



Finance Committee Meeting

**Niagara Peninsula Conservation Authority
April 6, 2023 at 1:00 PM
250 Thorold Road, Welland**

Agenda

1. APPROVAL OF AGENDA

2. DECLARATIONS OF CONFLICT OF INTEREST

3. APPOINTMENT OF CHAIR AND VICE CHAIR

4. APPROVAL OF THE MINUTES

4.1. Minutes of the NPCA Finance Committee Meeting of November 22, 2022

Page #1

5. CORRESPONDENCE

6. DELEGATIONS

7. PRESENTATIONS

7.1. Presentation by David Marks, Partner, Audit, KPMG LLP, RE: 2022 Audited Financial Statements (This presentation is in conjunction with agenda item 9.2 Report No. FC-03-23 RE: 2022 Audited Financial Statements.)

8. CONSENT ITEMS

8.1. Report No. FC-02-23 RE: Financial Report – Q4 - 2022

Page #5

8.2. Report No. FC-04-23 RE: Banking and Investments – 2022 Activity

Page #9

8.3. Report No. FC-05-23 RE: Procurement – 2022 Activity

Page #11

9. DISCUSSION ITEMS

9.1. Report No. FC-01-23 RE: Finance Committee – 2023 Work Plan

Page #16

9.2. Report No. FC-03-23 RE: 2022 Audited Financial Statements

Page #19

10. NEW BUSINESS

11. ADJOURNMENT

**FINANCE COMMITTEE
ON-LINE VIDEO CONFERENCE
MEETING MINUTES
Monday, November 14, 2022
1:00 p.m.**

MEMBERS PRESENT: S. Beattie (Chair)
R. Brady
R. Foster
B. Mackenzie (departed 1:30 p.m.; returned 1:57 p.m.)
M. Woodhouse

MEMBERS ABSENT: B. Johnson

STAFF PRESENT: C. Sharma, Chief Administrative Officer/Secretary–Treasurer
G. Bivol, Clerk
A. Christie, Director, Conservation Areas
C. Coverdale, Business and Financial Analyst
D. Deluce, Senior Manager, Environmental Planning and Policy
L. Gagnon, Director, Corporate Services
E. Gervais, Procurement Specialist
L. Lee-Yates, Director, Watershed Management

ALSO PRESENT: S. Stephen, Watson and Associates Economists Ltd.

Chair Beattie called the meeting to order at 1:01 p.m..

1. APPROVAL OF AGENDA

Recommendation No. FC-19-2022

Moved by Member Brady

Seconded Member Mackenzie

THAT the Finance Committee meeting agenda dated November 14, 2022 **BE APPROVED.**

CARRIED

2. DECLARATIONS OF CONFLICT OF INTEREST

None declared.

3. APPROVAL OF THE MINUTES

a) Minutes of the Finance Committee meeting dated July 27, 2022

b) Minutes of the Closed Session of the Finance Committee meeting dated July 27, 2022

Recommendation No. FC-20-2022

Moved by Member Woodhouse

Seconded by Member Brady

THAT the Finance Committee **APPROVES** the following:

- Minutes of the Finance Committee meeting dated July 27, 2022; and
- Minutes of the Closed Session of the Finance Committee meeting dated July 27, 2022 to remain private and confidential.

CARRIED

4. CORRESPONDENCE

None.

5. DELEGATIONS

None.

6. PRESENTATIONS

- a) PowerPoint Presentation by Sean-Michael Stephen, Watson and Associates Economists Ltd. RE: Niagara Peninsula Conservation Authority Plan Review and Permitting Fee Review – This presentation was added to the agenda and was in conjunction with Agenda Item 8. b) Report No. FC-16-22 RE: 2023 Fees Schedule. Lise Gagnon, Director of Corporate Services introduced the matter. Leilani Lee Yates spoke and Mr. Stephen further presented. Members posed questions and discussion ensued.

Recommendation No. FC-21-2022

Moved by Member Brady

Seconded by Member Woodhouse

THAT the PowerPoint Presentation by Sean-Michael Stephen, Watson and Associates Economists Ltd. RE: Niagara Peninsula Conservation Authority Plan Review and Permitting Fee Review **BE RECEIVED**.

CARRIED

Recommendation No. FC-22-2022

Moved by Member Woodhouse

Seconded by Member Brady

1. **THAT** Report No. FC-16-22 RE: 2023 Fees Schedule **BE RECEIVED**.
2. **AND THAT** the 2023 Fees Schedule outlined in Appendix 1 of Report No. FC-16-22 **BE RECOMMENDED** to the Board of Directors for approval, with an effective date of November 18, 2022.

CARRIED

7. CONSENT ITEMS

None.

8. DISCUSSION ITEMS

- a) Report No. FC-13-22 RE: 2023 Draft Budgets and Municipal Levies - Lise Gagnon, Director presented. Discussion ensued.

Recommendation No. FC-23-2022

Moved by Member Mackenzie

Seconded by Member Brady

THAT the PowerPoint Presentation by Lise Gagnon Director, Corporate Services RE: 2023 Draft Budgets and Municipal Levies **BE RECEIVED**.

CARRIED

Recommendation No. FC-24-2022

Moved by Member Woodhouse

Seconded by Member Brady

1. **THAT** Report No. FC-13-22 RE: 2023 Draft Budgets and Municipal Levies **BE RECEIVED** for Committee review.

2. **THAT** the Finance Committee **IS RECOMMENDING** that the Board of Directors consider and approve the following recommendations:

- a) **THAT** the 2023 Draft Budgets & Municipal Levies **BE APPROVED** at the Board of Directors meeting on November 18th, 2022, for discussion with municipal staff, in accordance with Board approved Budget Assumptions.
- b) **THAT** the targeted Land Securement Reserve contributions as per the Land Securement Strategy **BE PRESENTED** to municipal partners for their consideration, identified as an item below line in the Special Levy envelope.
- c) **THAT** the list of 2023 unfunded pressures **BE PROVIDED** to partner municipalities for any future opportunities outside the 2023 budget through collaborative projects or external funding.
- d) **THAT** NPCA staff **REPORT** the results of discussions with municipal staff to the 2023 Q2 Finance Committee and Board of Directors meetings.
- e) **AND FURTHER THAT** a copy of the 2023 Draft Budgets and Municipal Levies **BE FORWARDED** to partner municipalities in advance of the November 18th, 2022, NPCA Board of Directors meeting.

CARRIED

- b) Report No. FC-16-22 RE: 2023 Fees Schedule – This report was related to and addressed in conjunction with Item 6. a) PowerPoint Presentation by Sean-Michael Stephen, Watson and Associates Economists Ltd. RE: Niagara Peninsula Conservation Authority Plan Review and Permitting Fee Review.

9. NEW BUSINESS

None.

10. CLOSED SESSION

None.

11. ADJOURNMENT

The Finance Committee meeting adjourned at 2:47 p.m..

Stew Beattie,
Committee Chair

Chandra Sharma, MCIP, RPP
Chief Administrative Officer / Secretary
- Treasurer

Report To: Finance Committee

Subject: Financial Report – Q4 - 2022

Report No: FC-02-23

Date: April 5, 2023

Recommendation:

THAT Report No. FC-02-23 RE: Financial Report – Q4 - 2022 BE RECEIVED.

Purpose:

The purpose of this report is to provide the Finance Committee with a final 2022 year end summary of operating (Appendix 1) and capital expenditures (Appendix 2) and to provide a comparison of actual results to the budget as approved by the Board. Additionally, this report provides information on the 2023 annual allocations with respect to the Operating and Capital Reserves.

Discussion:

The Reserve Policy provides guidance for the allocation as well as source and use of funds within each reserve category. Staff is seeking Finance Committee endorsement of the following reserve allocations for the 2023 fiscal year with respect to the General Operating and General Capital Reserves, to be presented to the Board for final approval on April 21, 2023.

General Operating Reserve

Appendix 1 provides a final summary and variance analysis of operating performance for the 2022 fiscal year and returns a positive operating net position of \$443,029. This net position is distributed as follows:

- | | |
|--|-----------|
| a) Capital planning and asset management | \$250,000 |
| b) General Operating Reserve | 193,029 |

Total General Operating Reserve balance as at Dec. 31, 2022: \$1,158,096

General Capital Reserve

Total General Capital Reserve balance as at Dec. 31, 2022: \$606,012, allocated to ongoing multi-year initiatives.

Financial Implications:

This report confirms the general financial oversight and compliance with Public Sector Accounting Board Standards. All recommendations and details contained in this report have been integrated in the Conservation Authorities Act Inventory of Programs and Services and the audited financial statements as appropriate.

Related Reports and Appendices:

Appendix 1: 2022 Operating Statement – Q4

Appendix 2: Capital Projects 2022 – Q4

Prepared by:

Original Signed by:

Lise Gagnon, CPA, CGA
Director, Corporate Services

Submitted by:

Original Signed by:

Chandra Sharma, MCIP, RPP
Chief Administrative Officer/
Secretary-Treasurer

Niagara Peninsula Conservation Authority
2022 CONSOLIDATED OPERATING STATEMENT - Q4 - January 1 to December 31, 2022

Appendix 1 - Report No. FC-02-23	2022 Annual Actual	2022 Annual Budget	Actual to Budget Variance		Comments
			Amount	%	
Source of Funds					
Municipal Funding	6,337,748	6,337,748	-	0.0%	No variance - approved municipal levy increase - 2%
Provincial Funding	459,667	391,978	67,689	17.3%	Unbudgeted grant funding - Holiday Trail
Federal Funding	316,852	120,000	196,852	164.0%	Unbudgeted grant funding (2B Trees, HSP, Holiday Trail)
Park Operations	3,067,750	2,894,838	172,912	6.0%	Better than expected revenue generation - Conservation Area Services
Permits and Regulatory Fees	495,933	549,000	- 53,067	-9.7%	Forecasted permit volumes higher than actual
Other Revenue	893,875	564,485	329,390	58.4%	Interest income, WSIB rebate, unbudgeted grant funding
Total Revenues/Source of Funds	11,571,825	10,858,049	713,776	6.57%	
Use of Funds					
Salaries and Benefits	7,002,976	7,223,626	- 220,650	-3.1%	Recruitment & retention challenges, delays in filling vacant positions
Other Employee Related Expenses	199,581	251,976	- 52,395	-20.8%	Reduced staff mileage/expenses (hybrid work) and training costs
Governance	27,483	57,600	- 30,117	-52.3%	Reduced mileage and expenses - hybrid meetings
Professional Fees & Contractor Services	662,247	484,500	177,747	36.7%	Grant Funding disbursements (\$136K), legal: planning/permitting/compliance
Occupancy Costs	633,234	540,460	92,774	17.2%	Insurance premiums and inflation on utilities
IT, GIS and Licence Fees	461,624	418,037	43,587	10.4%	IT managed services agreement (new), improved internet connectivity
Vehicles and Equipment	337,342	314,000	23,342	7.4%	Inflation - gas and oil
Park Maintenance	798,943	580,300	218,643	37.7%	Hazard tree removal, repairs and maintenance backlog
Other Operating Expenses	315,931	269,700	46,231	17.1%	Interest expense
Materials and Supplies	234,361	291,250	- 56,889	-19.5%	Reclass Restoration expense and strat planning follow up deferred
Marketing and Promotion, Special Events	455,074	426,600	28,474	6.7%	Unbudgeted special event disbursements (fully funded)
Total Expenses/Use of Funds	11,128,796	10,858,049	270,747	2.5%	
Net Surplus as at December 31, 2022	443,029	-	443,029		

