

# The Corporation of the Town of Halton Hills

Audit Planning Report for the year ended  
December 31, 2020

*KPMG LLP*

Chartered Professional Accountants,  
Licensed Public Accountants

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presentation March 1, 2021

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



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# Executive summary

## COVID-19

COVID-19 is having an impact on many organization's operations, processes, internal controls and financial reporting. Our audit will consider the impacts of COVID-19 on the Town's financial statements.

See pages 2-3.

## Group audit Scope

Our audit consists of 5 of components over which we plan to perform full scope audits for each.

See page 5

## Audit and business risks

Our audit is risk-focused. In planning our audit, we have taken into account key areas of focus for financial reporting. These areas include:

- Revenue recognition including government grants, user charges and fees and related deferrals (including obligatory)
- Tangible capital assets
- Post-employment benefit liability
- Contaminated sites liability
- Operating expenditures including payroll
- Investment in Halton Hills Community Energy Corporation

See pages 5 - 6 for more information.

## Audit materiality

Materiality has been determined based on total prior year audited revenues. We have determined materiality to be \$2,025,000.

Refer to page 4 for additional information.

## Quality control

We have a robust and consistent system of quality control. We provide complete transparency on all services and follow Audit Committee approved protocols.

See page 12

## Proposed fees

Proposed fees for the annual audit are included in the engagement letter for December 31, 2020. A copy can be obtained from management.

## Current developments and audit trends

Please refer to page 13 and Appendix 4 for relevant accounting and auditing changes relevant to the Town and relevant audit trends.

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This Audit Planning Report should not be used for any other purpose or by anyone other than Council and Management of the Entity. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this Audit Planning 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.

# COVID-19: Embedding Resilience & Readiness

COVID-19 is undoubtedly going to have an impact to the Entity's business and the Entity's financial reporting.

Potential financial reporting implications	Potential implications on internal control over financial reporting
<p>Refer to our <a href="#">COVID-19 Financial Reporting</a> site:</p> <ul style="list-style-type: none"> <li>Events or conditions that cast significant doubt regarding going concern                             <ul style="list-style-type: none"> <li>Determining plans to mitigate such conditions or events (e.g., liquidation of assets, debt restructuring)</li> <li>Evaluating ability to carry out those plans in light of the current conditions</li> </ul> </li> <li>Impairment of non-financial assets (e.g., TCA)                             <ul style="list-style-type: none"> <li>Analysis of triggering events and impairment testing (e.g cash flow forecasts and assumptions)</li> </ul> </li> <li>Impairment of financial assets (e.g., financial instruments)</li> <li>Fair value measurements</li> <li>Employee benefits and employer obligations</li> <li>Government one-time funding</li> <li>Provisions and contingencies</li> <li>Incremental expenses due to COVID-19;</li> <li>Discontinuation of programs and operations managed by the Entity;</li> <li>Accrued liabilities, to ensure completeness of liabilities including severance and others considering the pandemic;</li> <li>Enhanced audit risk around cut-off of liabilities;</li> <li>Subsequent events due to evolving economic reactions</li> </ul>	<ul style="list-style-type: none"> <li>Reconsideration of financial reporting risks, including fraud risks, given possible new pressures on management or new opportunities to commit fraud given changes in Internal Control over Financial Reporting (ICFR) or to bias estimates</li> <li>New or enhanced controls to respond to new financial reporting risks or elimination of on-site preventative controls</li> <li>Consideration of changes in the individuals performing the control</li> <li>Consideration of the appropriateness of segregation of duties because of a potential reduction in the number of employees</li> <li>Reconsideration of ICFR impacts related to broader IT access given remote work arrangements</li> </ul>
Potential financial reporting implications related to disclosures	Other potential considerations
<p>Refer to our <a href="#">COVID-19 Financial Reporting</a> site:</p> <ul style="list-style-type: none"> <li>New accounting policies</li> <li>Significant management judgements in applying accounting policies</li> <li>Major sources of estimation uncertainty that have significant risk</li> <li>Liquidity risks</li> </ul>	<ul style="list-style-type: none"> <li>Reporting material changes in ICFR</li> <li>Cyber security risks (e.g., wire transfers schemes)</li> </ul>

# COVID-19: Embedding Resilience & Readiness (Continued)

Similarly, COVID-19 is a major consideration in the development of our audit plan for your 2020 financial statements.

## Engagement Letter Rider

### Potential audit implications

#### Planning and risk assessment

- Understanding the expected impact on the relevant metrics for determining materiality (including the benchmark) and the implication of that in identifying the risks of material misstatement, responding to such risks and evaluating uncorrected misstatements
- Understanding the potential financial reporting impacts, the changes in Entity's environment, and changes in the entity's system of internal control, and their impact on our:
  - identified and assessed risks of material misstatement
  - audit strategy and the nature, timing and extent of tests of controls and substantive procedures

#### Executing

- Remote auditing
  - Increased use of other collaboration tools (MS Teams, Skype etc.) and the need for written management acknowledge for their use
  - Potential increased use of electronic evidence (and understanding the Entity's processes to provide such evidence to us)

# Materiality

Materiality is used to identify risks of material misstatements, develop an appropriate audit response to such risks, and evaluate the level at which we think misstatements will reasonably influence users of the financial statements. It considers both quantitative and qualitative factors. To respond to aggregation risk, we design our procedures to detect misstatements at a lower level of materiality.

