14.

STAFF REPORT
INFORMATION ONLY

Audit Findings Report – Year Ended December 31, 2023 – Toronto Public Library Board

Date: May 27, 2024

To: Toronto Public Library Board

From: City Librarian

SUMMARY

The Audited Financial Statements are prepared annually and are a requirement under the City of Toronto Act, 2006, Section 231. The Financial Statements are prepared by applying accounting standards of the Public Sector Accounting Board (PSAB), and provide a particular view of the Library's financial results as at the end of the 2023 fiscal year.

As part of their audit function, the external auditor, KPMG LLP, is required to produce a year-end report to the Toronto Public Library Board. The attached report from KPMG summarizes the results of their audit of the 2023 financial statements for Toronto Public Library (TPL).

The auditor, KPMG LLP, has provided an unqualified opinion in the Independent Auditors' Report, which means that the Financial Statements are presented fairly in all material respects.

Furthermore, the KPMG report had no audit findings, as there were no identified significant internal control deficiencies, or uncorrected or corrected audit misstatements.

The Operating and Capital Budget Monitoring Reports, presented to the Board throughout the year, are the primary tools which demonstrate how the Council-approved budgets are being managed and expended.

FINANCIAL IMPACT

KPMG's fee for the 2023 audit is $51,000, inclusive of expenses and exclusive of Harmonized Sales Tax (2022 – $49,000), and the fee was accrued and recorded as part of the 2023 operating results. There will be additional fees relating to the auditor's work on the audit of the cybersecurity incident that will be included in the 2024 operating results.

The Director, Finance & Treasurer has reviewed this financial impact statement and agrees with it.

ISSUE BACKGROUND

Under Section 139 of the City of Toronto Act, 2006, the City is required to appoint an auditor licensed under the Public Accounting Act, 2004, who is responsible for annually auditing the accounts and transactions of the City and its local boards, and expressing an opinion on the financial statements of these entities based on the audit. The City issued a request for proposal for external audit services, including the Toronto Public Library Board**,** for the 2020 to 2024 financial statements, and KPMG was the successful proponent. The fees for 2020 to 2024 will total $245,000, inclusive of expenses and exclusive of Harmonized Sales Tax. The fees for 2024 will be $53,000. The contract with KPMG will end with the audit of the December 31, 2024 financial statements.

At its meeting on December 4, 2023, the Board received for information KPMG's report on the Audit Plan for the Year Ending December 31, 2023 which outlined their approach to the audit.

As part of the annual audit, KPMG is required to provide an annual audit findings report to the Board upon completion of the audit.

COMMENTS

KPMG's Audit Findings Report to the Board for the audit of the financial statements for the year ended December 31, 2023 is appended as Attachment 1. KPMG's report includes: audit highlights; status of the audit; audit risks and results; control deficiencies; policies and practices; specific topics; independence and appendices which include other required communications, audit quality, newly effective accounting standards, future changes in accounting standards, new auditing standards, insights, global regulatory reporting standards and technology.

In the section entitled *Audit highlights* (page 4 of Attachment 1) KPMG did not note any significant internal control deficiencies over financial reporting and KPMG did not identify any uncorrected and corrected audit misstatements.

In the section entitled Other Areas of Focus (page 9 of Attachment 1) KPMG noted the cybersecurity incident did not give rise to additional risks of material misstatements to the financial statements. KPMG also noted the presentation of Asset Retirement Obligation (ARO) in the financial statements include appropriate note disclosure related to the adoption of the new standard.

KPMG proposes to issue an unqualified report when four outstanding matters are cleared: receipt of the signed management representation letter, dated as of May 27, 2024, the Board meeting approval date; completion of discussions with the members of the Board; completion of subsequent events procedures, up to the date of approval of the financial statements; and Board approval of the financial statements. Representatives from KPMG are in attendance at the May 27, 2024 Board meeting.

The Financial Statements are prepared by applying accounting standards of the Public Sector Accounting Board (PSAB), and provide a particular view of the Library's financial results as at the end of the 2023 fiscal year. However, the operating and capital budget monitoring reports, presented to the Board throughout the year, are the primary tools which demonstrate how the Council-approved budgets are being managed and expended.

