



The Corporation of the City of Vaughan

**Audit Planning Report
for the year ending December 31, 2022**

KPMG LLP

Licensed Public Accountants

Prepared December 21, 2022

For presentation on January 30, 2022

kpmg.ca/audit



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This report to the Audit Committee is intended solely for the information and use of management, the Audit Committee, and City Council and should not be used for any other purpose or any other party. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this report to the Audit Committee has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

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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 page.



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



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 contribute to its delivery.

‘Perform quality engagements’ 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.

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**.



Doing the right thing. Always.

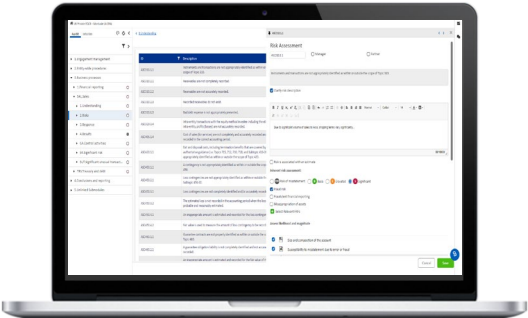




Our audit platform – KPMG Clara

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

KPMG Clara workflow



Globally consistent execution

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

[▶ Learn more](#)

KPMG Clara for clients



Real-time collaboration and transparency

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

[▶ Learn more](#)

KPMG Clara analytics



Insights-driven efficient operations

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

[▶ Learn more](#)

Highlights

Scope of the audit

Our audit of the consolidated financial statements (“financial statements”) of The Corporation of the City of Vaughan (the “City”) as at and for the year ending December 31, 2022 will be performed in accordance with Canadian generally accepted auditing standards (CASs).



Significant risks



We have identified significant risks of material misstatement for the audit. See significant risks section for details.

Required communications



See Appendix: Other required communications

Report highlights

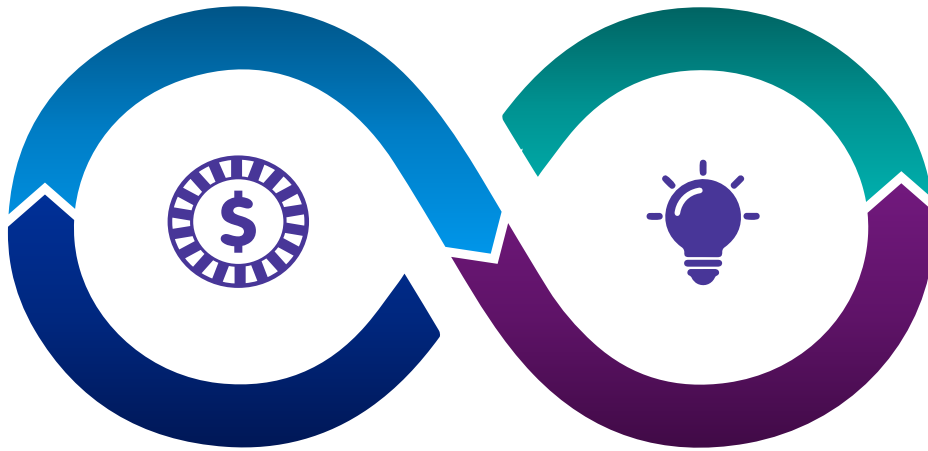
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Other Areas of Focus





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

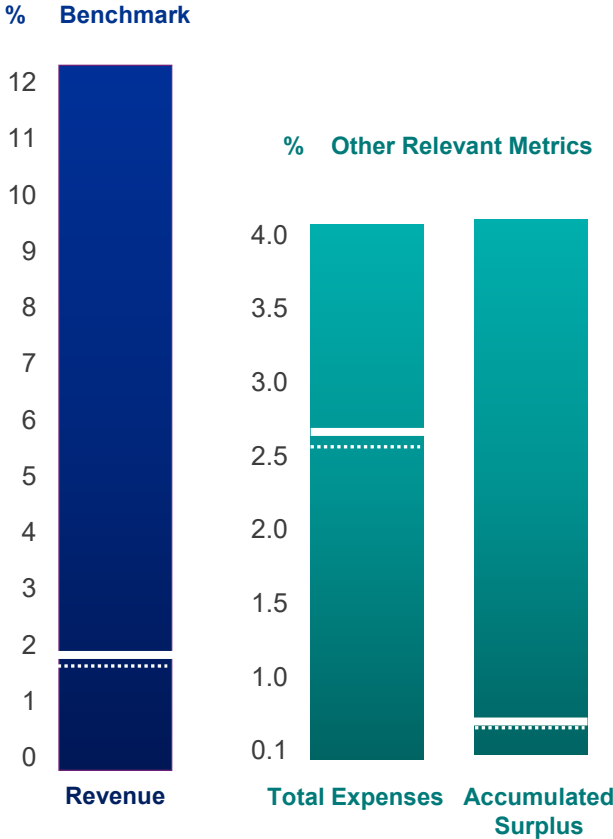
We also use materiality to evaluate the effect of:

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

Group Materiality

Materiality
\$15,000,000
(2021: \$14,000,000)

..... Prior year
— Current year



*Benchmarks are based on total estimated balances for the fiscal 2022 year end.
We will reassess materiality at the commencement of our annual audit to ensure
the benchmark remains appropriate based on year end actual balances.*