Niagara Peninsula Conservation Authority - 2022 CAPITAL AND SPECIAL PROJECTS							Appendix 2 - Report No. FC-02-23		
Project Name	Location	Funding			Budget Carried Forward	YTD Spend at 31-DEC-2021	YTD Spend at 31-DEC-2022	Total Project at 31-DEC-2022	
		Reserve *	2022	Total Project					
Corporate Services									
Annual PC replacements and Acquisition	Various	-	69,102	69,102		-	90,464	90,464	
Information Technology Infrastructure Maintenance	Various	-	21,262	21,262		-	33,834	33,834	
Large Scale Surface Water Inventory Mapping Update	Various	-	106,311	106,311		-	6,311	6,311	
2021 Digital Terrain Model Update	Various	-	-	-	150,000	-	135,405	135,405	
2021 Natural Areas ELC Mapping Update	Various	-	-	-	150,000	-	142,685	142,685	
2021 Restoration and Watershed Plan Data Update	Various	-	-	-	150,000	-	114,700	114,700	
2021 Restoration Site Design - Lakewood	Various	-	-	-	50,000	-	24,150	24,150	
2021 Records Management - phased	HQ - Welland	-	-	-	40,000	-	3,739	3,739	
2021/2022 Asset Management and Capital Planning	HQ - Welland	-	22,857	22,857		22,072	3,912	25,984	
2021 Financial Reporting & Budgeting Module	HQ - Welland	-	-	-	42,100	49,048	6,207	42,841	
TOTAL - Coporate Services		\$ -	\$ 219,532	\$ 219,532	\$ 582,100	\$ 71,120	\$ 548,993	\$ 620,113	
Land Operations									
Balls Falls - Heritage Building Restoration	Balls Falls	-	147,236	147,236		-	145,966	145,966	
Balls Falls - Pedestrian Path (Accessibility)	Balls Falls	-	26,292	26,292		-	8,924	8,924	
Binbrook - Parking Infrastructure Pavillion 2	Binbrook	-	54,784	54,784		-	50,318	50,318	
Chippawa Creek - Comfort Station Tanks	Chippawa Creek	-	36,809	36,809		-	23,847	23,847	
Long Beach - Electrical/Water - Ridge (Phase 3)	Long Beach	-	105,169	105,169		-	128,672	128,672	
Equipment Sustainment	Central Workshop	-	220,063	220,063		-	290,414	290,414	
Hazard Tree Removal and Reforestation	Various	1,868	104,135	106,003		-	108,030	108,030	
2021/2022 Cave Springs Exterior Infrastructure	Central Workshop	-	131,461	131,461	105,000	27,943	325,241	353,184	
2021/2022 Chippawa Creek Roads Infrastructure	Chippawa Creek	-	157,753	157,753	100,000	10,532	247,524	258,056	
2020 CFC Gallery Upgrades	Balls Falls	-	-	-	65,000	14,460	22,441	36,901	
2020 Septic System - Binbrook	Binbrook	-	-	-	852,000	813,151	310,123	1,123,274	
2020 Water Treatment System Upgrades	Binbrook	-	-	-	161,837	55,562	108,654	164,216	
Total - Land Operations		\$ 1,868	\$ 983,702	\$ 985,570	\$ 1,283,837	\$ 892,729	\$ 1,725,272	\$ 2,618,001	
Watershed									
Floodplain Mapping - Coyle and Drapers Creek	Welland/Pelham	-	120,944	120,944		-	5,944	5,944	
Dam Safety Review (Binbrook and Welland River)	Binbrook	-	132,889	132,889		-	7,889	7,889	
Shoreline Mapping Update - Lake Erie	Lake Erie	-	157,753	157,753		-	7,753	7,753	
Karst Void Mapping	Various	1,588	88,514	90,102		-	5,103	5,103	
Sustainment - Stream Gauge Equipment	Various	-	21,262	21,262		-	20,810	20,810	
Sustainment - Water Quality Equipment	Various	-	26,578	26,578		-	23,704	23,704	
2021 Floodplain Mapping - Big Forks Creek	Niagara	-	-	-	150,000	43,511	53,277	96,788	
2021 Virgil Dam - Remedial Measures	Niagara	-	-	-	200,000	69,055	32,916	101,971	
2020 Flood Plain Mapping - Beaver Creek	Beaver Creek	-	-	-	150,000	43,207	52,312	95,519	
Total - Watershed		\$ 1,588	\$ 547,940	\$ 549,528	\$ 500,000	\$ 155,773	\$ 209,708	\$ 365,481	
GRAND TOTAL		\$ 3,456	\$ 1,751,174	\$ 1,754,630	\$ 2,365,937	\$ 1,119,622	\$ 2,483,973	\$ 3,603,595	

* Niagara Levy Differential Reserve - Haldimand

Report To: Finance Committee

Subject: Banking and Investments – 2022 Activity

Report No: FC-04-23

Date: April 5, 2023

Recommendation:

THAT Report No. FC-04-23 RE: Banking and Investments – 2022 Activity **BE RECEIVED.**

Purpose:

The purpose of this report is to provide the Finance Committee with a report on banking and investments for the 2022 fiscal year.

Discussion:

Cash and Cash Equivalents				
	2022	2021	Change	%
Bank of Montreal	\$ 1,495,576	\$ 2,160,151	-\$ 664,575	-30.8%
Petty Cash	4,000	4,000	-	0.0%
CIBC	18,532	58,506	- 39,973	-68.3%
Meridian	18,027	55,450	- 37,422	-67.5%
Total	\$ 1,536,136	\$ 2,278,107	-\$ 741,971	-32.6%

The 2022 to 2021 variance of (\$742K) is primarily due to the Rockway land acquisition in August 2022.

CIBC and Meridian bank accounts are maintained to provide banking services for sites where Bank of Montreal branches are not available. All balances are transferred to the BMO primary account as needed to maximize interest revenue. Variances at the end of 2022 are due to timing of these transfers.

Investments				
	2022	2021	Change	%
GIC - Meridian	\$ 4,552,509	\$ 4,509,668	\$ 42,841	0.9%

Indebtedness

NPCA has an operating line of credit available in the amount of \$765,000. This credit facility was not utilized in 2022.

Authored by:

Submitted by:

Original Signed by:

Original Signed by:

Lise Gagnon, CPA, CGA Chandra Sharma, MCIP, RPP
 Director, Corporate Services Chief Administrative Officer/Secretary-Treasurer

Report To: Finance Committee

Subject: Procurement – 2022 Activity

Report No: FC-05-23

Date: April 5, 2023

Recommendation:

THAT Report No. FC-05-23 RE: Procurement – 2022 Activity BE RECEIVED.

Purpose:

The purpose of this report is to provide the Finance Committee with an annual update to the Board on the following procurement activity for the 2022 fiscal year:

- Non-Competitive Procurement
- Unsolicited Proposals
- Transactions approved by the CAO/Secretary-Treasurer in excess of \$100,000 for Board-approved capital projects
- Listing of current agreements sourced through cooperative purchasing

Background:

Section 8.3 – Non-Competitive Procurement Business Case Requirements of the Procurement Policy states:

The Procurement Specialist shall provide a full written report on all Non-Competitive Procurement transaction(s) to the Board of Directors annually, within 3 months of the subsequent year.

The minutes of the Audit and Budget Committee from March 12, 2020, include the following recommendation:

8.1 Report No. A&BC-01-2020 RE: Procurement Policy – The Committee requested an annual listing of unsolicited proposals.

The minutes of the Board of Directors meeting from April 16, 2020 include the following:

4d) Report No. FA-19-2020 RE: Delegation of Authority Policy – Ms. Sharma indicated that she would report annually on the delegation of authority in the procurement of goods and services.

Discussion:

Non-Competitive Procurement

All Non-Competitive Procurements above \$25,000 in value are approved by the Board. In 2022, NPCA proceeded with seven transactions in a non-competitive environment:

1. Orland Conservation – January 10, 2022 - PO #1507 \$22,745

Approved by Natalie Green, Adam Christie, and Chandra Sharma

Goods or services acquired: Development of Land Securement Strategy

2. GLPI Professional Services – January 25, 2022 – PO #1503 \$9,945

Approved by David Deluce, Leilani Lee-Yates, and Chandra Sharma

Goods or services acquired: NPCA Procedural Manual - Process Mapping Exercise

3. Planning Solutions Inc. – January 25, 2022 – PO #1504 \$19,500

Approved by David Deluce, Leilani Lee-Yates, and Chandra Sharma

Goods or services acquired: NPCA Policy Document Update - Phase 1 Policy Gap Analysis

4. PSD Citywide – April 27, 2022 - PO #1530 \$24,500

Approved by Lise Gagnon and Chandra Sharma

Goods or services acquired: Implementation & Professional Services of Budgeting Capital Planning module including Enterprise Licenses, Maintenance Support

5. North-South Environmental – July 6, 2022 – PO #1542 \$62,983

Approved by David Deluce, Leilani Lee-Yates, and Chandra Sharma

Goods or services acquired: Buffer Width Discussion Paper, buffer width policy development and buffer width decision support tools / technical guidance document.