CONTACT

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SIGNATURE

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Vickery Bowles
City Librarian

ATTACHMENTS

Attachment 1: Toronto Public Library Board – Audit Findings Report for the Year Ended December 31, 2023

Attachment 1

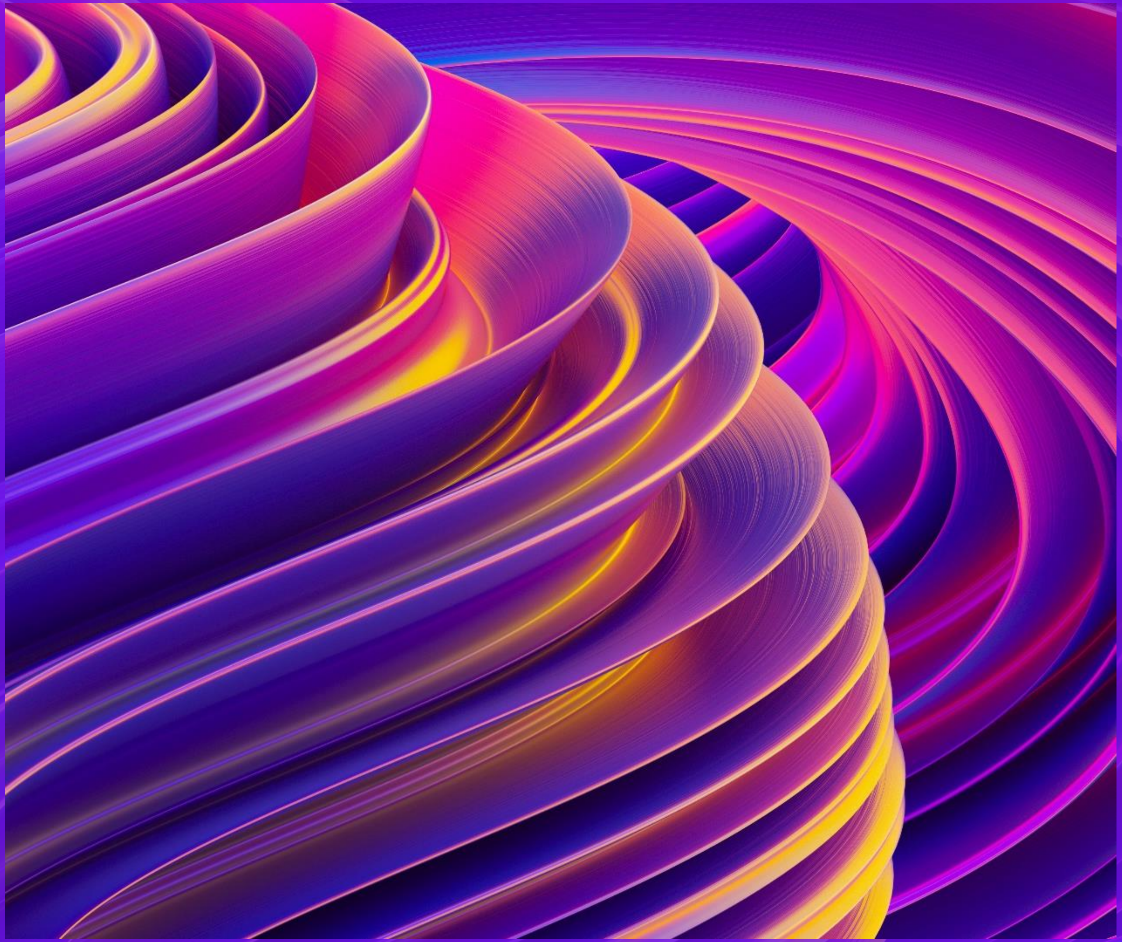
Toronto Public Library Board

Audit Findings Report for the year ended December 31, 2023

KPMG LLP

Prepared as of May 3, 2024 for presentation to the Board of Directors on May 27, 2024

kpmg.ca/audit



KPMG contacts

Key contacts in connection with this engagement

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Table of contents

The purpose of this report is to assist you, as a member of the Board of Directors, in your review of the results of our audit of the financial statements. This report is intended solely for the information and use of Management, 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 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

Status

We have completed the audit of the financial statements (“financial statements”), with the exception of certain remaining outstanding procedures, which are highlighted on the ‘Status’ slide of this report.

Changes

Changes since our audit plan

- We updated our audit materiality calculation from what was reported to you in our Audit Planning Report. This update is due to use of actual total expenditures for the year ended December 31, 2023 to determine materiality, which was lower than the budgeted total expenditures used to determine the planning materiality. We have determined materiality to be $6,450,000, decreased from planning materiality of $7,000,000.
- Refer to slide 9 for procedures performed to understand and assess the impact of the cybersecurity incident to the financial reporting process.