Total Estimated Revenue \$793,000,000 (2021 actual: \$775,642,000)
Total Estimated Expenses \$562,000,000 (2021 actual: \$545,577,000)
Estimated Accumulated Surplus \$10,279,000,000 (2021 actual: \$10,047,779,000)
Group Performance Materiality \$ 11,250,000 (2021: \$10,500,000)
Group Audit Misstatement Posting Threshold \$750,000 (2021: \$700,000)



Involvement of others

Involved party	Nature and extent of planned involvement	Involvement In
KPMG professionals with specialized skill or knowledge who are involved in performance of audit procedures – Actuary specialist	<p>The employee future benefits liability is a significant accounting estimate and management relies on an actuary for the valuation of its employee future benefits. We will use an employed KPMG specialist throughout the audit cycle in assessing the assumptions and estimates used in the funding valuation and year end extrapolated accrued benefit liability.</p> <p>Refer to audit approach under the employee future benefit area of focus.</p>	Assess the reasonableness of the assumptions used in the valuation of the employee future benefit liability.

Significant risks

<div><div></div><div>Presumption of the risk of fraud involving improper revenue recognition</div></div> <div><div>RISK OF</div><div><div></div><div></div></div><div>ERROR FRAUD</div></div>		
Estimate?	Significant risk	New or changed?
No	The primary risk of fraudulent revenue recognition resides with manual journal entries for revenue transactions not in the normal course of business as well as management’s calculation of the deferred revenue – obligatory reserve funds.	No



Our audit approach

Our audit methodology incorporates the required procedures in professional standards to address this risk.

Our audit approach consists of evaluating the design and implementation of selected relevant controls. We test journal entries that meet specific criteria. This criteria is designed during the planning phase of the audit and is based on areas and accounts that are susceptible to manipulation through management override and we design search filters that allow us to identify any unusual journal entries.

As part of our audit approach to address the inherent risk of error in revenue recognition, we substantively test revenues (both recognized and amounts held as deferred at year end) and recalculate management’s calculation of deferred revenue – obligatory reserve funds through auditing management’s methodology.

Significant risks

<div>  Management Override of Controls </div> <div> RISK OF  FRAUD </div>	
<div> <div> Presumption of the risk of fraud resulting from management override of controls </div> <div> Why is it significant? </div> </div>	<div> <div>Audit approach</div> <div> <p>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:</p> <ul style="list-style-type: none"> • testing of journal entries and other adjustments • performing a retrospective review of estimates • evaluating the business rationale of significant unusual transactions. <p>We will also:</p> <ul style="list-style-type: none"> • evaluate the design and implementation and test operating effectiveness of selected relevant controls • take a risk-based approach tailored to the City when designing substantive procedures and selecting specific transactions for testing • continue to make use of technology to extract our risk-based sample from the entire population of journal entries • continue to identify areas which may be subject to additional risk whether due to fraud or error in this regard. </div> </div>

Our **KPMG Clara Journal Entry Analysis Tool** assists in the performance of detailed journal entry testing based on engagement-specific risk identification and circumstances. Our tool provides auto-generated journal entry population statistics and focusses our audit effort on journal entries that are riskier in nature.