Materiality determination	Comments	Group amount
<b>Materiality</b>	Determined to plan and perform the audit and to evaluate the effects of identified misstatements on the audit and of any uncorrected misstatements on the financial statements.  The corresponding amount for the prior year's audit was \$1,989,000.	\$2,025,000
<b>Benchmark</b>	Based on prior year total revenue.  This benchmark is consistent with the prior year.	\$80,986,420
<b>% of Benchmark</b>	Range of 1 to 3 percent. The corresponding percentage for 2019 was 2.5%.	2.5%
<b>Performance materiality</b>	Used 75% of materiality, and used primarily to determine the nature, timing, and extent of audit procedures. The corresponding amount in the previous year was \$1,491,750.	\$1,518,750
<b>Audit misstatement posting threshold ("AMPT")</b>	Threshold used to accumulate misstatements identified during the audit. The corresponding amount in the previous year was \$99,450.	\$101,250

## We will report to the Audit Committee:



Corrected audit misstatements



Uncorrected audit misstatements

# Group audit – Significant components

Nature of the planned involvement in the work of component auditors of significant components:

Significant component	Materiality	Our Audit Approach
<b>The Corporation of the Town of Halton Hills</b>	\$1,920,000	Statutory audit of component financial information for consolidation. Carlos Alvarez as engagement partner is responsible for the overall delivery and execution of the group audit engagement.
<b>Halton Hills Community Energy Corporation</b>	\$1,500,000	Statutory audit of component financial statements. Same engagement partner as for the Town audit.
<b>Halton Hills Public Library</b>	\$147,000	Statutory audit of component financial statements. Same engagement partner as for the Town audit.
<b>Acton BIA</b>	\$10,000	Statutory audit of component financial statements. Same engagement partner as for the Town audit.
<b>Georgetown BIA</b>	\$10,000	Statutory audit of component financial statements. Same engagement partner as for the Town audit.



# Audit risks

## Professional requirements

Risk of material misstatement due to fraud resulting from fraudulent revenue recognition.

## Why is it significant?

This is a presumed risk of material misstatement due to fraud.

As permitted under Canadian Auditing Standards, we have rebutted the fraud risk from revenue recognition. The majority of revenue is driven directly from levying of taxation dollars and user charges with little judgement over timing of revenue recognition.

## Our audit approach

Our approach will consist of performing substantive procedures over revenue as well as incorporating an element within journal entry testing designed to identify unusual entries with respect to revenue.

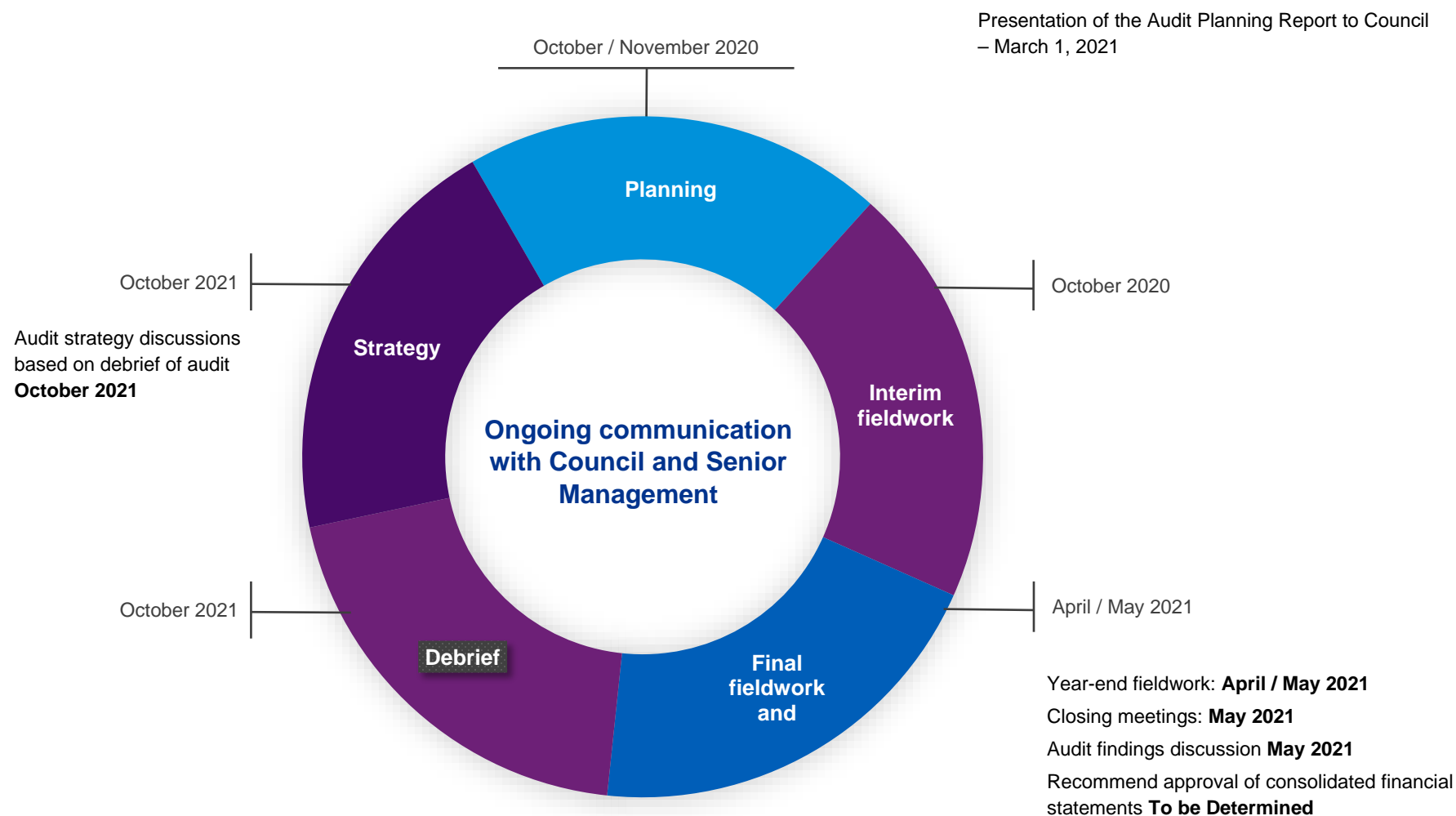
# Audit risks (continued)

