



## **Budget & Administration Committee**

### **Addendum 2**

**May 29, 2026 at 2:00 p.m.**

**This meeting will be fully virtual via Webex Platform**

**All hybrid meetings can be viewed live on HCA's You Tube Channel:  
<https://www.youtube.com/user/HamiltonConservation>**

#### **8. Staff Reports/Memorandums**

##### Reports for Recommendation

8.1 2025 Report by the Auditors

– David Marks, KPMG

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# Hamilton Conservation Authority

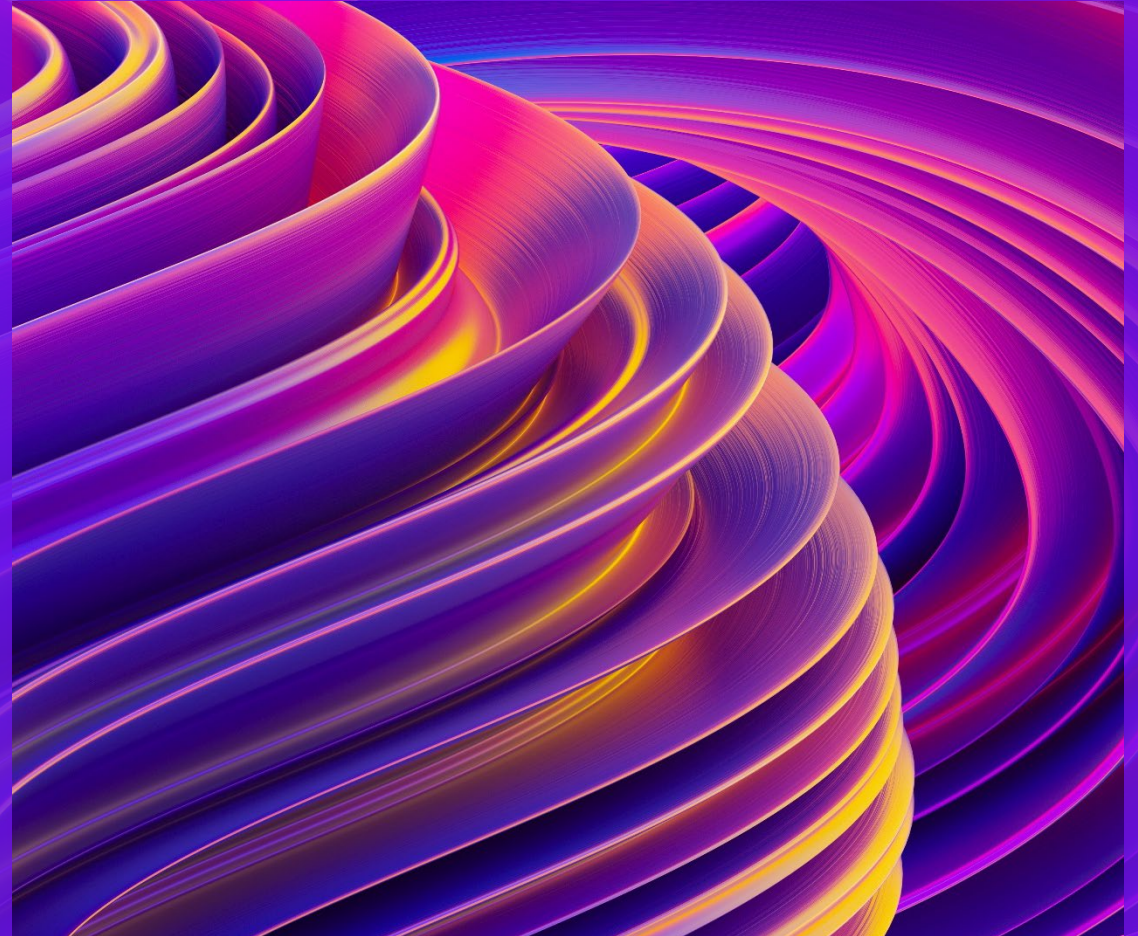
**Audit Findings Report  
for the year ended December 31, 2025**



Licensed Public Accountants

Prepared as of May 28, 2026 for presentation to the Audit Committee  
on May 29, 2026

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



# KPMG contacts

## Key contacts in connection with this engagement



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## 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.

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# 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.