Risks and results

Significant risks

- Management override of controls. Refer to slide 6

Other areas of focus

- Refer to slides 7 to 9

Going concern matters

Policies and practices & Specific topics

Significant unusual transactions

Accounting policies and practices

Other financial reporting matters

Uncorrected misstatements

Uncorrected misstatements

- No matters to report

Corrected misstatements

Corrected misstatements

- No matters to report

Control deficiencies

Significant deficiencies

- No matters to report

Status

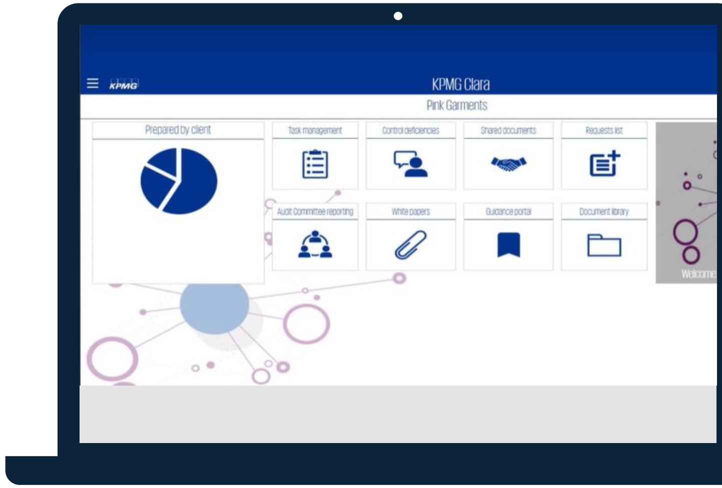
As of May 3, 2024, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include amongst others:

- Completing our discussions with the Members of the Board
- Obtaining evidence of the Board of Director’s approval of the financial statements
- Receipt of the signed management representation letter (dated upon evidence of the Board’s approval of the financial statements)
- Completion of subsequent events procedures, up to the date of approval of the financial statements

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

Our auditor’s report, will be dated upon the completion of <u>any</u> remaining procedures.

KPMG Clara for Clients (KCfc)



Real-time collaboration and transparency

We leveraged **KCfc** to facilitate real-time collaboration with management and provide visual insights into the status of the audit!

On our audit we used KCfc to coordinate requests from management.

Learn more

Significant risks and results

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

RISK OF
ERROR FRAUD

Significant risk	Estimate?	Key audit matter?
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.	No	No

Our response

As this presumed risk of material misstatement due to fraud is not rebuttable, our audit methodology incorporates the required procedures in professional standards to address this risk. These procedures include:

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

Significant findings

- We did not note any significant control deficiencies in our evaluation of the design and implementation and test operating effectiveness of selected relevant controls over financial reporting.
- We tested manual and automated journal entries and other adjustments by using Data & Analytics routines. Using extractions from the complete general ledger, we selected a sample of journal entries meeting pre-determined high-risk criteria and verified if they were supported by proper documentation and appropriately recorded in the general ledger. We also followed the journal entry initiation and approval controls and process in place.
- We did not identify any issues or concerns after performing our review of estimates.
- We did not identify any significant unusual transactions or any specific additional risks of management override during our audit.

Other Areas of Focus

We highlight our significant findings in respect of other areas of focus as well as any additional areas of focus identified

Area of Focus	Audit Procedures
1 Cash and cash equivalents	• Obtained confirmations of the year-end cash and saving balances from third parties. • Reviewed bank reconciliations and vouched significant reconciliation items to supporting documentation. • Reviewed financial statements disclosures.
2 Tangible capital assets	• Selected a sample of additions and agreed to original invoices to ensure proper accounting treatment. • Assessed the reasonableness of amortization expense. • All useful lives are based on corporate policies and did not change from prior year. KPMG reviewed the useful lives used in amortization calculation and ensured that all were in line with the Board's policy. The estimation uncertainty related to useful lives does not result in a risk of material misstatement.
3 Revenue and accounts receivable	• Revenue recognition considerations (deferred vs. recognized). • Reconciliation of accounts receivable and review sub-ledger for credit balances. • Assessed the reasonability of the Allowance for Doubtful Accounts balance. • Selected samples from fines and user charges, donations and other grants, and other revenue. Agreed to supporting documentation and ensured revenue recognition was appropriate.
4 Deferred revenue	• Inquired of management on the nature of various deferral revenue. • Selected samples of inflows for deferred revenues, agreed to supporting documentation and ensured appropriate deferrals were made. • Selected samples of outflow for deferred revenues, agreed to supporting documentation and ensured appropriate revenue recognitions or refund reversals were made.

