Finance & Audit Meeting Committee Meeting

Conservation Halton
Zoom meeting:
https://us02web.zoom.us/j/87047217026?pwd=Z3dad2I5S3lGM1dHVlZGdXc5L0hWdz09
Apr 4, 2023 11:00 AM - 12:30 PM EDT

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FINANCE & AUDIT COMMITTEE
PROCEDURE FOR ELECTION OF OFFICERS

Finance & Audit Committee

Chairman for Election of Officers

An individual (CEO, Hassaan Basit) other than a Member of the Finance & Audit Committee will assume the position of Chair for the purpose of Election of Officers. A Staff member could hold this position.

Appointment of Scrutineers

The appointment of scrutineers is required for the purpose of counting ballots should an election be required. All ballots will be destroyed by the scrutineers afterwards. The appointment of scrutineers requires a mover and seconder by the Finance & Audit Committee.

Election of Officers

Only current members of the Finance & Audit Committee may vote.

Nominations will be called three (3) times and will only require a mover. The closing of nominations will require both a mover and a seconder.

In the event of an election, each nominee will be permitted not more than five (5) minutes to speak for the office, in the order of the alphabetical listing of his or her surnames.

Upon the acceptance by all nominees for the position of office, ballots will be distributed to the Members for the purpose of election. A Member's choice for a nominee will be written on the ballot and the appointed scrutineers for the counting of the ballots will collect the ballots.

A majority vote will be required for election. If there are more than two nominees, and upon the first vote no nominee receives the majority required for election, the name of the person with the least number of votes will be removed from further consideration for the office and new ballots will be distributed. In the case of a vote where no nominee receives the majority required for election and where two or more nominees are tied with the least number of votes, a special vote shall be taken to decide which one of such tied nominees' names shall be dropped from the list of names to be voted on in the next vote.

Should there be a tie vote between two remaining candidates, new ballots will be distributed, and a second vote held. Should there still be a tie after the second ballot a third vote shall be held. Should there be a tie after the third vote, the election of the office shall be decided by lot drawn by the Chief Executive Officer.

Conservation Halton

Finance and Audit Advisory Committee

Purpose:

The purpose of the Finance and Audit Advisory Committee is to advise the Conservation Halton (CH) Board on the appropriate policies in the areas of finance and financial management.

Mandate:

The Finance and Audit Committee will operate in accordance with the approved Terms of Reference and provide recommendations to the Board of CH.

1. To review the annual budget and long-term budget forecast for CH.

2. To review, annual audited financial statements and auditors' report and make applicable recommendations to the Board of Directors of CH.

3. To establish and regularly review guiding principles and policies related to budget, purchasing, other financial matters.

4. To fulfill any other duties as assigned by the Board of Directors of CH.

Frequency of Meetings:

The Committee will meet a minimum of 3 times annually:

a) Mid April for the Audited Financial Statements
b) June for the Preliminary Budget
d) October for the Budget Approval to the Board

Staff Support:

The President & CEO/Secretary-Treasurer and Director, Finance will act as advisors and resources to the Committee, accountable for all records and documentation and ensuring consistency and compliance with CH's policies and procedures.

Membership:

5 members of the Board and the Chair of the Board as ex-officio.

Term of Appointments:

Election of Officers to the CH Finance & Audit Committee will take place every 4 years to align with the Municipal Election and Appointment of Membership to the CH Board as per the CH By-law No. 2018-01 (Revised November 17, 2022).

Conservation Halton

April
2023

REPORT TO: **Finance & Audit Committee**

REPORT NO: # FA 01 23 01

FROM: Marnie Piggot, Director, Finance

DATE: April 4, 2023

SUBJECT: **2022 Audited Financial Statements**

Recommendation

THAT the Finance & Audit Committee **recommends to the Conservation Halton Board that the audited financial statements for the year ended December 31, 2022, be approved as presented.**

Executive Summary

The annual audit of Conservation Halton's (CH) financial transactions for the year ended December 31, 2022, has been completed by KPMG LLP. The financial statements were prepared by CH staff and the draft audited statements are attached (Appendix A).

The KPMG Auditors' Report which is included in the financial statements is a standard audit report without qualifications and it is their opinion that the statements are presented fairly and in accordance with public sector accounting standards. KPMG has also provided the attached 2022 Audit Findings Report (Appendix B).

Report

The Statement of Financial Position for CH reports Accumulated Surplus at December 31, 2022 of $84.0 million. This is an overall increase of 7.3% over the 2021 Accumulated Surplus of $78.2 million.

Statement of Financial Position Summary	**2022 Actual**	**2021 Actual**
Financial assets	$ 41,344,737	$ 42,641,661
Non-financial assets	74,660,090	72,732,222
Total Assets	116,004,827	115,373,883
Less: Financial liabilities	(32,047,860)	(37,153,070)
Accumulated surplus	**$ 83,956,967**	**$ 78,220,813**

The increase in the Accumulated Surplus is derived from the 2022 Annual Surplus of $5,736,154 reported on the Statement of Operations.

A summary of the Statement of Operations is as follows:

Statement of Operations Summary	2022 Budget	2022 Actual	2021 Actual
Total Revenue	$ 35,812,833	39,866,284	$ 31,234,065
Total Expenses	(33,270,584)	(34,130,130)	30,192,600
Annual Surplus	**$ 2,542,249**	**$ 5,736,154**	**$ 1,041,464**

The audited financial statements were prepared using the amounts in the 2022 Year-end Budget Variance Report financial appendix presented at the March 23, 2023, Board meeting with a reported operating surplus of $3,643,396.

The CH annual budget is prepared on a modified accrual basis to ensure there is adequate cash flow funding available for the planned outlay of expenditures. This budget preparation method is consistent with local government public sector budgeting practices.

Adjustments to the audited financial Statement of Operations amounts include the:

- Addition of amortization of tangible capital assets and
- Elimination of tangible capital asset acquisitions, reserve transfers, municipal debt financing and the principal portion of debt financing charges.

These items are not considered revenue and expenses according to Public Sector Accounting Board (PSAB) standards though they are reported as funding sources and expenditure items that Conservation Halton must budget for.

The PSAB adjustments to the Budget Variance Report financial amounts to arrive at the audited financial statement Annual Surplus are as follows:

	2022 Actual	2021 Actual
Total Operating Surplus - Budget Variance Report	**$ 3,643,396**	**$ 591,026**
Public Sector Accounting Board (PSAB) Adjustments:		
Addition of:		
Amortization of tangible capital assets expense	(1,918,384)	(2,010,853)
Elimination of:		
Acquisition of tangible capital assets	3,914,800	2,232,482
Proceeds on disposal of tangible capital assets	(19,786)	(84,011)
Loss on disposal of tangible capital assets	(34,647)	(74,527)
Transfers to and (from) reserves	(164,483)	184,369
Municipal Debt Financing	(95,826)	(203,437)
Debt financing charges - Principal portion	411,083	406,416
Total PSAB adjustments	**2,092,759**	**450,439**
Annual surplus per audited financial statements	**$ 5,736,154**	**$ 1,041,465**

The 2022 budget amounts shown on the Statement of Operations have also been modified to be consistent with PSAB standards. The adjustments to the 2022 budget are outlined in note 11 of the audited financial statements.

The Accumulated Surplus of $83,956,967 is made up largely by Tangible Capital Assets and is detailed in note 9 of the audited financial statements as follows:

Surplus - Tangible Capital Assets	$	74,117,179
Deficit - Current Funds		(4,887,985)
Reserves		14,727,773
Total Accumulated Surplus at December 31, 2022	**$**	**83,956,967**

The reserve transfers approved in the 2022 Year-end Budget Variance Report have been reflected in the reserves reported on the audited financial statements.

The Deficit – Current Funds is attributed to long-term debt financing of $4,792,167 at December 31, 2022 and $95,826 in Halton Region municipal debt financing invoiced in 2023 for debt financed capital project costs incurred in 2022.

Details of significant budget variances reported on the Statement of Operations were provided in the 2022 Budget Variance Report financial appendix included in the March 23, 2023, agenda.

Impact on Strategic Goals

This report supports the Momentum priority of Organizational Sustainability.

Financial Impact

The report provides details on the annual financial results for the year ended December 31, 2022, for Conservation Halton. The audited financial statements to be approved will be provided to various funding partners and stakeholders of Conservation Halton to meet funding agreements and are a source of information on the programs carried out by Conservation Halton.

Signed & respectfully submitted:

Marnie Piggot
Director, Finance

Approved for circulation:

Hassaan Basit
President & CEO/Secretary-Treasurer

FOR QUESTIONS ON CONTENT: Marnie Piggot; Director Finance
905-336-1158, ext. 2240; mpiggot@hrca.on.ca;

Financial Statements of

CONSERVATION HALTON

Year ended December 31, 2022

CONSERVATION HALTON

Financial Statements

Year ended December 31, 2022

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT

To the Directors of Conservation Halton

Opinion

We have audited the financial statements of Conservation Halton (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2022
- the statement of operations and changes in 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 accumulated surplus, its changes in net financial assets and its cash flows 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 **"Auditor's Responsibilities for the Audit of the Financial Statements"** section of our auditor's 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 ethical 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 these 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.

Auditor's 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 auditor's 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 auditor’s 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 auditor’s report. However, future events or conditions may cause the Entity's 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 represent 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

Kitchener, Canada

(date)

CONSERVATION HALTON

Statement of Financial Position

December 31, 2022, with comparative information for 2021

	2022	2021
Financial assets:		
Cash	$ 7,024,283	$ 203,167
Short-term investments (note 2)	18,575,926	27,661,061
Investment - Water Management System (note 3)	12,731,960	12,351,617
Accounts receivable (note 4)	3,012,568	2,425,816
	41,344,737	42,641,661
Financial liabilities:		
Accounts payable and accrued charges	3,513,322	2,527,046
Deferred revenue (note 5)	10,088,949	16,462,058
Deferred revenue - capital and major projects (note 6)	921,462	812,536
Deferred revenue - Water Management System (note 3)	12,731,960	12,351,617
Long-term liabilities (note 7)	4,792,167	4,999,813
	32,047,860	37,153,070
Net financial assets	9,296,877	5,488,591
Non-financial assets:		
Tangible capital assets (note 8)	74,117,179	72,175,194
Prepaid expenses	396,028	440,606
Inventory	146,883	116,422
	74,660,090	72,732,222
Contingencies (note 11)		
Commitments (note 12)		
Accumulated surplus (note 9)	$ 83,956,967	$ 78,220,813

See accompanying notes to financial statements.

On behalf of the Board:

_____ Chair

_____ Vice-Chair

CONSERVATION HALTON

Statement of Operations and Changes in Accumulated Surplus

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

	2022 Budget (Note 10)	2022 Actual	2021 Actual
Revenue (note 15):			
Municipal grants	$ 10,533,636	$ 10,533,636	$ 10,173,881
Ministry of Natural Resources and Forestry	155,034	155,034	155,034
Corporate services	222,000	464,488	1,178,950
Natural hazards and watershed management	2,925,248	3,107,352	2,707,427
Permitting and planning	3,423,750	4,443,400	4,068,515
Conservation lands management	303,000	354,616	434,793
Conservation lands recreation	13,946,430	16,407,384	10,001,894
Major projects	4,303,735	4,400,374	2,513,571
Total revenue	35,812,833	39,866,284	31,234,065
Expenses (note 15):			
Corporate services	6,477,240	7,026,238	5,916,608
Natural hazards and watershed management	5,602,373	5,726,867	4,952,398
Permitting and planning	4,748,905	5,082,614	5,310,126
Conservation lands management	1,794,466	1,644,155	1,628,136
Conservation lands recreation	13,647,445	13,136,513	10,642,224
Major projects	820,000	1,350,825	1,576,310
Debt financing charges	180,155	162,918	166,798
Total expenses	33,270,584	34,130,130	30,192,600
Annual surplus (note 9)	2,542,249	5,736,154	1,041,465
Accumulated surplus, beginning of year		78,220,813	77,179,348
Accumulated surplus, end of year		$ 83,956,967	$ 78,220,813

See accompanying notes to financial statements.

CONSERVATION HALTON

Statement of Changes in Net Financial Assets

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

	2022 Budget (Note 10)	2022 Actual	2021 Actual
Annual surplus	$ 2,542,249	$ 5,736,154	$ 1,041,465
Acquisition of tangible capital assets	(5,397,123)	(3,914,802)	(2,232,482)
Amortization of tangible capital assets	1,918,000	1,918,384	2,010,853
Proceeds on disposal of tangible capital assets	–	19,786	84,011
Loss on disposal of tangible capital assets	–	34,647	74,527
	(936,874)	3,794,169	978,374
Change in prepaid expenses	–	44,578	(71,573)
Change in inventories	–	(30,461)	9,755
Net change in net financial assets	–	3,808,286	916,556
Net financial assets, beginning of year		5,488,591	4,572,035
Net financial assets, end of year		$ 9,296,877	$ 5,488,591

See accompanying notes to financial statements.

CONSERVATION HALTON

Statement of Cash Flows

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

	2022	2021
Cash provided by (used in):		
Operating activities:		
Annual surplus	$ 5,736,154	$ 1,041,465
Items not involving cash:		
Amortization	1,918,384	2,010,853
Loss on disposal of tangible capital assets	34,647	74,527
	7,689,185	3,126,845
Change in non-cash working capital balances:		
Accounts receivable	(586,752)	(345,774)
Prepaid expenses	44,578	(71,573)
Inventory	(30,461)	9,755
Accounts payable and accrued charges	986,276	90,899
Deferred revenue	(6,373,109)	9,003,382
Deferred revenue - capital and major projects	108,926	(123,878)
	1,838,643	11,689,656
Capital transactions:		
Acquisition of tangible capital assets	(3,914,802)	(2,232,482)
Proceeds on disposal of tangible capital assets	19,786	84,011
	(3,895,016)	(2,148,471)
Investing activities:		
Net (purchase) sale of investments	9,085,135	(9,879,638)
Investment - Water Management System	(380,343)	(389,710)
	8,704,792	(10,269,348)
Financing transactions:		
Deferred revenue - Water Management System	380,343	389,710
Proceeds from long-term debt	203,436	314,532
Repayment of long-term debt	(411,082)	(406,416)
	172,697	297,826
Net change in cash	6,821,116	(430,337)
Cash, beginning of year	203,167	633,504
Cash, end of year	$ 7,024,283	$ 203,167

See accompanying notes to financial statements.

Purpose of Organization:

Conservation Halton is established under the Conservation Authorities Act of Ontario to further the conservation, restoration, development and management of natural resources, exclusive of gas, oil, coal and minerals for the watersheds within its area of jurisdiction. The watersheds include areas in the Regions of Halton and Peel, the Township of Puslinch and the City of Hamilton.

Conservations Halton's purpose is to protect people from natural hazards, conserve nature and provide opportunities for outdoor recreation and education across the watershed.

1. Significant accounting policies:

The financial statements of Conservation Halton are prepared by management in accordance with the Chartered Professional Accountants of Canada Public Sector Accounting Handbook for local government. The significant accounting policies are as follows:

(a) Basis of accounting:

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available 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.

These financial statements do not include the activities of the Conservation Halton Foundation, a related incorporated registered charity with a mission to raise funds and profile for Conservation Halton projects and programs.

(b) Investments:

Investments are recorded at the lower of cost and market value based on quoted market prices. Losses are recorded when the decline in market value is other than temporary.

(c) Non-financial assets:

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

(i) Inventory:

Inventory is valued at the lower of cost and net realizable value. Cost is determined using specific identification of the cost of the individual items.

1. Significant accounting policies (continued):

(c) Non-financial assets (continued):

(ii) Tangible capital assets:

Tangible capital assets are recorded at cost less accumulated amortization. Costs include all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue on the same basis as the amortization expense related to the acquired tangible capital asset. Assets under construction are not amortized and are transferred into their relative asset category when available for productive use. Amortization is recorded on either a straight-line basis over the estimated life of the assets or by using the declining balance method.

The following rates are used:

Asset	Basis	Useful Life - Years
Land improvements	Straight-line	30 to 50 years
Buildings and building improvements	Straight-line	25 to 50 years
Machinery and equipment	Straight-line	5 to 40 years
Furniture and fixtures	Straight-line	5 to 20 years
Infrastructure	Straight-line	20 to 75 years
Vehicles	Declining balance	30%
Computer hardware and software	Straight-line	5 to 10 years

Annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

(d) Deferred revenue - Capital and Major Projects:

Conservation Halton received certain amounts for which the related services have yet to be performed. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. Funds received for the purchase of tangible capital assets are recognized when the related asset is purchased.

