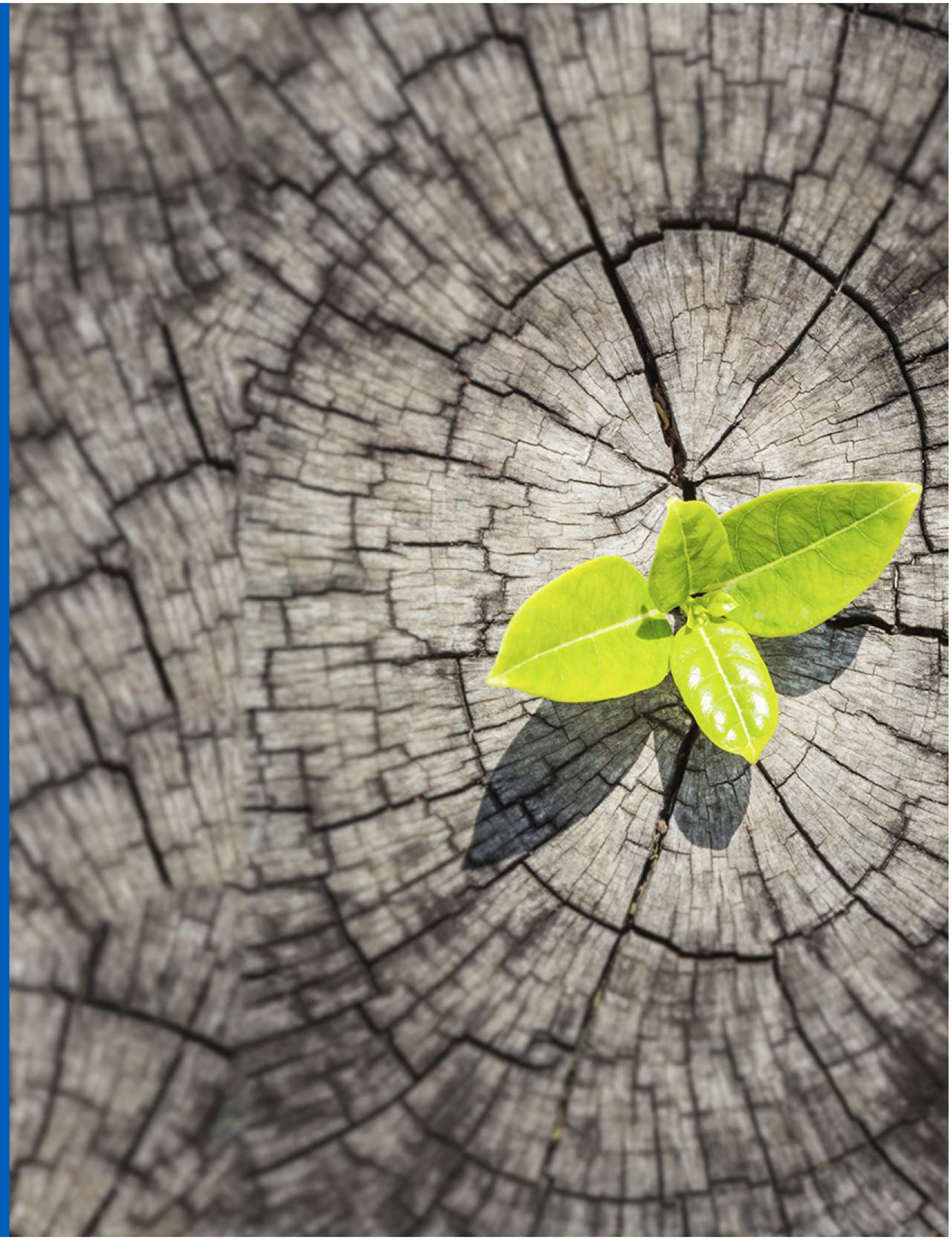
Parkland County

Audit Findings Report
for the year ended December 31, 2020

KPMG LLP

Prepared for the Council meeting on April 27, 2021

kpmg.ca/audit



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KPMG contacts

The contacts at KPMG in connection with this report are:

John Stelter, FCPA, FCA

Partner

Tel: 780.429.6511
jstelter@kpmg.ca

Tasha Olivieri, MPAcc, CPA

Manager

Tel: 780.429.7334
tolivieri@kpmg.ca

Our refreshed Values

What we believe

Integrity
We do what is right.