Other Areas of Focus

Area of Focus	Audit Procedures
5 Due to/from the City, City of Toronto Revenue and Province of Ontario Revenue	• Obtained an understanding over the revenue recognition policy and controls in place. • Obtained confirmation from City of Toronto to ensure existence, accuracy and completeness of the intercompany receivable/payable balance and revenue received. • Obtained grant approval letters to ensure the existence, accuracy and completeness of Province of Ontario Revenue received.
6 Accounts payable and operating expenses	• Performed a search for unrecorded liabilities by extracting lists of subsequent payments and accounts payable details and selected samples for testing. • Selected a sample of expense transactions and agree to original invoices to ensure the proper classification of expenses. • Reviewed supporting documentation for significant accruals.
7 Legal claim liability	• Reviewed Board meeting minutes. • Discussed any outstanding litigations and claims with management. • Obtained direct confirmation with the City and third party legal counsel. • Evaluated whether significant contingent liabilities are appropriately disclosed and/or recorded.
8 Employee future benefits	• Obtained confirmation of balances directly with third party actuaries. • Evaluated the data, method and assumptions applied in the valuations and perform trend analysis on the liability. • Evaluated the discount rate in comparison with rates issued by the Canadian Institute of Actuaries and KPMG LLP. • Assessed the qualifications, competence and objectivity of the actuaries as required by the Canadian auditing standards. • Reviewed the financial statement note disclosures.

Other Areas of Focus

Area of Focus	Audit Procedures
9 Asset retirement obligations	• Obtained management's final assessment of ARO, including support for the calculation of any recorded liability related to future costs associated with legal obligations that will be incurred upon retirement of a controlled tangible asset. • Obtained an understanding of the activities performed by management to identify the legal obligations associated with retirement of tangible capital assets. Ensured that all of the recognition criteria have been met to recognize an ARO in the financial statements. • Assessed the costs that have been included in ARO liability based on information available to management and provided by any external experts. • Assessed the presentation of ARO in the financial statements and ensured that the financial statements include appropriate note disclosure related to the adoption of the new standard.
10 Cybersecurity incident	• On October 28, 2023, the Toronto Public Library was subject to a cyber security incident. A vulnerability in an internet-facing server was breached, resulting in exfiltration and encryption of a file server. Internal and external networks and systems were immediately shut down to contain the breach. Legal counsel and cybersecurity specialists were engaged to provide advice on containment; forensic assessment; re-building and service recovery of the technical environment; and appropriate security assessment and consulting for go-forward plans. • We involved our cyber security professionals in our discussions with management and legal counsel to understand: o How the incident impacted the financial reporting process; o The financial reporting processes during the forensic assessment and data recovery and restoration period; o The processes followed to gain assurance when the financial reporting systems could be securely recovered from the incident; and o Management's assessment of potential contingencies that could result from the incident • From these discussions and procedures performed over the financial reporting process, our evaluation of the cybersecurity incident did not give rise to additional risks of material misstatements to the financial statements.

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.

Accounting policies and practices

Initial selection

The following new significant accounting policies and practices were selected and applied during the period.

- Asset retirement obligation

Revised

Changes to significant accounting policies and practices and the impact on the financial statements are disclosed in Notes 1(d), 2, and 8 to the financial statements.

Significant qualitative aspects

Refer to slide 9 for summary of audit procedures performed over the asset retirement obligation

Other financial reporting matters

We also highlight the following:

Financial statement presentation - form, arrangement, and content	No matters to report
Concerns regarding application of new accounting pronouncements	No matters to report
Significant qualitative aspects of financial statement presentation and disclosure	No matters to report

Specific topics

We have highlighted the following that we would like to bring to your attention:

Matter	Finding
Illegal acts, including noncompliance with laws and regulations, or fraud	No matters to report
Other information in documents containing the audited financial statements	No matters to report
Significant difficulties encountered during the audit	No matters to report
Difficult or contentious matters for which the auditor consulted	No matters to report
Management's consultation with other accountants	No matters to report
Disagreements with management	No matters to report
Related parties	No matters to report
Significant issues in connection with our appointment or retention	No matters to report
Other matters that are relevant matters of governance interest	No matters to report