Click to learn more

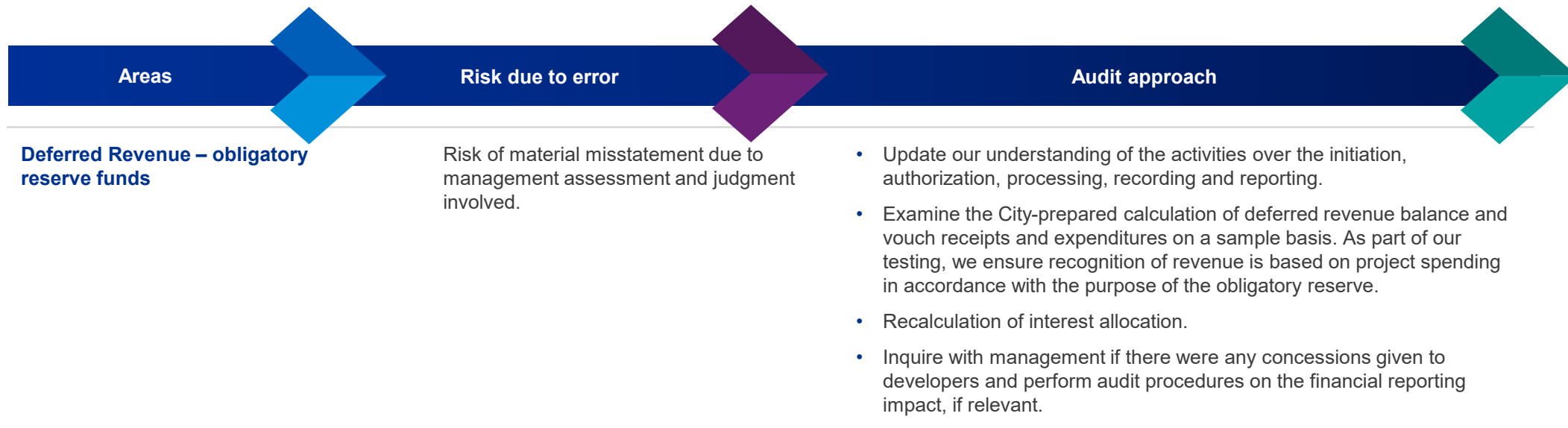


Other areas of focus

Areas	Risk due to error	Audit approach
Cash and Investments	Risk of material misstatement due to valuation of investments and disclosures.	<ul style="list-style-type: none"> To assess any loss in value of the portfolio investments, and if such a decline is other than temporary. Perform audit procedures to assess whether a write-down is necessary. Inspect year-end bank and investment reconciliations and substantive testing of significant reconciling items. Substantive tests of details over additions and disposals of investments. Obtain confirmations from third party financial institutions. Evaluate financial statement note disclosures in accordance with Public Sector Accounting Standards (PSAS).
Tangible Capital Assets	Risk of material misstatement related to existence and accuracy of tangible capital assets and accuracy of timing of revenue recognition, particularly related to funds intended for tangible capital assets additions and contributed assets.	<ul style="list-style-type: none"> Substantive tests of details over additions (including contributed tangible capital assets) and disposals. Inspect amortization policy and perform recalculations. Examine construction in progress to ensure amounts are properly transferred to correct capital asset classes and amortization expense commences on a timely basis. Evaluate financial statement note disclosure in accordance with PSAS. We will agree fair value estimates of contributed tangible capital assets to supporting third party documentation or as estimated by the City; we will perform procedures to address the relevant auditing standards related to valuation estimates. We will also perform required procedures to assess the potential risks with respect to impairment of assets. Based on the nature of the City's operations, it is not expected that this will be a significant risk during the audit.