(Note, RFP NPCA-2022-011 was issued in April 2022 and received no responses)

6. Planning Solutions Inc. – July 6, 2022 – PO #1543 \$68,000

Approved by David Deluce, Leilani Lee-Yates, and Chandra Sharma

Goods or services acquired: NPCA Policy Document Update and Procedural Manual Project Phase 2

(Note, RFP NPCA-2022-011 was issued in April 2022 and received no responses)

7. Giant FM / Country 89. – August 17, 2022 – PO #1553 \$13,000

Approved by Alicia Powell, Adam Christie, and Chandra Sharma

Goods or services acquired: Balls Falls Thanksgiving Festival Entertainment (various artists).

Unsolicited Proposals

There were no unsolicited proposals received in 2022.

CAO/Secretary-Treasurer Approved Capital Project Transactions – 2022

In 2022, the CAO/Secretary-Treasurer approved a total of six transactions in excess of \$100,000 for Board-approved capital projects:

Duomax Development – February 7, 2022 – PO #1511 \$231,098

Project: Boat Launch Reconstruction at Long Beach Conservation area

Procurement Type Open – [Bids & Tenders](#) (Insurance Claim)

Duomax Development – March 16, 2022 – PO #1517 \$118,366

Project: Long Beach Conservation Area Electrical Upgrade and Waterlines Southwest Side

Procurement Type Open – [Bids & Tenders](#)

Accurate Road Construction – March 21, 2022 – PO #1520 \$207,728

Project: Reconstruct the Road at the Chippawa Creek Conservation Area

Procurement Type Open – [Bids & Tenders](#)

Duomax Development – June 21, 2022 – PO #1540 \$277,430

Project: Construct a New Parking Lot at the Cave Springs Conservation Area

Procurement Type Open – [Bids & Tenders](#)

Anthony's Excavating Central – June 24, 2022 – PO #1541 \$126,360

Project: Gonder's Flat Restoration Project

Procurement Type Open – [Bids & Tenders](#)

Griffin Construction – July 22, 2022 – PO #1550 \$188,210

Project: Reconstruction of Parking Lot at St. John's Conservation Area

Procurement Type Open – [Bids & Tenders](#)

All balances exclude HST.

Cooperative Procurement

The NPCA engages in several Group Purchasing Organizations to leverage collective buying power and maximize cost savings for all members involved. By utilizing collaborative and consortium buying agreements, NPCA can secure the best value for its procurement needs while streamlining the purchasing process. This approach also benefits vendors who can participate in efficient competitive bidding processes that come with multiple awards to a single contract. Additionally, NPCA benefits from the ability to access aggregated national, provincial, and regional pricing, which allows smaller public agencies to take advantage of the same buying power and contracts as larger public sector organizations.

NPCA participates in the following collaborative agreements, leveraging the benefits of cooperative procurement:

- Containerized waste removal (DSBN - Niagara Public Purchasing Committee)
- Supply and delivery of fuel (City of Welland - Niagara Public Purchasing Committee)
- Supply and Delivery of Propane (DSBN - Niagara Public Purchasing Committee)
- Workplace print and services (Ministry of Government and Consumer Services)
- Corporate credit card services (Ministry of Government and Consumer Services)
- Courier services (Ministry of Government and Consumer Services)
- Mobile devices and related services (Ministry of Government and Consumer Services); and
- Fine paper agreement (Ontario Collaborative Market Place)
- Apparel, Uniforms, Safety Footwear, and Related Services (Ontario Collaborative Market Place)

Related Reports and Appendices *(available upon request):*

1. Procurement Policy
2. Delegation of Authority Policy

Authored by:

Original Signed by:

Eric Gervais, CSCMP
Manager, Corporate Support Services

Reviewed by:

Original Signed by:

Lise Gagnon, CPA, CGA
Director, Corporate Services

Submitted by:

Original Signed by:

Chandra Sharma, MCIP, RPP
Chief Administrative Officer/Secretary-Treasurer

Report To: Finance Committee

Subject: Finance Committee – 2023 Work Plan

Report No: FC-01-23

Date: April 5, 2023

Recommendation:

1. **THAT** Report No. FC-01-23 RE: Finance Committee – 2023 Work Plan **BE RECEIVED**.
2. **THAT** the Finance Committee - 2023 Work Plan attached as Appendix 1 **BE APPROVED**.

Purpose:

The purpose of this report is to present the draft 2023 Work Plan to the Finance Committee for approval.

Discussion:

The 2023 Finance Committee Work Plan forms a key component of the financial reporting, planning and control structures of the organization, and identifies key priority initiatives required in the year ahead. Additionally, the Work Plan outlines how implementation of this work will be monitored against major deliverables and the Key Performance Indicator (KPI) framework.

Related Reports and Appendices:

Appendix 1: Finance Committee – 2023 Work Plan

Authored by:

Original Signed by:

Lise Gagnon, CPA, CGA
Director, Corporate Services

Submitted by:

Original Signed by:

Chandra Sharma, MCIP, RPP
Chief Administrative Officer/Secretary-
Treasurer

Niagara Peninsula Conservation Authority

Finance Committee Annual Work Plan - 2023

Appendix 1 - No. FC-01-23

Prepared: 6-MAR-2023 (draft)

	Quarter 1			Quarter 2			Quarter 3			Quarter 4		
	JAN-2023	FEB-2023	MAR-2023	APR-2023	MAY-2023	JUN-2023	JUL-2023	AUG-2023	SEP-2023	OCT-2023	NOV-2023	DEC-2023
DRAFT												
Finance Committee				05-Apr			26-Jul			25-Oct		
Full Authority Board		17-Feb	24-Mar	21-Apr	19-May	16-Jun	21-Jul		15-Sep	20-Oct	17-Nov	15-Dec
1. Terms of Reference, Audit Work Plan, Committee Evaluation, Appointment of Officers												
a) 2023 work plan				X								
2. External Audit												
a) Appointment of external auditor for 2023 fiscal year - Board AGM		X										
b) Review draft audited financial statements and Audit Findings Report - Committee				X								
c) Review draft audited financial statements and Audit Findings Report - Board				X								
3. Reporting												
a) Review 2022 Q4 year end results, variance reports - Committee				X								
Review 2022 Q4 year end results, variance reports - Board				X								
b) Review quarterly results, variance reports and projections - 2023 - Q1 - Committee							X					
Review quarterly results, variance reports and projections - 2023 - Q1 - Board							X					
c) Review quarterly results, variance reports and projections - 2023 - Q2 - Committee										X		
Review quarterly results, variance reports and projections - 2023 - Q2 - Board										X		
d) Review quarterly results, variance reports and projections - 2023 - Q3 - Committee										X		
Review quarterly results, variance reports and projections - 2023 - Q3 - Board										X		
e) 2022 report on banking and investments - Committee				X								
f) 2022 report on procurement - Committee				X								
2022 report on procurement - Board				X								
4. Operating and Capital Budgets												
a) 2024 Operating and Capital budget assumptions - Committee							X					
2024 Operating and Capital budget assumptions - Board									X			
b) 2024 Draft Operating and Capital budgets - Committee										X		
2024 Draft Operating and Capital budgets - Board											X	
5. Other												
a) Review staff recommendation for contract award for banking and investment services (RFP)							X					
b) Recommend to the Board for contract award for banking and investment services (RFP)									X			
c) Strategic Asset Management Plan										X		
d) Natural assets and green infrastructure										X		
e) Operational and asset management plan for flood infrastructure							X					
f) Review policies and identify gaps										X		
7. Mid and Long Term Objectives												
	2024	2025	2026									
Long term budgets, 10 year capital plan, business and strategic plan reporting (incl regulatory compliance)	X											
Fleet management - plan for conversion of fleet to EV	X	X	X									

Prepared: 6-MAR-2023 (draft)

	Quarter 1			Quarter 2			Quarter 3			Quarter 4		
	JAN-2023	FEB-2023	MAR-2023	APR-2023	MAY-2023	JUN-2023	JUL-2023	AUG-2023	SEP-2023	OCT-2023	NOV-2023	DEC-2023
DRAFT												
Finance Committee				05-Apr			26-Jul			25-Oct		
Full Authority Board		17-Feb	24-Mar	21-Apr	19-May	16-Jun	21-Jul		15-Sep	20-Oct	17-Nov	15-Dec
Risk management plan		X										
Project management capacity	X											

Report To: Finance Committee

Subject: 2022 Audited Financial Statements

Report No: FC-03-23

Date: April 5, 2023

Recommendation:

1. **THAT** Report No. FC-03-23 RE: 2022 Audited Financial Statements **BE RECEIVED**.
2. **THAT** the 2022 Audited Financial Statements and the 2022 Audit Findings Report attached hereto as Appendices 1 and 2 respectively **BE RECOMMENDED** to the Board of Directors for approval.

Purpose:

The purpose of this report is to seek the Finance Committee's approval of the 2022 Audited Financial Statements and the 2022 Audit Findings Report.

Financial Implications:

There are no financial implications associated with this report.