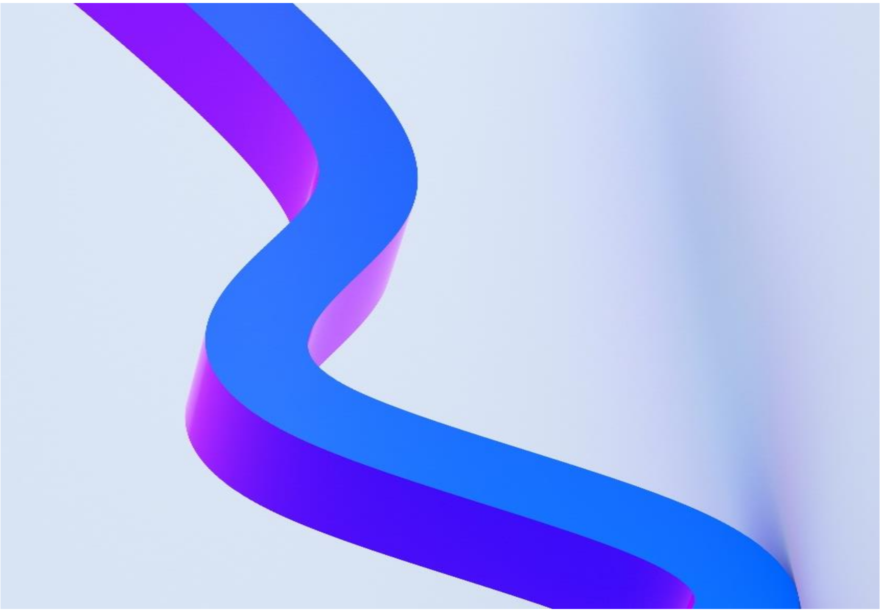
Independence

As a firm, we are committed to being and being seen to be independent. We have strict rules and protocols to maintain our independence that meet or exceed those of the IESBA Code[1] and CPA Code. The following are the actions or safeguards applied to reduce or eliminate threats to an acceptable level:

- Dedicated ethics & independence partners
- Process for reporting breaches of professional standards and policy, and documented disciplinary policy
- Ethics, independence and integrity training for all staff
- International proprietary system used to evaluate and document threats to independence and those arising from conflicts of interest
- Operating polices, procedures and guidance contained in our quality & risk management manual
- Mandated procedures for evaluating independence of prospective audit clients
- Restricted investments and relationships
- Annual ethics and independence confirmation for staff

Statement of compliance

We confirm that, as of the date of this communication, **we are independent** of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada.



1 International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)

Appendices

- **A** Required communications
- **B** Audit quality
- **C** Newly effective accounting standards
- **D** Future changes in accounting standards
- **E** New auditing standards
- **F** Insights
- **G** Environmental, social and governance (ESG)
- **H** Technology

Appendix A: Other required communications

Engagement terms

A copy of the engagement letter and any subsequent amendments has been provided to the Audit Committee.

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: 2021 Annual Inspections Results
- CPAB Audit Quality Insights Report: 2022 Interim Inspections Results
- CPAB Audit Quality Insights Report: 2022 Annual Inspections Results
- CPAB Audit Quality Insights Report: 2023 Interim Inspections Results

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

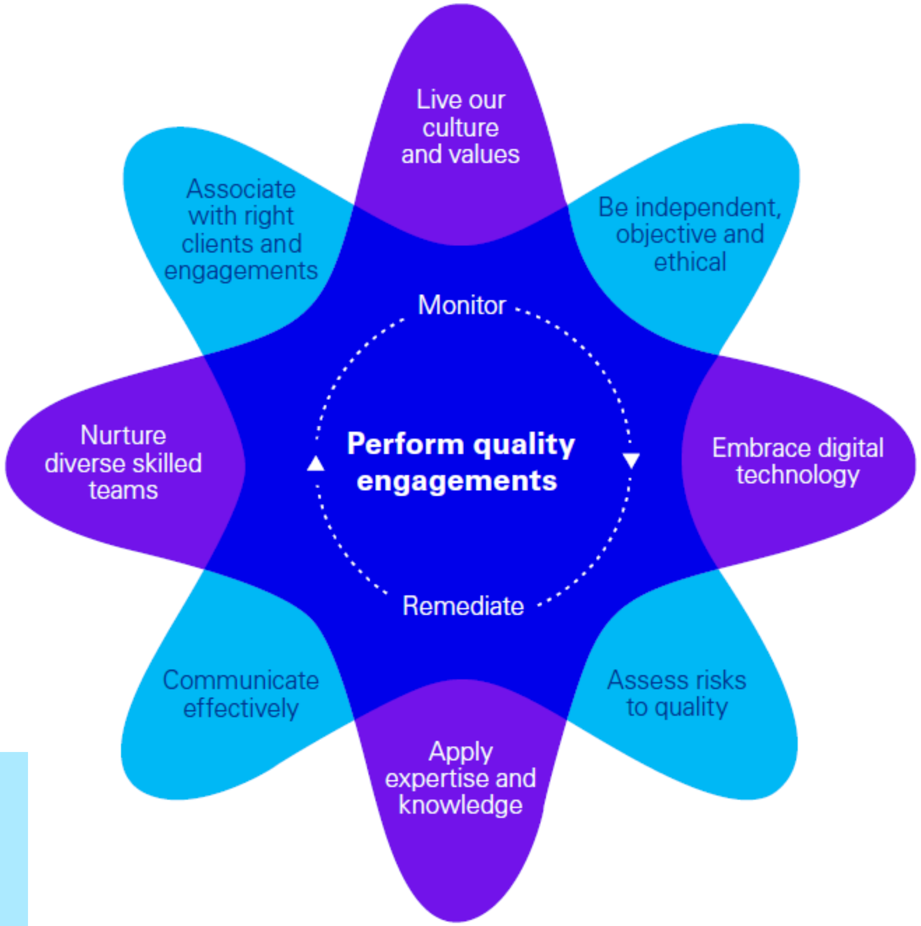
Quality essentially means doing the right thing and remains our highest priority. Our Global Quality Framework outlines how we deliver quality and how every partner and staff member contributes to its delivery.