Professional requirements	Why is it significant?
Risk of material misstatement due to fraud resulting from management override of controls.	<p>This is a presumed risk of material misstatement due to fraud.</p> <p>We have not identified any risk of material misstatement resulting from management override of controls.</p>
Our audit approach	
As this presumed risk of material misstatement due to fraud is not rebuttable, our audit methodology incorporates the required procedures in professional standards to address this risk. These procedures include testing of journal entries and other adjustments, performing a retrospective review of estimates and evaluating the business rationale of significant unusual transactions.	

# Audit approach

Other areas of focus	Why	Our audit approach
<b>Government grants, users charges and fees and related deferrals (including obligatory)</b>	Risk of material misstatement related to the completeness, existence and accuracy of grant and obligatory deferred revenue	<ul style="list-style-type: none"> <li>– We will perform substantive procedures to address the relevant assertions</li> </ul>
<b>Tangible capital assets</b>	Risk of material misstatement related to the classification, completeness and accuracy of tangible capital assets	<ul style="list-style-type: none"> <li>– We will perform substantive procedures to address the relevant assertions including testing of significant additions and disposals and assessing the status of any capital projects identified as work-in-process.</li> <li>– We will perform procedures over the fair value of contributed assets and recognition as revenue</li> <li>– We will agree fair value estimates of contributed tangible capital assets to supporting third party documentation or estimated by the Town; we will perform procedures to address the new CAS 540, Auditing Accounting Estimates and Related Disclosure requirements related to valuation estimates.</li> </ul>
<b>Post-employment benefit liability</b>	Risk of material misstatement related to the completeness and accuracy of the liability and related expenses	<ul style="list-style-type: none"> <li>– We will perform substantive procedures to address the relevant assertions including a review of the actuarial valuation and applicable assumptions and assessing the use of management's expert as audit evidence.</li> <li>– We will ensure appropriate disclosures are made within the Town's financial statements.</li> <li>– We will perform audit procedures to address the new CAS 540, Auditing Accounting Estimates and related disclosure requirements related to the estimates involved. Communicate with actuaries and test HR data provided to the actuaries, if applicable.</li> </ul>
<b>Contaminated sites liability and post closure solid waste landfills</b>	Risk of material misstatement related to the completeness and accuracy of the liability and related expenses	<ul style="list-style-type: none"> <li>– We will perform substantive procedures to address the relevant assertions including a review of the methodology, assumptions and actual monitoring costs incurred during the year. We will perform audit procedures to address the new CAS 540, Auditing Accounting Estimates and related disclosure requirements related to the estimates involved.</li> <li>– We will ensure appropriate disclosures are made within the Town's financial statements.</li> </ul>
<b>Operating expenditures including payroll</b>	Risk of material misstatement related to the completeness, existence and accuracy of expenditures	<ul style="list-style-type: none"> <li>– We will perform substantive procedures to address the relevant assertions including the use of Data &amp; Analytical procedures.</li> </ul>
<b>Investment in Halton Hills Community Energy Corporation</b>	Significant given the size of and nature of the investment held	<ul style="list-style-type: none"> <li>– As required by the Ontario Energy Board, an audit is completed over Halton Hills Hydro Inc. ("HHHI"), for which Carlos Alvarez is also the Lead Audit Engagement Partner. We complete an audit of HHHI as well as Halton Hills Community Energy Corporation ("HHCEC") including any additional subsidiaries. For purposes of the Town's audit, we rely on the audit performed at the component level for reporting in the Town's financial statements.</li> <li>– We maintain regular contact with the HHCEC engagement team</li> <li>– We will ensure appropriate disclosures are made within the Town's financial statements</li> </ul>

# Key deliverables and milestones



# Value for fees

## The value of our audit services

We recognize that the primary objective of our engagement is the completion of an audit of the financial statements in accordance with professional standards. We also believe that our role as external auditor of the Town and the access to information and people in conjunction with our audit procedures, place us in a position to provide other forms of value. We know that you expect this of us.

