KPMG

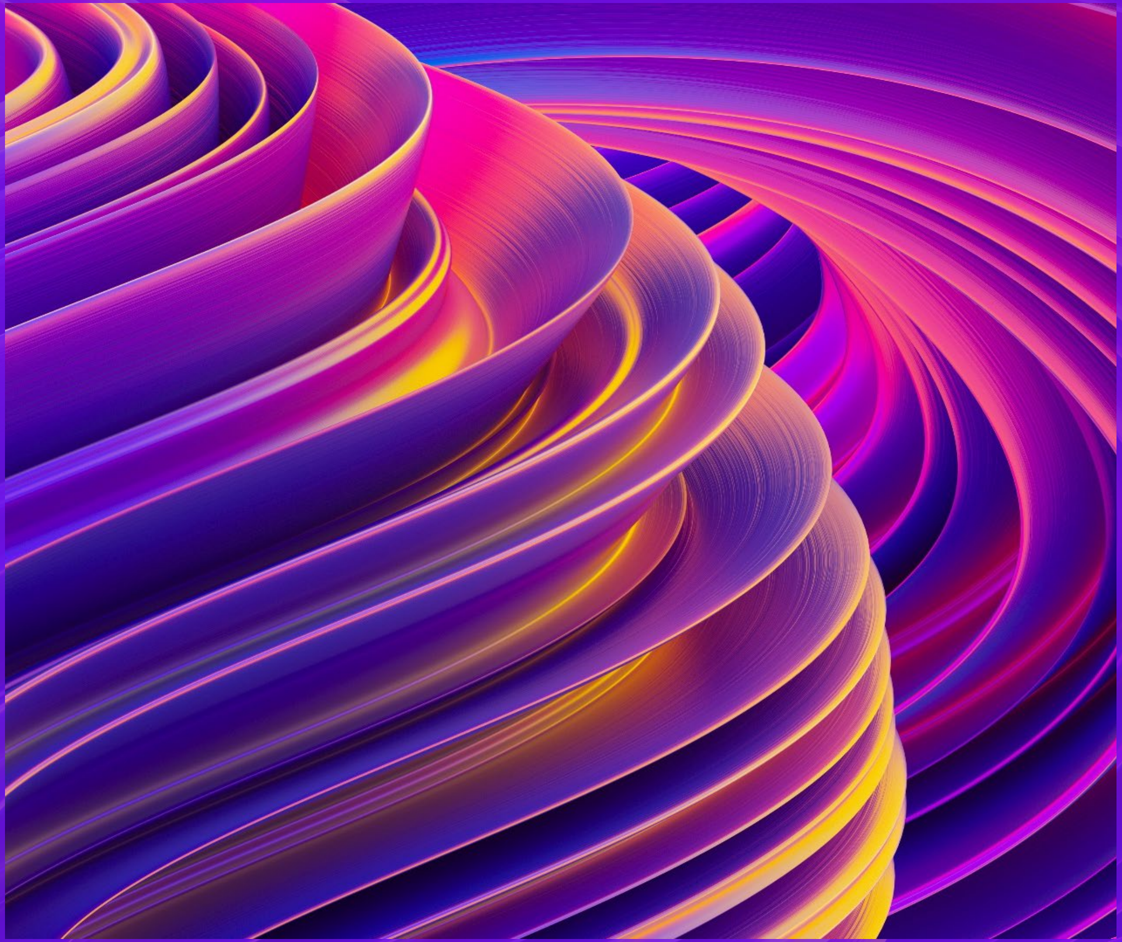
Fraser Valley Regional Hospital District

Audit Findings Report for the year ended December 31, 2024

KPMG LLP

Prepared as of April 16, 2025 for presentation to the Board of Directors on April 24, 2025

kpmg.ca/audit



KPMG contacts

Key contacts in connection with this engagement

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The purpose of this report is to assist you, as a member of the Board of Directors ("Board") in your review of the results of our audit of the financial statements of the Fraser Valley Regional Hospital District for the year ended December 31, 2024. This report is intended solely for the information and use of management, the Board, and should not be used for any other purpose or any other party. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this report to the Board 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

Purpose of this report

The purpose of this Audit Findings Report is to assist you, as a member of the Board of Directors (the "Board"), in your review of the results of our audit of the consolidated financial statements (hereinafter referred to as the "financial statements") of Fraser Valley Regional Hospital District (the "District") as at and for the year ended December 31, 2024. Our audit has been performed in accordance with Canadian generally accepted auditing standards (CAS).