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:

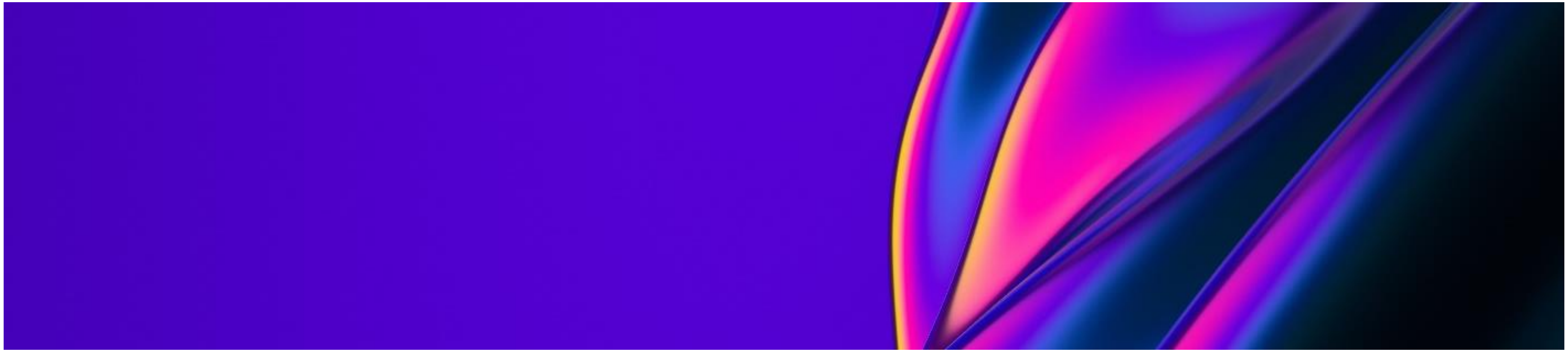
- audits are **executed consistently**, in line with the requirements and intent of **applicable professional standards** within a strong **system of quality management;** and
- all of our related activities are undertaken in an environment of the utmost level of **objectivity, independence, ethics** and **integrity.**



Doing the right thing. Always.

Appendix C : Newly Effective Accounting Standards

Standard	Summary and implications
Asset retirement obligations	• The new standard PS 3280 *Asset retirement obligations* is effective for fiscal years beginning on or after April 1, 2022 *(fiscal year 2023)*. • The new standard addresses the recognition, measurement, presentation and disclosure of legal obligations associated with retirement of tangible capital assets. Retirement costs will be recognized as an integral cost of owning and operating tangible capital assets. • The asset retirement obligations (“ARO”) standard will require the public sector entity to record a liability related to future costs of any legal obligations to be incurred upon retirement of any controlled tangible capital assets (“TCA”). The amount of the initial liability will be added to the historical cost of the asset and amortized over its useful life if the asset is in productive use.



Appendix D: Future Changes in accounting standards

Standard	Summary and implications
Revenue	• The new standard PS 3400 *Revenue* is effective for fiscal years beginning on or after April 1, 2023 *(fiscal year 2024).* • 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 *(fiscal year 2024).* • 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 D: Future Changes in accounting standards (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 *(fiscal year 2024).* • 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 *(fiscal year 2027)* 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 D: Future Changes in accounting standards (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 *(fiscal year 2027)* 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 D: Future Changes in accounting standards (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 *(fiscal year 2027)*. 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 Sector Accounting Board is in the process of evaluating comments received from stakeholders on the exposure draft.