Excellence
We never stop learning and improving.

Courage
We think and act boldly.

Together
We respect each other and draw strength from our differences.

For Better
We do what matters.

Executive summary

Purpose of this report[1]

The purpose of this Audit Findings Report is to assist the Mayor and Council ("Council"), in your review of the results of our audit of the consolidated financial statements of Parkland County (the "County") as at and for the year ended December 31, 2020. This Audit Findings Report builds on the Audit Plan we presented to Council on October 27, 2020.

Finalizing the audit

As of April 27, 2021, we have completed the audit of the consolidated financial statements, with the exception of certain remaining procedures, which include amongst others:

– Completing our discussions with Council;
– Obtaining evidence of Council's approval of the consolidated financial statements;
– Completing subsequent event procedures to the date of Council's approval of the consolidated financial statements; and
– Obtaining a signed management representation letter.

We will update Council on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures.

Our auditors' report will be dated upon the completion of any remaining procedures (expected April 27, 2021).

Areas of audit focus and results

We discussed with you at the start of the audit the existence of a significant financial reporting risk related to the presumed fraud risk of management override of controls, among other areas of focus. This risk and other areas of focus have been addressed in our audit.

What's new in 2020

The potential impacts of COVID-19 have been incorporated into our audit.

CAS 540 *Auditing Accounting Estimates and Related Disclosures* was effective for the current year. The new standard was applied on contributed tangible capital assets as there is a risk of material misstatement due to estimation uncertainty. We performed more granular risk assessments based on the elements making up each accounting estimate such as the method, the assumptions used, the data used and the application of the method.

[1] This Audit Findings Report is intended solely for the information and use of Management and 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 Audit Findings 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.

Executive summary (continued)

Significant accounting policies and practices

There are no new accounting standards applicable to the County for the year ended December 31, 2020.

Note 1(l) to the consolidated financial statements describes future accounting standards which may impact the County's reporting in the future.

Consolidated financial statement presentation and disclosure

The presentation and disclosure of the consolidated financial statements are, in all material respects, in accordance with the County's relevant financial reporting framework. Misstatements, including omissions, if any, related to disclosure or presentation items are included in the management representation letter.

Critical accounting estimates

Overall, we are satisfied with the reasonability of critical accounting estimates.

Adjustments and differences

Materiality for fiscal 2020 was set at $2,400,000. We identified one difference that remains uncorrected; however, this difference is not considered to be material and do not impact our audit report on the consolidated financial statements.

We proposed certain other adjustments regarding the County's consolidated financial statement disclosures. The most substantive of these changes were accepted by management and included in the consolidated financial statements.

Control and other observations

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

We identified certain control and other observations in prior years that we believe may be of interest to Council. None of these matters impact our audit report on the consolidated financial statements of the County.

Additional reporting responsibilities

We have been engaged to report on the following for the year ended December 31, 2020:

- Municipal Financial Information Return (FIR) for the County;
- Family and Community Support Services (FCSS) special reporting.

We have not identified any matters to report.

The consolidated financial statements include the County's proportionate share of the Parkland County Library Board and Tri-Municipal Leisure Facility Corporation (a Part 9 Company operating as the TransAlta Tri Leisure Centre), which was audited by another auditor.

Independence

We are independent with respect to the County, within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any other standards or applicable legislation or regulation.

Areas of audit focus and results

We highlight our significant findings in respect of **significant financial reporting risks** as identified in our discussion with you in the Audit Plan.

Significant financial reporting risk	Why is it significant?
Risk of material misstatement resulting from fraudulent revenue recognition	This is a presumed risk of material misstatement due to fraud. We have not identified any risk of material misstatement resulting from fraudulent revenue recognition.
Risk from management override of controls	This is a presumed risk. We have not identified any specific risks relating to this audit.

Our response and significant findings

As noted in the Audit Plan, the risk of fraud from revenue recognition has been rebutted given revenue does not involve elements of significant judgment. As this risk has been rebutted, our audit methodology in relation to revenue is limited to analytical procedures and external confirmations of significant revenue inflows.

Management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities.

We took the following steps to address this risk as required under professional standards:

- We evaluated the design and implementation of controls surrounding journal entries and other adjustments;
- Determined criteria to identify high-risk journal entries and other adjustments; and
- Tested high-risk journal entries and other adjustments made at the end of the reporting period.