We want to ensure we understand your expectations. To facilitate a discussion we have outlined some of the attributes of our team and our processes that we believe enhance the value of our audit service. We recognize that certain of these items are necessary components of a rigorous audit. We welcome your feedback.

- Extensive industry experience on our audit team – as outlined in our team summary, the senior members of our team have extensive experience in audits of higher education institutions. This experience ensures that we are well positioned to identify and discuss observations and insights that are important to you;
- Appropriate transition to current audit team– we strive to provide continuity of team members in order to achieve audit efficiencies and effectiveness reducing the amount of time your team spends with the audit team, when that is not possible we put a process in place to ensure an effective transition of knowledge;
- Current development update sessions – annually we organize and deliver tailored information session on current developments in financial reporting and other matters that are likely to be significant to the Town and your team. These sessions will assist the Town in proactively responding to financial reporting and regulatory changes. We held sessions introducing Asset Retirement Obligations on October 7<sup>th</sup> 2019 to all Halton area municipalities;
- Involvement of KPMG specialists – Our audit team is supported by specialists in income and other taxes, information risk management, management consulting, actuarial and advisory when necessary. We expect each of the specialists to provide insights and observations resulting from their audit support processes;
- Data analytics – As Data and Analytics tools become mainstays of business, the use of analytics-based audits is rising. Unlike traditional audits, which rely on relatively small data sets to extrapolate conclusions across the full financial data, analytics-based audits have the capacity to incorporate the totality of an organization's financial information.

# Value for fees (continued)

In determining the fees for our services, we have considered the nature, extent and timing of our planned audit procedures as described above. Our fee analysis has been reviewed with and agreed upon by management and is provided for in the engagement letter for the December 31, 2020 audit.

## Matters that could impact our fee

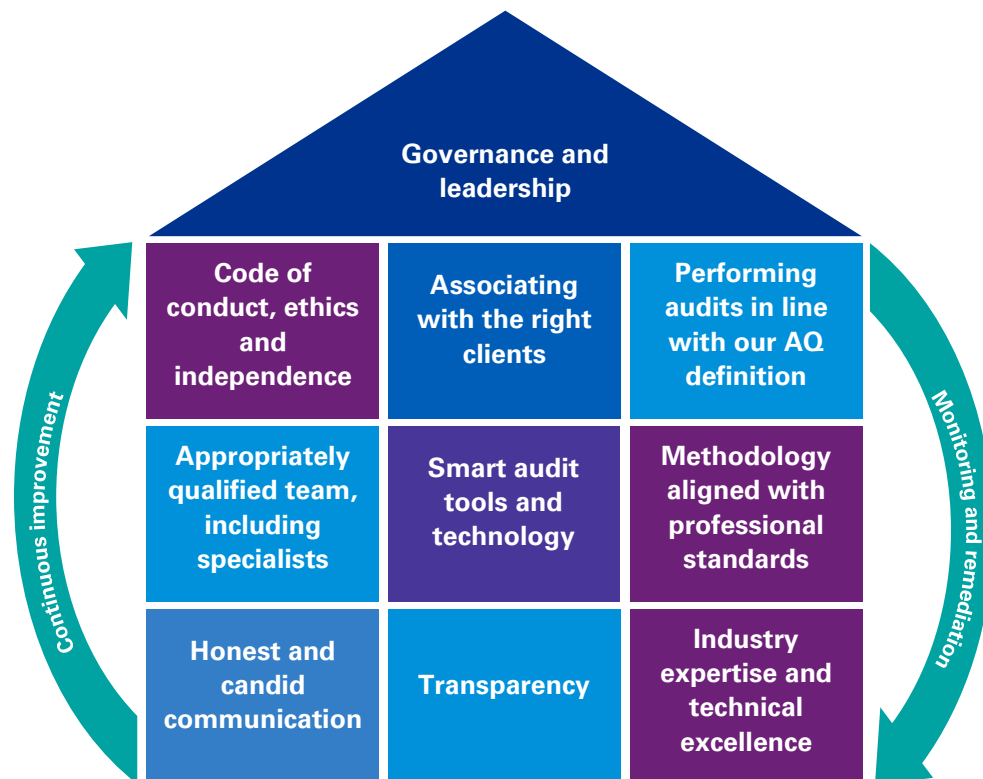
The proposed fees outlined in the December 31, 2020 engagement letter are based on the assumptions described in the engagement letter. In addition to the above, we will discuss with management an agreed upon fee for additional services with respect to the preparation of the financial statements including note disclosures as well as balancing of the annual Financial Information Return.