Related Reports and Appendices:

Appendix 1: Draft 2022 Audited Financial Statements

Appendix 2: Draft 2022 Audit Findings Report

Authored by:

Original Signed by:

Lise Gagnon, CPA, CGA

Director, Corporate Services Chief Administrative Officer/Secretary-Treasurer

Submitted by:

Original Signed by:

Chandra Sharma, MCIP, RPP

Secretary-Treasurer

Financial Statements of

**NIAGARA PENINSULA
CONSERVATION AUTHORITY**

And Independent Auditors' Report thereon

Year ended December 31, 2022

DRAFT



KPMG LLP
80 King Street, Suite 620
St. Catharines ON L2R 7G1
Canada
Tel 905-685-4811
Fax 905-682-2008

INDEPENDENT AUDITORS' REPORT

To the Board of Niagara Peninsula Conservation Authority

Opinion

We have audited the financial statements of Niagara Peninsula Conservation Authority (the Entity), which comprise:

- the statement of financial position as at December 31, 2022
- the statement of operations and accumulated surplus for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”)

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2022, and its results of operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “**Auditors’ Responsibilities for the Audit of the Financial Statements**” section of our report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants, Licensed Public Accountants

St. Catharines, Canada
April 21, 2023

NIAGARA PENINSULA CONSERVATION AUTHORITY

Statement of Financial Position



As at December 31, 2022, with comparative information for 2021

	2022	2021
Financial assets		
Cash and cash equivalents	\$ 1,536,665	\$ 2,278,107
Investments	4,552,509	4,509,668
Accounts receivable	606,745	1,407,215
	6,695,919	8,194,990
Liabilities		
Accounts payable and accrued liabilities	825,398	1,224,615
Employee future benefits (note 2)	103,300	95,500
Deferred revenue (note 3)	2,350,242	1,906,117
	3,278,940	3,226,232
Net financial assets	3,416,979	4,968,758
Non-financial assets		
Prepaid expenses	199,490	49,131
Tangible capital assets (note 4)	26,917,698	24,212,871
	27,117,188	24,262,002
Accumulated surplus (note 5)	\$ 30,534,167	\$ 29,230,760

See accompanying notes to financial statements

Robert Foster, Chair

Chandra Sharma, CAO/Secretary-Treasure

NIAGARA PENINSULA CONSERVATION AUTHORITY

Statement of Operations and Accumulated Surplus



Year ended December 31, 2022, with comparative information for 2021

	Budget (note 8)	2022 Actual	2021 Actual
Revenues:			
Government transfers			
Province of Ontario - Ministry of Natural Resources and Forestry ("MNRF")	\$ 90,000	\$ 90,083	\$ 90,083
Province of Ontario - Other	301,978	429,973	262,686
Government of Canada	120,000	389,311	173,531
Municipal levies:			
General	6,337,748	6,337,748	6,213,470
Special	1,751,173	1,859,958	2,427,557
Authority generated:			
User fees, sales and admissions	2,894,838	3,063,049	2,536,411
Administration fees	549,000	495,932	539,310
Interest	73,385	106,082	57,904
Other	491,100	788,605	408,047
OPG - Welland river watershed	-	81,861	162,698
	12,609,222	13,642,602	12,871,697
Expenses:			
CAO and Administration	1,408,522	1,219,784	1,475,920
Watershed	3,907,600	3,655,997	3,232,796
Corporate Resources	2,764,698	2,896,486	2,221,389
Conservation Areas	3,987,623	4,566,928	3,660,561
	12,068,443	12,339,195	10,590,666
Annual surplus	540,779	1,303,407	2,281,031
Accumulated surplus, beginning of year	29,230,760	29,230,760	26,949,729
Accumulated surplus, end of year	\$ 29,771,539	\$ 30,534,167	\$ 29,230,760

See accompanying notes to financial statements

NIAGARA PENINSULA CONSERVATION AUTHORITY

Statement of Change in Net Financial Assets



Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Annual surplus	\$ 1,303,407	\$ 2,281,031
Acquisition of tangible capital assets	(3,915,221)	(3,912,290)
Amortization of tangible capital assets	1,210,394	951,986
Proceeds on disposal of tangible capital assets	43,368	114,424
Gain on disposal of tangible capital assets	(43,368)	(37,455)
Increase in prepaid expenses	(150,359)	(11,968)
	(1,551,779)	(614,272)
Net financial assets, beginning of year	4,968,758	5,583,030
Net financial assets, end of year	\$ 3,416,979	\$ 4,968,758

See accompanying notes to financial statements

DRAFT

NIAGARA PENINSULA CONSERVATION AUTHORITY

Statement of Changes in Cash Flows



Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operations:		
Annual surplus	\$ 1,303,407	\$ 2,281,031
Items not involving cash:		
Amortization of tangible capital assets	1,210,394	951,986
Gain on disposal of tangible capital assets, net	(43,368)	(37,455)
Employee future benefits	7,800	21,300
Accrued interest on investments	44,299	1,860
Change in non-cash operating working capital:		
Accounts receivable	800,470	(674,664)
Prepaid expenses	(150,359)	(11,968)
Accounts payable and accrued liabilities	(399,217)	(430,793)
Deferred revenue	444,125	(60,182)
Net change in cash and cash equivalents from operations	3,217,551	2,041,115
Capital activities:		
Purchases of tangible capital assets	(3,915,221)	(3,912,672)
Proceeds from disposal of tangible capital assets	43,368	114,806
Net change in cash and cash equivalents from capital activities	(3,871,853)	(3,797,866)
Investing activities:		
Proceeds from sale of investments	4,465,369	4,465,369
Purchases of investments	(4,552,509)	(4,509,668)
Net change in cash and cash equivalents from investing activities	(87,140)	(44,299)
Net change in cash and cash equivalents	(741,442)	(1,801,050)
Cash and cash equivalents, beginning of year	2,278,107	4,079,157
Cash and cash equivalents, end of year	\$ 1,536,665	\$ 2,278,107

See accompanying notes to financial statements.

The Niagara Peninsula Conservation Authority (“the Authority”) is established under The Conservation Authorities Act of Ontario to further the conservation, restoration, development and management of natural resources within the watershed boundary established for the Authority.

1. Significant accounting policies:

The financial statements of Niagara Peninsula Conservation Authority (the “Authority”) are prepared by management in accordance with Public Sector Accounting Standards (“PSAS”). Significant accounting policies adopted by the Authority are as follows:

(a) Basis of accounting:

Revenues and expenses are reported on the accrual basis of accounting. Revenues are recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(b) Cash and cash equivalents:

Cash and cash equivalents include cash on hand, balances with banks and guaranteed investment certificates that mature within three months.

(c) Investments:

Investments consist of term deposits and are recorded at amortized cost. Investments held by the Authority have a market value that approximates cost given their fixed interest rate nature and maturity date within one year. When there has been a loss in value that is other than a temporary decline in value, the respective investment is written down to recognize the loss. Investment income earned on investments are reported as revenue in the period earned.

(d) Deferred revenue:

Deferred revenues represent government transfers and user fees which have been collected but for which related expenses or related services have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed.

(e) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. Tangible capital assets have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

NIAGARA PENINSULA CONSERVATION AUTHORITY

Notes to Financial Statements (continued)



Year ended December 31, 2022

1 . Significant accounting policies (continued):

(e) Non-financial assets (continued):

(i) Tangible capital assets:

Tangible capital assets are recorded at cost. Cost includes all directly attributable expenses in the acquisition, construction, development and/or betterment of the asset. The Authority does not capitalize interest costs associated with the acquisition or construction of tangible capital assets.

Cost, less residual value of tangible capital assets are amortized on a straight line basis over their estimated useful life. Land is considered to have an infinite life without amortization. Full year amortization is charged in the year of acquisition. Work-in-progress assets are not amortized until the asset is available for productive use.

Amortization is based on the following classifications and useful lives:

Asset	Useful Life - Years
Land Improvements	20 years
Buildings	30 years
Dams	15 to 100 years
Gauge stations	15 to 30 years
Equipment	10 years
Vehicles	5 years
Office Equipment	5 years

Contributed tangible capital assets are capitalized at their estimated fair value upon acquisition and recognized as revenue in the year of contribution.

Year ended December 31, 2022

1. Significant accounting policies (continued):

(f) Revenue recognition:

i) Government transfers

Government transfers are recognized as revenue in the financial statements when the transfer is authorized, any eligibility criteria are met and a reasonable estimate of the amount can be made except when, and to the extent that, stipulations by the transferor give rise to an obligation that meet the definition of a liability. Government transfers that meet the definition of a liability are recognized as revenue as the liability is extinguished.

ii) Municipal levies

Municipal levies are recognized as revenue in the year in which they meet the definition of an asset, the levy is authorized and the levy event has occurred.

iii) Authority generated

User fees, sales and admissions and other income is reported as revenue in the period earned.

(g) Employee future benefits:

The Authority provides certain employee benefits which will require funding in future periods. These benefits include extended health and dental benefits for early retirees to age 65. The employee future benefits represent management's best estimates of the cost of premiums on benefits up to the date of retirement.

(h) Use of estimates:

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from management's best estimates as additional information becomes available in future. Significant estimates include assumptions used in the estimation of employee future benefits.

NIAGARA PENINSULA CONSERVATION AUTHORITY

Notes to Financial Statements (continued)



Year ended December 31, 2022

2. Employee future benefits:

The Authority provides extended life, health and dental benefits to a closed group of early retirees to age 65 which will require funding in future periods. The Authority recognizes these retirement benefit costs in the period in which the service is rendered. The accrued benefit liability at December 31, 2022 was estimated by management to be \$103,300 (2021 - \$95,500). Information about the Authority's benefit plan is as follows:

	2022	2021
Accrued benefit obligation:		
Balance, beginning of year	\$ 95,500	\$ 74,200
Current benefit cost	14,083	28,672
Benefits paid	(6,283)	(7,372)
Accrued benefit obligation, end of year	\$ 103,300	\$ 95,500

3. Deferred revenue:

Deferred revenues consist of the following:

	Balance at December 31, 2021	Externally restricted inflows	Revenue earned	Balance at December 31, 2022
User fees and other	\$ 274,785	\$ 285,732	\$ (214,699)	\$ 345,818
District School Board of Niagara	-	750,000	-	750,000
Government grants	278,671	266,162	(66,844)	477,989
Canada Emergency Wage Subsidy	494,365	(494,365)	-	-
Welland river watershed- Ontario Power Generation ("OPG")	858,296	-	(81,861)	776,435
Total	\$1,906,117	\$ 807,529	\$ (363,404)	\$2,350,242

NIAGARA PENINSULA CONSERVATION AUTHORITY

Notes to Financial Statements (continued)



Year ended December 31, 2022

4. Tangible capital assets:

Cost	Balance at December 31, 2021	Additions	Transfers/ Disposals	Balance at December 31, 2022
Land	\$ 9,982,909	\$ 848,901	\$ –	\$10,831,810
Land improvements	5,641,718	1,653,304	–	7,295,022
Buildings	6,956,929	45,971	–	7,002,900
Dams	5,164,330	109,188	–	5,273,518
Gauge stations	403,351	–	–	403,351
Equipment	2,822,328	1,487,236	(36,950)	4,272,614
Vehicles	78,740	–	(9,783)	68,957
Office equipment	843,495	257,171	–	1,100,666
Work-in-progress	1,672,861	3,915,221	(4,401,771)	1,186,311
Total	\$33,566,661	\$ 8,316,992	\$ (4,448,504)	\$37,435,149

Accumulated Amortization	Balance at December 31, 2021	Additions	Transfers/ Disposals	Balance at December 31, 2022
Land	\$ –	\$ –	\$ –	\$ –
Land improvements	2,640,393	354,328	–	2,994,721
Buildings	2,652,183	231,369	–	2,883,552
Dams	1,919,908	73,891	–	1,993,799
Gauge stations	264,181	19,009	–	283,190
Equipment	1,178,205	426,336	(36,950)	1,567,591
Vehicles	78,740	–	(9,783)	68,957
Office equipment	620,180	105,461	–	725,641
Total	\$ 9,353,790	\$ 1,210,394	\$ (46,733)	\$10,517,451

NIAGARA PENINSULA CONSERVATION AUTHORITY

Notes to Financial Statements (continued)



Year ended December 31, 2022

4. Tangible capital assets (continued):—

	Net Book Value December 31, 2021	Net Book Value December 31, 2022
Land	\$ 9,982,909	\$10,831,810
Land improvements	3,001,325	4,300,301
Buildings	4,304,746	4,119,348
Dams	3,244,422	3,279,719
Gauge stations	139,170	120,161
Equipment	1,644,123	2,705,023
Vehicles	—	—
Office equipment	223,315	375,025
Work-in-progress	1,672,861	1,186,311
Total	\$24,212,871	\$26,917,698

Work-in-process, having a value of \$1,186,311 (2021 - \$1,672,861) has not been amortized. Amortization of these assets will commence when the asset is put into service.

