a mammoth task.

Humanity's success or failure will largely rest on the shoulders of our infrastructure. Infrastructure will be central to the energy transition and achieving our climate adaptation goals. It catalyzes economic growth and facilitates trade. It underpins urban renewal, lays the foundations for digital transformation and – done well – can help embed social equity.

Delivering on the promise of infrastructure will require greater collaboration, new funding mechanisms, innovative regulatory regimes, new construction techniques, broader skill sets and – more than anything – a high degree of flexibility and creativity. Enabling the world's transitions, therefore, must start with a transition in the infrastructure sector.

Emerging trends in infrastructure – Executive Summary

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