The critical assumptions, and factors that cause a change in our fees, include:

- Significant changes in the nature or size of the operations of the Town beyond those contemplated in our planning processes;
- Identification of any misstatements and quality of the overall books and records subject to audit;
- Changes in professional standards or requirements arising as a result of changes in professional standards or the interpretation thereof;
- Changes in the time of our work;

# Audit quality and transparency

KPMG maintains a system of quality control designed to reflect our drive and determination to deliver independent, unbiased advice and opinions, and also meet the requirements of Canadian professional standards. Quality control is fundamental to our business and is the responsibility of every partner and employee. The following diagram summarizes the key elements of our quality control system.



## What do we mean by audit quality?

Audit Quality (AQ) is at the core of everything we do at KPMG.

We believe that it is not just about reaching the right opinion, but how we reach that opinion.

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**.

Our AQ Framework summarises how we deliver AQ. Visit our [Audit Quality Resources page](#) for more information including access to our [Audit Quality and Transparency report](#).

# New audit standards

New auditing standards that are effective for the current year are as follows:

Standard	Key observations	Reference
<b>CAS 540, Auditing Accounting Estimates and Related Disclosures</b>  <b>Effective for audits of Entities with year-ends on or after December 15, 2020</b>	<p><b>Expected impact on the audit:</b></p> <p>This revised auditing standard is required to set a globally consistent approach for the audit profession. As estimates become more complex, the revised standard will assist auditors in critically assessing estimates and their elements and design sufficient and appropriate procedures to address those elements.</p> <p>Expected impact on the audit:</p> <ul style="list-style-type: none"> <li>— more emphasis on the need for exercising professional skepticism</li> <li>— more granular risk assessment to address each of the components in an estimate (method, data, assumptions)</li> <li>— more granular audit response designed to specifically address each of the components in an estimate (method, data, assumptions)</li> <li>— more focus on how we respond to levels of estimation uncertainty</li> <li>— more emphasis on auditing disclosures related to accounting estimates</li> <li>— more detailed written representations required from management</li> </ul> <p>We anticipate there being incremental work associated with the adoption of this standard for the upcoming year-end audit both on our engagement team and on the part of management to ensure we appropriately consider and implement this requirement.</p> <p>We are currently developing our proposed approach with respect to estimates and will be in discussions with your management team on the level of work required and expected involvement, including the use of KPMG Actuarial Specialists.</p>	<a href="#">CPA Canada Client Briefing</a>



# Appendices

## Content

Appendix 1: Required communications

Appendix 2: KPMG's audit approach and methodology

Appendix 3: Lean in Audit™

Appendix 4: Current Developments

Appendix 5: Audit and Assurance Insights



# Appendix 1: Required communications

<b>Report</b>	<b>Engagement terms</b>
A draft report will be provided at the completion of the audit.	Unless you inform us otherwise, we understand that you acknowledge and agree to the terms of the engagement set out in the engagement letter and any subsequent amendments as provided by management.
<b>Reports to the Audit Committee</b>	<b>Representations of management</b>
At the completion of the audit, we will provide our findings report to the Audit Committee.	We will obtain from management certain representations at the completion of the audit.
<b>Matters pertaining to independence</b>	<b>Internal control deficiencies</b>
At the completion of our audit, we will provide our conclusion on independence to the Audit Committee.	Other control deficiencies, identified during the audit, that do not rise to the level of a significant deficiency will be communicated to management.
<b>Required inquiries</b>	<b>Audit Quality</b>
Professional standards require that during the planning of our audit we obtain your views on the identification and assessment of risks of material misstatement, whether due to fraud or error, your oversight over such risk assessment, identification of suspected, alleged or actual fraudulent behaviour, and any significant unusual transactions during the period.	The following links are external audit quality reports for referral by the Audit Committee: <ul style="list-style-type: none"><li>• <a href="#">CPAB Audit Quality Insights Report: 2020 Interim Inspection Results</a></li><li>• <a href="#">CPAB Audit Quality Insights Report: 2019 Annual Inspections Results</a>&gt;</li></ul>