Contributed tangible capital assets have been recognized at fair value at the date of contribution. The fair value of contributed assets received during the year is \$nil (2021 - \$nil). Tangible capital assets recognized at nominal value include land used in the operations and conservation management. There were no amounts recognized at nominal value during the year or 2022.

During the year, the Authority disposed of assets in the normal course of operations, recognizing a gain on disposal of \$43,368 (2021 - \$37,445).

5. Accumulated surplus:

Accumulated surplus consists of the following:

	2022	2021
Invested in tangible capital assets	\$26,917,698	\$24,212,871
Reserves set aside by the Board of the Authority for specific purpose	3,719,769	5,113,389
Unfunded employee future benefits liability	(103,300)	(95,500)
	\$30,534,167	\$29,230,760

NIAGARA PENINSULA CONSERVATION AUTHORITY

Notes to Financial Statements (continued)



Year ended December 31, 2022

5. Accumulated surplus (continued):

Reserves set aside by the Board of the Authority for specific purpose consists of the following:

	2022	2021
General capital	\$ 606,012	\$ 715,886
Operating reserve	1,158,096	1,536,894
Flood protection	255,390	253,268
Levy differential	32,632	32,361
Land acquisitions	1,365,361	2,195,865
Restoration	302,278	299,766
Tree by-law	-	79,349
	\$ 3,719,769	\$ 5,113,389

6. Credit facility:

The Authority's credit facility includes an overdraft lending account of \$765,000 bearing interest at prime. As at December 31, 2022, \$nil (2021 - \$nil) was drawn on this facility. As at December 31, 2022, \$11,667 (2021 - \$23,333) was issued by way of a letter of credit to a municipality for which the Authority receives levies in exchange for construction work on-going within the municipal boundaries.

7. Pension plan:

The Authority makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer plan, on behalf of the 68 (2021 - 61) members of its staff. The plan is a defined benefit plan that specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Employees and employers contribute jointly to the plan.

Since OMERS is a multi-employer pension plan, the Authority does not recognize any share of the pension plan deficit of \$6.7 billion (2021 - \$3.1 billion) based on the fair market value of the Plan's assets, as this is a joint responsibility of all Ontario municipal entities and their employees. Contributions were made in the 2022 calendar year at rates ranging from 9.0% to 14.6% depending on the member's designated retirement age and level of earnings. Employer contributions for current and past service are included as an expense in the Statement of Operations. Employer contributions to OMERS for 2022 current and past service was \$506,023 (2021 - \$487,552) and were matched by employee contributions.

NIAGARA PENINSULA CONSERVATION AUTHORITY

Notes to Financial Statements (continued)



Year ended December 31, 2022

8. Budget data:

The budget data presented in these financial statements is based upon the 2022 operating budget approved by the Board of the Authority on April 22, 2022 and capital budget approved April 22, 2022. Amortization was not incorporated in the development of the budget and, as such, were not provided on the statement of changes in net financial assets. The chart below reconciles the approved budget to the budget figures reported in these financial statements:

	Budget Amount
Revenues	
Operating	
Approved budget	\$ 10,858,049
Capital	1,751,173
Less:	
Transfers from reserves	-
Total revenues	\$ 12,609,222
Expenses:	
Operating	
Approved budget	\$ 10,858,049
Capital	
Approved budget	1,751,173
Add:	
Amortization	1,210,394
Less:	
Tangible capital assets included in operating expense	(1,751,173)
Debt principal payments	-
Total expenses	12,068,443
Annual surplus	\$ 540,779

9. Contingencies:

The Authority is involved from time to time in litigation, which arises in the normal course of business. The exact outcome of these actions is not determinable as at the date of reporting. In respect of certain outstanding claims, the Authority believes that insurance coverage is adequate and that no material exposure exists on the eventual settlement of such litigation, therefore no provision has been made in the accompanying financial statements.

NIAGARA PENINSULA CONSERVATION AUTHORITY

Notes to Financial Statements (continued)



Year ended December 31, 2022

10. Related party transactions:

During the year, the Authority incurred \$27,482 (2021 - \$28,110) in expenditures for per diems, honorariums, and mileage which was paid to and on behalf of members of the Board of Directors for the Authority.

11. Contractual rights:

The Authority has contractual rights under contract with various Ministry agencies to receive funds in exchange for services to be provided under those contracts. The Authority is expecting up to \$190,634 in future revenues based on anticipated services to be performed.

12. Contractual obligations and commitments:

The Authority has entered into a contract for provision of reservation and park system services until December 2025 with an annual financial requirement of \$30,000. This will be financed by the Authority's operating reserves.

13. Segmented information:

The Authority provides a wide range of services which are categorized by department. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

Corporate Administration

Corporate administration services is comprised of the administration services of the Authority.

Watershed

The watershed department is the umbrella for three divisions dedicated to monitoring, regulating, protecting and improving the health and safety of our watersheds.

Corporate Resources

The corporate resources department is development and managing the Authority's vehicles and equipment. The vehicles and equipment department accounts for the cost of maintaining the vehicles and equipment.

Conservation Areas

The conservation areas department is the umbrella for two divisions dedicated to conservation land management and conservation land programming. Conservation land management is the administration department for the conservation areas. Conservation land programming and development is responsible for maintenance and improvements to the conservation areas.

NIAGARA PENINSULA CONSERVATION AUTHORITY

Notes to Financial Statements (continued)



Year ended December 31, 2022

13. Segmented information (continued):

For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Municipal levies have been allocated to the segments based upon budgeted levies for the segment. Interest earned on investments has been allocated to the corporate resources segment.

	2022				2022 Total
	Corporate Administration	Watershed	Corporate Resources	Conservation Areas	
Revenues:					
MNRF transfers	\$ 15,200	\$ 38,600	\$ 36,283	\$ -	\$ 90,083
Government transfers	11,368	422,077	84,200	301,639	819,284
Municipal levies	1,274,931	2,967,783	2,617,947	1,337,045	8,197,706
User fees, sales and administration	-	-	-	3,063,049	3,063,049
Administration fees	-	495,932	-	-	495,932
Interest	-	-	106,082	-	106,082
Other	105	369,854	66,580	70,117	506,656
Gain on disposal	-	-	43,368	-	43,368
Gain on insurance proceeds	-	-	238,581	-	238,581
OPG-Welland River Watershed	-	77,975	3,886	-	81,861
Total revenues	\$ 1,301,604	\$ 4,372,221	\$ 3,196,927	\$ 4,771,850	\$13,642,602
Expenses:					
Salaries and benefits	906,189	2,961,023	964,263	2,371,089	7,202,564
Materials and supplies	73,229	217,026	479,976	1,256,214	2,026,445
Contracted services	-	229,959	5,529	-	235,488
Professional fees	65,976	185,119	319,312	100,910	671,317
Rent and financial expenses	4,434	-	721,896	-	726,330
Marketing and promotion	71,258	18,660	176,739	-	266,657
Amortization	98,698	44,210	228,771	838,715	1,210,394
Total expenses	1,219,784	3,655,997	2,896,486	4,566,928	12,339,195
Annual surplus	\$ 81,820	\$ 716,224	\$ 300,441	\$ 204,922	\$ 1,303,407

NIAGARA PENINSULA CONSERVATION AUTHORITY

Notes to Financial Statements (continued)



Year ended December 31, 2022

13. Segmented information (continued):

	2021				2021 Total
	Corporate Administration	Watershed	Corporate Resources	Conservation Areas	
Revenues:					
MNRF transfers	\$ 15,200	\$ 74,883	\$ -	\$ -	\$ 90,083
Government transfers	22,291	352,571	61,355	-	436,217
Municipal levies	1,576,671	2,247,436	2,158,607	2,658,313	8,641,027
User fees, sales and administration	-	-	-	2,536,411	2,536,411
Administration fees	-	539,310	-	-	539,310
Interest	-	-	57,904	-	57,904
Other	11,749	265,957	27,877	65,009	370,592
Gain on disposal	-	-	37,455	-	37,455
OPG-Welland River Watershed	-	162,698	-	-	162,698
Total revenues	\$ 1,625,911	\$ 3,642,855	\$ 2,343,198	\$ 5,259,733	\$12,871,697
Expenses:					
Salaries and benefits	1,105,978	2,539,938	837,047	2,149,543	6,632,506
Materials and supplies	136,230	261,539	304,457	1,006,275	1,708,501
Contracted services	-	138,607	-	-	138,607
Professional fees	36,104	110,045	240,174	-	386,323
Rent and financial expenses	-	-	562,536	-	562,536
Marketing and promotion	91,769	-	118,438	-	210,207
Amortization	105,839	182,667	158,737	504,743	951,986
Total expenses	1,475,920	3,232,796	2,221,389	3,660,561	10,590,666
Annual surplus	\$ 149,991	\$ 410,059	\$ 121,809	\$ 1,599,172	\$ 2,281,031

14. Comparative Figures:

Certain comparative figures included in these financial statements have been reclassified to conform with the presentation adopted for the current year.