(e) Deferred revenue - Water Management System:

Conservation Halton has received funds for expenses to be incurred for the future operation of a water management system and management of certain lands. These funds are externally restricted and cannot be drawn until Conservation Halton commences management of the lands. These amounts will be recognized as revenues when the relating expenses are incurred or management services performed.

1. Significant accounting policies (continued):

(f) Investment income:

Investment income is reported as revenue in the period earned. When required by the funding government or related Act, investment income earned on deferred revenue is added to the investment and forms part of the deferred revenue balance.

(g) Revenue recognition:

Municipal levies, government transfers and funding for projects are recognized as revenue when the transfer is authorized, any eligible criteria has been met, and the amount can be reasonably estimated.

User charges and fees are recognized as revenue in the period in which the related services are performed.

(h) Employee future benefits:

The costs of multi-employer defined contribution pension plan benefits, such as the Ontario Municipal Employees Retirement System ("OMERS") pensions, are the employer's contributions due to the plan in the period.

(i) Use of estimates:

The presentation of financial statements 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 reporting period. Significant items subject to such estimates and assumptions include accrued liabilities, contaminated site liability, contingencies and tangible capital assets. Actual results could differ from estimates.

2. Short-term investments:

	2022	2021
Business investment	$ 14,361	$ 5,203,184
Notice plan investment	5,327,616	10,085,806
High interest savings	31,662	2,314,090
Guaranteed investment certificates	8,000,000	5,000,000
Pooled fund - Provincial and Corporate bonds	4,537,113	4,443,377
Pooled fund - Equity	665,174	614,604
Total	$ 18,575,926	$ 27,661,061

The guaranteed investment certificates have effective rates that range between 0.75% and 5.00% (2021 - 0.64% and 1.20%). Interest is receivable on the date of maturity. Maturity dates range from March 3, 2023 to December 29, 2025.The business investment account and pooled funds (which include money market, bond and equity funds) earn interest at variable rates which is paid monthly.

2. Short-term investments (continued):

The notice plan investment has accrued interest rate of 4.90% that is tied to bank reference rates that are subject to change and withdrawals require 31 days' notice.

Market value of short-term investments are $18,877,502 (2021 - $28,523,879).

3. Investment/Deferred revenue - Water Management System:

Conservation Halton entered into an agreement for the transfer of a Water Management System and its long-term operation with an estimated timeline of 2063. The agreement is based on the principle that the net costs associated with ongoing operation, maintenance and performance of the Water Management System will not be a financial liability to Conservation Halton.

To ensure that Conservation Halton should not have a net financial liability for the management of the water system, Conservation Halton received amounts from 2008 to 2017 as part of the agreement. The amounts received are to be invested in accordance with Municipal Act Regulations and will be managed by an Investment Committee as required by the agreement. At the time of transfer Conservation Halton will be able to draw on the funds only to facilitate the management of the water system.

The funds are invested as follows:

	2022	2021
Cash	$ 205	$ 203
Provincial and provincially regulated agency bonds	10,431,382	7,952,991
Guaranteed investment certificates	2,300,373	4,398,423
Total	$ 12,731,960	$ 12,351,617

The provincial and provincially regulated agency bonds have effective yields of 3.11% to 4.22% (2021 - 3.11% to 4.15%). Interest is receivable on the date of maturity. Maturity dates range from July 16, 2027 to October 17, 2050.

The guaranteed investment certificate has an effective interest rate of 0.95% (2021 - 0.64% and 2.33%). Interest is receivable on the date of maturity. Maturity date is January 13, 2023.

Market value of investments are $12,069,035 (2021 - $13,495,435).

4. Accounts receivable:

Included in accounts receivable is $192,629 (2021 - $375,708) due from Conservation Halton Foundation.

During 2022, the Foundation contributed $711,347 (2021 - $938,950) to fund projects carried out by Conservation Halton.

5. Deferred revenue:

(a) Deferred revenue includes the following amounts:

	Balance at December 31, 2022	Additions	Revenue recognized	Balance at December 31, 2021
Watershed management	$ 2,876,558	$ 699,522	$ 813,152	$ 2,990,188
Partnership projects	919,430	185,608	254,015	987,837
Source water protection	38,800	208,555	240,585	70,830
Conservation areas	6,254,161	6,900,177	5,621,408	4,975,392
Canada Emergency Wage Subsidy (note 5 (b))	–	(7,437,811)	–	7,437,811
	$ 10,088,949	$ 556,051	$ 6,929,160	$ 16,462,058

Additions to deferred revenue includes contributions from external parties and payments for annual passes and lesson programs received during the year pertaining to the following year.

(b) Conservation Halton applied for funding through the Canada Emergency Wage Subsidy (CEWS) program. In 2021, Conservation Halton received funding totaling $7,437,811 and the amount was recorded as deferred revenue until the year ended December 31, 2021. The Canada Revenue Agency (CRA) through an audit determined that the Conservation Halton was not eligible for this subsidy. The subsidy was refunded to the CRA during 2022 in the full amount of $7,437,811. The assessment resulted in interest owing of $702,544 and was expensed in Corporate Services on the statement of operations in 2022. Conservation Halton is appealing this assessment and has also requested that interest charges be waived. A final decision by the CRA is pending as at December 31, 2022.

6. Deferred revenue - Capital and Major Projects:

	Balance at December 31, 2022	Contributions received	Revenue recognized	Balance at December 31, 2021
Capital - Ministry of Natural Resources	$ 104,882	$ 344,705	$ 324,372	$ 84,549
Capital - Municipal	816,580	262,000	173,407	727,987
	$ 921,462	$ 606,705	$ 497,779	$ 812,536

7. Long-term liabilities:

	2022	2021
5 year term loan at 2.95% interest compounded annually, with a registered collateral mortgage covering 54.36 acres of land, due November 30, 2025	$ 123,498	$ 168,588
Municipal debt financing and interest payments due annually at variable current interest rates of 3.0% to 3.2% annual principal repayments, due December 2023 to December 2050	4,668,669	4,831,226
	$ 4,792,167	$ 4,999,814

Principal repayments over the next five fiscal years and thereafter are as follows:

2023	$ 382,828
2024	366,149
2025	289,570
2026	192,268
2027	173,472
Thereafter	3,387,880
	$ 4,792,167

8. Tangible capital assets:

Cost	Balance at December 31, 2021	Additions	Disposals	Transfers	Balance at December 31, 2022
Land	$ 36,465,678	$ 1,617,769	$ –	$ –	$ 38,083,447
Land Improvements	564,806	97,029	–	30,779	692,615
Buildings and building improvements	16,071,563	279,803	–	13,274	16,364,640
Machinery and equipment	8,898,400	276,267	(74,113)	–	9,100,554
Furniture and fixtures	480,621	4,283	(4,193)	–	480,711
Infrastructure	35,870,066	523,029	–	49,791	36,442,886
Vehicles	2,613,430	55,246	(105,977)	–	2,562,699
Computer hardware and software	1,538,494	79,335	(42,980)	–	1,574,849
Assets under construction	148,669	982,041	(37,154)	(93,844)	999,712
	$ 102,651,727	$ 3,914,802	$ (264,417)	$ –	$106,302,113

Accumulated Amortization	Balance at December 31, 2021	Additions	Disposals	Transfers	Balance at December 31, 2022
Land	$ –	$ –	$ –	$ –	$ –
Land Improvements	352,911	11,562	–	–	364,473
Buildings and building improvements	6,620,774	426,811	–	–	7,047,585
Machinery and equipment	5,014,070	367,609	(67,851)	–	5,313,828
Furniture and fixtures	240,386	22,313	(3,774)	–	258,925
Infrastructure	15,138,262	755,451	–	–	15,893,713
Vehicles	1,949,095	192,460	(95,379)	–	2,046,176
Computer hardware and software	1,161,035	142,178	(42,980)	–	1,260,233
Assets under construction	–	–	–	–	–
	$ 30,476,533	$ 1,918,384	$ (209,984)	$ –	$ 32,184,933

8. Tangible capital assets (continued):

	Net book value, Balance at December 31, 2021	Net book value Balance at December 31, 2022
Land	$ 36,465,678	$ 38,083,447
Land Improvements	211,895	328,142
Buildings and building improvements	9,450,789	9,317,055
Machinery and equipment	3,884,330	3,786,726
Furniture and fixtures	240,235	221,786
Infrastructure	20,731,804	20,549,173
Vehicles	664,335	516,523
Computer hardware and software	377,459	314,616
Assets under construction	148,669	999,711
	$ 72,175,194	$ 74,117,179

Cost	Balance at December 31, 2020	Additions	Disposals	Transfers	Balance at December 31, 2021
Land	$ 36,247,952	$ 218,000	$ (274)	$ –	$ 36,465,678
Land Improvements	564,806	–	–	–	564,806
Buildings and building improvements	16,040,218	61,004	(29,659)	–	16,071,563
Machinery and equipment	8,559,407	444,607	(105,614)	–	8,898,400
Furniture and fixtures	492,197	–	(11,576)	–	480,621
Infrastructure	34,649,268	1,108,790	(124,776)	236,784	35,870,066
Vehicles	2,774,222	182,758	(343,550)	–	2,613,430
Computer hardware and software	1,441,830	128,341	(31,677)	–	1,538,494
Assets under construction	296,471	88,982	–	(236,784)	148,669
	$ 101,066,371	$ 2,232,482	$ (647,126)	$ –	$102,651,727

8. Tangible capital assets (continued):

Accumulated Amortization	Balance at December 31, 2020	Additions	Disposals	Transfers	Balance at December 31, 2021
Land	$ –	$ –	$ –	$ –	$ –
Land Improvements	342,462	10,449	–	–	352,911
Buildings and building improvements	6,205,189	437,335	(21,750)	–	6,620,774
Machinery and equipment	4,735,986	365,900	(87,816)	–	5,014,070
Furniture and fixtures	228,933	22,400	(10,947)	–	240,386
Infrastructure	14,458,810	733,612	(54,160)	–	15,138,262
Vehicles	1,947,447	284,829	(283,181)	–	1,949,095
Computer hardware and software	1,035,441	156,328	(30,734)	–	1,161,035
Assets under construction	–	–	–	–	–
	$ 28,954,268	$ 2,010,853	$ (488,588)	$ –	$ 30,476,533

	Net book value, Balance at December 31, 2020	Net book value Balance at December 31, 2021
Land	$ 36,247,952	$ 36,465,678
Land Improvements	222,344	211,895
Buildings and building improvements	9,835,029	9,450,789
Machinery and equipment	3,823,421	3,884,330
Furniture and fixtures	263,264	240,235
Infrastructure	20,190,458	20,731,804
Vehicles	826,775	664,335
Computer hardware and software	406,389	377,459
Assets under construction	296,471	148,669
	$ 72,112,103	$ 72,175,194

9. Accumulated surplus:

Accumulated surplus consists of operating surplus and reserves as follows:

	Balance at December 31, 2022	Excess of Revenue over expenses	Transfers (to) from reserves	Balance at December 31, 2021
Surplus (deficit) - investment in tangible capital assets	$ 74,117,179	$ (1,972,817)	$ 3,914,802	$ 72,175,194
Surplus (deficit) - current funds	(4,887,985)	7,708,971	(7,214,733)	(5,382,223)
Total surplus	69,229,194	5,736,154	(3,299,931)	66,792,971
Reserves:				
Conservation areas capital	5,015,734	–	2,386,044	2,629,690
Conservation areas stabilization	1,146,490	–	416,000	730,490
Vehicle and equipment	744,296	–	39,395	704,901
Building	511,151	–	194,279	316,872
Building - state of good repair	485,404	–	66,730	418,674
Watershed management capital - municipal funds	773,270	–	32,910	740,360
Watershed management capital - self generated funds	469,109	–	34,200	434,909
Watershed management and support services stabilization	1,789,212	–	–	1,789,212
Digital transformation	285,700	–	7,300	278,400
Debt financing charges capital	518,146	–	46,550	471,596
Legal - planning and watershed management	941,995	–	–	941,995
Legal - corporate	200,000	–	–	200,000
Water festival	179,334	–	(9,577)	188,911
Property management	1,112,642	–	28,600	1,084,042
Land securement	116,239	–	27,500	88,739
Stewardship and restoration	439,051	–	30,000	409,051
Total reserves	14,727,773	–	3,299,931	11,427,842
Accumulated surplus	$ 83,956,967	$ 5,736,154	$ –	$ 78,220,813

10. Budget amounts:

The 2022 budget amounts approved by Conservation Halton on October 21, 2021 were not prepared on a basis consistent with that used to report actual results under the Public Sector Accounting Standards. The budget was prepared on a modified accrual basis while Public Sector accounting Standards require a full accrual basis. The budget figures anticipated use of surpluses accumulated in previous years to reduce current year expenses in excess of current year revenues to $nil. In addition, the budget expensed all tangible capital expenses rather than including amortization expenses. As a result, the budget figure presented in the statements of operations and changes in net financial assets represent the budget adopted by Conservation Halton on October 21, 2021, with adjustments as follows:

	2022	2021
Budget deficit for the year	$ (1,377,270)	$ (347,926)
Less: Amortization of tangible capital assets	(1,918,000)	(2,010,000)
Less: Municipal debt financing	5,397,123	2,510,180
Add: Acquisition of tangible capital assets	440,396	388,057
Add: Debt financing charges - principal portion	–	(526,500)
Budget surplus per Statement of Operations	$ 2,542,249	$ 13,811

11. Contingencies:

Conservation Halton has been named as defendant or co-defendant in several lawsuits that have claims outstanding. Conservation Halton anticipated any individual settlement amount will not exceed the limits of insurance coverage provided to Conservation Halton on the majority of the claims. For claims in which the claim amount exceeds the limit of insurance coverage provided to Conservation Halton the outcome is not determinable.

Conservation Halton has entered into an agreement related to the implementation of a monitoring and mitigation plan for the future rehabilitation of lands adjacent to a provincially significant wetland. The agreement requires a trust account to be established by the funder to ensure funds are available for the rehabilitation plan implementation. Conservation Halton is a member of the Investment Committee that oversees management of the trust account with a balance of $2,901,595 (2021 - $2,323,319) as at December 31, 2022. A deposit to the trust account by the funder required to be made by March 31, 2023 for $322,640 (2021 - $542,511) was completed. Conservation Halton will release their interest in the trust account when the implementation plan is completed.

12. Commitments:

Conservation Halton has entered into contracts related to projects at Glen Eden, various dam studies and repairs, and leases for office equipment and vehicles. Commitments outstanding on these contracts to be paid beyond December 31, 2022 are as follows:

2023	$ 1,761,488
2024	75,614
2025	34,150
2026	35,175
	$ 1,906,427

13. Pension agreements:

Conservation Halton belongs to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of the members of its staff. This plan specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Because OMERS is a multi-employer pension plan, any pension plan surpluses or deficits are the joint responsibility of Ontario municipal organizations and their employees. As a result, Conservation Halton does not recognize any share of the OMERS pension surplus or deficit.

The latest available report for the OMERS plan was December 31, 2022. At that time the plan reported a $6.7 billion actuarial deficit (2021 - $3.1 billion actuarial deficit), based on actuarial liabilities of $128.8 billion (2021 - $119.3 billion) and actuarial assets of $122.1 billion (2021 - $116.2 billion). Ongoing adequacy of the current contribution rates will need to be monitored and may lead to increased future funding requirements.

The 2022 employer portion of OMERS pension contributions was $1,330,243 (2021 - $1,284,600).

14. Comparative information:

Certain comparative information on the statement of operations under revenue and expenses have been reclassified to conform to the financial statement presentation adopted in the current year.