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:

- Completing our discussions with the Board;
- Obtaining the signed management representation letter;
- Obtaining evidence of the Board's approval of the financial statements; and,
- Completing subsequent event review procedures up to the date of the Board of Directors' approval of the financial statements.

We will update the Board on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures. Our auditors' report will be dated upon the completion of any remaining procedures. Our auditor's report, a draft of which is attached to the enclosed financial statements, will be dated upon the completion of any remaining procedures.

Audit strategy

Materiality $390,000

- Materiality has been determined based on total expenses
- Prior year materiality (2023) = $370,000

Updates to our prior year audit plan

- There have been no significant changes to prior year audit plan

Required audit communications

Risk assessment and results

Risks of management override of controls

Other significant risks

- We have not identified any other significant audit risks in addition to the presumed risks required by the professional standards.

Other risks of material misstatement

- Revenue, including new accounting standard PS 3400 *Revenue*
- Expenses

Audit highlights (continued)

No matters to report

Matters to report – see link for details

Uncorrected misstatements

Uncorrected misstatements

We did not identify any uncorrected audit misstatements

Corrected misstatements

Corrected misstatements

We did not identify any corrected audit misstatements

Control deficiencies

Significant deficiencies

We did not identify any control deficiencies that we determined to be a significant deficiency in internal control over financial reporting.

Other control deficiencies

We did not identify any other control deficiencies in the current year.

Policies and practices

Significant unusual transactions

Accounting policies and practices

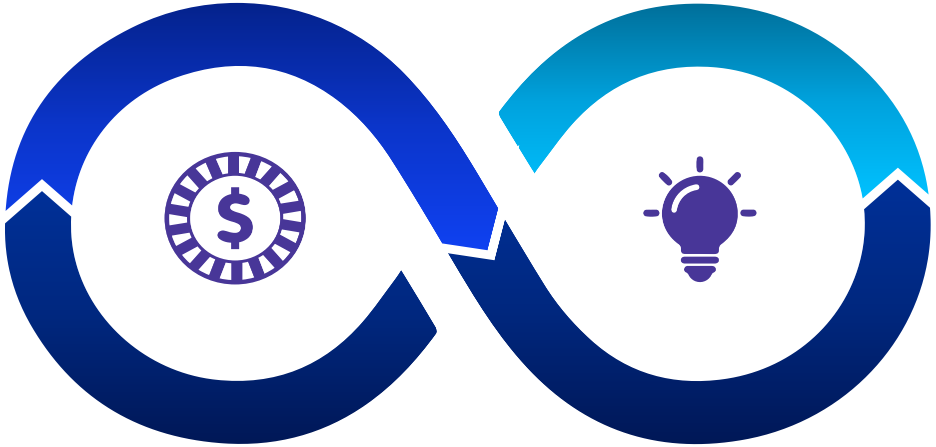
Quality control and Independence

We confirm that we are independent with respect to the District within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation from January 1, 2024 up to the date of this report.

Currrent developments

Please refer to Appendix 4 and Appendix 5 for current development updates and thought leadership and insights.

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.

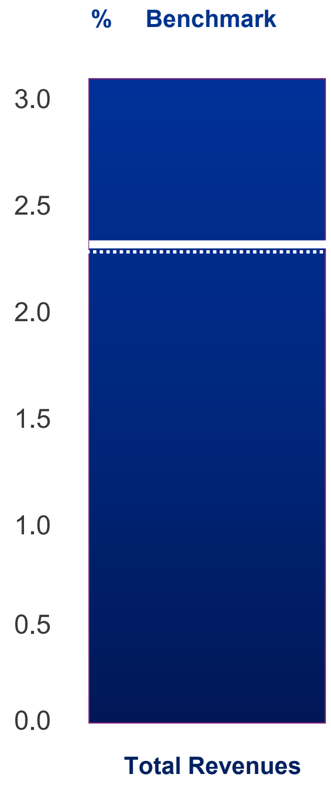
Materiality (continued)

Materiality

$390,000

(2023: $370,000)

Prior year
Current year



Total Revenue

$16.979M

(2023: $15.687M)

Significant risks and results

Management Override of Controls (non-rebuttable significant risk of material misstatement)

RISK OF FRAUD

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

As the risk 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 significant estimates and evaluating the business rationale of significant unusual transactions.
- Utilizing application software to evaluate the completeness of the journal entry population through a roll-forward of all accounts.