Niagara Peninsula Conservation Authority

**Audit Findings Report
for the year ended December 31, 2022**



Licensed Public Accountants

Prepared on March 23, 2023 for the Audit Committee Meeting on April 6, 2023

kpmg.ca/audit



KPMG contacts

Key contacts in connection with this engagement



David Marks, CPA, CA

Audit Partner

905-523-2296

davidmarks@kpmg.ca



Ashley Miller, CPA

Audit Manager

519-880-2730

ashleymiller1@kpmg.ca

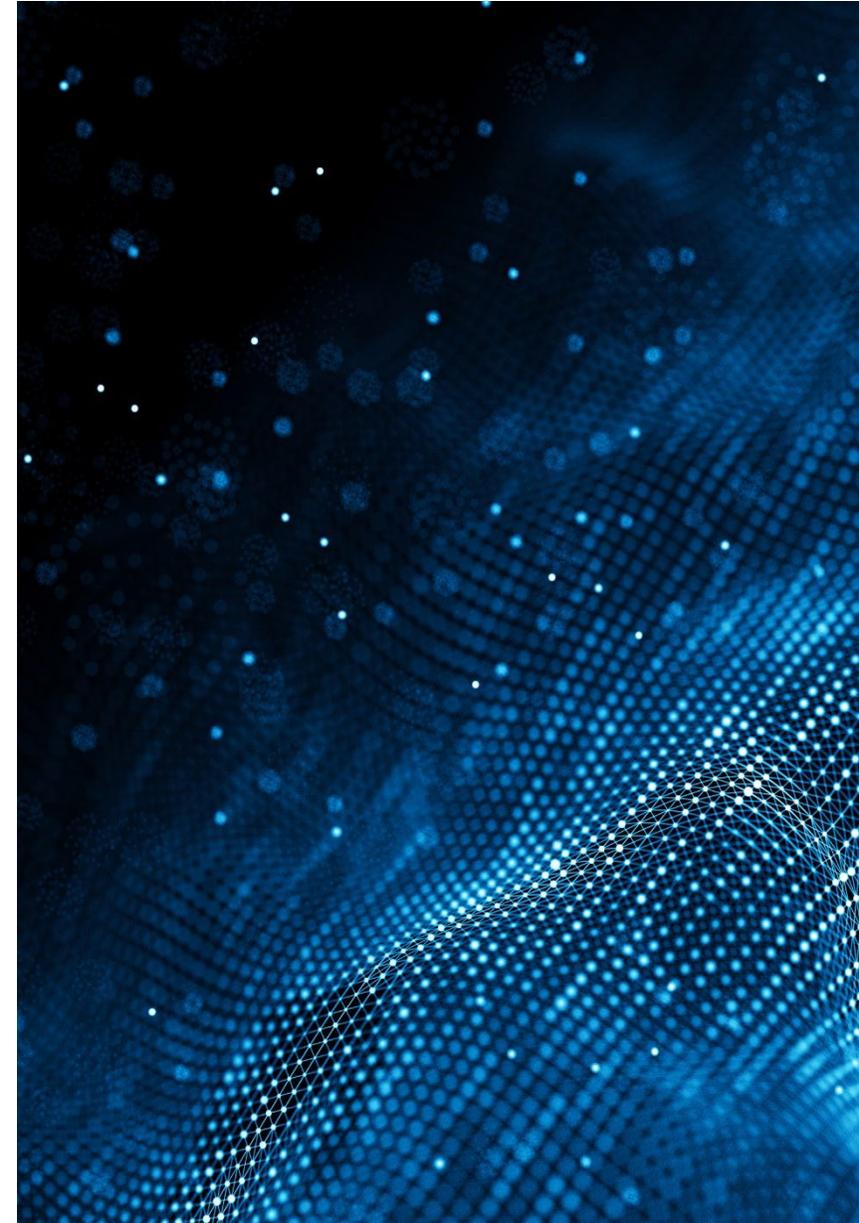


Table of contents

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.

4

Audit highlights

5

Status of the audit

6

Materiality

8

Audit risks and results

13

Corrected and uncorrected audit misstatements

14

Control deficiencies

15

Additional matters

17

Audit quality

20

Appendices

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 as at and for the year ended December 31, 2022. 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.



Audit highlights

Scope of the audit

Our audit of the financial statements of Niagara Peninsula Conservation Authority ("the Authority") as of and for the ended December 31, 2022 was performed in accordance with Canadian generally accepted auditing standards (CASs).

Status of the audit



We have completed the audit of the financial statements, with the exception of certain remaining outstanding procedures, which are highlighted on page 5 of this report.

Audit risks and results – going concern assessment

No matters to report.

Significant unusual transactions

No matters to report.

Audit risks and results – significant risks



Significant findings related to significant risks are discussed on pages 8-12.

Uncorrected audit misstatements

No matters to report.



Control deficiencies



We did not identify any control deficiencies that we determined to be significant deficiencies in internal control over financial reporting. See slide 14 for certain required communications regarding control deficiencies

Accounting policies and practices

No matters to report.



Corrected audit misstatements

No matters to report.



Other financial reporting matters

Findings related to other financial reporting matters are discussed on page 16.

Independence

We confirm our annual independence, which notes that we are independent of Niagara Peninsula Conservation Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada.



Status of the audit

As of March 23, 2023, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include amongst others:

- Completing our final quality control and review procedures
- Completing our discussions with the Audit Committee
- Obtaining evidence of the Board of Director's approval of the financial statements
- Obtaining 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.

Our auditor's report, a draft of which is provided in the draft financial statements will be dated upon the completion of any remaining procedures.

KPMG Clara for Clients (KCfc)



Real-time collaboration and transparency

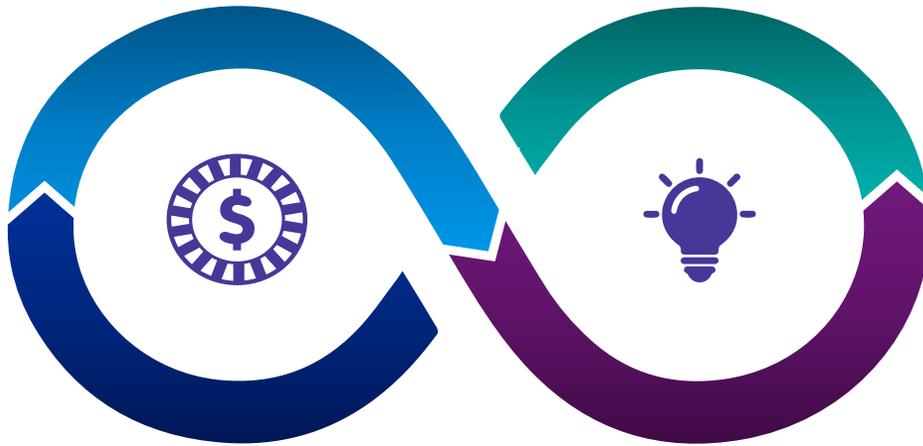
We leveraged **KCfc** to facilitate real-time collaboration with your team and provide visual insights into the status of the audit!

On your audit we used KCfc to coordinate all audit requests.

[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.

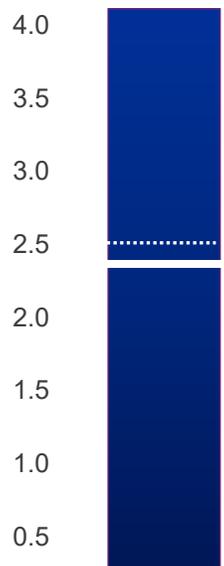


Materiality



Materiality
\$330,000
 (2021: \$260,000)

% Benchmark



Revenue

..... Prior year
 — Current year

Benchmark

Revenue

\$13,642,602

(2021: \$10,571,836). For 2022, the same benchmark was applied.
 The 2022 materiality represents 2.45% of the benchmark. (2021: 2.5%)

Audit Misstatement Posting Threshold (AMPT)

\$16,500

(2021: \$13,000)



Significant risks and results



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

Significant 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.

Our response

Our procedures performed included:

- Testing the design and implementation of controls surrounding the review of journal entries, and the business rationale for significant entries;
- Using our Data & Analytics tool, IDEA Smart Analyzer, analyzing the journal entries posted during the year;
- We set specific criteria to isolate high risk journal entries and adjustments in order to analyze for further insights into our audit procedures and findings; and

Significant findings

- We have not identified any specific additional risks of management override relating to this audit.
- No issues were noted.



Significant risks and results



Presumption of the risk of fraud involving improper revenue recognition

Significant risk

This is a presumed fraud risk of material misstatement under Canadian auditing standards.

Audit standards require us to assume there are generally pressures and incentives evaluating the business rationale of significant unusual transactions on management to commit fraudulent financial reporting through inappropriate revenue recognition. This can be perpetrated through revenue cut-off or manual journal entries and other adjustments related to revenue recognition.

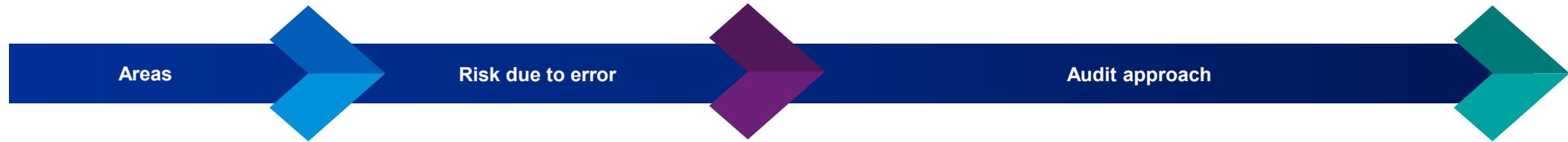
We exercise professional judgement to rebut the presumed risk of fraud in revenue recognition after we consider and evaluate the facts and circumstances of the audit. We have rebutted the fraud risk over revenue recognition.

There are limited perceived opportunities to commit fraud and Niagara Peninsula Conservation Authority's revenue sources require very minimal judgement. Niagara Peninsula Conservation Authority's performance is not measured based on earnings and a significant portion of revenues can be tied directly to government funding support.

Our response

No impact as risk has been rebutted.

Other areas of focus



Grant Revenue and Deferred Contributions

Risk of material misstatement regarding the completeness, existence and accuracy.

- Substantive approach to revenue using third party grant funding agreements and related expenditures to ensure completeness and accuracy of revenue recorded. Substantive approach over deferred revenue to ensure appropriate timing and revenue recognition.
- Substantive approach over municipal levies in accordance with the approved budgets including review of approval of levy differential repayment.
- While the matter regarding CEWS is currently under appeal process to determine Conservation Authority eligibility, previously held funds have been returned to avoid any cumulating interest charges.
- No significant findings to report as a result of these procedures.