# Appendix 2: KPMG's audit approach and methodology

## Collaboration in the audit

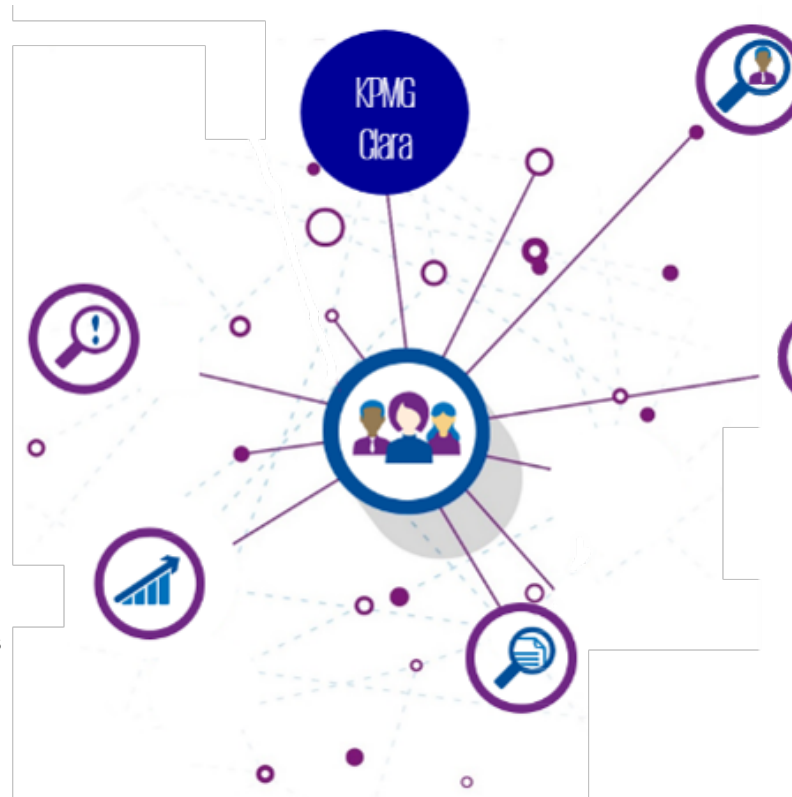
A dedicated KPMG Audit home page gives you real-time access to information, insights and alerts from your engagement team.

## Issue identification

Continuous updates on audit progress, risks and findings before issues become events.

## Data-driven risk assessment

Automated identification of transactions with unexpected or unusual account combinations – helping focus on higher risk transactions and outliers.



## Deep industry insights

Bringing intelligence and clarity to complex issues, regulations and standards.

## Analysis of complete populations

Powerful analysis to quickly screen, sort and filter 100% of your journal entries based on high-risk attributes.

## Reporting

Interactive reporting of unusual patterns and trends with the ability to drill down to individual transactions.

# Appendix 3: Lean in Audit™

## An innovative approach leading to enhanced value and quality

Our innovative audit approach, Lean in Audit, further improves audit value and productivity to help deliver real insight to you. Lean in Audit is process oriented, directly engaging organizational stakeholders and employing hands-on tools, such as walkthroughs and flowcharts of actual financial processes.

By embedding Lean techniques into our core audit delivery process, our teams are able to enhance their understanding of the business processes and control environment within your organization – allowing us to provide actionable quality and productivity improvement observations.

Any insights gathered through the course of the audit will be available to both engagement teams and management. For example, we may identify control gaps and potential process improvement areas, while management has the opportunity to apply such insights to streamline processes, inform business decisions, improve compliance, lower costs, increase productivity, strengthen customer service and satisfaction and drive overall performance.

## How it works

Lean in Audit employs three key Lean techniques:

### 1. Lean training

Provide basic Lean training and equip our teams with a new Lean mindset to improve quality, value and productivity.

### 2. Interactive workshops

Perform interactive workshops to conduct walkthroughs of selected financial processes providing end-to-end transparency and understanding of process and control quality and effectiveness.

### 3. Insight reporting

Quick and pragmatic insight report including immediate quick win actions and prioritized opportunities to realize benefit.

# Appendix 4: Current Developments

Title	Details	Link
<b>Public Sector Update – connection series</b>	Public Sector Accounting Standards are evolving – Get a comprehensive update on the latest developments from our PSAB professionals. Learn about current changes to the standards, active projects and exposure drafts, and other items.	Contact your KPMG team representative to sign up for these webinars. <a href="#">Public Sector Minute Link</a>

The following are upcoming changes that are effective in the current year or will be effective in future periods as they pertain to Public Sector Accounting Standards. We have provided an overview of what these standards are and what they mean to your financial reporting so that you may evaluate any impact to your future financial statements.

Standard	Summary and implications
<b>Asset Retirement Obligations</b>  (applicable for the year ending December 31, 2023 with option for retrospective application effective December 31, 2022)	<ul style="list-style-type: none"> <li>– A new standard, PS3280 <i>Asset Retirement Obligations</i>, has been approved that is effective for fiscal years beginning on or after April 1, 2022 (the Town's 2023 year-end).</li> <li>– 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 would be recognized as an integral cost of owning and operating tangible capital assets. PSAB currently contains no specific guidance in this area.</li> <li>– The ARO standard would require the public sector entity to record a liability related to future costs of any legal obligations to be incurred upon retirement of any controlled tangible capital assets ("TCA"). The amount of the initial liability would be added to the historical cost of the asset and amortized over its useful life.</li> <li>– As a result of the new standard, the public sector entity would have to:                         <ul style="list-style-type: none"> <li>○ consider how the additional liability will impact net debt, as a new liability will be recognized with no corresponding increase in a financial asset;</li> <li>○ 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;</li> <li>○ 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.</li> </ul> </li> </ul>