15. Revenue and expenses by program:

2022	Corporate Services	Natural Hazards and Watershed Management	Permitting and Planning	Conservation Lands Management	Conservation Lands Recreation	Major Projects	Debt Financing	Reserve Funding	Total
Revenue:									
Municipal funding	$ 4,159,550	$ 2,179,008	$ 1,614,635	$1,114,836	$ 339,556	$ –	$ 620,551	$ 505,500	$10,533,636
Provincial transfer payments	–	155,034	–	–	–	–	–	–	155,034
Program fees and other	464,488	3,107,352	4,443,400	354,616	16,407,384	4,400,374	–	–	29,177,614
	4,624,038	5,441,394	6,058,035	1,469,452	16,746,940	4,400,374	620,551	505,500	39,866,284
Expenses:									
Salaries, wages and benefits	4,777,012	3,665,486	4,462,322	1,279,841	7,751,483	168,168	–	–	22,104,312
Members per diems and expenses	20,425	–	–	–	–	–	–	–	20,425
Materials and supplies	147,793	610,815	45	98,393	1,549,123	728,087	–	–	3,134,256
Property taxes	–	–	–	61,013	5,126	–	–	–	66,139
Purchased services	1,063,716	763,245	24,635	93,676	2,374,288	420,416	–	–	4,739,976
Legal	24,635	124,455	595,612	13,734	12,686	–	–	–	771,122
Finance and rent	726,776	886	–	10,812	439,477	–	–	–	1,177,951
Debt financing charges	–	–	–	–	–	–	162,918	–	162,918
Amortization of tangible– capital assets	265,461	561,980	–	87,996	1,002,947	–	–	–	1,918,384
Loss (gain) on disposal of tangible capital assets	420	–	–	(1,310)	1,383	34,154	–	–	34,647
	7,026,238	5,726,867	5,082,614	1,644,155	13,136,513	1,350,825	162,918	–	34,130,130
Annual surplus (deficit)	$ (2,402,200)	$ (285,473)	$ 975,421	$ (174,703)	$ 3,610,427	$3,049,549	$ 457,633	$ 505,500	$ 5,736,154

15. Revenue and expenses by program (continued):

2021	Corporate Services	Natural Hazards and Watershed Management	Permitting and Planning	Conservation Lands Management	Conservation Lands Recreation	Major Projects	Debt Financing	Reserve Funding	Total
Revenue:									
Municipal funding	$ 3,978,472	$ 2,001,375	$ 1,692,231	$1,023,776	$ 355,282	$ –	$ 619,245	$ 503,500	$10,173,881
Provincial transfer payments	–	155,034	–	–	–	–	–	–	155,034
Program fees and other	1,178,950	2,707,427	4,068,515	434,793	10,001,894	2,513,571	–	–	20,905,150
	5,157,422	4,863,836	5,760,746	1,458,569	10,357,176	2,513,571	619,245	503,500	31,234,065
Expenses:									
Salaries, wages and benefits	4,308,148	3,130,707	4,447,430	1,207,196	6,262,910	111,850	–	–	19,468,241
Members per diems and expenses	21,850	–	–	–	–	–	–	–	21,850
Materials and supplies	201,017	369,656	253	143,032	934,786	1,112,408	–	–	2,761,152
Property taxes	–	–	–	–	5,031	–	–	–	5,031
Purchased services	1,023,369	783,818	107,149	112,651	1,856,752	352,052	–	–	4,235,791
Legal	19,480	121,187	755,294	–	122,199	–	–	–	1,018,160
Finance and rent	26,810	1,028	–	15,312	387,047	–	–	–	430,197
Debt financing charges	–	–	–	–	–	–	166,798	–	166,798
Amortization of tangible– capital assets	270,905	546,002	–	143,147	1,050,799	–	–	–	2,010,853
Loss on disposal of tangible capital assets	45,029	–	–	6,798	22,700	–	–		74,527
	5,916,608	4,952,398	5,310,126	1,628,136	10,642,224	1,576,310	166,798	–	30,192,600
Annual surplus (deficit)	$ (759,186)	$ (88,562)	$ 450,620	$ (169,567)	$ (285,048)	$ 937,261	$ 452,447	$ 503,500	$ 1,041,465

KPMG

Conservation Halton

Audit Findings Report
year ended December 31, 2022

KPMG LLP

Licensed Public Accountants

Prepared March 20, 2023 for presentation to the Finance and Audit Committee on April 5, 2023

kpmg.ca/audit

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Table of contents

The purpose of this report is to assist you, as a member of the Finance and 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 Finance and 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.

Digital use information

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

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

Click on any item in the table of contents to navigate to that section.

Audit highlights

Scope of the audit

Our audit of the financial statements of Halton Conservation ("Organization") 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 ("financial statements"), with the exception of certain remaining outstanding procedures, which are highlighted on slide 5 of this report.

Audit risks and results – significant risks

Significant findings related to significant risks are discussed on slide 8.

Independence

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

Uncorrected audit misstatement

No matters to report.

Corrected audit misstatements

The management representation letter includes all misstatements identified as a result of the audit, communicated to management, and subsequently corrected in the audited financial statements.

Accounting policies and practices

No matters to report.

Significant unusual transactions

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 13.

Other financial reporting matters

No matters to report.

Status of the audit

As of March 20, 2023, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include amongst others:

- Completing certain audit testing procedures, including follow up inquiries and documentation requests
- Completing our final quality control and review procedures
- Receipt of legal letter responses regarding litigation and claims
- Completing our discussions with the Finance and Audit Committee
- Obtaining evidence of the Board of Director's approval of the financial statements
- Receipt of signed management representation letter

We will update the Finance and 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 Appendix: Draft Auditor's Report, 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.

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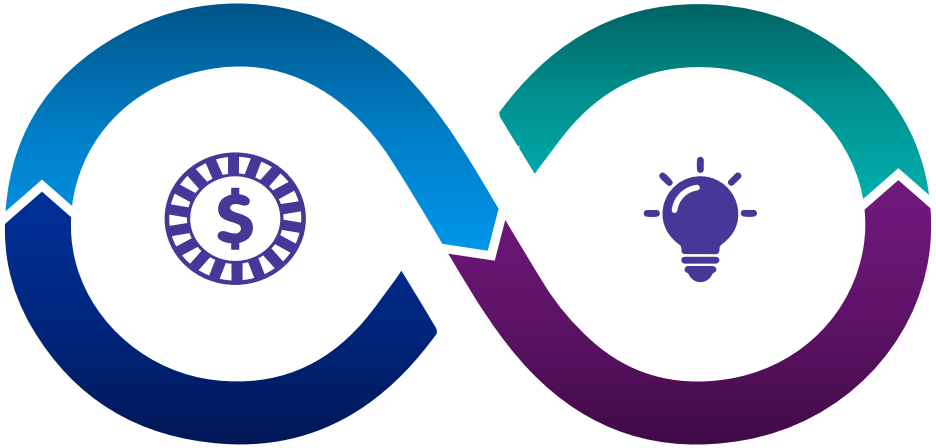
Materiality



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:

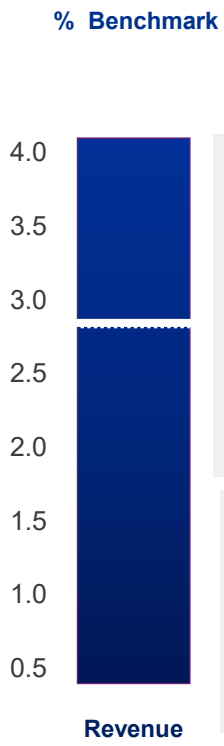
- Identified misstatements on our audit; and
- Uncorrected misstatements, if any, on the financial statements and in forming our opinion.

Materiality

Materiality

$1,100,000

(2021 - $860,000)



Prior year
Current year

Benchmark: Total Revenue

$ 39,866,000

(2021 - $31,230,000). For 2022, the same benchmark was applied

The 2022 materiality represents 2.76% of the benchmark. (2021 - 2.75%).

Audit Misstatement Posting Threshold (AMPT)

$55,000

(2021: $43,000)

Advanced Technologies

Our **KPMG Clara DataSnipper** is an automated vouching tool uses advanced Optical Character Recognition to automatically vouch unstructured data like invoices and contracts with a click of a button! This tool will be used throughout the audit allowing our teams to focus more attention on areas of higher risk.

Click to learn more

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.

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

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 Halton Conservation's revenue sources require very minimal judgement. Halton Conservation'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

Areas	Risk due to error	Audit approach
Grant revenues and deferred contributions	Base	We have performed statistical sampling and obtained confirmation of a sample of levies received by Halton Conservation from local municipalities and reconciled to cash received and revenue reported for the fiscal year. We have performed statistical sampling over contributions received and contributions recognized in deferred revenue and obtained supporting documentation to ensure the contribution was received and the funds were used in accordance with the underlying agreement. No issues were noted in the performance of the above procedures.
Program fees and other revenue	Base	We have performed statistical sampling over program fees and other revenue. The items selected were agreed to supporting documentation, and assessed whether accurately recorded in the proper year. No issues were noted in the performance of the above procedures.

Other areas of focus

Areas	Risk due to error	Audit approach
Operating expenditures, including payroll	Base	We performed statistical sampling over operating expenditures and agreed the items selected to source documentation. For payroll expenses, we performed substantive analytical procedures comparing the average year-over-year payroll expense by headcount while including the effects of any cost of living allowance. No issues were noted in the performance of the above procedures.
Tangible capital assets	Base	We performed statistical sampling to select tangible capital asset additions and disposals in the year. We assessed the capitalization of tangible capital assets and projects to ensure the items are appropriately classified. We performed statistical sampling over repairs and maintenance expenditures to ensure the completeness of tangible capital assets. We assessed the financial statement presentation and disclosure of tangible capital assets. No issues were noted in the performance of the above procedures.

Uncorrected and corrected audit misstatements

Audit misstatements include presentation and disclosure misstatements, including omissions.

Uncorrected audit misstatements

We did not identify misstatements that remain uncorrected.

Corrected Misstatements

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

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.

KPMG has not identified any significant control deficiencies as a result of our 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 Conservation Halton's accounting policies and practices

Significant accounting policies or practices are disclosed in note 1 to the financial statements.

No maters 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.

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

Within note 5(b) of the financial statements, Halton Conservation discloses the repayment of Canadian Emergency Wage Subsidy to the Canada Revenue Agency in 2022. Conservation Halton is appealing the assessment and requesting CRA to waive interest charges.

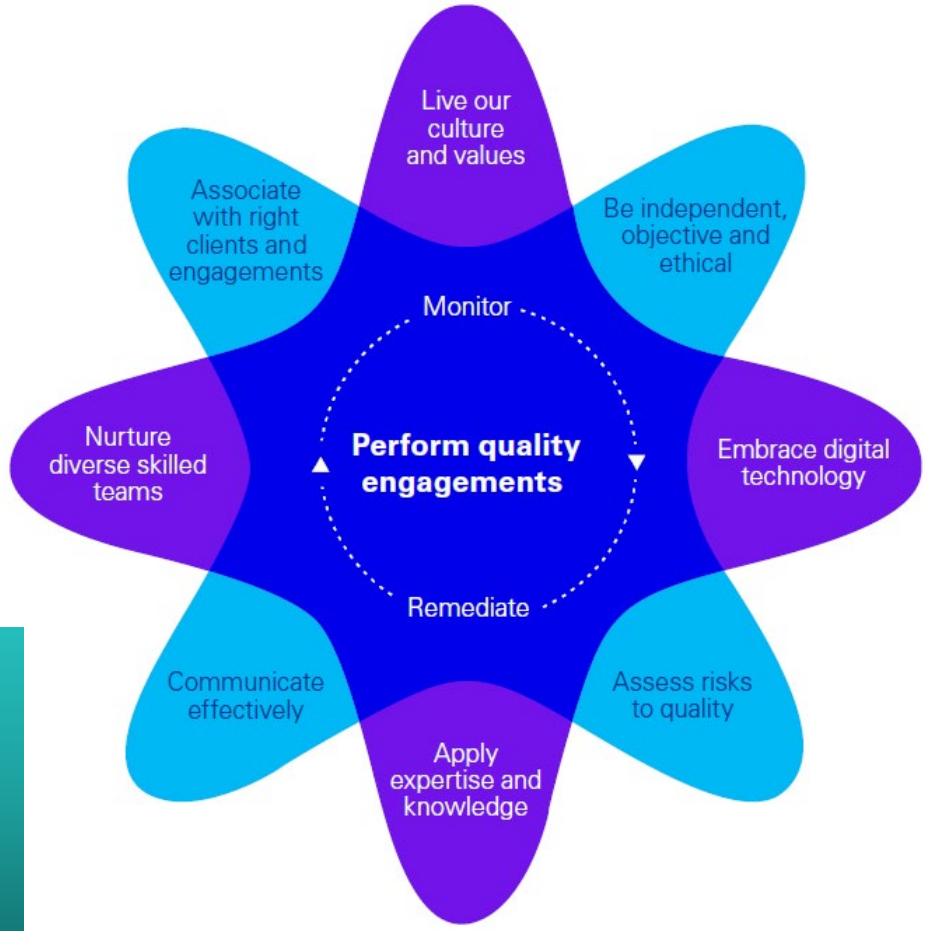
Audit quality: How do we deliver audit quality?

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 and Audit 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

Technology in the audit

Implementation of Technology in the Audit

- We have expanded the number of technologies implemented in the audit from one to four. Please refer to page 18 for further information.

Timing of prepared by client (PBC) items

Timeliness of PBC items

- No concerns regarding to the timeliness of PBC items

Technology highlights

We have utilized technology to enhance the quality and effectiveness of the audit.

Summary of advanced technologies

Datashare

DataShare is a data extraction tool that enables easy and reliable data extraction to support our year-end audit work from clients using a compatible accounting system. Data extracted is formatted into standardized reports, ensuring consistency in the way we receive and analyze data.

KCfc Collaboration Site

KCfc is the next generation Audit collaboration solution with new redesigned features to improve the client and engagement team experience. KPMG and management used this tool to effectively share documents.

Datasnipper

DataSnipper uses optical character recognition and robotic process automation to automate vouching procedures on your engagements and ensure mathematical accuracy on financial statements.

IDEA Smart Analyzer

Using our Data & Analytics tool, IDEA Smart Analyzer, we analyzed 100% of 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.

Appendices

1 Oher required communications

2 Management representation letter

3 Current developments

4 Newly effective auditing standards

5 Engagement letter

6 Audit and assurance insights

Appendix 1: Other required communications

Other communications

A copy of the engagement letter have been provided to the Finance and Audit Committee in Appendix 5.

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: Management representation letter

KPMG LLP
120 Victoria Street South, Suite 600
Kitchener, ON N2G 2B3
Canada

April 20, 2023

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the financial statements (hereinafter referred to as "financial statements") of Conservation Halton ("the Entity") as at and for the period ended December 31, 2022.

General:

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

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

Responsibilities:

1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated November 16, 2022, including for:

   a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework.

   b) providing you with all information of which we are aware that is relevant to the preparation of the financial statements ("relevant information"), such as financial records, documentation and other matters, including:

      — the names of all related parties and information regarding all relationships and transactions with related parties;

      — the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of shareholders, board of directors and committees of the board of directors that may affect the financial statements. All significant actions are included in such summaries.

   c) providing you with unrestricted access to such relevant information.

   d) providing you with complete responses to all enquiries made by you during the engagement.

   e) providing you with additional information that you may request from us for the purpose of the engagement.

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

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

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

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

Internal control over financial reporting:

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

Fraud & non-compliance with laws and regulations:

3) We have disclosed to you:

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

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

— management;

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

— others

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

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

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

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

Subsequent events:

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

Related parties:

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

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

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

Estimates:

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

Going concern:

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

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

Misstatements:

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

Non-SEC registrants or non-reporting issuers:

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

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

Approval of financial statements:

14) The individual listed below has the recognized authority to take, and has taken, responsibility for the financial statements.