## Significant changes

Significant changes since our audit plan



## Risks and results

- Materiality
- Risk of management override of controls
- Presumed risk of fraudulent revenue recognition
- Other risks of material misstatement

## Policies and practices

- Accounting policies and practices
- Other financial reporting matters

## Audit Quality

Learn more about how we deliver audit quality.

## Independence

Annual Statement of Compliance

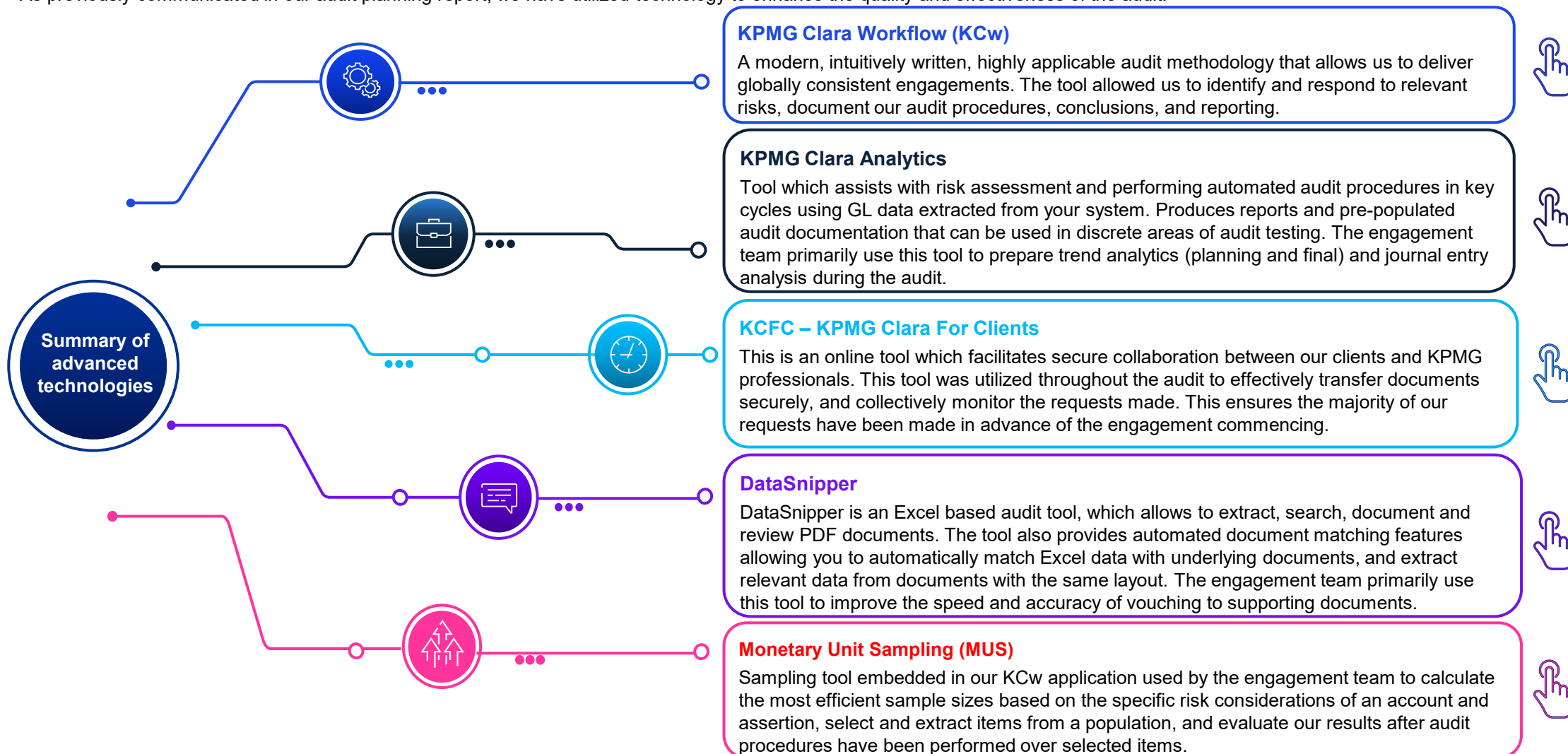


The purpose of this report is to assist you, as a member of the Audit Committee, in your review of the results of our audit of the financial statements. This report is intended solely for the information and use of Management, the Audit Committee, and the Board of Directors and should not be used for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



# Technology highlights

As previously communicated in our audit planning report, we have utilized technology to enhance the quality and effectiveness of the audit.