Significant findings

There were no issues noted in our testing described above.

Required inquiries of the Board

Inquiries regarding risk assessment, including fraud risks

- What are the Board's views about fraud risks, including management override of controls, in the District? And have you taken any actions to respond to any identified fraud risks?
- Is the Board aware of, or has the Board identified, any instances of actual, suspected, or alleged fraud, including misconduct or unethical behavior related to financial reporting or misappropriation of assets? If so, have the instances been appropriately addressed and how have they been addressed?
- How does the Board exercise oversight of the District's fraud risks and the establishment of controls to address fraud risks?

Inquiries regarding the District's processes

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

Inquires regarding related parties and significant unusual transactions

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

Other risks of material misstatement and results

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

Revenue and Deferred Revenue, including new accounting standard PS 3400 *Revenue*

Other risk of material misstatement	Estimate?
Revenue is recorded on an accrual basis and is recognized when it is earned and measurable. Revenue relating to future periods, are reported as deferred revenue and recognized when earned. There is a risk that revenue is not completely identified and recorded for arrangements that do not exist and trade receivables are recorded inappropriately when they do not meet the recognized requirements or they do not exist. PS 3400 Revenue (“PS 3400”) is a new accounting standard effective for the District’s 2024 fiscal year. The new standard establishes a single framework to categorize revenue to enhance the consistency of revenue recognition and its measurement.	No

Our response

The District’s main sources of revenue are from member requisitions, sale of services, other income. We obtained satisfactory audit evidence over revenue and performed the following procedures:

- We tested all municipal requisitions, and agreed the balances recorded to amounts deposited in the bank and to other supporting documentation
- We performed a reasonability calculation for interest income using rates from investment confirmations received directly investment corporations.
- We assessed the impact of the new PS3400 Revenue standard on timing, measurement, recognition, and presentation of revenue. The adoption of this standard did not have an impact of on the amounts presented in the District’s financial statements.

Our findings

There were no issues noted in our audit testing described above.

Other risks of material misstatement and results (continued)

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

Expenses

Other risk of material misstatement	Estimate?
The District incurs significant operating expenses. There is a need to ensure that the expenses recognized are appropriate.	No

Our response

The District's expenses are closely monitored against the approved budget by the Board. We obtained satisfactory audit evidence over accounts payable and expenses and performed the following procedures:

- We updated our understanding of the processes over authorizations and approvals of expenses.
- We selected a sample of payments made, invoices received and amounts recorded subsequent to year-end to ensure expenses are recorded in the appropriate fiscal year.

Our findings

There were no issues noted in our audit testing described above.

Control deficiencies

Consideration of internal control over financial reporting (ICFR)

In planning and performing our audit, we considered ICFR relevant to the District'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 control deficiencies that we determined to be significant deficiencies in ICFR.

Accounting policies and practices

Significant accounting policies

- There have been no initial selections of, or changes to, significant accounting policies and practices, except for the adoption of new accounting standards – PS 3400 Revenue, PS 3160 Public Private Partnerships, and PSG 8 Purchased Intangibles. There were no issues noted as a result of adoption.
- 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, other than the items previously described.
- There were no issues noted with the extent to which the financial statements are affected by a significant unusual transaction 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.
- There were no significant factors affecting the District's asset and liability carrying values

Significant disclosures and financial statement presentation

- 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 communications

2 Management representation letter

3 Audit quality

4 Current developments

5 Thought leadership and insights

6 Financial statement trend analysis

Appendix 1: Required communications

Auditor’s report	Engagement letter
The conclusion of our audit is set out in the draft auditor’s report attached to the draft financial statements.	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, copy of which has been provided to management.
Audit findings report	**Management representation letter**
Represented by this report.	In accordance with professional standards, copy of the management representation letter is included in Appendix 2.
Independence	**Internal control deficiencies**
We have confirmed our independence to the Board on page 5 of this report.	We did not identify any control deficiencies.