Yours very truly,

_____

By: Marnie Piggot, Director, Finance

_____

Hassaan Basit, President and CEO

cc: Finance and Audit Committee

Attachment I – Definitions

Materiality

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

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

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

Fraud & error

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

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

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

Attachment II – Summary of Audit Misstatements Schedule

Summary of Audit Misstatements - Corrected

Entity: Conservation Halton
For Period Ended: 31-Dec-22
Amounts in: CAD

Entry								
					Balance sheet		Income statement	
ID	Description of misstatement	Factual, judgmental or projected misstatement?	Misstatement in accounts or in disclosure?	Accounts (if applicable)	Debit	(Credit)	Debit	(Credit)
SAM1	To reclassify a credit card balance to accounts payable as the payment was made subsequent to year-end.	Factual	Account	Cash	123,299			
				Accounts Payable and Accrued Charges		123,299		
					123,299	123,299	0	0

Appendix 3: Accounting standards updates

Area	Summary and implications
Asset Retirement Obligations, **Section PS 3280** **Pronouncement**	The new standard addresses the recognition, measurement, presentation and disclosure of legal obligations associated with retirement of tangible capital assets in productive use. Retirement costs will be recognized as an integral cost of owning and operating tangible capital assets. PSAB currently contains no specific guidance in this area. The ARO standard will require the public sector entity to record a liability related to future costs of any legal obligation 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. As a result of the new standard, the public sector entity will have to: — 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 AROs and obtain information to estimate the value of potential AROs to avoid unexpected issues. **The new standard is effective for fiscal years beginning on or after April 1, 2022 – Conservation Halton's December 31, 2023 year end.**
Revenue, **Section PS 3400** **Pronouncement**	The new standard establishes a single framework to categorize revenues to enhance the consistency of revenue recognition and its measurement. The standard notes that in the case of revenues 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 revenues arise 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. **The new standard is effective for fiscal years beginning on or after April 1, 2023 – Conservation Halton's December 31, 2024 year end.**

Appendix 3: Accounting standards updates (continued)

Area	Summary and implications
Financial Statement Presentation, **Section PS 1201** **Pronouncement**	Effective in the same period when Sections PS 2601 and PS 3450 are adopted. This standard is to replace PS 1200 Financial Statement Presentation – highlights are as follows: • Remeasurement gains and losses are reported in a new statement (statement of remeasurement gains and losses) • Other comprehensive income arising when a government includes the results of government business enterprises and government business partnerships in its financial statements, is reported in the statement of remeasurement gains and losses • Accumulated surplus or deficit is presented as the total of the accumulated opening surplus or deficit and the accumulated remeasurement gains and losses. In addition, narrow-scope amendments clarify the presentation of derivatives include allowing public sector entities to present the remeasurement on derivatives separately on the statement of net debt as well as presentation clarifications regarding subtotals on the statement of financial position. The amendment allows public sector entities to make an irreversible policy election on any financial asset or liability to recognize exchange gains/losses, including that on component of changes in fair value, directly in the statement of operations. Any elections would not be recognized in the statement of remeasurement gains or losses. **These amendments are effective for fiscal years beginning on or after April 1, 2022 (Conservation Halton's December 31, 2023 year end), with earlier adoption permitted.**

Appendix 3: Accounting standards updates (continued)

Area	Summary and implications
Foreign Currency Translation, **Section PS 2601** **Pronouncement**	This issuance replaces PS 2600 Foreign Currency Translation – highlights are as follows: • Definition of currency risk as outlined in PS 3450 • Removal of the exception relating to the measurement of items on initial recognition that applies with synthetic instrument accounting • Subsequent to initial recognition, non-monetary foreign currency items included in the fair value category are adjusted at the financial statement date to reflect the exchange at that particular date. • Deferral and amortization of foreign exchange gains and losses relating to long-term foreign current will no longer be permitted. • Exchange gains and losses are recognized in the statement of remeasurement at the period of settlement • Hedge accounting and presentation of items as synthetic instruments is no longer permitted. **Earlier adoption is permitted when adopting Sections PS 1201 and PS 3450.** **These amendments are effective for fiscal years beginning on or after April 1, 2022 (Conservation Halton's December 31, 2023 year end), with earlier adoption permitted.**
Purchased Intangibles, **PSG-8 Pronouncement**	In October 2019, PSAB approved a proposal to allow public sector entities to recognize intangibles purchased through an exchange transaction. Practitioners are expected to use the definition of an asset, the general recognition criteria and the GAAP hierarchy to account for purchased intangibles. PSAB has approved Public Sector Guideline 8 which allows recognition of intangibles purchased through an exchange transaction. Narrow-scope amendments were made to Section PS 1000 Financial statement concepts to remove prohibition on recognition of intangibles purchased through exchange transactions and PS 1201 Financial statement presentation to remove the requirement to disclose that purchased intangibles are not recognized. **The effective date is April 1, 2023 (Conservation Halton's December 31, 2024 year end), with early adoption permitted. Application may be retroactive or prospective.**

Appendix 3: Accounting standards updates (continued)

Area	Summary and implications
Portfolio Investments, Section PS 3041 Pronouncement	The issuance of this standard replaces PS 3030 Temporary Investments and PS 3040 Portfolio Investments – highlights are as follows: • Conforms to standard PS 3450 and does not make a distinction between temporary and portfolio investments • Investments within 3030 that are not considered cash equivalents are now within the scope of PS 3041. **Early adoption is permitted when Sections PS 1201, PS 2601 and PS 3450 are adopted.** **These amendments are effective for fiscal years beginning on or after April 1, 2022 (Conservation Halton's December 31, 2023 year end), with earlier adoption permitted.**
Financial Instruments, Section PS 3450 Pronouncement	The new standard outlines the recognition, measurement, derecognition, presentation and undisclosure of financial assets and liabilities, including derivatives. Significant changes include: • Financial instruments are classified into two measurement categories – fair value OR cost/amortized cost • Remeasurement gains and losses are reported in the statement of remeasurement until derecognized • Financial liabilities are derecognized only when they are extinguished • Financial assets and liabilities are only offset if there is a legally enforceable right to settle on a net basis • Clarification regarding bond repurchase transactions, section application, and transitional provisions **Fiscal years beginning on or after April 1, 2022 (Conservation Halton's December 31, 2023 year end), with earlier adoption permitted when adopting Sections PS 1201 and PS 2601.**

Appendix 3: Accounting standards updates (continued)

Area	Summary and implications
2022 – 2023 Annual Improvements Link to PSAB Project Listing	As developed the 2017-2021 Strategic Plan, the Board intends to: - Understand the fiscal and regulatory environment in which government not-for-profit organizations ("GNFP") operate; - Understanding the financial reporting needs and concerns of the GNFP - Publish a consultation paper with input on key areas; and - Develop a GNFP strategy. **As of March 2022, PSAB decided on Option 2 – PSAS incorporating the PS 4200 series with potential customizations as its GNFP Strategy with final approval for implementation in June 2022. PSAB has released its Annual Improvements Exposure draft with comments due on October 11, 2022.**
Employee Future Benefit Obligations Link to PSAB Project Listing	PSAB has initiated a review of sections PS3250 Retirement Benefits and PS3255 Post-Employment Benefits, Compensated Absences and Termination Benefits. In July 2020, PSAB approved a revised project plan. PSAB intends to use principles from International Public Sector Accounting Standard 39 Employee Benefits as a starting point to develop the Canadian standard. Given the complexity of issues involved and potential implications of any changes that may arise from the review of the existing guidance, PSAB will implement a multi-release strategy for the new standards. The first standard will provide foundational guidance. Subsequent standards will provide additional guidance on current and emerging issues. **PSAB is current deliberating on feedback received on the employee future benefits exposure draft. The exposure draft (PS 3251) would replacing the existing sections of PS 3250 and 3255.**

Appendix 4: New 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.

A **risk of material misstatement** exists when there is a reasonable possibility of a misstatement occurring and being material if it were to occur

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 4: New auditing standards (continued)

Key change	Impact on the audit team	Impact on management
Overall, a more robust risk identification and assessment process, including: • New requirement to take into account how, and the degree to which, 'inherent risk factors' affect the susceptibility of relevant assertions to misstatement • New concept of significant classes of transactions, account balances and disclosures and relevant assertions to help us to identify and assess the risks of material misstatement • New requirement to separately assess inherent risk and control risk for each risk of material misstatement • Revised definition of significant risk for those risks which are close to the upper end of the spectrum of inherent risk	When assessing inherent risk for identified risks of material misstatement, we consider the degree to which inherent risk factors (such as complexity, subjectivity, uncertainty, change, susceptibility to management bias) affect the susceptibility of assertions to misstatement. We use the concept of the spectrum of inherent risk to assist us in making a judgement, based on the likelihood and magnitude of a possible misstatement, on a range from higher to lower, when assessing risks of material misstatement The changes may affect our assessments of the risks of material misstatement and the design of our planned audit procedures to respond to identified risks of material misstatement. If we do not plan to test the operating effectiveness of controls, the risk of material misstatement is the same as the assessment of inherent risk.	If the effect of this consideration is that our assessment of the risks of material misstatement is higher, then our audit approach may increase the number of controls tested and/or the extent of that testing, and/or our substantive procedures will be designed to be responsive to the higher risk. We may perform different audit procedures and request different information compared to previous audits, as part of a more focused response to the effects identified inherent risk factors have on the assessed risks of material misstatement.

Appendix 4: New auditing standards (continued)

Key change	Impact on the audit team	Impact on management
Overall, a more robust risk identification and assessment process, including evaluating whether the audit evidence obtained from risk assessment procedures provides an appropriate basis to identify and assess the risks of material misstatement	When making this evaluation, we consider all audit evidence obtained, whether corroborative or contradictory to management assertions. If we conclude the audit evidence obtained does not provide an appropriate basis, then we perform additional risk assessment procedures until audit evidence has been obtained to provide such a basis.	In certain circumstances, we may perform additional risk assessment procedures, which may include further inquires of management, analytical procedures, inspection and/or observation.
Overall, a more robust risk identification and assessment process, including performing a 'stand back' at the end of the risk assessment process	We evaluate whether our determination that certain material classes of transactions, account balances or disclosures have no identified risks of material misstatement remains appropriate.	In certain circumstances, this evaluation may result in the identification of additional risks of material misstatement, which will require us to perform additional audit work to respond to these risks.

Appendix 4: New auditing standards (continued)

Key change	Impact on the audit team	Impact on management
Modernized to recognize the evolving environment, including in relation to IT	New requirement to understand the extent to which the business model integrates the use of IT. When obtaining an understanding of the IT environment, including IT applications and supporting IT infrastructure, it has been clarified that we also understand the IT processes and personnel involved in those processes relevant to the audit. Based on the identified controls we plan to evaluate, we are required to identify the: • IT applications and other aspects of the IT environment relevant to those controls • related risks arising from the use of IT and the entity's general IT controls that address them. Examples of risks that may arise from the use of IT include unauthorized access or program changes, inappropriate data changes, risks from the use of external or internal service providers for certain aspects of the entity's IT environment or cybersecurity risks.	We will expand our risk assessment procedures and are likely to engage more extensively with your IT and other relevant personnel when obtaining an understanding of the entity's use of IT, the IT environment and potential risks arising from IT. This might require increased involvement of IT audit professionals. Changes in the entity's use of IT and/or the IT environment may require increased audit effort to understand those changes and affect our assessment of the risks of material misstatement and audit response. Risks arising from the use of IT and our evaluation of general IT controls may affect our control risk assessments, and decisions about whether we test the operating effectiveness of controls for the purpose of placing reliance on them or obtain more audit evidence from substantive procedures. They may also affect our strategy for testing information that is produced by, or involves, the entity's IT applications.
Enhanced requirements relating to exercising professional skepticism	New requirement to design and perform risk assessment procedures in a manner that is not biased toward obtaining audit evidence that may be corroborative or toward excluding audit evidence that may be contradictory. Strengthened documentation requirements to demonstrate the exercise of professional scepticism.	We may make changes to the nature, timing and extent of our risk assessment procedures, such as our inquires of management, the activities we observe or the accounting records we inspect.

Appendix 4: New auditing standards (continued)

Key change	Impact on the audit team	Impact on management
Clarification of which controls need to be identified for the purpose of evaluating the design and implementation of a control	We will evaluate the design and implementation of controls that address risks of material misstatement at the assertion level as follows: • Controls that address a significant risk. • Controls over journal entries, including non-standard journal entries. • Other controls we consider appropriate to evaluate to enable us to identify and assess risks of material misstatement and design our audit procedures	We may identify new or different controls that we plan to evaluate the design and implementation of, and possibly test the operating effectiveness to determine if we can place reliance on them. We may also identify risks arising from IT relating to the controls we plan to evaluate, which may result in the identification of general IT controls that we also need to evaluate and possibly test whether they are operating effectively. This may require increased involvement of IT audit specialists.

Appendix 5: Engagement letter

KPMG LLP
120 Victoria Street South
Suite 600
Kitchener ON N2G 0E1
Canada
Tel 519-747-8800
Fax 519-747-8811

PRIVATE & CONFIDENTIAL

Ms. Marnie Piggot
Director, Finance
Conservation Halton
2596 Britannia Road West
Burlington, Ontario L7P 0G3

November 16, 2022

The purpose of this letter is to outline the terms of our engagement to audit the annual financial statements ("financial statements" or "annual financial statements") of Conservation Halton (the "Entity"), commencing for the period ending December 31, 2022.

This letter supersedes our previous letter to the Entity dated November 30, 2018.

The terms of the engagement outlined in this letter will continue in effect from period to period, unless amended or terminated in writing. The attached Assurance Terms and Conditions and any exhibits, attachments and appendices hereto and subsequent amendments form an integral part of the terms of this engagement and are incorporated herein by reference (collectively the "Engagement Letter").

FINANCIAL REPORTING FRAMEWORK FOR THE FINANCIAL STATEMENTS

The annual financial statements will be prepared and presented in accordance with Canadian public sector accounting standards (hereinafter referred to as the "financial reporting framework").

The annual financial statements will include an adequate description of the financial reporting framework.

MANAGEMENT'S RESPONSIBILITIES

Management responsibilities are described in Appendix – Management’s Responsibilities.

An audit of the annual financial statements does not relieve management or those charged with governance of their responsibilities.

AUDITOR'S RESPONSIBILITIES

Our responsibilities are described in Appendix – Auditor's Responsibilities.

If management does not fulfill the responsibilities above, we cannot complete our audit.

ADDITIONAL RESPONSIBILITIES REGARDING "OTHER INFORMATION"

"Other information" is defined in professional standards to be the financial or non-financial information (other than the financial statements and the auditors' report thereon) included in the "annual report". An "annual report" is defined in professional standards to comprise a document or combination of documents. Professional standards also indicate that:

- an annual report is prepared typically on an annual basis in accordance with law, regulation or custom (i.e., is reoccurring)
- an annual report contains or accompanies the financial statements and the auditors' report thereon
- an annual report's purpose is to provide owners (or similar stakeholders) with information on the Entity's:
  - operations; and/or
  - financial results and financial position as set out in the financial statements.

Based on discussions with management, there are no documents, or combination of documents, expected to meet the definition of an "annual report" under professional standards.

AUDITOR'S DELIVERABLES

Unless otherwise specified, our report(s) will be in writing and the expected content of our report(s) are provided in *Appendix – Expected Form of Report*. However, there may be circumstances in which a report may differ from its expected form and content.

In addition, if we become aware of information that relates to the information we reported on after we have issued our report, but which was not known to us at the date of our report, and which is of such a nature and from such a source that we would have investigated that information had it come to our attention during the course of our engagement, we will, as soon as practicable: (1) communicate such an occurrence to those charged with governance; and (2) undertake an investigation to determine whether the information is reliable and whether the facts existed at the date of our report. Further, management agrees that in conducting that investigation, we will have the full cooperation of the Entity's personnel. If the subsequently discovered information is found to be of such a nature that: (a) our report would have been affected if the information had been known as of the date of our report; and (b) we believe that the report may have been distributed to someone who would attach importance to the information, appropriate steps will be taken by KPMG, and appropriate steps will also be taken by the Entity, to advise of the newly discovered facts and the impact to the information we reported on.

INCOME TAX COMPLIANCE AND ADVISORY SERVICES

This letter details the general tax advisory services to be provided to the Entity for the 2022 calendar year and in the future. If there are tax services to be delivered outside the scope of those described in this letter, we will require a separate engagement letter for those services.

We will perform the following services under the terms of this engagement:

General tax advisory services

Our tax advice generally falls under one of the following situations:

1. On an ongoing basis, we will provide advisory services of a general nature relating to various income, capital, payroll and indirect tax matters as they arise. This type of service generally arises on a periodic basis as a result of preliminary inquiries made by you. In rendering these services, it is important to recognize that the advice provided is dependent on the detail of the information provided and the environment in which it is rendered. When professional judgment suggests written confirmation of the facts and advice is necessary, we will draft the appropriate correspondence to ensure the appropriate standard of care is met by all parties.

2. Periodically, you will seek detailed advice from us in connection with a specific transaction or undertaking you are contemplating. In such a situation, our advice will be based on the information provided to us. It is the responsibility of the Entity to ensure we are provided with all the information necessary in order for us to render the advice sought. Our tax advice will most likely be communicated to you, or your designate, in writing.