KPMG's software audit tools are intended to be used as internal enablement tools in conjunction with the performance of audit services. Information resulting from use of software audit tools may not be used as a basis for management's conclusions as to the fairness of presentation of its financial statements or form a part of the internal control.



# Status

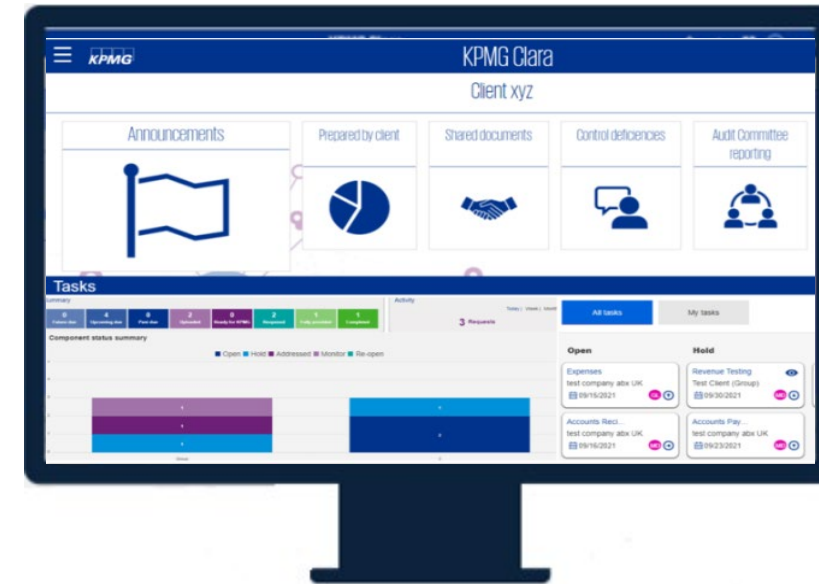
As of May 28, 2026, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include amongst others:

- Final quality control procedures and review;
- Completing our discussions with the Audit Committee;
- Inquiries regarding subsequent events;
- Obtaining evidence of the Board of Director's approval of the financial statements; and
- Receipt of the signed management representation letter.

We will update the Audit Committee, and not solely the Chair, 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 provided in the draft financial statements.

## KPMG Clara for Clients (KCC)



### Real-time collaboration and transparency

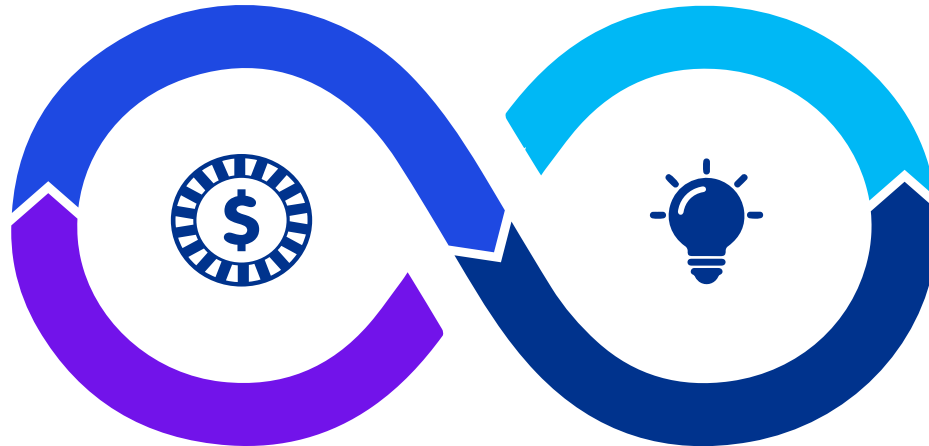
We leveraged **KCC** to facilitate real-time collaboration with management and provide visual insights into the status of the audit!

On our audit we used KCC to coordinate requests with management.