Appendix 2: Management representation letter

FRASER VALLEY REGIONAL DISTRICT
45950 CHEAM AVENUE
CHILLIWACK, BC V2P 1N6

KPMG LLP
200-9123 Mary Street
Chilliwack, BC V2P 4H7
Canada

Date of Board Acceptance of the Financial Statements

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 Fraser Valley Regional Hospital District ("the District") as at and for the period ended December 31, 2024.

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 March 6, 2023 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.

i) ensuring that internal auditors providing direct assistance to you, if any, were instructed to follow your instructions and that we, and others within the entity, did not intervene in the work the internal auditors performed for you.

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, short sellers, or others.

d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements or illegal acts, 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.

Non-SEC registrants or non-reporting issuers:

11) 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).

12) 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.

Other:

13) We confirm that we have provided you with a complete list of service organizations (SO) and sub-service organizations (SSO) and that the relevant complementary user entity controls (CUECs) related to each SO/SSO have been designed and implemented. For the purpose of this representation, a service organization is one as defined in CAS 402.

Yours very truly,

By: Ms. Kelly Lownsbrough, CFO/Director of Corporate Services

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.

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.

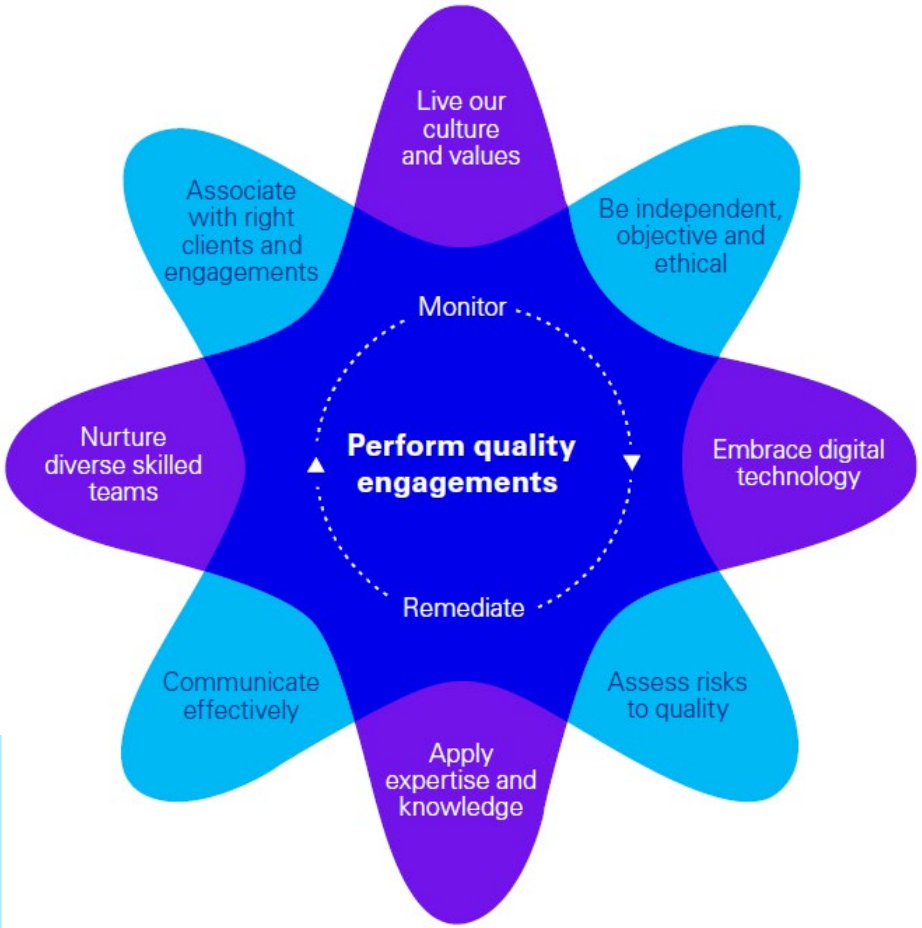
An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

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. Learn more about our system of quality management and our firm's statement on the effectiveness of our SoQM:

KPMG Canada Transparency Report



Doing the right thing. Always.