Our tax advisory services, both written and oral, will be based on the facts and assumptions submitted to us. We will not independently verify this information. Inaccuracy or incompleteness of the information could have a material effect on our conclusions.

Our advice will be limited to the conclusions specifically set forth in our reporting letter and KPMG will not express an opinion with respect to any other federal, provincial or foreign tax or legal aspect of the transactions described therein. It should be noted that the Canada Revenue Agency and/or the relevant provincial tax authority and/or any other governmental tax authority (collectively a Tax or Revenue Authority) could take a different position with respect to these transactions, in which case it may be necessary for you to defend this position on appeal from an assessment or litigate the dispute before the courts, including one or more appellate courts, in order for our conclusions to prevail. If a settlement were reached with a Tax or Revenue Authority or if such appeal and litigation were not, or were not entirely, successful, the result would likely be different from the views we express in our reporting letter. Unless expressly provided for, KPMG's services do not include representing Client in the event of a challenge by a Tax or Revenue Authority or litigation before any court.

Advice delivered outside the scope described in this letter will require a separate engagement letter. In addition, after providing the advice referred to herein, we will not be responsible for updating such advice to take into account any subsequent changes in law or administrative practice unless specifically provided for under the terms of this engagement.

USE OF KPMG CLARA FOR CLIENTS

The terms and conditions for use of KPMG Clara for clients apply to the use of the collaboration tool and available at https://kcfcdocumentstore.blob.core.windows.net/documents/KCfc_terms_and_conditions%20Canada%20June%2024.pdf.

FEES

Our fees for the services described in this letter will be based on standard hourly rates.

The Entity and KPMG agree to a fee based on actual hours incurred at mutually agreed-upon rates. The estimated fee for the services described in this letter is $28,785.

The information technology infrastructure costs and administrative support charge as described in the Assurance Terms and Conditions ("Fee and Other Arrangements") shall be 7% of total fees.

Harmonized Sales Tax (HST) will be computed and shown separately on our invoices, together with our firm's HST registration number, so that you will have the information required to claim input tax credits and input tax refunds, if applicable.

The Entity agrees, by accepting the terms of this engagement, to pay all invoices to KPMG within 30 days of receipt.

* * * * * * * * *

We are available to provide a wide range of services beyond those outlined above. Additional services are subject to separate terms and arrangements.

We are proud to serve the Entity and we appreciate your confidence in our work. We shall be pleased to discuss this letter with you at any time. If the arrangements and terms are acceptable, please sign the duplicate of this letter in the space provided and return it to us within 30 days.

Yours very truly,

KPMG LLP

Stacey Stahlmann, CPA, CA
Partner, responsible for the engagement and its performance, and for the report that is issued on behalf of KPMG LLP, and who, where required, has the appropriate authority from a professional, legal or regulatory body
519-747-8846

Enclosure

The terms of the engagement set out are as agreed:

Marnie Piggot, Director, Finance

(having the appropriate authority to engage the Entity as defined above)

21 November 2022
Date (DD/MM/YY)

Appendix - Management's Responsibilities

Management acknowledges and understands that they are responsible for:

(a) the preparation and fair presentation of the financial statements in accordance with the financial reporting framework referred to above.

(b) providing us with all information of which management is aware that is relevant to the preparation of the financial statements ("relevant information") such as financial records, documentation and other matters, including:
- the names of all related parties and information regarding all relationships and transactions with related parties
- complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of shareholders, board of directors, and committees of the board of directors that may affect the financial statements. All significant actions are to be included in such summaries.

(c) providing us with unrestricted access to such relevant information.

(d) providing us with complete responses to all enquiries made by us during the engagement.

(e) providing us with additional information that we may request from management for the purpose of the engagement.

(f) providing us with unrestricted access to persons within the Entity from whom we determine it necessary to obtain evidence.

(g) 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. Management also acknowledges and understands that they are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.

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

(i) providing us with written representations required to be obtained under professional standards and written representations that we determine are necessary. Management also acknowledges and understands that, as required by professional standards, we may disclaim an audit opinion when management does not provide certain written representations required.

(j) ensuring that internal auditors providing direct assistance to us, if any, will be instructed to follow our instructions and that management, and others within the entity, will not intervene in the work the internal auditors perform for us.

Appendix - Auditor's Responsibilities

Our function as auditors of the Entity is:

- to express an opinion on whether the Entity's annual financial statements, prepared by management with the oversight of those charged with governance, are, in all material respects, in accordance with the financial reporting framework referred to above
- to report on the annual financial statements

We will conduct the audit of the Entity's annual financial statements in accordance with Canadian generally accepted auditing standards and relevant ethical requirements, including those pertaining to independence (hereinafter referred to as applicable "professional standards").

We will plan and perform the audit to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error. Accordingly, we will, among other things:

- identify and assess risks of material misstatement, whether due to fraud or error, based on an understanding of the Entity and its environment, including the Entity's internal control. In making those risk assessments, we consider internal control relevant to the Entity's preparation of the annual financial statements 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
- obtain sufficient appropriate audit evidence about whether material misstatements exist, through designing and implementing appropriate responses to the assessed risks
- form an opinion on the Entity's annual financial statements based on conclusions drawn from the audit evidence obtained
- communicate matters required by professional standards, to the extent that such matters come to our attention, to the appropriate level of management, those charged with governance and/or the board of directors. The form (oral or in writing) and the timing will depend on the importance of the matter and the requirements under professional standards

Appendix - Expected Form of Report

INDEPENDENT AUDITOR'S REPORT

To the Directors of Conservation Halton

Opinion

We have audited the financial statements of Conservation Halton (the Entity), which comprise:

- the statement of financial position as at December 31, 2022
- the statement of operations and changes in 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 accumulated surplus, 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 ***"Auditor's Responsibilities for the Audit of the Financial Statements"*** section of our auditor's 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 ethical 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 for the Financial Statements and Those Charged with Governance

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.

Appendix - Expected Form of Report (continued)

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

Auditor's 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 auditor's 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 auditor's 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 auditor's report. However, future events or conditions may cause the Entity's 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 represent 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.

Appendix - COVID-19 Rider

1. During the engagement, each party shall keep the other party reasonably informed of any events which:
   i. relate to the notifying party and the COVID-19 situation;
   ii. are not existing or reasonably foreseeable at the date of this agreement; and
   iii. which will materially and adversely affect the notifying party's ability to perform its obligations under the engagement.

2. Each party will implement mitigation measures to enable the services to be performed so far as reasonably practicable in the circumstances, including:
   i. reducing travel (particularly international travel) and in-person meetings to the minimum necessary level;
   ii. at the party's premises, implementing such infection control procedures as are recommended or required by official bodies in the applicable location;
   iii. implementing internal corporate policies which permit and encourage individual remote working, and technical systems to enable individual remote working; and
   iv. implementing telepresence, audio conference, video conference, and other systems for collaborative working.

3. If, as a result of the global COVID-19 virus situation, performance by a party of its obligations under the engagement are rendered impossible or impracticable, the time for performance of such obligations shall be extended by such period as is reasonable in the circumstances, PROVIDED THAT the party in question is complying, and continues to comply, with its obligations pursuant to paragraphs 1 and 2 above.

These Terms and Conditions are an integral part of the accompanying engagement letter or proposal from KPMG that identifies the engagement to which they relate (and collectively form the "Engagement Letter"). The Engagement Letter supersedes all written or oral representations on this matter. The term "Entity" used herein has the meaning set out in the accompanying engagement letter or proposal. The term "Management" used herein means the management of Entity.

1. DOCUMENTS AND LICENSES.

a. All working papers, files and other internal materials created or produced by KPMG in relation to this engagement and all copyright and intellectual property rights therein are the property of KPMG.

b. Only in connection with the services herein, Entity hereby grants to KPMG a limited, revocable, non-exclusive, non-transferable, paid up and royalty-free license, without right of sublicense, to use all logos, trademarks and service marks of Entity solely for presentations or reports to Entity or for internal KPMG presentations and intranet sites. Further, Entity agrees that KPMG may list Entity as a customer in KPMG's internal and external marketing materials, including KPMG websites and social media, indicating the general services rendered (e.g., "Client is an Audit, Advisory, and/or Tax client of KPMG LLP").

2. ENTITY'S RESPONSIBILITIES.

a. Entity agrees that all management responsibilities will be performed and all management decisions will be made by Entity, and not by KPMG.

b. Entity's provision of documents and information to KPMG on a timely basis is an important factor in our ability to issue any reports under this Engagement Letter. KPMG is not responsible for any consequences arising from Entity's failure to deliver documents and information as required.

c. To the extent that KPMG personnel are on Entity's premises, Entity will take all reasonable precautions for their safety.

d. Entity understands and acknowledges that KPMG's independence may be impaired if any KPMG partner, employee or contractor accepts any offer of employment from Entity.

e. Except as required by applicable law or regulation, Entity shall keep confidential the terms of this Engagement Letter, and such confidential information shall not be distributed, published or made available to any other person without KPMG's express written permission.

f. Management agrees to promptly provide us with a copy of any comment letter or request for information issued by any securities or other regulatory authority in respect of information on which KPMG reported, including without limitation any continuous disclosure filings.

3. FEE ARRANGEMENTS.

a. KPMG's estimated fee is based in part on the quality of Entity's records, the agreed-upon level of preparation and assistance from Entity's personnel, and adherence by Entity to the agreed-upon timetable. KPMG's estimated fee also assumes that Entity's financial statements and/or other financial information, as applicable, are prepared in accordance with the relevant financial reporting framework or the relevant criteria, as applicable, and that there are no significant changes to the relevant financial reporting framework or the relevant criteria, as applicable; no significant new or changed accounting policies; no significant changes to internal control; and no other significant issues.

b. Additional time may be incurred for such matters as significant issues, significant unusual and/or complex transactions, informing management about new professional standards, and any related accounting advice. Where these matters arise and require research, consultation and work beyond that included in the estimated fee, Entity and KPMG agree to revise the estimated fee. Our professional fees are also subject to an additional charge to cover information technology infrastructure costs and administrative support of our client service personnel. Disbursements for items such as travel, accommodation and meals will be charged based on KPMG's actual disbursements.

c. KPMG's invoices are due and payable upon receipt. Amounts overdue are subject to interest. In order to avoid the possible implication that unpaid fees might be viewed as creating a threat to KPMG's independence, it is important that KPMG's bills be paid promptly when rendered. If a situation arises in which it may appear that KPMG's independence is threatened because of significant unpaid bills, KPMG may be prohibited from signing any applicable report and/or consent.

d. Fees for any other services will be billed separately from the services described in this Engagement Letter and may be subject to written terms and conditions supplemental to those in the Engagement Letter.

e. Canadian Public Accountability Board ("CPAB") participation fees, when applicable, are charged to Entity based on the annual fees levied by CPAB.

4. USE OF MEMBER FIRMS AND THIRD PARTY SERVICE PROVIDERS; STORAGE AND USE OF INFORMATION.

a. KPMG is a member firm of the KPMG International Cooperative ("KPMG International"). Entity acknowledges that in connection with the provision of services hereunder, KPMG may use the services of KPMG International member firms, as well as other third party service providers or subcontractors, and KPMG shall be entitled to share with them all documentation and information related to the engagement, including Entity's confidential information and personal information ("information"). KPMG may also: (i) directly, or using such aforementioned KPMG International member firms, third party service providers or subcontractors, perform data analytics in respect of the information; and (ii) retain and disclose to KPMG International member firms the information to share best practices or for knowledge sharing purposes. In all such cases, such information may be used, retained, processed, or stored outside of Canada by such KPMG International member firms, other third party service providers or subcontractors, and may be subject to disclosure in accordance with the laws applicable in the jurisdiction in which the information is used, retained, processed or stored, which laws may not provide the same level of protection for such information as will Canadian laws. KPMG represents that such KPMG International member firms, other third party service providers or subcontractors have agreed or shall agree to conditions of confidentiality with respect to Entity's confidential information, and that KPMG is responsible to ensure their compliance with those conditions. Any services performed by KPMG International member firms or other third party service providers or subcontractors shall be performed in accordance with the terms of this Engagement Letter, but KPMG remains

solely responsible to Entity for the delivery of the services hereunder. Entity agrees that any claims that may arise out of the engagement will be brought solely against KPMG, the contracting party, and not against any other KPMG International member firms or other third party service providers or subcontractors referred to above.

b. Certain information (including information relating to time, billing and conflicts) collected by KPMG during the course of the engagement may be used, retained, processed and stored outside of Canada by KPMG, KPMG International member firms or third party service providers or subcontractors providing support services to KPMG for administrative, technological and clerical/organizational purposes, including in respect of client engagement acceptance procedures and maintaining engagement profiles; and to comply with applicable law, regulation or professional standards (including for quality performance reviews). Such information may be subject to disclosure in accordance with the laws applicable in the jurisdiction in which the information is used, retained, processed or stored, which laws may not provide the same level of protection for such information as will Canadian laws. KPMG may also share information with its legal advisers and insurers for the purposes of obtaining advice.

c. Entity acknowledges that KPMG aggregates anonymous information from sources including the Entity for various purposes, including to monitor quality of service, and Entity consents to such use. KPMG may also use Entity's information to offer services that may be of interest to Entity.

5. PERSONAL INFORMATION CONSENTS AND NOTICES.

KPMG may be required to collect, use and disclose personal information about individuals during the course of the engagement. Any collection, use or disclosure of personal information is subject to KPMG's Privacy Policy available at www.kpmg.ca. Entity represents and warrants that (i) it will obtain any consents required to allow KPMG to collect, use and disclose personal information in the course of the engagement, and (ii) it has provided notice to those individuals whose personal information may be collected, used and disclosed by KPMG hereunder of the potential processing of such personal information outside of Canada (as described in Section 4 above). KPMG's Privacy Officer noted in KPMG's privacy policy is able to answer any individual's questions about the collection of personal information required for KPMG to deliver services hereunder.

6. THIRD PARTY DEMANDS FOR DOCUMENTATION AND INFORMATION / LEGAL AND REGULATORY PROCESSES.

a. Entity on its own behalf hereby acknowledges and agrees to cause its subsidiaries and affiliates to acknowledge that KPMG or a foreign component auditor which has been engaged in connection with an assurance engagement ("component auditor") may from time to time receive demands from a third party (each, a "third party demand"), including without limitation (i) from CPAB or from professional, securities or other regulatory, taxation, judicial or governmental authorities (both in Canada and abroad), to provide them with information and copies of documents in KPMG's or the component auditor's files including (without limitation) working papers and other work-product relating to the affairs of Entity, its subsidiaries and affiliates, and (ii) summons for production of documents or information related to the services provided hereunder; which information and documents may contain confidential information of Entity, its subsidiaries or affiliates. Except where prohibited by law, KPMG or its component auditor, as applicable, will advise Entity or its affiliate or subsidiary of the third party demand. Entity acknowledges, and agrees to cause its subsidiaries and affiliates to acknowledge, that KPMG or its component auditor, as applicable, will produce documents and provide information in response to the third party demand, without further authority from Entity, its subsidiaries or affiliates.

b. KPMG will use reasonable efforts to withhold from production any documentation or information over which Entity asserts privilege. Entity must identify any such documentation or information at the time of its provision to KPMG by marking it as "privileged". Notwithstanding the foregoing, where disclosure of such privileged documents is required by law, KPMG will disclose such privileged documents. If and only if the authority requires such access to such privileged documents pursuant to the laws of a jurisdiction in which express consent of Entity is required for such disclosure, then Entity hereby provides its consent.

c. Entity agrees to reimburse KPMG for its professional time and any disbursements, including reasonable legal fees and taxes, in responding to third party demands.

d. Entity waives and releases KPMG from any and all claims that it may have against KPMG as a result of any disclosure or production by KPMG of documents or information as contemplated herein.

e. Entity agrees to notify KPMG promptly of any request received by Entity from any third party with respect to the services hereunder, KPMG's confidential information, KPMG's advice or report or any related document.

7. CONNECTING TO THE ENTITY'S IT NETWORK; EMAIL AND ONLINE FILE SHARING AND STORAGE TOOLS.

a. Entity authorizes KPMG personnel to connect their computers to Entity's IT Network and the Internet via the Network while at the Entity's premises for the purpose of conducting normal business activities.

b. Entity recognizes and accepts the risks associated with communicating electronically, and using online file sharing, storage, collaboration and other similar online tools to transmit information to or sharing information with KPMG, including (but without limitation) the lack of security, unreliability of delivery and possible loss of confidentiality and privilege. Entity assumes all responsibility or liability in respect of the risk associated with the use of the foregoing, and agrees that KPMG is not responsible for any issues that might arise (including loss of data) as a result of Entity using the foregoing to transmit information to or otherwise share information with KPMG and, in the case of online tools other than email, KPMG's access to and use of the same in connection with obtaining Entity information and documents.