[Learn more](#)



# Materiality



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

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

## Plan and perform the audit

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

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

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

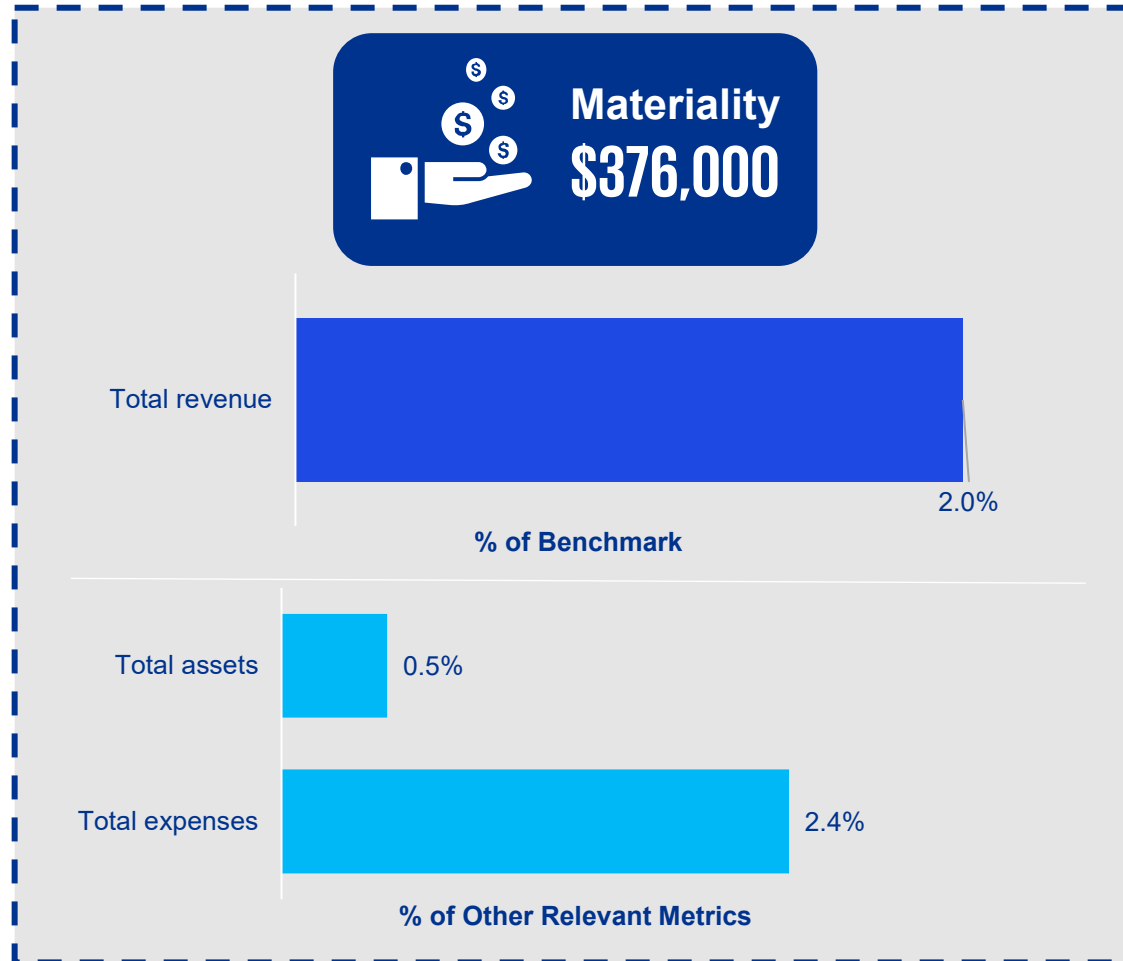
## Evaluate the effect of misstatements

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

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



# Materiality



**Total Revenue**  
**\$18,835,985**

**Total Assets**  
**\$76,136,704**

**Total Expenses**  
**\$16,102,371**



# Significant risks and results

We highlight our significant findings in respect of **significant risks**.



## Management Override of Controls

RISK OF  
  
FRAUD

### Significant risk

### Estimate?

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

### Our response

- Evaluated the design and implementation of controls surrounding the review of journal entries and found these controls to be appropriate.
- Identified journal entries exhibiting specific high-risk criteria and inquired with management to understand the business rationale for these journal entries and traced each entry to their source documents.
- Assessed significant estimates for management bias by obtaining management's calculations and corroborating the inputs to those calculation by tracing to source documents and confirming that assumptions made by management were appropriate.

We did not identify any misstatements or evidence of management override of controls in the performance of our procedures.

### Significant qualitative aspects of the Company's accounting practices

No significant qualitative aspects to note.



# Other risks of material misstatement and results

We highlight our significant findings in respect of **other risks of material misstatement**.



## Grant revenues and deferred contributions

### Other risk of material misstatement

### Estimate?

Grant revenue and deferred contributions - Risk of error over completeness, existence and accuracy of grant revenue including related deferrals. No

### Our response

- Vouched all municipal levy revenue recognized in the year to the related annual levies approved in the applicable municipal budgets.
- Vouched a sample of grant revenues recognized in the year to their corresponding third-party funding agreements and tested the related expenditures to confirm that the performance obligations associated with the revenues were satisfied at the time of recognition.