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.**

Appendix 4: Current developments

Changes in accounting standards

Standard	Summary and implications
Employee Future benefits *Proposed 2027*	• The Public Sector Accounting Board has initiated a review of sections PS 3250 *Retirement benefits* and PS 3255 *Post-employment benefits, compensated absences and termination benefits*. • The intention is to use principles from International Public Sector Accounting Standard 39 *Employee benefits* as a starting point to develop the Canadian standard. • Given the complexity of issues involved and potential implications of any changes that may arise from the review of the existing guidance, the new standards will be implemented in a multi-release strategy. The first standard will provide foundational guidance. Subsequent standards will provide additional guidance on current and emerging issues. • The proposed section PS 3251 *Employee benefits* will replace the current sections PS 3250 *Retirement benefits* and PS 3255 *Post-employment benefits, compensated absences and termination benefits*. It will apply to fiscal years beginning on or after April 1, 2026. Early adoption will be permitted and guidance applied retroactively. • This proposed section would result in public sector entities recognizing the impact of revaluations of the net defined benefit liability (asset) immediately on the statement of financial position. Organizations would also assess the funding status of their post-employment benefit plans to determine the appropriate rate for discounting post-employment benefit obligations. • The Public Sector Accounting Board is in the process of evaluating comments received from stakeholders on the exposure draft.

Appendix 4: Current developments (continued)

Changes in accounting standards (continued)

Standard	Summary and implications
Concepts Underlying Financial Performance *Proposed 2027*	• The revised conceptual framework is effective for fiscal years beginning on or after April 1, 2026 with earlier adoption permitted. • The framework provides the core concepts and objectives underlying Canadian public sector accounting standards. • The ten chapter conceptual framework defines and elaborates on the characteristics of public sector entities and their financial reporting objectives. Additional information is provided about financial statement objectives, qualitative characteristics and elements. General recognition and measurement criteria, and presentation concepts are introduced.

Financial Statement Presentation
 	
Proposed 2027
	• The proposed section PS 1202 *Financial statement presentation* will replace the current section PS 1201 *Financial statement presentation*. PS 1202 *Financial statement presentation* will apply to fiscal years beginning on or after April 1, 2026 to coincide with the adoption of the revised conceptual framework. Early adoption will be permitted.
	• The proposed section includes the following:
	  • Relocation of the net debt indicator to its own statement called the statement of net financial assets/liabilities, with the calculation of net debt refined to ensure its original meaning is retained.
	  • Separating liabilities into financial liabilities and non-financial liabilities.
	  • Restructuring the statement of financial position to present total assets followed by total liabilities.
	  • Changes to common terminology used in the financial statements, including re-naming accumulated surplus (deficit) to net assets (liabilities).
	  • Removal of the statement of remeasurement gains (losses) with the information instead included on a new statement called the statement of changes in net assets (liabilities). This new statement would present the changes in each component of net assets (liabilities), including a new component called “accumulated other”.
	  • A new provision whereby an entity can use an amended budget in certain circumstances.
	  • Inclusion of disclosures related to risks and uncertainties that could affect the entity’s financial position.
	• The Public Sector Accounting Board is currently deliberating on feedback received on exposure drafts related to the reporting model.

Appendix 3: Current developments

Changes to auditing standards

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

Effective for periods beginning on or after December 15, 2023

ISA 600/CAS 600

Revised special considerations – Audits of group financial statements

Click here for information about CAS 600 from CPA Canada:

Revised CAS 600

Effective for periods beginning on or after December 15, 2024

ISA 260/CAS 260

Communications with those charged with governance

ISA 700/CAS 700

Forming an opinion and reporting on the financial statements

Click here for information about CAS 260 and CAS 700 from CPA Canada:

Amended CAS 260 and CAS 700

Appendix 5: Thought leadership and insights

2024 Canadian CEO Outlook

KPMG interviewed more than 800 business owners and C-suite leaders across Canada on a variety of topics ranging from their top-of-mind concerns to their acquisition plans, the risks and rewards of artificial intelligence (AI), productivity, the omnipresent threat of cybercrime, and the impact of aging demographics on the workforce.

Click here to access KPMG's portal.