Standard	Summary and implications
<b>Revenue</b>	<ul style="list-style-type: none"> <li>— A new standard, PS3400 <i>Revenues</i>, has been approved that is effective for fiscal years beginning on or after April 1, 2023 (the Town's 2024 year-end).</li> <li>— The new standard establishes a single framework to categorize revenues to enhance the consistency of revenue recognition and its measurement.</li> <li>— The standard notes that in the case of revenues arising from an exchange, a public sector entity must ensure the recognition of revenue aligns with the satisfaction of related performance obligations.</li> <li>— 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.</li> </ul>
<b>Financial Instruments and Foreign Currency Translation</b>	<ul style="list-style-type: none"> <li>— New accounting standards, PS3450 <i>Financial Instruments</i>, PS2601 <i>Foreign Currency Translation</i>, PS1201 <i>Financial Statement Presentation</i> and PS3041 <i>Portfolio Investments</i> have been approved by PSAB and are effective for years commencing on or after April 1, 2022 (the Town's 2023 year-end).</li> <li>— Equity instruments quoted in an active market and free-standing derivatives are to be carried at fair value. All other financial instruments, including bonds, can be carried at cost or fair value depending on the government's choice and this choice must be made on initial recognition of the financial instrument and is irrevocable.</li> <li>— Hedge accounting is not permitted.</li> <li>— A new statement, the Statement of Re-measurement Gains and Losses, will be included in the financial statements. Unrealized gains and losses incurred on fair value accounted financial instruments will be presented in this statement. Realized gains and losses will continue to be presented in the statement of operations.</li> <li>— Based on stakeholder feedback received, PSAB is considering certain scope amendments to PS 3450 <i>Financial Instruments</i>. An exposure draft with the amendments is expected to be issued in 2020. The proposed amendments are expected to include the accounting treatment of bond repurchases, scope exclusions for certain activities by the federal government, and improvements to the transitional provisions.</li> </ul>
<b>International Strategy</b>	<ul style="list-style-type: none"> <li>— At its May 5, 2020 meeting, PSAB voted to adapt IPSAS principles when developing future standards. This decision has been years in the making, including extensive consultation with Canadian stakeholders, as part of the Board's International Strategy project.</li> <li>— In PSAB's 2017-2021 Strategic Plan, the Board signaled its intent to review its approach towards International Public Accounting Standards (IPSAS). IPSAS has matured over the last decade and are a high quality and comprehensive set of accounting standards. With other jurisdictions comparable to Canada adopting or adapting IPSAS, PSAB has decided it was time to review Canada's current approach towards IPSAS.</li> <li>— While PSAB has made the decision, more planning and work will be done to support stakeholders in this change. The Board itself will also continue to work on implementing this change into its due process, which will require further discussion and work in the coming year. A basis for conclusions was issued in September 2020 that outlines how PSAB came to this important decision.</li> <li>— The implementation date of this decision is April 1, 2021 (the Town's 2022 year-end). All standards projects initiated on or after this date will use the principles of IPSAS in the development of the PSAS standard, if a similar IPSAS already exists. In cases where similar IPSAS does not exist, PSAS standards would continue to be developed as they are today.</li> </ul>

Standard	Summary and implications
<b>Employee Future Benefit Obligation</b>	<ul style="list-style-type: none"> <li>PSAB has initiated a review of sections PS3250 <i>Retirement Benefits</i> and PS3255 <i>Post-Employment Benefits, Compensated Absences and Termination Benefits</i>. Given the complexity of issues involved and potential implications of any changes that may arise from this review, the project will be undertaken in phases. Phase I will address specific issues related to measurement of employment benefits. Phase II will address accounting for plans with risk sharing features, multi-employer defined benefit plans and sick leave benefits.</li> <li>Three Invitations to Comment were issued and have closed. The first Invitation to Comment sought guidance on whether the deferral provisions in existing public sector standards remain appropriate and justified and the appropriateness of accounting for various components of changes in the value of the accrued benefit obligation and plan assets. The second Invitation to Comment sought guidance on the present value measurement of accrued benefit obligations. A third Invitation to Comment sought guidance on non-traditional pension plans.</li> <li>The ultimate objective of this project is to issue a new employment benefits section to replace existing guidance.</li> </ul>
<b>Public Private Partnerships (“P3”)</b>	<ul style="list-style-type: none"> <li>A taskforce was established in 2016 as a result of increasing use of public private partnerships for the delivery of services and provision of assets. The objective is to develop a public sector accounting standard specific to public private partnerships.</li> <li>A Statement of Principles (“SOP”) was issued in August 2017 which proposes new requirements for recognizing, measuring and classifying infrastructure procured through a public private partnership. An Exposure Draft of the new standard was issued in November 2019.</li> <li>Public private partnership infrastructure is recognized as an asset when the public sector entity acquires control of the infrastructure. A liability is recognized when the asset is recognized and may be a financial liability, a performance obligation or a combination of both.</li> <li>An infrastructure asset acquired in an exchange transaction is recorded at cost which is equal to its fair value on the measurement date. The liability is measured at the cost of the infrastructure asset initially.</li> <li>Subsequently, the infrastructure asset is amortized in a rational and systematic manner over its useful life.</li> <li>Subsequent measurement of the financial liability would reflect the payments made by the public sector entity to settle the liability as well as the finance charge passed on to the public sector entity through the public private partnership agreement.</li> <li>Subsequent measurement of the performance obligation: revenues are recognized and the liability reduced in accordance with the substance of the public private partnership agreement.</li> </ul>
<b>Concepts Underlying Financial Performance</b>	<ul style="list-style-type: none"> <li>PSAB is in the process of reviewing the conceptual framework that provides the core concepts and objectives underlying Canadian public sector accounting standards.</li> <li>PSAB is developing two exposure drafts (one for a revised conceptual framework and one for a revised reporting model) with two accompanying basis for conclusions documents and resulting consequential amendments. PSAB expects to issue the two exposure drafts and accompanying documents in 2020.</li> <li>A Statement of Concepts (“SOC”) and Statement of Principles (“SOP”) were issued for comment in May 2018.</li> <li>The SOC proposes a revised, ten-chapter conceptual framework intended to replace PS 1000 <i>Financial Statement Concepts</i> and PS 1100 <i>Financial Statement Objectives</i>. The revised conceptual framework would be defined and elaborate on the characteristics of public sector entities and their financial reporting objectives. Additional information would be provided about financial statement objectives, qualitative characteristics and elements. General recognition and measurement criteria, and presentation concepts would be introduced.</li> <li>The SOP includes principles intended to replace PS 1201 <i>Financial Statement Presentation</i>. The SOP proposes:</li> </ul>