### Significant qualitative aspects of the Company's accounting practices

No significant qualitative aspects to note.



# Other risks of material misstatement and results

We highlight our significant findings in respect of **other risks of material misstatement**.



## Authority generated fees and other revenue

### Other risk of material misstatement

### Estimate?

Authority generated fees and other revenue - Risk of error over completeness, existence and accuracy of revenue including related deferrals. No

### Our response

- Used a monetary unit sampling technique to select a sample of authority generated revenues for substantive testing.
- Revenues across various revenue streams were reconciled to their source documents, including bank deposit statements.

### Significant qualitative aspects of the Company's accounting practices

No significant qualitative aspects to note.



# Other risks of material misstatement and results

We highlight our significant findings in respect of **other risks of material misstatement**.



## Tangible Capital Assets and Intangible Assets

### Other risk of material misstatement

### Estimate?

Tangible capital assets - Risk of error over completeness, existence and accuracy of tangible capital assets and intangible assets.

No

### Our response

- Used a monetary unit sampling technique to select a sample of capital asset additions for substantive testing.
- Vouched capital asset additions to their related source documents, ensuring the amount recorded was consistent with the source document.
- Recalculated depreciation expense for the year to ensure that the recorded expense is consistent with the useful lives prescribed by the Authority's accounting policies.
- Assessed the presentation and disclosure of tangible capital assets on the financial statements.

### Significant qualitative aspects of the Company's accounting practices

No significant qualitative aspects to note.



# Other risks of material misstatement and results

We highlight our significant findings in respect of **other risks of material misstatement**.



## Operating expenditures, including payroll

### Other risk of material misstatement

### Estimate?

Operating expenditures, including payroll - Risk of error over completeness, existence and accuracy of operating expenditures. No

### Our response

- Used a monetary unit sampling technique to select a sample of operating expenditures and agreed the items selected to source documentation.
- Performed a search for unrecorded liabilities by inspecting populations of expenses recorded subsequent to year-end that may relate to the current fiscal year.
- Selected significant accruals recorded at year-end, obtained the source document and assessed the reasonability of the information and assumptions used to prepare the calculation.
- Used a monetary unit sampling technique to select a sample of payroll expenditures and agreed the items selected to source documentation, including payroll registers, employment contracts and bank statements.
- Obtained the source document for the employee future benefits liability and evaluated the reasonability of the assumptions and data used to prepare the document.

### Significant qualitative aspects of the Company's accounting practices

No significant qualitative aspects to note.



# Accounting policies and practices



## Initial selection of significant accounting policies and practices

There were no new accounting policies.



## Description of new or revised significant accounting policies and practices

There were no changes to accounting policies and practices during the year.



## Significant qualitative aspects

No significant qualitative aspects of accounting policies and practices.



# 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.

See [Appendix: Accounting Standards](#) for proposed future accounting standards



**Significant qualitative aspects of financial statement presentation and disclosure**



No matters to report.





# Our commitment to delivering audit quality

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

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

KPMG is committed to fulfilling our public interest role in providing robust assurance that can benefit investors and other stakeholders.

Businesses are integrating technology in ways once unimaginable. Geopolitical changes and inflationary pressures continue to drive uncertainty, and businesses need to take action to respond to societal threats like climate change.

The pace and scale of change only strengthens our resolve to ensure the quality, consistency and adaptability of our services are fit for this new future. Audit and assurance quality remains the highest priority at KPMG.

Through sustained innovation, we aim to consistently deliver superior audit quality. Across the global organization:

- KPMG firms have implemented a consistent risk-based approach to our system of quality management to drive audit and assurance quality, enabling us to meet the requirements of the International Standard on Quality Management 1 (ISQM 1).
- We are utilising powerful technologies on audit and assurance engagements, including artificial intelligence, and leveraging our alliances with technology leaders such as Microsoft to further enhance quality and provide even more value through deeper analysis of businesses, no matter their size.
- We believe the same level of rigour, quality, consistency and trust that is applied to financial statement information by companies should also apply to ESG reporting. Therefore, across the global organization we have deployed an assurance methodology, KPMG Clara workflow and learning tools to upskill and build teams to provide assurance on ESG reporting that helps our clients build a more sustainable future.