8. LIMITATION ON WARRANTIES.

THIS IS A SERVICES ENGAGEMENT. KPMG WARRANTS THAT IT WILL PERFORM SERVICES HEREUNDER IN GOOD FAITH WITH QUALIFIED PERSONNEL IN A COMPETENT AND WORKMANLIKE MANNER IN ACCORDANCE WITH APPLICABLE INDUSTRY STANDARDS. SUBJECT TO

SECTION 14, KPMG DISCLAIMS ALL OTHER WARRANTIES, REPRESENTATIONS OR CONDITIONS, EITHER EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, WARRANTIES, REPRESENTATIONS OR CONDITIONS OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

9. LIMITATION ON LIABILITY AND INDEMNIFICATION

a. Subject to Section 14: (i) Entity agrees that KPMG shall not be liable to Entity for any actions, damages, claims, fines, penalties, complaints, demands, suits, proceedings, liabilities, costs, expenses, or losses (collectively, "Claims") in any way arising out of or relating to the services performed hereunder for an aggregate amount in excess of the lesser of one million dollars ($1,000,000) or two times the fees paid by Entity to KPMG under the engagement; and (ii) on a multi-phase engagement, KPMG's liability shall be based on the amount actually paid to KPMG for the particular phase that gives rise to the liability.

b. Subject to Section 14, in the event of a Claim by any third party against KPMG that arises out of or relates to the services performed hereunder, Entity will indemnify and hold harmless KPMG from all such Claims, including, without limitation, reasonable legal fees, except to the extent finally determined to have resulted from the intentional, deliberate or fraudulent misconduct of KPMG.

c. Subject to Section 14: (i) in no event shall KPMG be liable for consequential, special, indirect, incidental, punitive or exemplary damages, liabilities, costs, expenses, or losses (including, without limitation, lost profits and opportunity costs); (ii) in any Claim arising out of the engagement, Entity agrees that KPMG's liability will be several and not joint and several; and (iii) Entity may only claim payment from KPMG of KPMG's proportionate share of the total liability based on degree of fault.

d. For purposes of this Section 9, the term KPMG shall include its subsidiaries, its associated and affiliated entities and their respective current and former partners, directors, officers, employees, agents and representatives. The provisions of this Section 9 shall apply regardless of the form of Claim, whether in contract, statute, tort (including, without limitation, negligence) or otherwise.

10. CONSENT TO THE USE OF THE KPMG NAME OR KPMG REPORT.

Except as otherwise specifically agreed in this Engagement Letter, KPMG does not consent to:

i. the use of our name or our report in connection with information, other than what we have reported on as part of this engagement letter or our report thereon, that contains, incorporates by reference, or otherwise accompanies our report or our name;

ii. the use of our report in another language, or the use of our report in connection with information that we reported on that has been translated into another language, or the use of our name in connection with information that we reported on that has been translated into another language;

iii. the use of our report in connection with an offering document or other securities filing, including continuous disclosure filings; or

iv. the use of our name or our report in connection with the interim financial statements (or other interim financial information) to any statement by the Entity regarding the services that we provided on the interim financial statements or other interim financial information.

Any communication, report, statement or conclusion on the interim financial statements may not be included in, or otherwise referred to in any public document or public oral statements except when the interim review conclusion contains a modified conclusion, in which case our interim review report will accompany the interim financial statements.

If the Entity wishes to obtain KPMG's consent regarding the matters above or other matters not otherwise specifically covered by this Engagement Letter, we will be required to perform procedures as required by applicable professional standards, and such procedures would be a separate engagement and subject to separate engagement terms.

11. ALTERNATIVE DISPUTE RESOLUTION.

Any dispute or claim between the parties arising under or relating to this Engagement Letter or the services provided hereunder (the "Dispute") shall be submitted to non-binding mediation. If mediation is not successful within 90 days after the issuance by a party of a request for mediation, then the Dispute shall be referred to and finally resolved by arbitration under the Arbitration Rules of the ADR Institute of Canada in force at that time. The Seat of Arbitration shall be the province where KPMG's principal office performing this engagement is located. The language of the arbitration shall be English. The Arbitral Tribunal shall be made up of a single Arbitrator. The arbitration award shall be final, conclusive and binding upon the parties, and not subject to appeal.

12. POTENTIAL CONFLICTS OF INTEREST.

a. KPMG is or may be engaged by entities and individuals who have potentially conflicting legal and business interests to Entity. Entity agrees that, without further notice or disclosure to Entity, KPMG may: (i) accept or continue such engagements on matters unrelated to KPMG's engagement for Entity; and (ii) provide advice or services to any other person or entity making a competing bid or proposal to that of Entity whether or not KPMG is providing advice or services to Entity in respect of Entity's competing bid or proposal.

b. In accordance with professional standards, KPMG will not use any confidential information regarding Entity in connection with its engagements with other clients, and will establish confidentiality and other safeguards to manage conflicts, which may include, in KPMG's sole discretion, the use of separate engagement teams and data access controls.

c. In no event shall KPMG be liable to Entity, or shall Entity be entitled to a return of fees or disbursements, or any other compensation whatsoever as a result of KPMG accepting or continuing a conflicting engagement in accordance with the terms of this Engagement Letter.

d. Entity agrees that KPMG may, in its sole discretion, disclose the fact and nature of its engagement for Entity to (i) KPMG International member firms to inform conflict searches, and (ii) to the extent reasonably required in order to obtain the consent of another entity or individual in order to permit KPMG to act for such entity or individual, or for Entity, in connection with the engagement or any future engagement.

e. In the event that circumstances arise that place KPMG into a conflict of interest as between Entity and a pre-existing client,

which in KPMG's sole opinion cannot be adequately addressed through the use of confidentiality and other safeguards, KPMG shall be entitled to immediately terminate the engagement with Entity, without liability.

f. Other KPMG International member firms are or may be engaged by entities and individuals who have potentially conflicting legal and business interests to Entity. Entity agrees that (i) it will not assert that other KPMG International member firms are precluded from being engaged by those other entities or individuals, and (ii) those engagements of other KPMG International member firms do not conflict with KPMG's engagement for Entity.

13. LOBBYING.

Unless expressly stated in this Engagement Letter, KPMG will not undertake any lobbying activity, as that term is defined in all applicable federal, provincial and municipal lobbyist registration statutes and regulations, in connection with the engagement. In the event that KPMG and Entity agree that KPMG will undertake lobbying activity in connection with the engagement, such agreement shall be set out in an amendment to this Engagement Letter.

14. SEVERABILITY.

The provisions of these Terms and Conditions and the accompanying proposal or engagement letter shall only apply to the extent that they are not prohibited by a mandatory provision of applicable law, regulation or professional standards. If any of the provisions of these Terms and Conditions or the accompanying proposal or engagement letter are determined to be invalid, void or unenforceable, the remaining provisions of these Terms and Conditions or the accompanying proposal or engagement letter, as the case may be, shall not be affected, impaired or invalidated, and each such provision shall remain valid and in effect and be enforceable and binding on the parties to the fullest extent permitted by law.

15. GOVERNING LAW.

This Engagement Letter shall be subject to and governed by the laws of the province where KPMG's principal office performing this engagement is located (without regard to such province's rules on conflicts of law).

16. LLP STATUS.

KPMG is a registered limited liability partnership ("LLP") established under the laws of the Province of Ontario and, where applicable, has been registered extra-provincially under provincial LLP legislation.

17. INDEPENDENT LEGAL ADVICE

Entity agrees that it been advised to retain independent legal advice at its own expense prior to signing this Engagement Letter (including without limitation with respect to Entity's rights in connection with potential future conflicts) and agrees that any failure on its part to retain such independent legal counsel shall not affect (and it shall not assert that the same affects) the validity of the provisions of this Engagement Letter.

18. SURVIVAL.

All sections hereof other than Section 7(a) shall survive the expiration or termination of the engagement.

1. TERMS AND CONDITIONS.

References to the word "Client" in the attached Terms and Conditions for Advisory and Tax Services are to be read as "Entity".

a. These Terms and Conditions are an integral part of the accompanying Proposal or Engagement Letter from KPMG that identifies the engagement to which they relate.

b. In the event of conflict between the Proposal or Engagement Letter and these Terms and Conditions, these Terms and Conditions shall prevail unless specific reference to a provision of the Terms and Conditions being varied is made in the Proposal or Engagement Letter. Other capitalized words in these Terms and Conditions shall have the meanings given to them in the Proposal or Engagement Letter.

2. SERVICES.

KPMG will use reasonable efforts to complete the performance of the services within any agreed-upon time-frame. It is understood and agreed that KPMG's services may include advice and recommendations, but all decisions in connection with the implementation of such advice and recommendations, shall be the responsibility of, and made by, Client. KPMG will not perform management functions or make management decisions for Client. Nothing in these Terms and Conditions or Engagement letter (or Proposal) shall be construed as precluding or limiting in any way the right of KPMG to provide services of any kind or nature whatsoever to any person or entity as KPMG in its sole discretion deems appropriate.

3. CLIENT RESPONSIBILITIES.

a. Client agrees to cooperate with KPMG in the performance of the services under the Engagement Letter and shall provide or arrange to provide KPMG with timely access to and use of the personnel, facilities, equipment, data and information necessary for KPMG to perform the services under the Engagement Letter. To the extent that KPMG personnel are on Client premises, Client will take all reasonable precautions for the safety of KPMG partners and employees at Client premises. Client shall be responsible for the performance of its employees and agents and for the accuracy and completeness of all data and information provided to KPMG for purposes of the performance by KPMG of its services hereunder. The Proposal or Engagement Letter may set forth additional responsibilities of Client in connection with the engagement. Client acknowledges that Client's failure to perform these obligations could adversely impact KPMG's ability to perform its services.

b. Client agrees that Client, and not KPMG, shall perform the following functions: (i) make all management decisions and perform all management functions; (ii) designate an individual who possesses suitable skill, knowledge and experience, preferably within senior management, to oversee the performance of the services under the Engagement Letter, and to evaluate the adequacy and results of such services; (iii) accept responsibility for the results of such services; and (iv) establish and maintain internal controls over the processes with which such services are concerned, including, without limitation, monitoring ongoing activities.

c. Client acknowledges and agrees that KPMG will, in performing the services, base its conclusions on the facts and assumptions that Client furnishes and that KPMG may use data, material, and other information furnished by or at the request or direction of Client without any independent investigation or verification and that KPMG shall be entitled to rely upon the accuracy and completeness of such data, material and other information. Inaccuracy or incompleteness of such data, material and other information furnished to KPMG could have a material effect on KPMG's conclusions.

d. Client acknowledges that information made available by it, or by others on Client's behalf, or otherwise known to partners or staff of KPMG who are not engaged in the provision of the services hereunder shall not be deemed to have been made available to the individuals within KPMG who are engaged in the provision of the services hereunder. Client undertakes that, if anything occurs after information is provided by Client to KPMG to render such information untrue, unfair or misleading, Client shall promptly notify KPMG.

4. REPORTING.

a. All oral and written communications by KPMG to Client with respect to the engagement, including, without limitation, drafts and those communications occurring prior to the execution of the Engagement Letter will be subject to the terms and conditions of the Engagement Letter and these Terms and Conditions. During the performance of the services, KPMG may supply oral, draft or interim advice, reports or presentations but in such circumstances KPMG's written advice or final written report shall take precedence. No reliance should be placed by Client on any oral, draft or interim advice, reports or presentations. Where Client wishes to rely on oral advice or oral presentation, Client shall inform KPMG and KPMG will provide documentary confirmation of the advice concerned.

b. Subsequent to the completion of the engagement, KPMG will not update its advice, recommendations or work product for changes or modification to the law and regulations, or to the judicial and administrative interpretations thereof, or for subsequent events or transactions, unless Client separately engages KPMG to do so in writing after such changes or modifications, interpretations, events or transactions occur.

5. WORKING PAPERS AND USE OF REPORTS; USE OF NAME AND LOGO

a. KPMG retains all rights in all methodologies, know-how, knowledge, applications and software developed by KPMG either prior to or during the engagement. KPMG also retains all rights (including, without limitation, copyright) in all reports, written advice and other working papers and materials developed by KPMG during the engagement. Unless contemplated by the Engagement Letter, all reports and written advice are confidential and intended solely for Client's internal use (or the use of Client's management, as applicable) to assist with this specific matter or transaction, and, where applicable, government taxation authorities, and are not for general use, circulation or publication. Such reports and written advice shall not be edited, referred to, circulated, reproduced, distributed, published, made available, used for any other purpose or relied upon by any other person without KPMG's express written permission and on such terms and conditions as KPMG may require in its sole discretion. If such permission is given, Client shall not publish any extract or excerpt of KPMG's written advice or report or refer to KPMG without providing the entire advice or report at the same time. Notwithstanding the foregoing, Client may disclose in whole any report or written advice given to Client by KPMG hereunder solely to Client's legal and professional advisors for the purposes of Client seeking advice in respect of the transaction or matter to which the engagement relates, provided that when doing so Client informs such advisors that: (i)

disclosure by them (except as permitted herein) is not permitted without KPMG's prior written consent; and (ii) KPMG accepts no responsibility or liability to such advisors in connection with such reports or written advice. Subject to the restrictions of Section 6, KPMG is entitled to use or develop the knowledge, experience and skills of general application gained through performing the engagement.

b. Client shall not refer to KPMG or use KPMG's name or logo in any manner or medium without the prior written permission of KPMG in each instance, which permission may be unreasonably withheld by KPMG.

c. The contents of this Section 5 may be reproduced in any report or written advice of KPMG, in whole or in part, at KPMG's sole discretion. Any failure of KPMG to include any such language shall not derogate from the obligations set out in this Section 5.

6. CONFIDENTIALITY.

a. Except as described in Section 5 above, Client will treat in confidence any information provided by KPMG to Client including but not limited to KPMG methodologies, know-how, knowledge, application or software and will not use or disclose any such confidential information of KPMG to others.

b. Except as expressly set forth herein, KPMG will treat as confidential all proprietary information and personal information obtained from Client in the course of the engagement.

c. The restrictions in subsections 6 (a) and (b) above shall not apply to any information that: (i) is required by law or professional standards applicable to KPMG to be disclosed; (ii) that is in or hereafter enters the public domain; (iii) that is or hereafter becomes known to Client or KPMG, as the case may be, without breach of any confidentiality obligation; or (iv) that is independently developed by KPMG..

d. KPMG shall be entitled to include a description of the services rendered in the course of the engagement in marketing and research materials and disclose such information to third parties, provided that all such information will be rendered anonymous and not subject to association with Client.

e. KPMG shall be entitled to share all information with all other member firms of KPMG International Cooperative ("KPMG International"). KPMG may also use such information to offer services that may be of interest to Client. KPMG may retain and may disclose to other KPMG International member firms, subject to terms of this Section 6, such information required for compliance with applicable professional standards or internal policies or for quality reviews or to share best practices.

f. Professional standards require KPMG personnel performing any audit or assurance services for clients to discuss or have available to them all information and materials that may affect the audit or assurance engagement. Client authorizes, if Client is or becomes an assurance Client, KPMG personnel performing services under the engagement to make available to the KPMG assurance engagement team and other KPMG personnel, the findings, observations and recommendations from the engagement and agrees that KPMG may use all such findings, observations and recommendations in KPMG's assurance engagement.

g. Except as required by applicable law or regulation, Client shall keep confidential the existence and terms of the Proposal or the Engagement Letter (as applicable) and these Terms and Conditions. Such confidential information shall not be distributed, published or made available to any other person without KPMG's express written permission. Further, for purposes of the services described in the Engagement Letter only, the Client hereby grants to KPMG a limited, revocable, non-exclusive, non-transferable, paid up and royalty-free license, without right of sublicense, to use all logos, trademarks and service marks of Client solely for presentations or reports to the Client or for internal KPMG presentations and intranet sites.