Other areas of focus



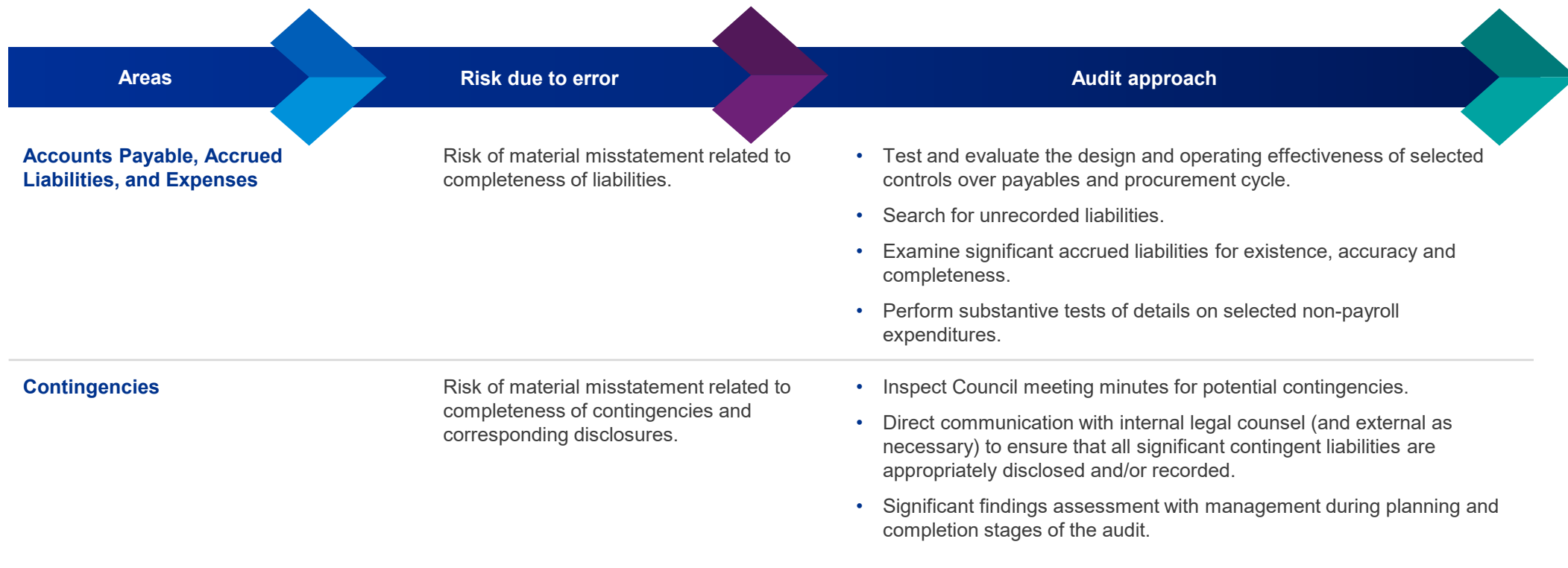


Other areas of focus





Other areas of focus



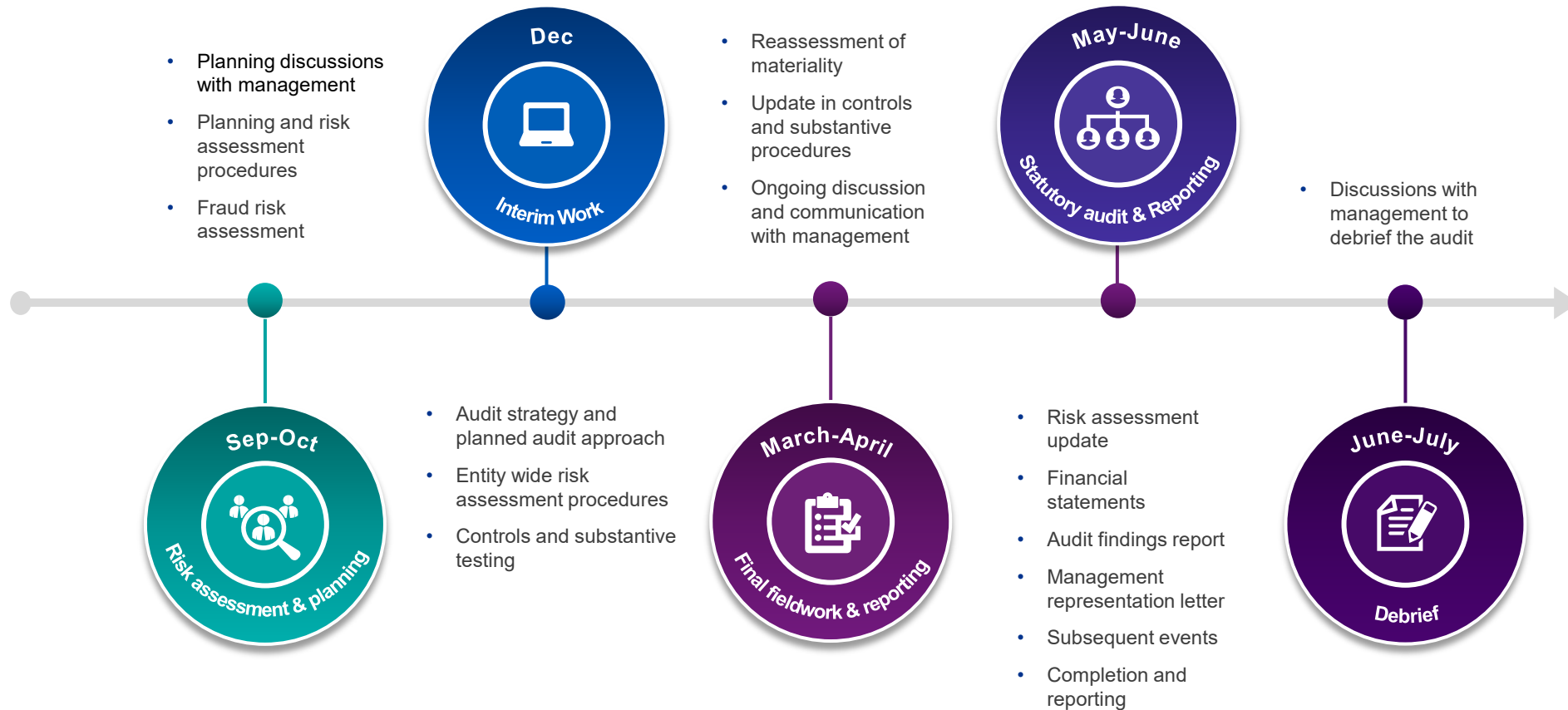


Other areas of focus

Areas	Risk due to error	Audit approach
Investment in Hydro Corporations (consisting of VHI, HVEC, and 1446631 Ontario Inc.)	To ensure the accuracy of the modified equity accounting for the City's investment in Hydro Corporations.	<ul style="list-style-type: none"> Obtain management's accounting schedule over its investment in each of the Hydro Corporations. The investment, through Vaughan Holdings Inc., includes the City's investment in Alectra Inc., which is a significant component of the City's consolidated financial statements and is therefore subject to a full scope audit performed by a component audit team that is led by the same lead audit engagement partner, Maria Khoushnood, as that of the City's group audit. Examine the calculation of the modified equity accounting and agree certain inputs to supporting documentation, such as the entities' net income, dividends received and issued.
Consolidation (City and all components)	To ensure the completeness and accuracy of the consolidated information.	<ul style="list-style-type: none"> Evaluate operations of, and perform audit procedures for, the consolidation of the Library, Tourism Vaughan Corporation, KBIA and the investment accounting for the Hydro Vaughan Corporations. Examine the eliminating entries as prepared by management for accuracy and completeness. Evaluate financial statement note disclosures related to the Hydro Vaughan Corporations, including the City's share of net income, dividends, etc.
Statutory Audit of Trust Funds Non-Significant component: The Corporation of The City of Vaughan Trust Funds	Statutory audit requirement.	<ul style="list-style-type: none"> Direct confirmation of cash and investments with financial institutions. Vouch selected revenue and expense transactions to source documents.



Key milestones and deliverables



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Audit and assurance insights



Appendix: Other required communications



CPAB communication protocol

The reports available through the following links were published by the Canadian Public Accountability Board to inform Audit Committees and other stakeholders about the results of quality inspections conducted over the past year:

- [CPAB Audit Quality Insights Report: 2021 Annual Inspections Results](#)
- [CPAB Audit Quality Insights Report: 2022 Interim Inspections Results](#)
- The 2022 Annual Inspection Results will be available in March 2023