We encourage you to read our Transparency Report to learn more about our system of quality management and our firm's statement on the effectiveness of our SoQM:



[KPMG Canada Transparency Report](#)



# How do we deliver audit quality?

Quality essentially means doing the right thing and remains our highest priority. We have strengthened the consistency and robustness of our system of quality management to meet the requirements of ISQM 1 (CSQM 1), issued by the International Audit and Assurance Standards Board. Foundational for quality management, KPMG's globally consistent approach to ISQM 1 drives compliance with the standard and our efforts to strengthen trust and transparency with clients, the capital markets and the public we serve.

Aligned with ISQM 1 (CSQM 1), our SoQM meets the requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA) and the relevant rules of professional conduct / code of ethics applicable to the practice of public accounting in Canada, which apply to professional services firms that perform audits of financial statements.

Our **Global Quality Framework** outlines how we deliver quality and how every KPMG professional contributes to its delivery.



'**Perform quality engagements**' sits at the core, along with our commitment to continually monitor and remediate to fulfil our quality drivers.



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



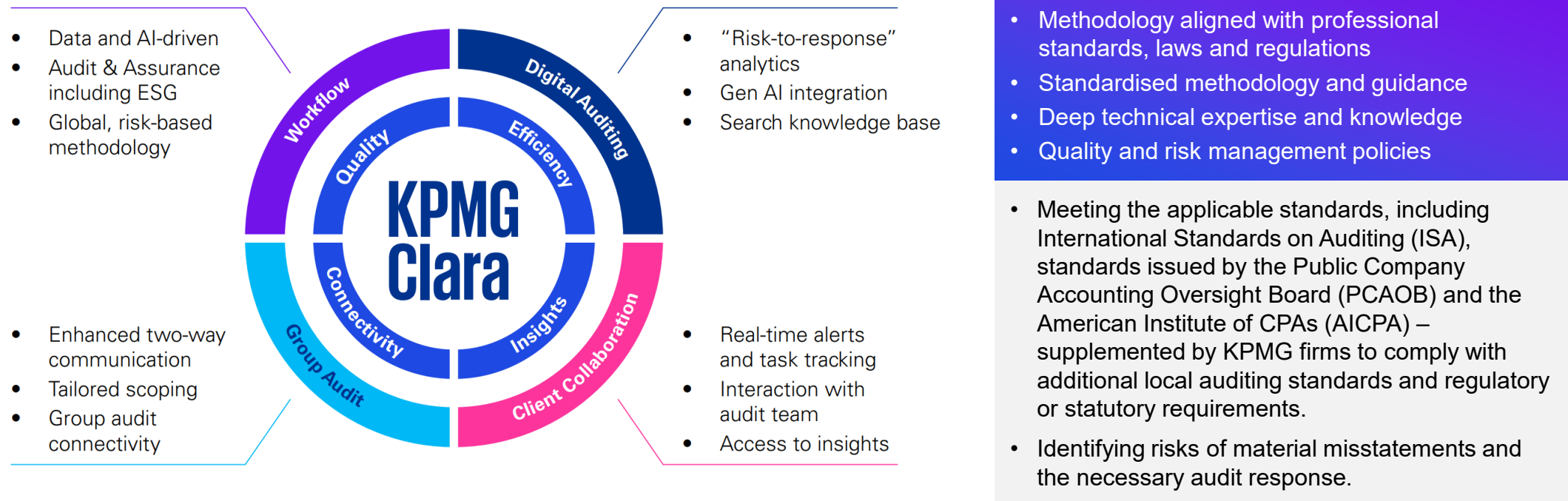
**Doing the right thing. Always.**



# The KPMG Audit

## Globally consistent audit and assurance methodology and tools

As a scalable, intuitive cloud-based platform, KPMG Clara is driving globally consistent execution across all KPMG member firms. It enables delivery of KPMG audit and assurance methodologies through data-enabled workflows, which align with the applicable audit and assurance standards and provide an improved experience to audit and assurance professionals.





# Independence

As a firm, we are committed to being and being seen to be independent. 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 or listed entities; and
- the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (“IESBA independence rules”) that are relevant to audits of financial statements of public interest entities.

The following processes and procedures have been established by the firm to ensure independence is maintained:



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 policies, 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 in compliance** with relevant ethical requirements regarding independence in Canada.