Appendix E: 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, 2022

ISA/CAS 220

(Revised) Quality management for an audit of financial statements

ISQM1/CSQM1

Quality management for firms that perform audits or reviews of financial statements or other assurance or related services engagements

ISQM2/CSQM2

Engagement quality reviews

Effective for periods beginning on or after December 15, 2023

ISA 600/CAS 600

Revised special considerations – Audits of group financial statements

Appendix F: Audit and assurance insights

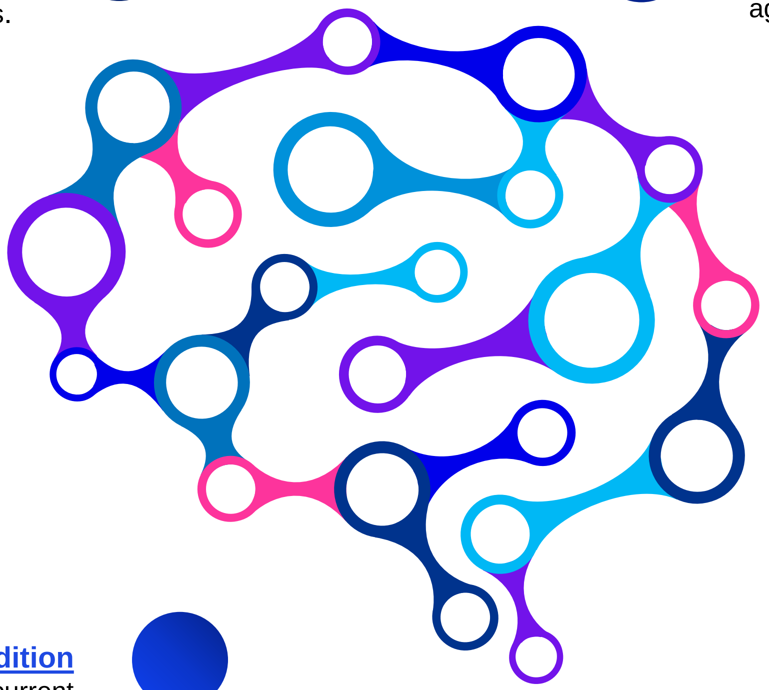
Our latest thinking on the issues that matter most to Audit Committees, board of directors and management.

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 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.

Appendix G: ESG - Global regulatory reporting standards

Recent Activity

ISSB[1] and CSSB

- On March 13, 2024 the Canadian Sustainability Standards Board (CSSB) released proposals on its first two Canadian Sustainability Disclosure Standards (CSDS): Exposure Draft CSDS 1 (proposed general requirements standard) and Exposure Draft CSDS 2 (proposed climate standard).
- The proposed standards are aligned with the global baseline disclosure standards IFRS S1 and IFRS S2 with the exception of a Canadian-specific effective date for annual reporting periods beginning on or after January 1, 2025 and incremental transition relief.
- In June 2023, the International Sustainability Standards Board (ISSB) issued its first two IFRS Sustainability Disclosure Standards – IFRS S1 (general requirements standard) and IFRS S2 (climate standard).
- The ISSB standards are effective for annual periods beginning on or after January 1, 2024 – subject to local jurisdiction adoption.

Canadian regulators (CSA)

- In parallel with the CSSB's release of its proposals on March 13, 2024, the Canadian Securities Administrators (CSA) issued a statement noting that they will seek consultation on a revised climate-related disclosure rule following the finalization of CSDS 1 and 2.
- In October 2021, the CSA issued their original proposed rule, proposed National Instrument 51-107 *Disclosure of Climate-related Matters.*
- Bill S-211, Canada's new Act on fighting against forced labor and child labour will take effect on January 1, 2024. Canadian and foreign businesses impacted by the Act will be required to file a report on their efforts to prevent and reduce the risk of forced labour and child labour in their supply chain, by May 31st of each year.

US (SEC[2,3] and California[4])

- The SEC's final climate rule was issued on March 6, 2024.
- The final rule will generally apply to all SEC registrants; *including* foreign private issuers (Form 20-F filers); *excluding* Canadian issuers reporting under the Multijurisdictional Disclosure System (Form 40-F filers) and asset-backed issuers.
- The earliest compliance date is the fiscal year beginning in Calendar year 2025 for large accelerated filers.
- The SEC also issued its final rules on cybersecurity in July 2023 and expects to release proposed disclosure rules on human capital management in spring 2024 and corporate board diversity in fall 2024.
- On October 7, 2023, the California Governor signed two climate disclosure laws that will shape climate disclosure practices beyond the state's borders. The laws will apply to US businesses (including US subsidiaries of non-US companies) that meet specified revenue thresholds and do business in California. The Governor also signed the California voluntary carbon market disclosures bill.