We have no findings to report.

Areas of audit focus and results (continued)

We highlight our significant findings in respect of **areas of focus** as identified in our discussion with you in the Audit Plan.

Area of focus	Why are we focusing here?	Our response and significant findings
Recognition of revenue amounts subject to external restrictions	There is a risk of inappropriate revenue recognition of amounts received with external restrictions attached to them (special taxes and levies, government transfers and other amounts).	– We reviewed the recognition of amounts subject to external restrictions, including government transfers and development levies, to ensure they are recognized. – We confirmed all significant government transfers and examined related agreements. – We obtained an understanding of the developer levy model and the process the County has in place to recognize revenue related to developer levies. The developer levy model utilizes forecasted development costs, staging and financing requirements to calculate the levy. Changes to these estimated inputs directly impacts deferred development levies and levy revenue. No misstatements or other findings were identified as a result of performing the above procedures.
Completeness, existence and accuracy of property assessments and taxation	There is a risk that property assessments and approved tax rates are not applied appropriately.	– We evaluated the application of assessment through the tax roll and taxation rates as established by the County and assessed the adequacy of provisions for uncollectible taxes and outstanding tax appeals. No misstatements or other findings were identified as a result of performing the above procedures.
Accuracy and valuation of investments	There is a risk that investments are not appropriately valued, and valuation adjustments are not recorded where appropriate.	– We have tested the existence and accuracy of investment accounts through external confirmations, including the cost and market value of investments. – We have tested management's assessment of impairment and considered if any potential impairment of the investments exists. – We reviewed the portfolio of investment and ensured they were in compliance with the County's risk management and investment policies. No misstatements or other findings were identified as a result of performing the above procedures.

Areas of audit focus and results (continued)

Area of focus	Why are we focusing here?	Our response and significant findings
Existence and valuation of inventory	There is a risk that inventory does not exist and is not valued appropriately.	– We obtained an understanding of the process by which consumable inventory is tracked and recorded. – We noted that a valuation adjustment relating to prior year consumable inventories was included in the current year. Refer to the *Adjustments and Differences* section of this report. No other misstatements or other findings were identified as a result of performing the above procedures.
Accuracy and valuation of contributed tangible capital assets	There is a risk that contributions of tangible capital assets are not appropriately captured in the consolidated financial statements.	– We obtained an understanding of the process by which departments capture tangible capital assets which are contributed from developers and other parties and assessed the consistency of the process applied across all departments. – We reviewed the value ascribed to assets contributed to the County for reasonableness. – We reviewed a sample of developments currently ongoing in the County to verify that they are appropriately not recorded as contributed in the year. No misstatements or other findings were identified as a result of performing the above procedures.
Completeness, existence and accuracy of operating costs and accounts payable and accrued liabilities	There is a risk that appropriate cut-off of accounts payable and accrued liabilities is not achieved.	– We used our understanding of the County's operations, discussions with management and our review of Council minutes to ensure completeness of accruals has been achieved as at December 31, 2020. – We performed work of the County's budgeting process and interim reporting on variances from the approved budget. – We obtained a detailed understanding of significant variances from budget as well as key accruals. – We completed a search for unrecorded liabilities and a detailed analysis was done of key accruals. No misstatements or other findings were identified as a result of performing the above procedures.

Areas of audit focus and results (continued)

Area of focus	Why are we focusing here?	Our response and significant findings
Existence and accuracy of capital expenditures related to approved capital projects	There is a risk that capital expenditures are not appropriately recorded in the consolidated financial statements and are not appropriately recorded related to approved capital projects.	– We reviewed a sample of capital expenditures and verified they were applied against the appropriate capital projects. No misstatements or other findings were identified as a result of performing the above procedures.
Completeness, existence and accuracy of debt	There is a risk that debt is not appropriately recorded in the consolidated financial statements, or that the County is not in compliance with covenants and debt limit regulations.	– We used our understanding of the County's operations, discussions with management and review of Council minutes to determine if completeness of debt has been achieved. – We confirmed all significant outstanding debt obligations and other key features of debt, including amounts outstanding at period end, interest rates, debt maturity and repayment terms, restrictive covenants, and guarantees, etc. – We assessed compliance with restrictive covenants for all debt agreements, including debt limit regulation. No misstatements or other findings were identified as a result of performing the above procedures.
Completeness and accuracy of environmental obligations and other contingencies	There is a risk that environmental obligations and other contingent liabilities are not appropriately identified and reasonably estimated.	– We have reviewed and tested the County's estimates as at year-end for reasonableness. – The County has performed an updated review of land and other assets for the potential risk of contamination and determination of resulting obligation, if any. – We are satisfied that the County has appropriate procedures and systems in place to ensure consistent and accurate identification of liabilities, including those associated with environmental obligations and other contingencies. No misstatements or other findings were identified as a result of performing the above procedures.