Standard	Summary and implications
	<ul style="list-style-type: none"> <li>○ Removal of the net debt indicator, except for on the statement of net debt where it would be calculated exclusive of financial assets and liabilities that are externally restricted and/or not available to settle the liabilities or financial assets.</li> <li>○ Changes to common terminology used in the financial statements, including re-naming accumulated surplus (deficit) to net assets (liabilities).</li> <li>○ Restructuring the statement of financial position to present non-financial assets before liabilities.</li> <li>○ Removal of the statement of remeasurement gains (losses) with the information instead included on a new statement called the statement of changes in net assets (liabilities). This new statement would present the changes in each component of net assets (liabilities).</li> <li>○ A new provision whereby an entity can use an amended budget in certain circumstances.</li> </ul> <p>— Inclusion of disclosures related to risks and uncertainties that could affect the entity's financial position.</p>
<b>2019 – 2020 Annual Improvements</b>	<ul style="list-style-type: none"> <li>— PSAB adopted an annual improvements process to make minor improvements to the CPA Canada Public Sector Accounting (PSA) Handbook or Statements of Recommended Practices (other guidance).</li> <li>— The annual improvement process: <ul style="list-style-type: none"> <li>○ clarifies standards or other guidance; or</li> <li>○ corrects relatively minor unintended consequences, conflicts or oversights.</li> </ul> </li> <li>— Major or narrow scope amendments to the standards or other guidance are not included in the annual improvement process.</li> </ul>
<b>Purchased Intangibles</b>	<ul style="list-style-type: none"> <li>— As a result of stakeholder feedback received, PSAB will revisit validity of the prohibition against recognizing purchased intangibles in public sector financial statements and will consider a narrow scope amendment.</li> <li>— Input received in response to the 2018 conceptual framework and reporting model documents for comment supported PSAB relocating the recognition prohibitions from the conceptual framework to the standards level. This is a bigger issue for Indigenous governments. PSAB is looking into the question of why purchased intangibles acquired through an exchange transaction cannot be recognized in public sector financial statements as they are measurable at the price in the transaction.</li> </ul>



# Appendix 5: Audit and Assurance Insights

Our latest thinking on the issues that matter most to Audit Committees, Boards and Management.

Featured insight	Summary	Reference
<b>Audit &amp; Assurance Insights</b>	Curated thought leadership, research and insights from subject matter experts across KPMG in Canada	<a href="#"><u>Learn more</u></a>
<b>The business implications of coronavirus (COVID 19)</b>	Resources to help you understand your exposure to COVID-19, and more importantly, position your business to be resilient in the face of this and the next global threat.	<a href="#"><u>Learn more</u></a>
	Financial reporting and audit considerations: The impact of COVID-19 on financial reporting and audit processes.	<a href="#"><u>Learn more</u></a>
<b>Accelerate 2019/20</b>	Perspective on the key issues driving the Audit Committee agenda	<a href="#"><u>Learn more</u></a>
<b>Momentum</b>	A quarterly Canadian newsletter which provides a snapshot of KPMG's latest thought leadership, audit and assurance insights and information on upcoming and past audit events – keeping management and board members abreast on current issues and emerging challenges within audit.	<a href="#"><u>Sign-up now</u></a>
<b>Current Developments</b>	Series of quarterly publications for Canadian businesses including Spotlight on IFRS, Canadian Securities & Auditing Matters and US	<a href="#"><u>Learn more</u></a>
<b>Board Leadership Centre</b>	Leading insights to help board members maximize boardroom opportunities.	<a href="#"><u>Learn more</u></a>



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