Required inquiries

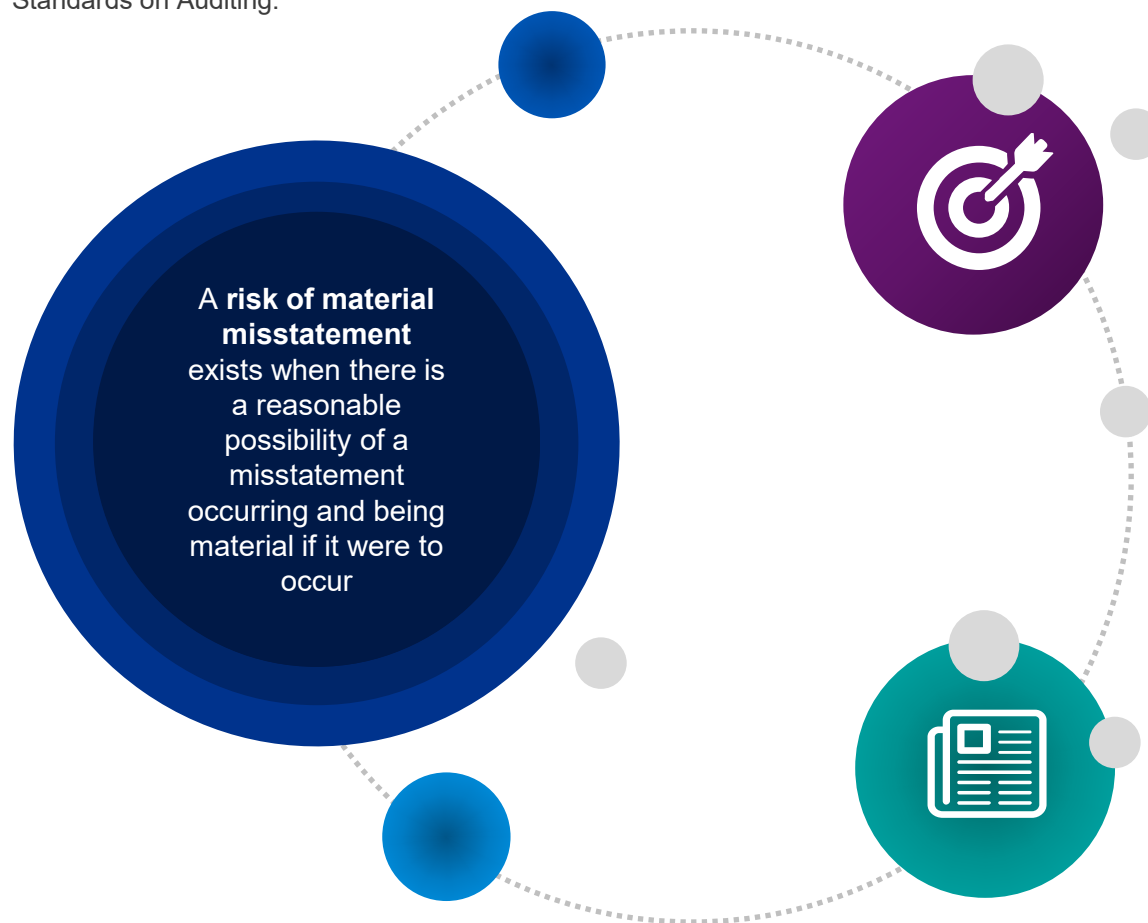
Professional standards require that during the planning of our audit, we obtain your views on the identification and assessment of risks of material misstatement, whether due to fraud or error, your oversight over such risk assessment, identification of suspected, alleged or actual fraudulent behaviour, and any significant unusual transactions during the period. Please refer to the following inquiries:

- How do you oversee fraud risk assessments and the establishment of controls to address fraud risks?
- What are your views about fraud risks, including management override of controls, at the entity and whether you have taken any actions to respond to these risks?
- Are you aware of, or have you identified, any instances of actual, suspected, or alleged fraud, including misconduct or unethical behavior related to financial reporting or misappropriation of assets? If so, have the instances been appropriately addressed and how have they been addressed?
- Are you aware of or have you received tips or complaints regarding the entity's financial reporting (including those received through the internal whistleblower program, if such program exists) and, if so, what was your response to such tips and complaints?
- What is the audit committee's understanding of the entity's relationships and transactions with related parties that are significant to the entity?
- Does any member of the audit committee have concerns regarding relationships or transactions with related parties and, if so, what are the substance of those concerns?
- Has the entity entered into any significant unusual transactions?



Appendix: Newly effective auditing standards

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



Affects both preparers of financial statements and auditors

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

See here for more information from CPA Canada



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

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

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

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



Appendix: Newly effective auditing standards

Key change

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

Impact on the audit team

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.

Impact on management

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: Newly effective auditing standards

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 inquiries 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: Newly effective auditing standards

Key change	Impact on the audit team	Impact on management
<p>Modernized to recognize the evolving environment, including in relation to IT</p>	<p>New requirement to understand the extent to which the business model integrates the use of IT.</p> <p>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.</p> <p>Based on the identified controls we plan to evaluate, we are required to identify the:</p> <ul style="list-style-type: none"> 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. <p>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.</p>	<p>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.</p> <p>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.</p> <p>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.</p>
<p>Enhanced requirements relating to exercising professional skepticism</p>	<p>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.</p>	<p>We may make changes to the nature, timing and extent of our risk assessment procedures, such as our inquiries of management, the activities we observe or the accounting records we inspect.</p>



Appendix: Newly effective auditing standards

Key change

Clarification of which controls need to be identified for the purpose of evaluating the design and implementation of a control

Impact on the audit team

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

Impact on management

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: Changes in accounting standards