Future of Risk

Enterprises are facing an array of reputational, environmental, regulatory and societal forces. To navigate this complex landscape, the C-suite should seek to embrace risk as an enabler of value and fundamentally transform their approach. KPMG's global survey of 400 executives reveals that their top priorities for the next few years are adapting to new risk types and adopting advanced analytics and AI. As organizations align risk management with strategic objectives, closer collaboration across the enterprise will be essential.

Click here to access KPMG's portal.

Resilience Amid Complexity

In today's rapidly evolving and interconnected business landscape, organizations face unprecedented challenges and an increasingly complex and volatile risk landscape that can threaten their competitiveness and future survival. We share revealing real-world examples of how companies have overcome their challenges and emerged stronger as the rapid pace of change accelerates and look at the key components of KPMG's enterprise resilience framework and how it is helping these businesses build resilience and achieve their strategic objectives in an increasingly uncertain world.

Click here to access KPMG's portal.

Future of Procureme nt

Procurement is at an exciting point where leaders have the opportunity to recast their functions as strategic powerhouses. In this global report we examine how these forces may affect procurement teams and discuss how procurement leaders can respond – and the capabilities they will need to thrive. Our insights are augmented by findings from the KPMG 2023 Global Procurement Survey, which captured the perspectives of 400 senior procurement professionals around the globe, representing a range of industries.

Click here to access KPMG's portal.

Appendix 5: Thought leadership and insights (continued)

Artificial Intelligence in Financial Reporting and Audit

Artificial intelligence (AI) is transforming the financial reporting and auditing landscape, and is set to dramatically grow across organizations and industries. In our new report, KPMG surveyed 1,800 senior executives across 10 countries, including Canada, confirming the importance of AI in financial reporting and auditing. This report highlights how organizations expect their auditors to lead the AI transformation and drive the transformation of financial reporting. They see a key role for auditors in supporting the safe and responsible rollout of AI, including assurance and attestation over the governance and controls in place to mitigate risks.

Click here to access KPMG's portal.

Control System Cybersecurity Annual Report 2024

Based on a survey of more than 630 industry members (13% from government organizations), this report reveals that while the increase in cyberattacks is concerning, organizations have become more proactive in their cybersecurity budgets, focused on prevention, and acknowledging the threat of supply chain attacks. Furthermore, the report highlights a pressing need for skilled cybersecurity professionals in the face of escalating cyber threats. Explore the full report to help gain a clearer understanding of the growing cyber threat landscape and learn how to overcome the roadblocks to progress.

Click here to access KPMG's portal.

Cybersecurity Considerations 2024: Government and Public Sector

In every industry, cybersecurity stands as a paramount concern for leaders. Yet, for government and public sector organizations, the game of digital defense takes on a whole new level of intensity. The reason? The sheer volume and sensitivity of data they manage, which can amplify the potential fallout from any breach. These agencies are the custodians of a vast array of personal and critical data, spanning from citizen welfare to public safety and national security. This article delves into the pivotal cybersecurity considerations for the government and public sector. It offers valuable perspectives on critical focus areas and provides actionable strategies for leaders and their security teams to fortify resilience, drive innovation, and uphold trust in an ever-changing environment.

Click here to access KPMG's portal.

Appendix 5: Thought leadership and insights (continued)

Why the Public Sector Must Take the Lead in Sustainability Reporting

As the world prepares for the implementation of sustainability reporting standards from the International Sustainability Board (ISSB), the need for public sector leadership is pronounced. While governments around the world have collaborated on vital policy and regulatory solutions, they have yet to provide sustainability reporting for their own government reporting entities. This presents a major obstacle to global sustainability ambitions, particularly considering the vast physical infrastructure, non-renewable resources, rare earth elements, water and natural assets controlled by governments around the world. .

Click here to access KPMG's portal.

Fighting Modern Slavery in Canadian Supply Chain

The deadline for the first year of reporting under Canada's Fighting Forced Labour and Child Labour in Supply Chains Act (the Act) was May 31, 2024. Under the Act, eligible entities are required to publicly report on steps taken to reduce the risk of forced labour and child labour in their business and supply chain. KPMG in Canada reviewed 5,794 report submissions for the act to identify key takeaways.

Click here to access KPMG's portal.