7. PERSONAL INFORMATION CONSENTS AND NOTICES.

Any collection, use or disclosure of personal information is subject to KPMG's Privacy Policy available at www.kpmg.ca. KPMG may be required to collect, use and disclose personal information about individuals during the course of the engagement. Client represents and warrants that: (i) it will obtain from individuals all consents required by law to permit KPMG to collect, use and disclose all personal information reasonably required in the course of the engagement, and (ii) it has provided notice of KPMG's potential processing of information outside of Canada (as described in Section 8 below) to all individuals whose personal information is disclosed to KPMG.

8. USE OF MEMBER FIRMS AND THIRD PARTY SERVICE PROVIDERS.

Personal and/or confidential information collected by KPMG during the course of the engagement may be used, processed and stored outside of Canada by KPMG, KPMG International member firms providing services hereunder, KPMG subsidiaries, affiliates and related parties or third party service providers to provide professional services and administrative, analytical and clerical support and to comply with applicable law, regulations and professional standards. Client also understands and agrees that KPMG aggregates Client's information with information from other sources for the purpose of improving quality and service, and for use in presentations to clients and non-clients, in a form where such information is sufficiently de-identified so as not to be attributable to Client. KPMG represents to Client that each KPMG International member firm, KPMG subsidiary, affiliate and related party and third party service provider providing services hereunder has agreed or shall agree to conditions of confidentiality with respect to Client's information to the same or similar extent as KPMG has agreed pursuant to Section 6. Further, KPMG is responsible to Client for causing such KPMG subsidiaries, affiliates, related parties and third party service providers to comply with such conditions of confidentiality, and KPMG shall be responsible to Client for their failure to comply and failure of each KPMG International member firm providing services hereunder to comply with its obligations of confidentiality owed to KPMG. Any services performed by KPMG subsidiaries, affiliates, related parties and third party service providers shall be performed in accordance with the terms of the Engagement Letter, including Section 6, but KPMG shall remain responsible to Client for the performance of such services and services performed by each KPMG International member firm providing services hereunder. Such personal and/or confidential information may be subject to disclosure in accordance with the laws applicable in the jurisdiction in which the information is processed or stored, which laws may not provide the same level of protection for such information as will Canadian laws. KPMG's Privacy Officer noted in KPMG's Privacy Policy is able to answer any individual's questions about the collection of personal information required for KPMG to deliver services hereunder.

9. TAXES/BILLING/EXPENSES/FEES.

a. All fees and other charges do not include any applicable

federal, provincial, or other goods and services or sales taxes, or any other taxes or duties whether presently in force or imposed in the future. Any such taxes or duties shall be assumed and paid by Client without deduction from the fees and charges hereunder.

b. Bills will be rendered on a regular basis as the engagement progresses. Our professional fees are also subject to a technology and support charge to cover information technology infrastructure costs and administrative support of our client service personnel which are not included in our client service personnel fee. The technology and support fee covers costs such as our client service personnel computer hardware and customized KPMG software, telecommunications equipment, client service professional administrative support, IT programming, professional services and other client support services. Other direct out-of-pocket costs, such as travel, will be charged separately based on our actual costs. For certainty, Client acknowledges that to the extent a subsidiary, affiliate or relegated party of KPMG is engaged by KPMG to assist KPMG in providing the services hereunder, Client may receive bills from such subsidiary affiliate or related party of KPMG for such services. Accounts are due when rendered. Interest on overdue accounts is calculated at the rate noted on the invoice commencing 30 days following the date of the invoice.

c. Without limiting its rights or remedies, KPMG shall have the right to halt or terminate entirely its services until payment is received on past due invoices.

d. In the event that the engagement is terminated and Client proceeds to complete the transaction or financing within 18 months from the termination date, then the full amount of any Completion Fee shall be payable on closing of the transaction or the completion of financing, regardless of whether KPMG provided further service.

10. LIMITATION ON WARRANTIES.

THIS IS A SERVICES ENGAGEMENT. KPMG WARRANTS THAT IT WILL PERFORM SERVICES HEREUNDER IN GOOD FAITH WITH QUALIFIED PERSONNEL IN A COMPETENT AND WORKMANLIKE MANNER IN ACCORDANCE WITH APPLICABLE INDUSTRY STANDARDS. KPMG DISCLAIMS ALL OTHER WARRANTIES, REPRESENTATIONS OR CONDITIONS, EITHER EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, WARRANTIES, REPRESENTATIONS OR CONDITIONS OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

11. LIMITATION ON LIABILITY.

a. Client agrees that KPMG shall not be liable to Client for any actions, damages, claims, fines, penalties, complaints, demands, suits, proceedings, liabilities, costs, expenses, or losses (collectively "Claims") in any way arising out of or relating to the services performed hereunder for an aggregate amount in excess of the fees paid by Client to KPMG under the engagement. On a multi-phase engagement, KPMG's liability shall be based on the amount actually paid to KPMG for the particular phase that gives rise to the liability.

b. In the event of a Claim by any third party against KPMG that arises out of or relates to the services performed hereunder, Client will indemnify and hold harmless KPMG from all such Claims, including, without limitation, reasonable legal fees, except to the extent finally determined to have resulted from the intentional, deliberate or fraudulent misconduct of KPMG.

c. In no event shall KPMG be liable for consequential, special, indirect, incidental, punitive or exemplary damages, liabilities, costs, expenses, or losses (including, without limitation, lost profits and opportunity costs). In any Claim arising out of the engagement, Client agrees that KPMG's liability will be several and not joint and several. Client may only claim payment from KPMG of KPMG's proportionate share of the total liability based on degree of fault.

d. For purposes of this Section11, the term KPMG shall include its subsidiaries, its associated and affiliated entities and their respective current and former partners, directors, officers and employees, agents and representatives. The provisions of this Section 11 shall apply regardless of the form of Claim, whether in contract, statute, tort (including, without limitation, negligence) or otherwise.

12. LEGAL PROCEEDINGS.

a. Client agrees to notify KPMG promptly of any request received by Client from any court or applicable regulatory authority with respect to the services hereunder, KPMG's confidential information, KPMG's advice or report or any related document.

b. If KPMG is required by law, pursuant to government regulation, subpoena or other legal process to produce documents or personnel as witnesses arising out of the engagement and KPMG is not a party to such proceedings, Client shall reimburse KPMG at standard billing rates for professional time and expenses, including, without limitation, reasonable legal fees, expenses and taxes incurred in responding to such compelled assistance.

c. If Client requests that KPMG produce documents or personnel as witnesses in any proceedings in any way related to the engagement or services provided by KPMG hereunder and KPMG is not a party to such proceedings, KPMG may agree to produce documents or personnel as witnesses on such terms and conditions as KPMG may, in its sole discretion, determine. Without limiting the generality of the foregoing, Client shall reimburse KPMG at standard billing rates for professional time and expenses, including, without limitation, reasonable legal fees, expenses and taxes, incurred in responding to such Client requests.

d. Client acknowledges that KPMG may from time to time receive requests or orders from professional, securities or other regulatory, judicial or governmental authorities (both in Canada and abroad) to provide them with information and copies of documents in KPMG's files including, without limitation working papers and other work-product relating to Client which information and documents may contain confidential information of Client. Except where prohibited by law, KPMG will advise Client of the request or order. Client hereby acknowledges that KPMG will provide these documents and information without further reference to, or authority from Client.

Client must mark any document over which it asserts privilege as "privileged". When such an authority requests access to KPMG's working papers and other work-product relating to Client's affairs, KPMG will, on a reasonable efforts basis, refuse access to any document over which Client has expressly informed KPMG at the time of delivery that the Client asserts privilege (by the Client marking such document as "privileged" as contemplated in the foregoing sentence). Notwithstanding the foregoing, where disclosure of documents is required by law. KPMG will disclose such documents. If and only if the authority requires such access to such privileged documents pursuant to the laws of a jurisdiction in which express consent of the Client is required for

such disclosure, then Client hereby provides its consent.
Where privileged Client documents are disclosed, by KPMG as contemplated above, KPMG is directed to advise the authority that Client is permitting disclosure only to the extent required by law and for the limited purpose of the authority exercise of statutory authority. KPMG is directed to advise the authority that Client does not intend to waive privilege for any other purpose and that Client expects its documents to be held by the authority as privileged and confidential material. For greater certainty, Client and KPMG hereby agree that this acknowledgement (and, if required, consent) does not negate or constitute a waiver of privilege for any purpose and Client expressly relies upon the privilege protections afforded under statute and otherwise under law.

13. LIMITATION PERIOD.

No proceeding arising under or relating to the engagement, may be brought by either party more than one year after the cause of action has accrued or in any event not more than five years after completion of the engagement in the case of an advisory services engagement and not more than eight years after completion of the engagement in the case of a tax services engagement, except that a proceeding for non-payment may be brought by KPMG at any time following the date of the last payment due to KPMG hereunder. For purposes of this Section13, the term KPMG shall include subsidiaries and associated and affiliated entities and their respective current and former partners, directors, officers, employees agents and representatives.

14. TERMINATION.

Unless terminated sooner in accordance with its terms, the engagement shall terminate on the completion of KPMG's services hereunder, which completion shall be evidenced by the delivery by KPMG to Client of the final invoice in respect of the services performed hereunder. Should Client not fulfill its obligations set out herein or in the Engagement Letter and in the absence of rectification by Client within 10 days, KPMG may, upon written notice, terminate its performance and will not be responsible for any loss, cost or expense resulting therefrom. If at any time during the engagement it is determined by KPMG, in its sole discretion, that there may be an actual or potential breach by KPMG of applicable professional standards, KPMG may terminate the engagement without liability, immediately on notice to Client. The engagement may be terminated by either party at any time by giving written notice to the other party not less than 30 calendar days before the effective date of termination. Upon early termination of the engagement, Client shall be responsible for the payment to KPMG for KPMG's time and expenses incurred up to the termination date, as well as reasonable time and expenses to bring the engagement to a close in a prompt and orderly manner.

15. E-MAIL COMMUNICATION.

Client recognizes and accepts the risks associated with communicating by Internet e-mail, including (but without limitation) the lack of security, unreliability of delivery and possible loss of confidentiality and privilege. Unless Client requests in writing that KPMG does not communicate by Internet e-mail, Client assumes all responsibility or liability in respect of the risk associated with its use.

16. POTENTIAL CONFLICTS OF INTEREST.

a. For purposes of this Section 16 "KPMG" means KPMG LLP and KPMG subsidiaries, affiliates and related parities providing services hereunder, if applicable. KPMG is engaged by a wide variety of entities and individuals, some of whom may be creditors, investors, borrowers, shareholders, competitors, suppliers or customers of Client, or other parties with conflicting legal and business interests to Client including, without limitation, in relation to the audit, tax or advisory services provided to Client by KPMG. KPMG's engagements with such companies and individuals may result in a conflict with Client's interests.

b. As a condition of KPMG's engagement by Client, Client agrees that: (i) without further notice or disclosure, KPMG may accept or continue engagements or unrelated matters to KPMG's engagement for Client in which KPMG may act contrary to Client's interests even if those unrelated matters are materially and directly adverse to Client; and (ii) without further notice or disclosure, KPMG may provide advice or services to any other person or entity making a competing bid or proposal to that of Client whether or not KPMG is providing advice or services to Client in respect or Client's competing bid or proposal.

c. In accordance with professional standards, and except as set out below, KPMG will not use any confidential information regarding Client in connection with its engagements with other clients, and will establish confidentiality and other safeguards to manage conflicts, which may include, in KPMG's sole discretion, the use of separate engagement teams and data access controls. In no event shall KPMG be liable to Client or shall Client be entitled to a return of fees and disbursements incurred on behalf of Client or any other compensation whatsoever as a result of KPMG accepting or continuing a conflicting engagement.

d. Client further agrees that KPMG may, in its sole discretion, disclose the fact or general nature of its engagement for Client to (i) KPMG International and other KPMG International member firms in order to check against potential conflicts of interest, and (ii) to the extent reasonably required in order to obtain the consent of another entity or individual in order to permit KPMG to act for such entity or individual,or for Client, in connection with the engagement or any future engagement.

e. Where another party has engaged KPMG to deliver services before Client has done so, and subsequently circumstances change such that there is a conflict, which in KPMG's sole opinion cannot be adequately managed through the use of confidentiality and other safeguards, KPMG shall be entitled to terminate the engagement for Client, without liability,immediately upon notice.

f. Other KPMG International member firms are engaged by many entities and individuals, including, without limitation, entities and individuals that may enter into transactions or may have disputes with Client or Client's related or affiliated entities. Client agrees that (i) it will not assert that other KPMG International member firms are precluded from being engaged by those other entities or individuals, and (ii) those engagements of other KPMG International member firms do not conflict with KPMG's engagement for Client.

g. Client will indemnify and hold harmless KPMG, its subsidiaries and associated and affiliated entities, and their respective current and former partners, directors, officers, employees, agents and representatives from any Claim by any third party (including, without limitation, reasonable legal fees) that alleges that KPMG was in a conflict of interest by providing services hereunder. The provisions of this subsection 16(g) shall apply regardless of the form of Claim, whether in contract, statute, tort (including, without limitation, negligence) or

otherwise.

h. KPMG encourages Client to obtain legal advice with respect to Client's rights in connection with potential future conflicts prior to entering into the engagement.

17. FORCE MAJEURE.

Neither Client nor KPMG shall be liable for any delays resulting from circumstances or causes beyond its reasonable control, including, without limitation, fire or other casualty, act of God, strike or labour dispute, war or other violence, or any law, order or requirement of any governmental agency or authority.

18. INDEPENDENT CONTRACTOR.

It is understood and agreed that each of the parties hereto is an independent contractor and that neither party is, nor shall be considered to be, an agent, distributor or representative of the other. Neither party shall act or represent itself, directly or by implication, as an agent of the other or in any manner assume or create any obligation on behalf of, or in the name of, the other.

19. SURVIVAL.

Sections 1, 4(b), 5-16 and 18-30, 31(a) and (c)-(g) and 33-34 hereof shall survive the expiration or termination of the engagement.

20. SUCCESSORS AND ASSIGNS.

These Terms and Conditions and the accompanying Proposal or Engagement Letter shall be binding upon the parties hereto and their respective subsidiaries and associated and affiliated entities and their respective partners, directors, officers and employees and successors and permitted assigns. Except as provided below, neither party may assign, transfer or delegate any of the rights or obligations hereunder without the prior written consent of the other party. KPMG may assign its rights and obligations hereunder to any affiliate or successor in interest to all or substantially all of the assets or business of the relevant KPMG practice, without the consent of Client. In addition, KPMG may arrange for or engage (as applicable) KPMG affiliates, subsidiaries, related parties, independent contractors and KPMG International member firms to assist KPMG in performing the services hereunder.

21. SEVERABILITY.

The provisions of these Terms and Conditions and the accompanying Proposal or Engagement Letter shall only apply to the extent that they are not prohibited by a mandatory provision of applicable law regulation or professional standards. If any of these provisions shall be held to be invalid, void or unenforceable, then the remainder of these Terms and Conditions and the attached Proposal or Engagement Letter, as the case may be, shall not be affected, impaired or invalidated, and each such provision shall be valid and enforceable to the fullest extent permitted by law.

22. ENTIRE AGREEMENT.

These Terms and Conditions and the accompanying Proposal or Engagement Letter including, without limitation, Exhibits, constitute the entire agreement between KPMG and Client with respect to the engagement and supersede all other oral and written representation, understandings or agreements relating to the engagement.

23. GOVERNING LAW.

These Terms and Conditions and the accompanying Proposal or Engagement Letter shall be subject to and governed by the laws of the province in which KPMG's principal Canadian office performing the engagement is located (without regard to such province's rules on conflicts of law).

24. PUBLICITY.

Upon the closing of a transaction, KPMG will have the right (but shall not be obliged), at its expense, to publicize its association with the transaction by way of public announcement in "tombstone" or similar format, subject to prior review of the wording for any such announcement with Client.

25. KPMG INTERNATIONAL MEMBER FIRMS.

In the case of multi-firm engagements, all KPMG International member firms performing services hereunder shall be entitled to the benefits of these Terms and Conditions. Client agrees that any Claims that may arise out of the engagement will be brought solely against KPMG, the contracting party, and not against any other KPMG International member firms or such third party service providers referred to in Section 8 above.