Standard	Summary and implications
Asset retirement obligations	<ul style="list-style-type: none"> • The new standard PS 3280 <i>Asset retirement obligations</i> is effective for fiscal years beginning on or after April 1, 2022. • The new standard addresses the recognition, measurement, presentation and disclosure of legal obligations associated with retirement of tangible capital assets. Retirement costs will be recognized as an integral cost of owning and operating tangible capital assets. • The asset retirement obligations (“ARO”) standard will require the public sector entity to record a liability related to future costs of any legal obligations to be incurred upon retirement of any controlled tangible capital assets (“TCA”). The amount of the initial liability will be added to the historical cost of the asset and amortized over its useful life if the asset is in productive use. • As a result of the new standard, the public sector entity will: <ul style="list-style-type: none"> • Consider how the additional liability will impact net debt, as a new liability will be recognized with no corresponding increase in a financial asset; • Carefully review legal agreements, senior government directives and legislation in relation to all controlled TCA to determine if any legal obligations exist with respect to asset retirements; • Begin considering the potential effects on the organization as soon as possible to coordinate with resources outside the finance department to identify ARO and obtain information to estimate the value of potential ARO to avoid unexpected issues.



Appendix: Changes in accounting standards

Standard	Summary and implications
Financial instruments and foreign currency translation	<ul style="list-style-type: none"> The new standards PS 3450 <i>Financial instruments</i>, PS 2601 <i>Foreign currency translation</i>, PS 1201 <i>Financial statement presentation</i> and PS 3041 <i>Portfolio investments</i> are effective for fiscal years beginning on or after April 1, 2022. Equity instruments quoted in an active market and free-standing derivatives are to be carried at fair value. All other financial instruments, including bonds, can be carried at cost or fair value depending on the public sector entity's choice and this choice must be made on initial recognition of the financial instrument and is irrevocable. Hedge accounting is not permitted. A new statement, the Statement of Remeasurement Gains and Losses, will be included in the financial statements. Unrealized gains and losses incurred on fair value accounted financial instruments will be presented in this statement. Realized gains and losses will continue to be presented in the statement of operations. PS 3450 <i>Financial instruments</i> was amended subsequent to its initial release to include various federal government narrow-scope amendments.
Revenue	<ul style="list-style-type: none"> The new standard PS 3400 <i>Revenue</i> is effective for fiscal years beginning on or after April 1, 2023. The new standard establishes a single framework to categorize revenue to enhance the consistency of revenue recognition and its measurement. The standard notes that in the case of revenue arising from an exchange transaction, a public sector entity must ensure the recognition of revenue aligns with the satisfaction of related performance obligations. The standard notes that unilateral revenue arises when no performance obligations are present, and recognition occurs when there is authority to record the revenue and an event has happened that gives the public sector entity the right to the revenue.



Appendix: Changes in accounting standards

Standard	Summary and implications
Purchased Intangibles	<ul style="list-style-type: none"> • The new Public Sector Guideline 8 <i>Purchased intangibles</i> is effective for fiscal years beginning on or after April 1, 2023 with earlier adoption permitted. • The guideline allows public sector entities to recognize intangibles purchased through an exchange transaction. The definition of an asset, the general recognition criteria and GAAP hierarchy are used to account for purchased intangibles. • Narrow scope amendments were made to PS 1000 <i>Financial statement concepts</i> to remove the prohibition to recognize purchased intangibles and to PS 1201 <i>Financial statement presentation</i> to remove the requirement to disclose purchased intangibles not recognized. • The guideline can be applied retroactively or prospectively.
Public Private Partnerships	<ul style="list-style-type: none"> • The new standard PS 3160 <i>Public private partnerships</i> is effective for fiscal years beginning on or after April 1, 2023. • The standard includes new requirements for the recognition, measurement and classification of infrastructure procured through a public private partnership. • The standard notes that recognition of infrastructure by the public sector entity would occur when it controls the purpose and use of the infrastructure, when it controls access and the price, if any, charged for use, and it controls any significant interest accumulated in the infrastructure when the public private partnership ends. • The public sector entity recognizes a liability when it needs to pay cash or non-cash consideration to the private sector partner for the infrastructure. • The infrastructure would be valued at cost, which represents fair value at the date of recognition with a liability of the same amount if one exists. Cost would be measured in reference to the public private partnership process and agreement, or by discounting the expected cash flows by a discount rate that reflects the time value of money and risks specific to the project. • The standard can be applied retroactively or prospectively.



Appendix: Changes in accounting standards

Standard	Summary and implications
Concepts Underlying Financial Performance	<ul style="list-style-type: none"> The revised conceptual framework is effective for fiscal years beginning on or after April 1, 2026 with earlier adoption permitted. The framework provides the core concepts and objectives underlying Canadian public sector accounting standards. The ten chapter conceptual framework defines and elaborates on the characteristics of public sector entities and their financial reporting objectives. Additional information is provided about financial statement objectives, qualitative characteristics and elements. General recognition and measurement criteria, and presentation concepts are introduced.
Financial Statement Presentation	<ul style="list-style-type: none"> The proposed section PS 1202 <i>Financial statement presentation</i> will replace the current section PS 1201 <i>Financial statement presentation</i>. PS 1202 <i>Financial statement presentation</i> will apply to fiscal years beginning on or after April 1, 2026 to coincide with the adoption of the revised conceptual framework. Early adoption will be permitted. The proposed section includes the following: <ul style="list-style-type: none"> Relocation of the net debt indicator to its own statement called the statement of net financial assets/liabilities, with the calculation of net debt refined to ensure its original meaning is retained. Separating liabilities into financial liabilities and non-financial liabilities. Restructuring the statement of financial position to present total assets followed by total liabilities. Changes to common terminology used in the financial statements, including re-naming accumulated surplus (deficit) to net assets (liabilities). Removal of the statement of remeasurement gains (losses) with the information instead included on a new statement called the statement of changes in net assets (liabilities). This new statement would present the changes in each component of net assets (liabilities), including a new component called “accumulated other”. A new provision whereby an entity can use an amended budget in certain circumstances. Inclusion of disclosures related to risks and uncertainties that could affect the entity’s financial position. The Public Sector Accounting Board is currently deliberating on feedback received on exposure drafts related to the reporting model.