ESG for Cities Webinar Series

Cities and municipalities play a crucial role to drive climate action and resilience measures, acting as stewards for the communities they serve – including their constituents, and public, private and non-profit organizations. With the physical impacts of climate changes – including floods, wildfires and droughts – accelerating in terms of both increased frequency and severity, city and municipal leaders are increasingly considering how they can tackle the multifaced challenge of achieving net zero greenhouse gas (GHG) emissions by 2050. KPMG in Canada's Public Sector and ESG practices completed a three-part national webinar series focusing on the journey to net zero – from strategic planning and stakeholder engagement to the implementation at the asset and operational level, and subsequent reporting obligations.

Click here to access KPMG's portal.

Appendix 5: Thought leadership and insights (cont'd)

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

KPMG Audit & Assurance Insights

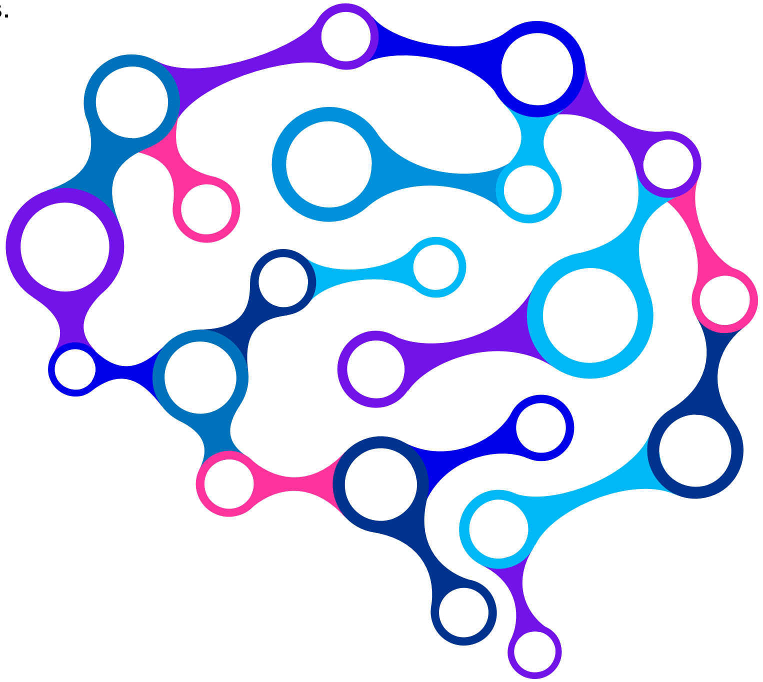
Curated research and insights for audit committees and boards.

Board Leadership Centre

Leading insights to help board members maximize boardroom opportunities

Current Developments

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



Audit Committee Guide – Canadian Edition

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

Sustainability Reporting

Resource centre on implementing the new Canadian reporting standards

Accelerate

Our annual article series, developed by KPMG subject matter experts, which tackles the most pressing risks and opportunities that face audit committees, boards and management teams across the country.

Appendix 5: Thought leadership and insights (continued)

KPMG research shows that:

Eighty-seven percent of IT decision makers believe that technologies powered by AI should be subject to regulation.

— Of that group, 32 percent believe that regulation should come from a combination of both government and industry.

— Twenty-five percent believe that regulation should be the responsibility of an independent industry consortium.

Ninety-four percent of IT decision makers feel that firms need to focus more on corporate responsibility and ethics while developing AI solutions.

Source:

Per a study of 300 ITDMs from the UK and the US, conducted by Vanson Bourne on behalf of SnapLogic:

https://www.businesswire.com/news/home/20190326005362/en/AI-Ethics-Deficit-%E2%80%94-94-Leaders-Call

For AI solutions to be transformative, trust is imperative. This trust rests on four main anchors: integrity, explainability, fairness, and resilience. These four principles (enabled through governance) will help organizations drive greater trust, transparency, and accountability.

1. **Integrity** — algorithm integrity and data validity including lineage and appropriateness of how data is used
2. **Explainability** — transparency through understanding the algorithmic decision-making process in simple terms
3. **Fairness** — ensuring AI systems are ethical, free from bias, free from prejudice and that protected attributes are not being used
4. **Resilience** — technical robustness and compliance of your AI and its agility across platforms and resistance against bad actors

1 Develop AI principles, policies and design criteria and establish controls in an environment that fosters innovation, flexibility, and trust while identifying the unique risks associated with AI. In addition, understand the footprint of AI within the organization in order to inventory capabilities and use cases.