Authority Generated Revenue

Risk of material misstatement regarding the completeness, existence and accuracy.

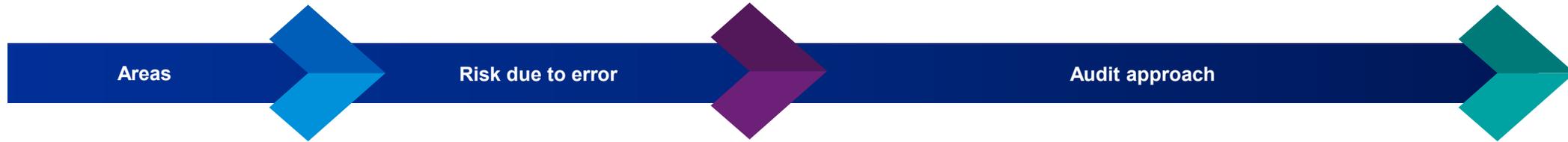
- Substantive procedures to select samples for the testing of authority generated revenues.
- Revenues across various revenue streams were agreed to supporting documentation and bank deposits.
- No significant findings to report as a result of these procedures.

Other areas of focus





Other areas of focus



Payroll expenditures

Risk of material misstatement regarding the completeness, existence and accuracy.

- Substantive approach to testing payroll expenditures including testing of employee headcount.
- Recalculation of payroll accrual.
- No significant findings to report as a result of these procedures.

Tangible Capital Assets (TCA)

Risk of material misstatement regarding the completeness, existence and accuracy.

- Statistical sampling technique used to select samples for testing additions to TCA in the current year and assess capitalization in accordance with Public Sector Accounting Standards.
- Vouching contributed tangible capital assets to ensure appropriate recording of costs.
- Recalculation of depreciation for the period.
- No significant findings to report as a result of these procedures.

Corrected and uncorrected audit misstatements

Corrected and uncorrected audit misstatements include financial presentation and disclosure omissions.



There are no corrected or uncorrected audit misstatements.



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 significant deficiency in internal control over financial reporting is a deficiency, or combination of deficiencies, in internal control that, in the auditor's professional judgment, is of sufficient importance to merit the attention of those charged with governance.



No significant control deficiencies identified during the course of the audit.



Significant accounting policies and practices



Initial selections of significant accounting policies and practices

There have been no changes to significant accounting policies and practices during the year.
No matters to report.



Description of new or revised significant accounting policies and practices

There have been no new or revised accounting policies and practices implemented during the year.
No matters to report.



Significant qualitative aspects of the Company's accounting policies and practices

Significant accounting policies or practices are disclosed in note 1 to the financial statements.
No matters to report.



Other financial reporting matters

We also highlight the following:



Financial statement presentation - form, arrangement, and content



Appropriate.
Significant accounting policies or practices are disclosed in Note 1 to the financial statements.
There are no changes in accounting policies in the current year.
Management took ownership of the preparation of the financial statements in the current year.



Concerns regarding application of new accounting pronouncements



No concerns at this time regarding future implementation of accounting standards, other than Asset Retirement Obligations and Financial Instruments are required to be adopted in 2023. See Appendix 3 for further information.



Significant qualitative aspects of financial statement presentation and disclosure



Nothing significant to note.



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.

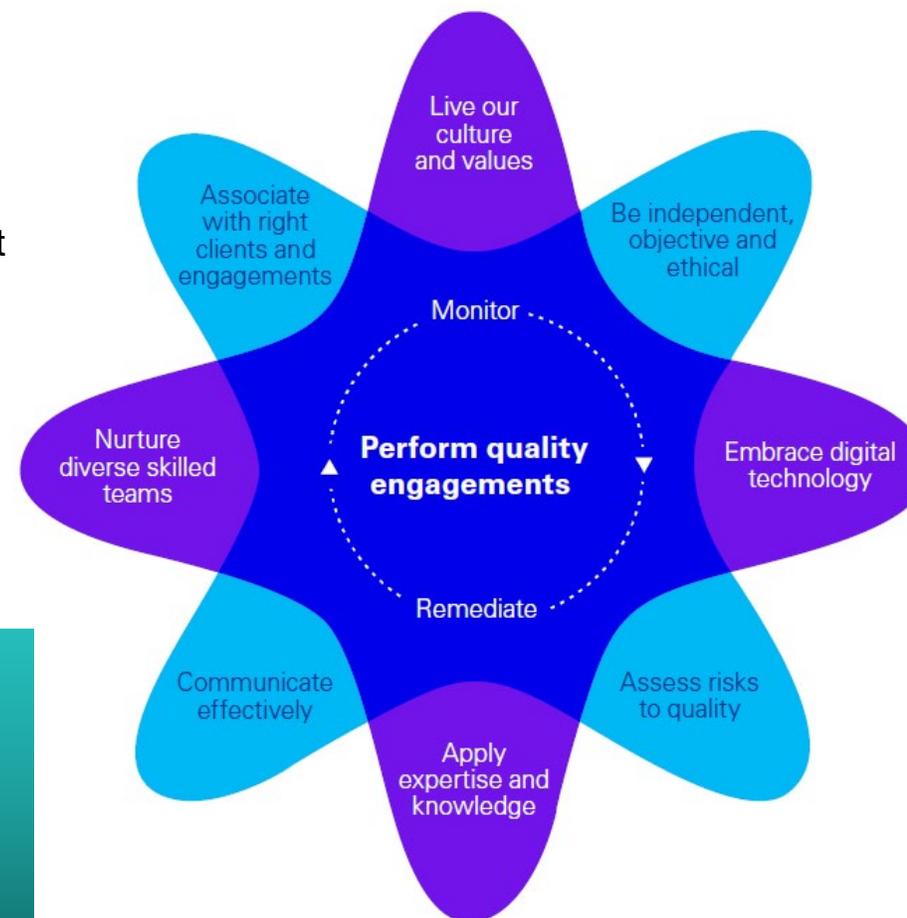
Perform quality engagement sits at the core along with our commitment to continually monitor and remediate to fulfil on our quality drivers.

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.

 [KPMG 2022 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 controls**; and
- all of our related activities are undertaken in an environment of the utmost level of **objectivity, independence, ethics and integrity**.





Audit quality: Indicators (AQIs)

The objective of these measures is to provide the Finance Committee and management with more in-depth information about factors that influence audit quality within an audit process. Below you will find the current status of the AQIs that we have agreed with management are relevant for the audit.



Team composition



Experience of the team

- All team members have relevant industry experience to carry out the audit



Timing of prepared by client (PBC) items



Timeliness of PBC items

- No concerns regarding to the timeliness of PBC items



Technology in the audit



Implementation of Technology in the Audit

- We have expanded the number of technologies implemented in the audit from including:
 - Datasnipper** – Excel based tool, which allows us to automatically match Excel data with underlying source documents and form data extraction from documents with the same layout

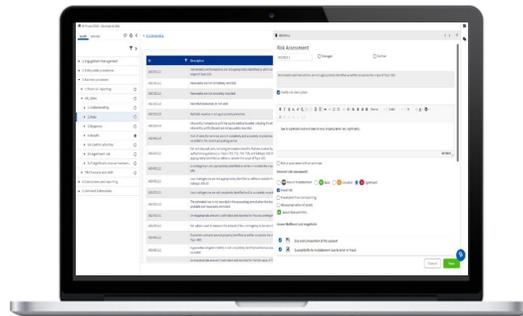




Our audit platform - KPMG Clara

Building upon our sound audit quality foundations, we are making significant investments to drive consistency and quality across our global audit practices. We've committed to an ongoing investment in innovative technologies and tools for engagement teams, such as KPMG Clara, our smart audit platform.

KPMG Clara workflow



Globally consistent execution

A modern, intuitively written, highly applicable audit methodology that allows us to deliver globally consistent engagements.

[▶ Learn more](#)

KPMG Clara for clients



Real-time collaboration and transparency

Allows the client team to see the real-time status of the engagement and who from our KPMG team is leading on a deliverable.

[▶ Learn more](#)

KPMG Clara analytics



Insights-driven efficient operations

Using the latest technologies to analyze data, KPMG Clara allows us to visualise the flow of transactions through the system, identify risks in your financial data and perform more specific audit procedures.

[▶ Learn more](#)

Appendices

1

Other required communications

2

Management representation letter

3

Current developments

4

Newly effective auditing standards

5

Audit and assurance insights

6

What is ESG?



Appendix 1: Other required communications



Other communications

We confirm our annual independence, which notes that we are independent of Niagara Peninsula Conservation Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada.



CPAB communication protocol

The reports available through the following links were published by the Canadian Public Accountability Board to inform Finance Committee 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](#)
- The 2022 Annual Inspection Results will be available in March 2023

Appendix 2: Audit opinion and management representation letter



Appendix 3: Current developments

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.
- 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.
- As a result of the new standard, the public sector entity will:
 - Consider how the additional liability will impact net debt, as a new liability will be recognized with no corresponding increase in a financial asset;
 - Carefully review legal agreements, senior government directives and legislation in relation to all controlled TCA to determine if any legal obligations exist with respect to asset retirements;
 - Begin considering the potential effects on the organization as soon as possible to coordinate with resources outside the finance department to identify ARO and obtain information to estimate the value of potential ARO to avoid unexpected issues.



Appendix 3: Current developments

Standard	Summary and implications
Financial instruments and foreign currency translation	<ul style="list-style-type: none"> The new standards PS 3450 <i>Financial instruments</i>, PS 2601 <i>Foreign currency translation</i>, PS 1201 <i>Financial statement presentation</i> and PS 3041 <i>Portfolio investments</i> are effective for fiscal years beginning on or after April 1, 2022. Equity instruments quoted in an active market and free-standing derivatives are to be carried at fair value. All other financial instruments, including bonds, can be carried at cost or fair value depending on the public sector entity's choice and this choice must be made on initial recognition of the financial instrument and is irrevocable. Hedge accounting is not permitted. A new statement, the Statement of Remeasurement Gains and Losses, will be included in the financial statements. Unrealized gains and losses incurred on fair value accounted financial instruments will be presented in this statement. Realized gains and losses will continue to be presented in the statement of operations. PS 3450 <i>Financial instruments</i> was amended subsequent to its initial release to include various federal government narrow-scope amendments.
Revenue	<ul style="list-style-type: none"> The new standard PS 3400 <i>Revenue</i> is effective for fiscal years beginning on or after April 1, 2023. 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.