# Appendices

**A**[Required communications](#)**B**[Draft Audit Report](#)**C**[Management Rep Letter](#)**D**[New auditing standards](#)**E**[New accounting standards](#)**F**[Insights](#)**G**[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: 2024 Interim Inspections Results](#)
- [CPAB Regulatory Oversight Report: 2024 Annual Inspections Results](#)
- [CPAB Audit Quality Insights Report: 2025 Interim Inspections Results](#)



# Appendix B: Draft auditor's report

The draft auditor's report is provided separately



# Appendix C: Management representation letter(s)

The management representation letter is provided separately



# Appendix D: Newly effective and upcoming changes to auditing standards

Effective for periods beginning on or after December 15, 2024

## ISA 260/CAS 260

.....  
Communications  
with those charged  
with governance

Summary of Changes:

New requirements for the auditor to communicate:

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

## ISA 700/CAS 700

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

Summary of Changes:

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



# Appendix E: Newly 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 earlier 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 will be 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> <li>The Public Sector Accounting Board is currently deliberating on feedback received on exposure drafts related to the reporting model.</li> </ul>



# 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 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](#)

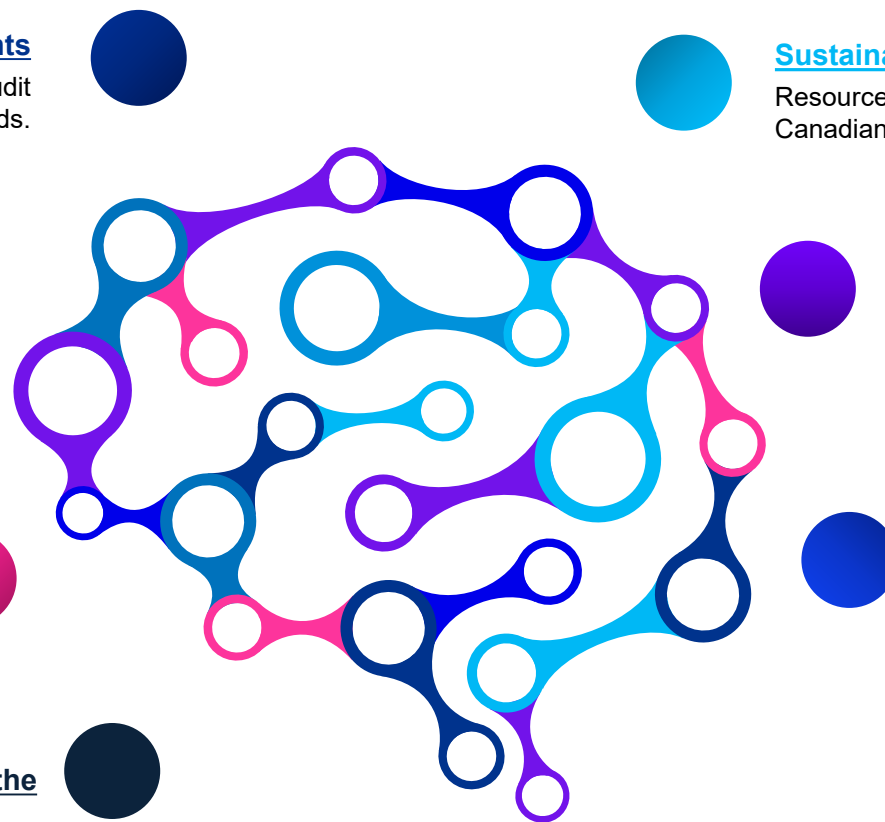
Resource centre on implementing the new Canadian reporting standards