2 Design, implement, and operationalize an end-to-end AI governance and operating model across the entire AI development life cycle, including strategy, building, training, evaluating deploying, operating and monitoring AI. Consider the need to set up separate governance committees and councils to address the unique risks and complexities associated with AI and data.

3 Assess the current governance and risk framework and perform a gap analysis to identify opportunities and areas that need to be addressed

4 Design a cross-functional governance committee and framework that deliver AI solutions and innovation through guidelines, templates, tooling and accelerators to quickly yet responsibly deliver AI solutions.

5 Integrate a risk management framework to identify and prioritize business-critical algorithms and incorporate an agile risk mitigation strategy to address cybersecurity, integrity, fairness, and resiliency considerations during design and operation

6 Design and set up criteria to maintain continuous control over algorithms without stifling innovation and flexibility. Consider the need to invest in new capabilities to enable effective governance and risk management enabled through tooling for AI.

home.kpmg/ShapeofAIGovernance

Appendix 5: Thought leadership and insights (continued)

Current trends in internal audit

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

Examples of internal audits are noted below.

Cost reduction / efficiency planning

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

Fraud risk management

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

Staff inclusion and diversity

Assess the strategy and plan in place for inclusion and diversity amongst staff, the governance of them and the measures in place to measure achievement of the goals. Training and awareness programs are offered to staff and faculty to provide understanding of roles and responsibilities and material is updated on a regular basis.

Asset management / maintenance

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

Well being (staff)

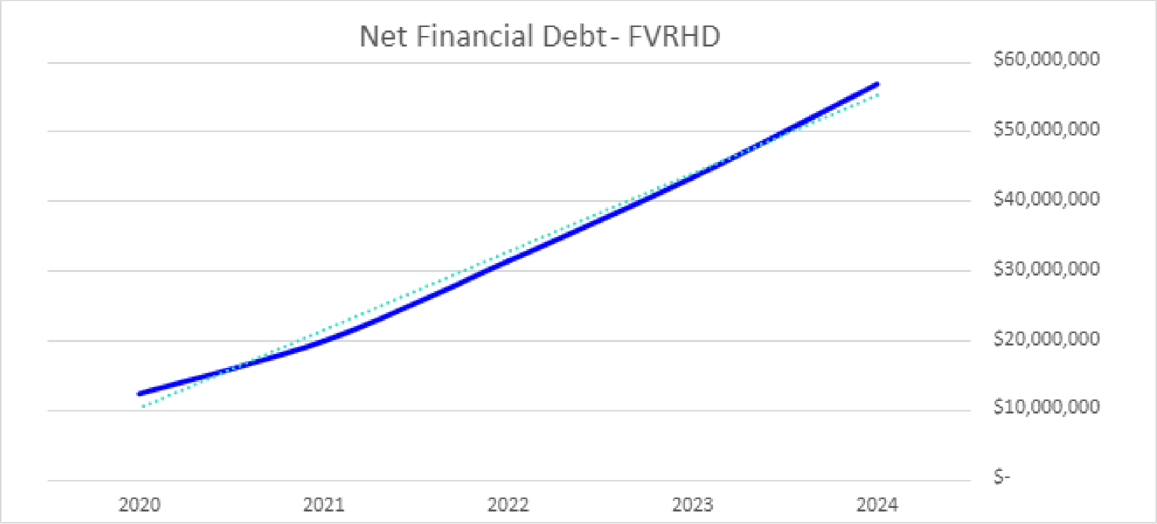
Review processes in place to develop and promote employee wellness programs and mental health strategies for staff. Areas of focus include overall program framework, communication to faculty and staff, feedback mechanisms and management's approach to assessing the suitability of the current wellness offerings version faculty and staff needs.

Appendix 6: Financial statement trend analysis

Fraser Valley Regional Hospital District

Net financial assets is a measurement of the available financial resources that the Hospital District has to finance future operations.

The net financial assets have been increasing at an average rate of 35.9% per year with an increase of 31% when compared to 2023. This represents an increasing accumulation of financial assets. Specifically, cash has increased by $9.5 million and debenture debt has decreased $3.6 million compared to 2023.



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