Appendix 3: Current developments

Standard	Summary and implications
Purchased Intangibles	<ul style="list-style-type: none"> The new Public Sector Guideline 8 <i>Purchased intangibles</i> is effective for fiscal years beginning on or after April 1, 2023 with earlier adoption permitted. 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 <i>Financial statement concepts</i> to remove the prohibition to recognize purchased intangibles and to PS 1201 <i>Financial statement presentation</i> to remove the requirement to disclose purchased intangibles not recognized. The guideline can be applied retroactively or prospectively.
Public Private Partnerships	<ul style="list-style-type: none"> The new standard PS 3160 <i>Public private partnerships</i> is effective for fiscal years beginning on or after April 1, 2023. 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.



Appendix 3: Current developments

Standard	Summary and implications
Concepts Underlying Financial Performance	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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. The proposed section includes the following: <ul style="list-style-type: none"> 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.



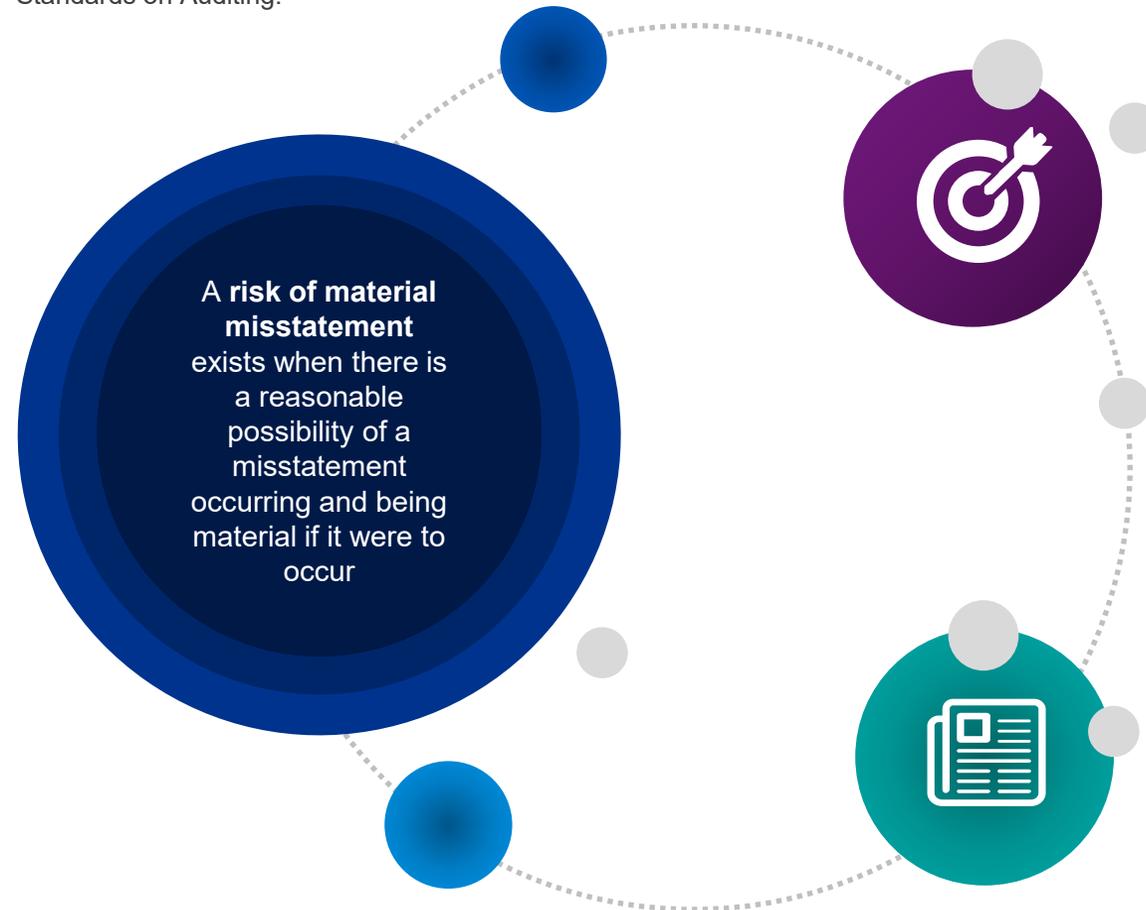
Appendix 3: Current developments

Standard	Summary and implications
Employee benefits	<ul style="list-style-type: none"> The Public Sector Accounting Board has initiated a review of sections PS 3250 <i>Retirement benefits</i> and PS 3255 <i>Post-employment benefits, compensated absences and termination benefits</i>. The intention is to use principles from International Public Sector Accounting Standard 39 <i>Employee benefits</i> 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 <i>Employee benefits</i> will replace the current sections PS 3250 <i>Retirement benefits</i> and PS 3255 <i>Post-employment benefits, compensated absences and termination benefits</i>. 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.
Government not-for-profit strategy	<ul style="list-style-type: none"> The Public Sector Accounting Board has approved its government not-for-profit (“GNFP”) strategy implementation plan. The approved strategy option is to incorporate the PS 4200 series of standards with potential customizations into public sector accounting standards. This means reviewing the existing PS 4200 series of standards to determine if they should be retained and added to public sector accounting standards. Incorporating the updated or amended PS 4200 series standards in public sector accounting standards would make the guidance available to any public sector entity. Accounting and/or reporting customizations may be permitted if there are substantive and distinct accountabilities that warrant modification from public sector accounting standards.



Appendix 4: Newly effective auditing standards

CAS 315 (Revised) Identifying and Assessing the Risks of Material Misstatement has been revised, reorganized and modernized in response to challenges and issues with the previous standard. It aims to promote consistency in application, improve scalability, reduce complexity, support a more robust risk assessment and incorporate enhanced guidance material to respond to the evolving environment, including in relation to information technology. Conforming and consequential amendments have been made to other International Standards on Auditing.



Affects both preparers of financial statements and auditors

Applies to audits of financial statements for periods beginning on or after 15 December 2021

See here for more information from CPA Canada



We design and perform risk assessment procedures to obtain an understanding of the:

- entity and its environment;
- applicable financial reporting framework; and
- entity's system of internal control.

The audit evidence obtained from this understanding provides a basis for:

- identifying and assessing the risks of material misstatement, whether due to fraud or error; and
- the design of audit procedures that are responsive to the assessed risks of material misstatement.



Appendix 5: 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 centre provides insights to help you identify the potential financial statement impacts to your business.

IFRS Breaking News

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





Appendix 6: What is ESG?

ESG is a framework to integrate environmental, social and governance risks and opportunities into an organization's strategy to build long term financial sustainability and create value. ESG includes a wide range of non-financial scoring categories, used by investors and other stakeholders to assess the impact of a company's products and business practices on sustainability and social causes.

Environmental

Our IMPACT on our planet

- Climate change
- Greenhouse gas (GHG) emissions
- Natural resource depletion
- Waste and pollution
- Deforestation
- Hazardous materials
- Biodiversity

Social

Our IMPACT in our communities

- Working conditions, including slavery and child labour
- Impact on local communities
- Conflict regions
- Health and safety
- Employee diversity, equity, and inclusion
- Product mis-selling
- Data protection

Governance

Our conduct

- Executive pay
- Bribery and corruption
- Political lobbying and donations
- Board diversity and structure
- Tax strategy
- Data breaches

ESG strategies can help entities deliver long-term value through effective engagement with all stakeholders – generating trust and a competitive advantage.



Appendix F: ESG needs to be on the board agenda

01

ESG and climate risk* are linked to access to funding

An entity's climate resiliency and ESG management is impacting access to funding. Government grants, for example, will be increasingly tied to ESG initiatives and performance.

*Climate risk is an element of ESG

02

E&S and climate risk factors are impacting business models

Business models are being impacted by ESG and climate transition requirements in the face of higher operating risks and costs, e.g. capex planning for low carbon technologies and solutions.

03

ESG is linked to the cost of capital

Developments such as BlackRock's communication to CEOs, S&P's credit downgrade of several oil & gas companies, and rapid growth in ESG investment or divestment, has highlighted that climate is a near term financial and strategic risk for many companies. Cost of capital can be further impacted by ESG risk ratings from leading ratings agencies (S&P, Sustainalytics, MSCI).

04

Talent expectations and attraction

Stakeholder expectations of Boards now include diversity in gender and ethnicity as well as expertise in ESG or climate areas, e.g. human rights and emissions. Employees are increasingly seeking purpose from their work and looking to leadership and company values to reflect this. This complements a high student demand for sustainability, diversity and inclusion.

05

Regulatory requirements on ESG and climate risk disclosure

Failing to manage and disclose ESG and climate risks is beginning to carry litigation risk and link to executives' fiduciary duty. Both SEC and ISSB have proposed disclosure rules for climate risk and emissions. Now is the time for entities to address management and reporting gaps.

Sources: 10 Business Myths on Climate Change (2021) – KPMG UK;²
ESG: The board's perspective (2021) – KPMG India



Appendix F: ESG Discovery | Client journey



What is ESG Discovery?

ESG Discovery through KPMG Ignition is a 3-hour session held virtually or in-person, bringing you relevant insights to inspire thinking and inspire change.



Why book an ESG Discovery session?

The consideration of ESG (Environmental, Social and Governance) factors has become critical to the success of organizations across all sectors including yours.



Time commitment for you and selected individuals

- Sponsor attends 30-min kick-off call
- Provided ESG 101 material and a 15-minute ESG self-assessment questionnaire.
- All participate in a 3-hour ESG Discovery session.
- Sponsor attends a 30-minute debrief following session with KPMG



What we'll cover

- Overview of ESG and how it applies to your organization and industry
- Results and analysis of self-assessment
- Identification of ESG stakeholders and their interests
- Scenario planning exercises
- Prioritization of key actions



Exceptional experience

Explore and better understand your organization's ESG challenges and opportunities through a highly interactive ideation session that will help you prioritize next steps on your ESG journey.



What you'll get

- An understanding of current and future state impacts of ESG to your organization
- Clarity of the ESG priority areas for your organization going forward – and how KPMG can help



Next steps

Connect with your KPMG Partner to explore booking an ESG Discovery session for your organization



kpmg.ca

© 2023 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

KPMG member firms around the world have 227,000 professionals, in 145 countries.