## [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 G: Continuous evolution

## Our investment:

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

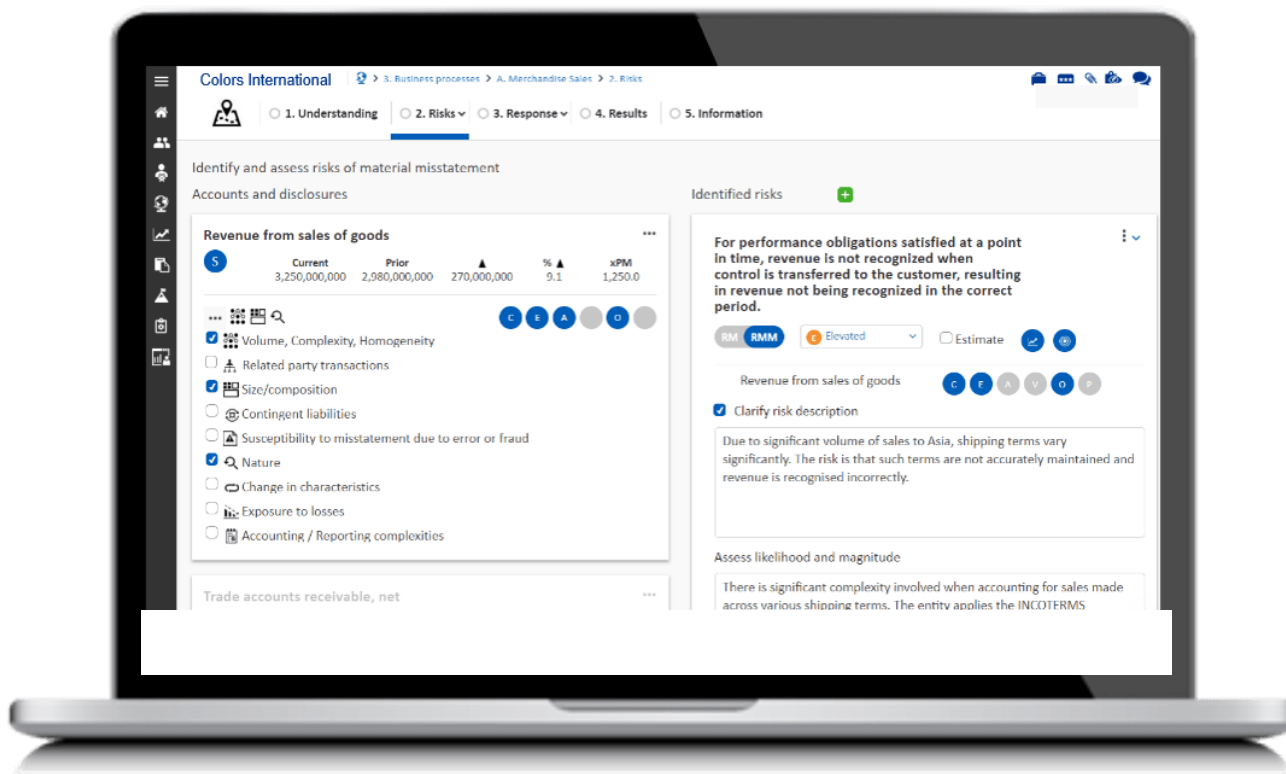
Enhanced quality, reduced disruption, increased focus on areas of higher risk, and deeper insights into your business.





# Appendix G: KPMG Clara Generative AI

With our global alliance partner Microsoft, we have embarked on a journey to embed Generative AI into our smart audit platform—KPMG Clara. This will make our auditors more productive and give them the tools to provide quicker feedback, make more insightful connections, and deliver a better audit experience.



## AI done right

Although early adoption is key, we are focused on avoiding reliance on a 'black box' so we're building 'explainability' and 'traceability' at the core.



## Bolstered productivity

Focused on removing time-consuming low value tasks, we'll apply our skills in other, more judgmental areas or in order to give insights to you.



## Quality at our fingertips

We are teaching our model with our knowledge databases to capture our vast experience. This means quality information accessible in seconds.



## Secure integration

KPMG Clara has been built on a solid and secure Azure Cloud backbone, allowing us to easily integrate Generative AI in partnership with Microsoft.



# Celebrating our Canadian Heritage and Commitment

**KPMG** puts Canada first as part of our commitment to our teams, clients and communities. We are one of Canada's largest professional services firms providing audit, tax, advisory and law services and can proudly say the following:

- **Canadian-Owned and Operated.** We are immensely proud to be 100% Canadian-owned and operated. When you choose us, you support a company deeply rooted in Canadian values, committed to the success of our nation. Our local decision-making ensures we understand and address the unique challenges and opportunities faced by Canadian businesses.
- **Investing in Our Communities.** Our success is intertwined with the well-being of the communities we serve. We actively participate in initiatives that foster growth, innovation, and prosperity across the country.
- **Creating Opportunities and Building Expertise.** As one of Canada's largest professional services firms, we provide jobs and opportunities to thousands of talented individuals. Our extensive network of professionals brings a wealth of knowledge and expertise, ensuring the highest quality of service for our clients.

As you consider your auditors and advisors of the future look to us to support you close to home.

Sincerely,

**KPMG**





<https://kpmg.com/ca/en/home.html>

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