Areas of audit focus and results (continued)

Area of focus	Why are we focusing here?	Our response and significant findings
Completeness and accuracy of salaries and benefits note disclosures	There is a risk that salaries and benefits note disclosure are not complete and accurately reported.	– We reviewed a sample of employment contracts to verify salaries and benefits are appropriately disclosed. No misstatements or other findings were identified as a result of performing the above procedures.

Impact of COVID-19

Area of Impact	Key Observations
Financial reporting impacts	— We considered impacts to financial reporting due to the COVID-19 pandemic and the increased disclosures needed in the consolidated financial statements as a result of the significant judgements. — Although there were changes in the County's operations during the year, this did not lead to any significant difficulties for using prior period trends to predict current year results. This did not have a significant impact on our audit.
Internal control over financial reporting	— Along with the County's remote working environment, the financial reporting impacts above necessitated certain changes to the County's internal control over financial reporting related to electronic approval and data storage processes. As a result of the changes to the components of internal control over financial reporting due to the COVID-19 pandemic, we evaluated the design and implementation of the new relevant controls due to a remote working environment, where applicable, the County's risk assessment process, information and communication, and monitoring components of internal control over financial reporting. We have no significant findings to report.
Materiality	— We considered impacts to financial reporting on both the determination and the re-assessment of materiality for the audit of the consolidated financial statements. No changes have been made from what was communicated in the audit planning report.
Risk assessment	— We performed a more thorough risk assessment specifically targeted at the impacts of the COVID 19 pandemic, including an assessment of fraud risk factors (i.e., conditions or events that may be indicative of an incentive/pressure to commit fraud, opportunities to commit fraud, rationalizations of committing fraud). We did not identify any additional risks of material misstatement.
Working remotely	— The partner, manager and engagement team used Microsoft Teams virtual work rooms and video calls, as well as internally shared team sites to collaborate in real-time, both amongst the audit team as well as with management. — We increased our professional skepticism when evaluating electronic evidence received and performed additional procedures to validate the authenticity and reliability of electronic information used as audit evidence and used Microsoft Teams to conduct walkthrough procedures and inspect physical documents, as required.
Direction and supervision of the audit	— The manager and partner were actively involved in determining the impact that the COVID-19 pandemic had on the audit (as discussed above), including the impact on the County's financial reporting and changes in the County's internal control over financial reporting. — Managers and partners implemented new supervision processes to deal with working in a remote environment, and our audit approach allowed us to manage the audit using meaningful milestones and frequent touch points.

Adjustments and differences

Differences and adjustments include disclosure differences and adjustments.

The management representation letter includes all adjustments and differences identified as a result of the audit.

Uncorrected differences

In 2019, consumable inventory that was purchased for $nil had a cost ascribed to it in the amount of $486,000. In the current year, the valuation of these inventories was adjusted. There is no remaining unadjusted balance at year end.

Based on both qualitative and quantitative considerations, management have decided not to correct certain differences and represented to us that the differences – individually and in the aggregate – are, in their judgment, not material to the consolidated financial statements. We concur with management's representation that the differences are not material to the financial statements. Accordingly, the differences have no effect on our auditors' report.

Corrected adjustments

We proposed certain adjustments to the County's consolidated financial statement disclosures. The most substantive of these changes were accepted by management and included in the consolidated financial statements.