26. SARBANES-OXLEY ACT.

Except as set forth in the Engagement Letter, Client acknowledges that completion of the engagement or acceptance of KPMG's reports, advice, recommendations and other deliverables resulting from the engagement will not constitute a basis for Client's assessment of internal control over financial reporting or Client's evaluation of disclosure controls and procedures, or its compliance with its principal officer certification requirements under Section 302 of the Sarbanes-Oxley Act of 2002 (the "Act"). The engagement shall not be construed to support Client's responsibilities under Section 404 of the Act requiring each annual report filed under Section 13(a) or 15(d) of the Securities Exchange Act of 1934 to contain an internal control report from management.

27. NATIONAL INSTRUMENT 52-109.

Except as set forth in the Engagement Letter, Client acknowledges that completion of the engagement or acceptance of KPMG's reports, advice, recommendations and other deliverables resulting from the engagement will not constitute a basis for Client's evaluation of disclosure controls and procedures and internal control over financial reporting, or its compliance with its CEO/CFO certification requirements under National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings, including those related to the design disclosure controls and procedures and internal control over financial reporting.

28. SPECIFIC ACCOUNTING AND OTHER ADVICE.

Except as set forth in the Engagement Letter, the engagement does not contemplate the provision of specific accounting advice or opinions or the issuance of a written report on the application of accounting standards to specific transactions and facts and circumstances of Client. Such services, if requested, would be provided pursuant to a separate engagement.

Client should consult with and/or engage legal counsel for the purpose of advising on legal aspects of matters on which KPMG provides its advice and drafting any legal documents and/or agreements that may be required. To the extent legal counsel or other professional service providers are required, Client is exclusively responsible for engaging and paying such service providers.

29. TAX SERVICES.

a. If tax work is specifically requested by Client, KPMG will perform the procedures in accordance with this Section 29. KPMG will base its findings exclusively on the facts and assumptions provided to KPMG by Client and Client's personnel and advisors. KPMG will consider the applicable provisions of the relevant taxing statutes, the regulations thereunder, applicable tax treaties and judicial and administrative interpretations thereof. In the case of Canadian tax services only. KPMG will also take into account all specific proposals to amend such statutes, regulations and treaties publicly announced prior to the date of KPMG's reports, based on the assumption that these amendments will be enacted substantially as proposed. For certainty, in the case of US tax services, KPMG shall not take into account any specific proposals to amend such statutes, regulations and treaties. The authorities referred to in this subsection 29(a) are subject to change, retroactively and/or prospectively, and any such changes could affect the validity of KPMG's findings and may result in incremental taxes, interest or penalties. KPMG's findings will not otherwise take into account or anticipate any changes in law or practice, by way of judicial, governmental or legislative action or interpretation. Unless Client specifically requests otherwise, KPMG will not update tax work to take any such changes into account.

b. KPMG will use professional judgment in providing advice, and will, unless Client instructs otherwise, take the position most favourable to Client whenever reasonable. All returns are subject to examination by tax authorities, and KPMG's advice may be audited and challenged by a tax authority. Client understands that KPMG's conclusions are not binding on tax authorities or the courts and should not be construed as a representation, warranty or guarantee that the tax authorities or courts will agree with KPMG's conclusion.

c. Client is also responsible for ensuring that KPMG's advice is implemented strictly in accordance with KPMG's recommendations. KPMG is not responsible for any penalties or interest assessed against Client as a result of a failure by Client to provide KPMG with accurate and complete information.

d. Unless expressly provided for, KPMG's services do not include representing Client in the event of a challenge by the Canada Revenue Agency or other tax or revenue authorities

30. TAX SERVICES FOR SEC REGISTERED AUDIT CLIENTS AND/OR US TAX SERVICE.

a. In circumstances where the services provided by KPMG hereunder:(i) involve the delivery of any tax services, Client is or is an affiliate of (whether at the time of the engagement or at any point thereafter) an entity that is registered with the United States securities and Exchange Commission ("SEC"), and Client or such affiliate is audited by KPMG; or (ii) involve the delivery of US tax services, then the prohibition regarding the distribution of KPMG's reports and written advice set out in Section 5 of these Terms and Conditions shall not apply and no provision of the Engagement Letter is or is intended to be construed as a condition of confidentiality in relation to the tax services to which (i) and/or (ii) above are applicable. Further, in respect of the services to which (i) and/or (ii)above are applicable, no provision in the Engagement Letter or these Terms and Conditions is or is intended to be construed as a condition of confidentiality within the meaning of Internal Revenue Code ("IRC") sections 6011, 6111, 6112 or the regulations thereunder, or under any similar or analogous provisions of the laws of a state or other jurisdiction. In particular, Client (and each employee, representative, or other agent of Client) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of any transaction within the scope of the engagement and all materials of any kind (including opinions and other tax analyses) that are provided to Client relating to such tax treatment and tax structure. Client also agrees to use commercially reasonable efforts to inform KPMG of any conditions of confidentiality imposed by third party advisors with respect to any transaction on which KPMG's advice is requested. Such notification must occur prior to KPMG providing any advice with respect to the transaction.

b. For certainty, Section 5 of these Terms and Conditions shall continue to apply in its entirety, and this Section 30 shall not apply, to any tax services to which subsection 30(a)(i) and/or (ii) above are not applicable. In this Section 30, the term "affiliate" is interpreted as that term is used by the SEC with reference to auditor independence rules.

c. In respect of any tax services to which subsection 30(a)(i) or (ii) above are applicable, any reports or advice ("Tax Deliverable") released to Client in any form or medium shall be supplied by KPMG on the basis that it is for Client's benefit and use only. If Client refers to or discloses in whole or in part any Tax Deliverable to any third party, Client shall notify such third party in writing as follows: that (i) the tax services performed by KPMG for Client were designed to meet Client's agreed requirements only, as determined by Client's needs at the time; (ii) any product of the tax services should not be regarded as suitable to be used or relied upon by any party wishing to acquire any rights against KPMG other than Client; (iii) KPMG does not assume any responsibility in respect of the tax services performed for Client, any product of the tax services, or any judgments, conclusions, opinions, findings or recommendations that KPMG may have formed or made, to any party except Client; (iv) to the fullest extent permitted by law, KPMG accepts no liability in respect of any such matters to any other person; and (v) should any person or entity except Client choose to rely on the tax services or any product thereof, that person or entity will do so at their own risk. Notwithstanding the foregoing, (A) in the event of a disclosure made by Client that is required by law, that is made to a regulatory authority having jurisdiction over Client, or that is made pursuant to subsection 30(a) above, no such notification shall be required and (B) no such notification shall be required with respect to disclosures expressly authorized by the Engagement Letter.

d. If Client refers or discloses in whole or in part any Tax Deliverable to any third party but does not notify such third party in writing as required in subsection 30(c) above, Client shall compensate KPMG and reimburse KPMG for and protect, indemnify and hold harmless KPMG against any Claim incurred by KPMG (including, without limitation, reasonable legal fees) as a result of, arising from or in connection with any such reference or disclosure, unless KPMG has agreed in writing with such third party to accept responsibility and liability to to that third party in respect of the tax services and the Tax Deliverable. If any payment is made by Client under this subsection 30(d), Client shall not seek recovery of that payment from KPMG at any time. In this subsection 30(d), "KPMG" shall include KPMG and its subsidiaries, its associated and affiliated entities and their respective current and former partners, directors, officers, employees, agents and representatives, and "Client" shall include Client, Client's affiliates and any other beneficiaries of KPMG's tax services. The foregoing indemnification obligations shall apply regardless of the form of Claim, whether in contract, statute, tort (including, without limitation, negligence) or

otherwise.

e. Treasury regulations under IRC section 6011 require taxpayers to disclose to the IRS their participation in reportable transactions and IRC section 6707A imposes strict penalties for noncompliance. Client agrees to use commercially reasonable efforts to inform KPMG if Client is required to disclose any transaction covered by the Engagement Letter as a reportable transaction to the IRS or to any state or other jurisdiction adopting similar or analogous provisions. IRC section 6111 requires a material advisor with respect to a reportable transaction to disclose information on the transaction to the IRS by a prescribed date, and IRC section 6112 requires the material advisor to maintain, and make available to the IRS upon request, a list of persons and other information with respect to the transaction. KPMG will use commercially reasonable efforts to inform Client if KPMG provides Client's identifying information to the IRS under IRC section 6111 or 6112, or to any state or other jurisdiction adopting similar or analogous provisions.

f. For engagements where services will be provided by a KPMG International member firm with offices located in California, Client acknowledges that certain of KPMG's personnel who may be considered "owners" under the California Accountancy Act and implementing regulations (California Business and Professions Code section 5079(a);16 Cal. Code Regs. sections 51 and 51.1) and who may provide services in connection with the engagement, may not be licensed as certified public accountants under the laws of any of the various states.

31. DUE DILIGENCE SERVICES (TAX AND TRANSACTION SERVICES)

a. The procedures KPMG will perform are limited to those referred to in the Engagement Letter and its appendices. The procedures KPMG will perform are limited in nature and extent to those determined by Client to meet its needs and, as such, will not necessarily disclose all significant matters about Target or reveal errors in the underlying information, instances of fraud, or illegal acts, if any. KPMG provides no assurance and makes no representation regarding the sufficiency of the procedures either for the purpose of the proposed transaction in the context of which KPMG has been engaged or for any other purpose. KPMG's findings will not constitute recommendations to Client as to whether or not Client should proceed with any proposed transactions. In performing the procedures and reporting its findings, KPMG will rely exclusively upon information provided to KPMG by Target, its personnel and advisors, Client's advisors, and Client, and any publicly available information KPMG obtains, and will not independently verify the accuracy or completeness of such information. KPMG's procedures with respect to Target's financial information will be substantially less in scope than any audit or other attestation standards, including without limitation those established by the Auditing and Assurance Standards Board and the Chartered Professional Accountants of Canada. Consequently, KPMG expresses no opinion and will provide no other form of assurance on Target's prospective financial information, financial statements or Target's internal control over financial reporting.

b. Client agrees to review reports promptly and to advise KPMG on a timely basis of any additional procedures Client would like KPMG to perform or areas to address.

c. In the event KPMG performs procedures related to future-oriented financial information, KPMG will not compile, examine, or apply other assurance procedures to such information and, accordingly, will express no opinion or any other form of assurance or representations concerning its accuracy, completeness or presentation format. Future-oriented financial information is based on assumptions regarding future events, actual results will vary from the information presented and the variations may be material.

d. Unless specifically requested by Client, KPMG is not obligated to provide a copy of the report to Target for the purpose of confirming Target's representations concerning the accuracy of the factual information presented in the report. If Client would like Target to review the report, KPMG will require Client and Target to indemnify KPMG for any Claims arising out of or relating to such review on such terms and conditions specified by KPMG in its sole discretion. In certain instances,Client may request that KPMG's report be distributed to a third party for informational purposes. KPMG will consider consenting to distribution based on such factors as the identity of the third party and the third party's intended use of the report. If KPMG agrees to the distribution of the report to a third party, Client agrees to execute and agrees to require the third party to execute an agreement in the form provided by KPMG regarding the release of information.

e. Client expressly acknowledges and agrees that if Client and Target (as such terms are defined in the Engagement Letter) are the same entity, that all references herein to "Target" shall be deemed to be references to "Client".

f. The provisions of subsections 3(c)-(d) and Section 6 shall apply to information about Target provided to KPMG in the course of performing the services under the Engagement Letter. Client agrees to use all reasonable efforts to arrange for KPMG's access to Target's personnel and advisors, business offices and financial information as required for KPMG to perform the services contemplated by the Engagement Letter.

g. If KPMG serves as independent auditors of Target or another party disclosed to Client, or provides any other audit or attestation services to Target or such other party (such as the target of a contract compliance review or a party having a connection to an investigation or proceeding), Client hereby acknowledges and agrees that KPMG may be in possession of confidential information concerning Target or such other party that may be relevant to Client's due diligence procedures or other services KPMG is providing to Client under the Engagement Letter and that such information will not be disclosed to Client unless Target or such other party provides prior written consent to such disclosure or provides such information directly to Client or to the KPMG engagement team serving Client for purposes of the services under the Engagement Letter.

32. LOBBYING

Unless expressly stated in the Engagement Letter, KPMG will not undertake any lobbying activity, as that term is defined in all applicable federal, provincial and municipal lobbyist registration statutes and regulations, in connection with the engagement. In the event that KPMG and Client agree that KPMG will undertake lobbying activity in connection with the engagement, such agreement shall be set out in an amendment to the Engagement Letter.

33. LLP.

KPMG LLP is a registered limited liability partnership ("LLP") established under the laws of the Province of Ontario and, where applicable, has been registered extra-provincially under

provincial LLP legislation. KPMG is a partnership, but its partners have a degree of limited liability. A partner is not personally liable for any debts, obligations or liabilities of the LLP that arise from a negligent act or omission by another partner or any person under that other partner's direct supervision or control. The legislation relating to limited liability partnerships does not, however, reduce or limit the liability of the firm. The firm's insurance exceeds the mandatory professional indemnity insurance requirements established by the relevant professional bodies. Subject to the other provisions hereof, all partners of the LLP remain personally liable for their own actions and/or actions of those they directly supervise or control.

34. ALTERNATIVE DISPUTE RESOLUTION.

The parties shall, and shall cause both their and their respective subsidiaries', affiliates' and associated entities' current and former officers, partners, directors, employees, agents and representatives, to first attempt to settle any dispute arising out of or relating to the Engagement Letter or the services provided hereunder (the "Dispute") through good faith negotiations in the spirit of mutual cooperation between representatives of each of the parties with authority to resolve the Dispute. In the event that the parties are unable to settle or resolve a Dispute through negotiation within 30 days of when one of the parties has notified the other party of the Dispute by delivering a notice of dispute, or such longer period as the parties may mutually agree upon, such Dispute shall, as promptly as is reasonably practicable, be subject to mediation pursuant to the National Mediation Rules of the ADR Institute of Canada, Inc. that are in force at the time the notice of dispute is delivered. Any Dispute remaining unresolved for more than 60 days following the parties first meeting with a mediator or such longer period as the parties may mutually agree upon shall, as promptly as is reasonably practicable, be resolved by arbitration pursuant to the Arbitration Rules of the ADR Institute of Canada, Inc. (the "Arbitration Rules") that are in force at the time the Dispute is subject to arbitration. For certainty, the parties hereby waive any right they may otherwise have to bring a court action in connection with a Dispute. The parties also waive any right they may otherwise have to bring or participate in a class, collective or representative proceeding in connection with a Dispute, whether in court or before an arbitrator. The arbitrator's decision shall be final, conclusive and binding upon the parties, and the parties shall have no right to appeal or seek judicial review of the arbitrator's decision. For certainty, the parties hereby waive any right of appeal which may otherwise be available under applicable legislation or under the Arbitration Rules. The place of mediation and arbitration shall be the city in Canada in which the principal KPMG office that performed the engagement is located. The language of the mediation and arbitration shall be English.

Appendix 6: 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.

Accelerate 2023

The key issues driving the audit committee agenda in 2023.

Board Leadership Centre

Leading insights to help board members maximize boardroom opportunities

Momentum

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

Current Developments

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

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.

Audit Committee Guide – Canadian Edition

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

IFRS Breaking News

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

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April
2023

REPORT TO: Finance & Audit Committee

REPORT NO: # FA 01 23 02

FROM: Marnie Piggot, Director, Finance

DATE: April 4, 2023

SUBJECT: **Appointment of Auditor for 2023**

Recommendation

THAT the Finance & Audit Committee **recommends to the Conservation Halton Board the reappointment of KPMG LLP as auditor for Conservation Halton for the 2023 fiscal year.**

Report

Conservation Halton (CH) By-law Governance Section C.4 Annual Meeting Agenda Items includes the appointment of the auditor for the coming year. Section 38 of the Conservation Authorities Act also references the appointment of an independent auditor.

Staff recommend the reappointment of KPMG LLP as auditor for the Foundation for 2023 based on the services provided to date.

Audit fees were approved in June 2022 by the CH Board for the five-year term 2022 to 2026 as follows and are subject to the annual reappointment of KPMG as auditor.

2022 $30,800; 2023 $32,000; 2024 $33,200; 2025 $34,150; 2026 $35,175

Impact on Strategic Goals

This report supports the Momentum priority of Organizational Sustainability.

Financial Impact

The 2023 audit fee of $32,000 is included in the CH 2023 budget.

Signed & respectfully submitted:

Marnie Piggot
Director, Finance

Approved for circulation:

Hassaan Basit
President & CEO/Secretary-Treasurer

FOR QUESTIONS ON CONTENT: Marnie Piggot; Director Finance
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