Appendix: Changes in accounting standards

Standard	Summary and implications
Employee benefits	<ul style="list-style-type: none"> • The Public Sector Accounting Board has initiated a review of sections PS 3250 <i>Retirement benefits</i> and PS 3255 <i>Post-employment benefits, compensated absences and termination benefits</i>. • The intention is to use principles from International Public Sector Accounting Standard 39 <i>Employee benefits</i> as a starting point to develop the Canadian standard. • Given the complexity of issues involved and potential implications of any changes that may arise from the review of the existing guidance, the new standards will be implemented in a multi-release strategy. The first standard will provide foundational guidance. Subsequent standards will provide additional guidance on current and emerging issues. • The proposed section PS 3251 <i>Employee benefits</i> will replace the current sections PS 3250 <i>Retirement benefits</i> and PS 3255 <i>Post-employment benefits, compensated absences and termination benefits</i>. It will apply to fiscal years beginning on or after April 1, 2026. Early adoption will be permitted and guidance applied retroactively. • This proposed section would result in public sector entities recognizing the impact of revaluations of the net defined benefit liability (asset) immediately on the statement of financial position. Organizations would also assess the funding status of their post-employment benefit plans to determine the appropriate rate for discounting post-employment benefit obligations. • The Public Sector Accounting Board is in the process of evaluating comments received from stakeholders on the exposure draft.



Appendix: Current Developments

Implications of PS 3280 Asset Retirement Obligations

PS 3280 Asset Retirement Obligations (“PS 3280”) is a new accounting standard effective for the fiscal years beginning on or after April 1, 2022. This standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets by public sector entities. This significant new accounting standard has implications that have the potential to go beyond financial reporting.

Financial reporting implications

A liability for asset retirement costs will be recorded with a corresponding increase in the cost of tangible capital assets in productive use, resulting in a decrease (increase) to the net financial assets (net debt) reported in the Statement of Financial Position.

Asset retirement obligations associated with tangible capital assets that are not recognized or no longer in productive use are expensed.

Additional non-cash expenses for the amortization of tangible capital assets and accretion will be recognized annually.

The total cost of legally required retirement activities will be recognized earlier in a tangible capital asset’s life. There is no change to the total cost recorded over an asset’s life.

A rigorous process needs to be established to support updates to the ARO measurement on an annual basis post-initial implementation.

Asset management implications

The asset retirement date used to determine the asset retirement liability needs to be consistent with the useful life of the related tangible capital asset. As a result, public sector entities need to assess whether the useful lives of tangible capital assets continue to be accurate and consistent with asset management plans.

Many public sector entities are using the implementation of PS 3280 as an opportunity to develop or refine their asset management plans.

Funding implications

PS 3280 does not provide guidance on how the asset retirement liability should be funded. Many public sector entities currently fund retirement costs as they are incurred at the end of the asset’s life. Public sector entities will need to assess whether this practice remains appropriate or if funding will be obtained over the life of the asset.

Budget implications

In addition to budgeting for costs associated with the initial implementation of PS 3280, public sector entities will need to consider if the non-cash accretion expense and additional amortization expense will be included in the annual budget.

Public sector entities operating under balanced budget legislation or similar guidelines will need to obtain guidance from the provincial government to determine the impact of PS 3280 on current requirements.

Capital planning implications

PS 3280 requires legal obligations associated with the retirement of tangible capital assets to be recorded when the assets are acquired, constructed or developed. As a result, the cost of legally required retirement activities will need to be considered at the inception of a capital project to determine the financial viability and impact of the project.



Appendix: Audit and assurance insights

Thought leadership – Public sector

Voices on 2030: Digitalizing Government

What will the world look like in 2030? How will citizen and customer expectations evolve? And what can public sector organizations be doing today to help ensure they can meet these expectations? We spoke with leaders and disruptors from around the world, across the public and private sector to explore answers to these questions.

[Click here](#) to access KPMG's portal.

Why Audit Committees Should Know About Asset Retirement Obligations

Many public sector entities are currently working through the various aspects of the implementation of the Asset Retirement Obligation standard. In this publication we have provided some key insights to make this complex topic easy to understand by senior level management and those charged with governance at these organizations.

[Click here](#) to access KPMG's portal.

Perspectives on PS 3280 Asset Retirement Obligations

This guide provides KPMG's perspective on key implementation issues and technical interpretations of the guidance in PS 3280.

Contact your KPMG team for your copy of the guide.



Appendix: Audit and assurance insights

Thought leadership – Environmental, social and governance (“ESG”)

Unleashing the Positive in Net Zero

CoP26 in Glasgow made some progress to tackling climate change but there is much more to do. At KPMG, we’re committed to accelerating the changes required to fight climate change. Our Global portal provides links to further thought leadership to help drive real change.