EU[5,6]

- The European Financial Reporting Advisory Group (EFRAG) was mandated to develop European Sustainability Reporting Standards (ESRSs) setting out the detailed disclosure requirements under the Corporate Sustainability Reporting Directive (CSRD).
- On July 31, 2023, the European Commission published the final text of its first set of twelve ESRSs as delegated acts
- The ESRSs will become effective as early as 2024 reporting periods for some companies.
- There are potentially considerable ESG reporting implications for Canadian entities – as most EU-listed companies and large subsidiaries of Canadian companies with significant operations in the EU are in scope. Non-EU parent entities with substantial activity in the EU may also be in scope, with separate standards to be developed for these entities, with an effective date of 2028 reporting periods

1. Refer to our ISSB Resource Centre for resources on implementing the IFRS Sustainability Disclosure Standards
2. Refer to our Defining Issues publication for more information on the SEC's final climate rule
3. Refer to our Defining Issues publication for more information on the SEC's cybersecurity rules
4. Refer to our publication on California's introduction of climate disclosures and assurance requirements
5. Refer to our ESRS Resource Centre for resources on implementing the ESRSs
6. Refer to our publication on the impact of EU ESG reporting on non-EU companies

Appendix H: Continuous evolution

Our investment: $5B

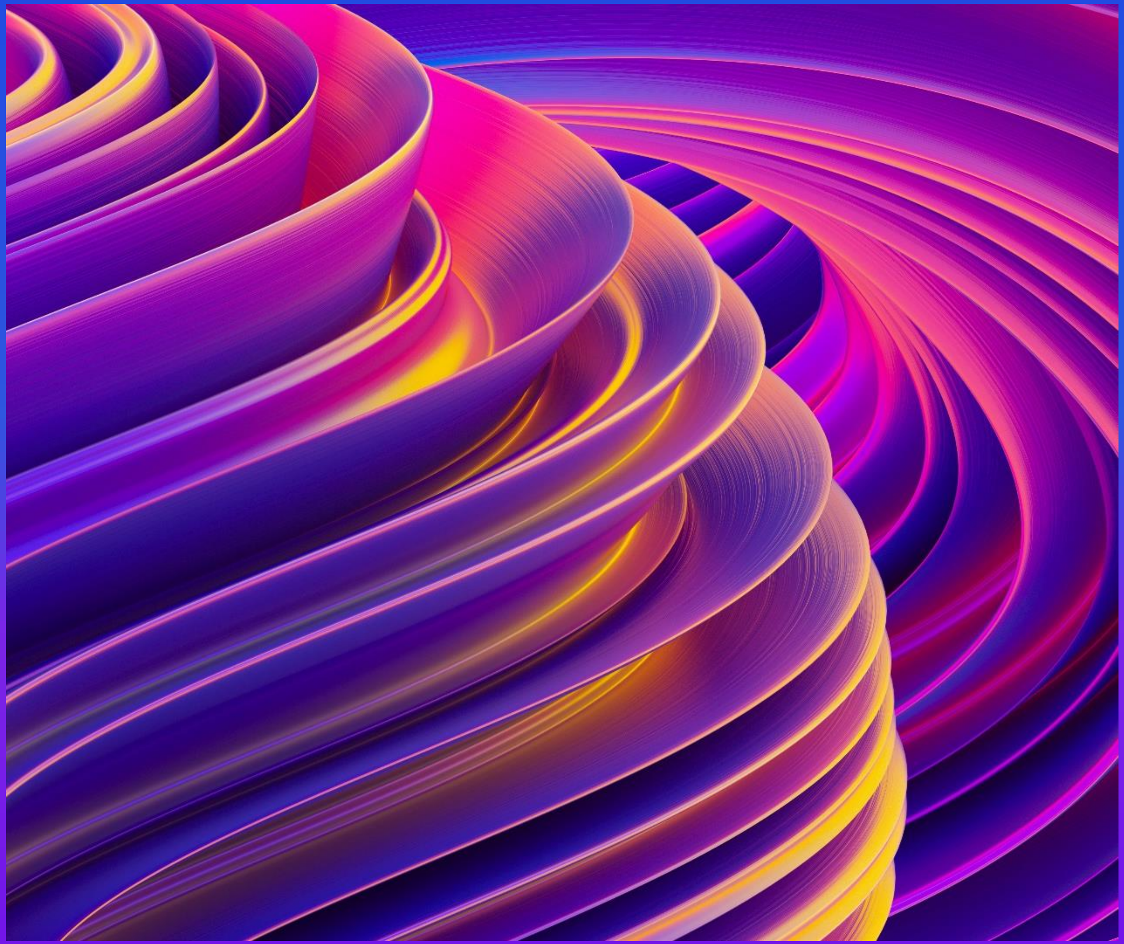
We are in the midst of a five-year investment to develop our people, digital capabilities, and advanced technology.

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.



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