[Click here](#) to access KPMG’s portal.

You Can’t Go Green Without Blue – The Blue Economy is Critical to all Companies’ ESG Ambitions

In this report, KPMG considers how leading corporations and investors can take action to capture the value that can be found in a healthy, sustainable ocean economy.

[Click here](#) to access KPMG’s portal.

ESG, Strategy and the Long View

This paper presents a five-part framework to help organizations understand and shape the total impact of their strategy and operations on their performance externally – on the environment, consumers, employees, the communities in which it operates, and other stakeholders – and internally.

[Click here](#) to access KPMG’s portal.

KPMG’s Climate Change Financial Reporting Resource Centre

KPMG’s climate change resource centre provides FAQs to help you identify the potential financial statement impacts for your business.

[Click here](#) to access KPMG’s portal.



Appendix: Audit and assurance insights

Thought leadership – Environmental, social and governance (“ESG”) (continued)

The Numbers that are Changing the World: Revealing the Growing Appetite for Responsible Investing

We are seeing a global trend towards responsible investing. Increasingly, institutional investors are recognizing the potential for ESG factors to affect the valuation and financial performance of the companies they invest in. At the same time, consumer demand for responsible investments is surging, especially from the younger generation.

This booklet presents the proof to address the issues around responsible investment implementation: statistics from across investment markets that show how significant this shift is.

[Click here](#) to access the report.

Gender Lens Investing

Gender Lens Investing is an impact investment strategy which deliberately integrates gender analysis into investment analysis and decision-making. It has garnered increased global attention in recent years, as investors seek to bring new dimensions to the nature of their investments.

[Click here](#) to access KPMG's portal.

Climate Change, Human Rights and Institutional Investors

Disruptive and destructive weather events over the past few years have demonstrated the severity of climate change impacts. As climate impacts and public pressure to take action increase, institutional investors have begun integrating climate risks into their asset allocation models and investment decisions. Climate change impacts are also profoundly human in nature. Beyond the personal challenges and tragedies people face due to climate change, the impacts on people will result in socio-economic disruptions due to the risk and fall of climate impacted sectors and projects.

[Click here](#) to access KPMG's portal.

Inclusion and Diversity Practices

In 2021 societal changes brought more attention to inclusion and diversity. In this age of transparency, businesses must act proactively to implement strategic inclusion and diversity (“I&D”) practices. It has become increasingly important for organizations to adopt I&D initiatives in order to foster an enjoyable work environment for their employees. Learn how to consider your own organizations' unique context, meet with the stakeholders you want to include, understand where they are at, and guide them along their own individual transformation journey.

[Click here](#) to access KPMG's portal.



Appendix: Audit and assurance insights

Thought leadership – Audit quality

Audit Quality and Transparency Report

Learn about KPMG's ongoing commitment to continuous audit quality improvement. We are investing in new innovative technologies and building strategic alliances with leading technology companies that will have a transformative impact on the auditing process and profession. How do we seek to make an impact on society through the work that we do?

[Click here](#) to access KPMG's portal.

Audit and Assurance Insights

KPMG provides curated research and insights on audit and assurance matters for audit committees and boards.

[Click here](#) to access KPMG's portal.

Thought leadership – Digital and technology

Going Digital, Faster in Canada

Pre-COVID-19, private and public organizations were moving towards a digital business model, travelling at varying speeds. But the pandemic forced a dramatic acceleration, both in the speed of change and the required investment to digitally transform. According to Canadian insights from KPMG's recent global survey, organizations are investing heavily in technology to address immediate concerns, ranging from falling revenue and interrupted supply chains to building longer-term competitiveness and operational resilience.

[Click here](#) to access KPMG's portal.

Five Questions Boards Should Ask About Digital Transformation Projects

Boards and management committees alike have increasingly expressed interest in technology investments that improve operations, enable customer relationships, and support virtual workforces. Based on our experience working with organizations across many industries, five questions have been identified to help a Board understand and 'sponsor' a project successfully.

[Click here](#) to access KPMG's portal.



Appendix: Audit and assurance insights

Thought leadership – Boards, Audit Committees and C-Suite

2022 CEO Outlook – Canadian Insights

With a potential recession on the horizon, Canadian CEOs are preparing for some rocky roads ahead. However, they remain optimistic about the growth of their businesses and believe any turbulence will be mild and short lived.

These are among the core themes in the latest KPMG CEO Outlook survey and small and medium-sized business poll.

[Click here](#) to access KPMG's portal.

Audit Committee Guide – Canadian Edition

The Audit Committee Guide – Canadian Edition from our Board Leadership Centre provides timely, relevant and trusted guidance to help both new and seasoned audit committee members stay informed.

[Click here](#) to access KPMG's portal.

Board Leadership Centre

KPMG in Canada Board Leadership Centre engages with directors, board members and business leaders to discuss timely and relevant boardroom challenges and deliver practical thought leadership on risk and strategy, talent and technology, globalization and regulatory issues, financial reporting and more.

[Click here](#) to access KPMG's portal.

Momentum

Offering curated insights for management, boards and audit committees, our quarterly newsletter provides the latest thought leadership from KPMG's subject matter leaders across Canada and valuable audit resources for clients.

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