Control and other observations

We have highlighted the matters below that we would like to bring to your attention:

Item	Observations and Recommendations	2020 Update
Asset Management System Reconciliation to the Financial Records (2017)	**Observation:** Annually, the County reconciles its capital projects recorded in its financial system with the capital projects recorded in its asset management system. In 2017, variances were identified all of which related to contributed tangible capital assets. In 2019, we noted a cut-off error with regard to land that was transferred to the County in 2017 but not recorded in the County's financial statements until fiscal 2019. **Recommendation:** Contributed tangible capital assets are challenging as they represent assets that are not paid for but rather are contributed by developers. The annual reconciliation performed by the County is a good detective control; however, we recommend that the County refine control processes that would limit the occurrence of such errors related to maintaining dual records (asset management and financial) for tangible capital assets. The County should fully integrate the asset management system so that assets can be managed and recorded in real time within the financial records.	*Satisfactory progress* During our work performed over contributed tangible capital assets, we did not identify any significant findings. The County has two established processes to verify the completeness, existence and accuracy of its tangible capital assets: 1. Departmental review of the tangible capital asset listing for each department, with sign-off verifying the completeness of the listing and existence of all assets included therein; and 2. Reconciliation between the County's land title registry, asset management system and financial records to ensure all land under County ownership has been recognized in the financial statements. We continue to support the County's move to implementing a fully integrated asset management system as this would decrease the likelihood of errors in future years.

Control and other observations (continued)

Item	Observations and Recommendations	2020 Update
Capital budget, including budgeting for contributed tangible capital assets (2017)	**Observation:** We noted that the budgeted amounts for the acquisition of tangible capital assets was significantly different than the actual acquisitions for the year. The variance is, in large part, a result of unspent carry forward amounts for capital expenditures that were budgeted for in prior years that have fallen behind plan, or have not occurred as scheduled. We acknowledge that the County has controls in place to monitor the progress of capital projects in progress and that these results are reported back to Council on a regular basis; however, this underlying understanding of the timing of capital projects does not fully translate to the capital budget approved by Council and the amounts that re ultimately reported in the consolidated financial statements of the County. **Recommendation:** We recommend that the County review the components of the capital plan. These components include its process for capital budget amendments, its historic capital priorities including approved but delayed capital projects, ant the carry-forward amounts that are brought forward into the upcoming fiscal year to ensure the County has the capacity and funds necessary to execute and complete the capital projects.	*Satisfactory progress* The County has made good progress in aligning its budgeted vs. actual expenditures and contributed tangible capital assets in the current year. We continue to support the County's move to implementing a fully integrated asset management system which will also assist with the County's ongoing capital budget processes.

Control and other observations (continued)

Item	Observations and Recommendations	2020 Update
Year End Processes (2019)	**Observation:** Through inspection of year end reporting information and discussions with management and staff, we noted there were some discrepancies in staff understanding as well as deficiencies in the year end processes and working papers. **Recommendation:** We recommend that administration continue to streamline the process through implementing consistent working paper criteria, ensuring staff have a thorough understanding of processes and documentation purposes, structured year end and month end procedures, and thorough review and sign off implementation.	***Implemented*** During our audit, we noted significant improvements in the County's year end processes and will remove this observation from future reports.

Appendices

Content

Appendix 1: Required Communications

Appendix 2: Management Representation Letter

Appendix 3: Global Quality Framework

Appendix 4: Current Developments

Appendix 1: Required Communications

Auditor's report	Representations of management
The conclusion of our audit is set out in our draft auditors' report and is included in the draft consolidated financial statements.	A copy of the management representation letter is attached in Appendix 2.

Audit Quality in Canada

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: 2020 Interim Inspection Results
- CPAB Audit Quality Insights Report: 2019 Annual Inspections Results

Visit our **Audit Quality Resources page** for more information including access to our **Transparency report**

Appendix 2: Management Representation Letter

PARKLAND COUNTY

KPMG LLP
2200, 10175 – 101 Street
Edmonton, AB
T5J 0H3

April 27, 2021

Ladies and Gentlemen:

We are writing at your request to confirm our understanding that your audits were for the purpose of expressing an opinion on the consolidated financial statements (hereinafter referred to as "financial statements") of Parkland County ("the Entity") as at and for the year ended December 31, 2020.

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 our Contract No. 1705023CF dated September 28, 2017 and subsequent Contract No. 1705023CF Change Order No.1 on September 18, 2020, including for:

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

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

      — the names of all related parties and information regarding all relationships and transactions with related parties;
      — the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of shareholders, board of directors and committees of the board of directors that may affect the financial statements. All significant actions are included in such summaries.

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

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

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

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

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

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

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

Internal control over financial reporting:

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

Fraud & non-compliance with laws and regulations:

3) We have disclosed to you:

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

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

      — management;

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

      — others

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

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

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

Misstatements:

10) The effects of the uncorrected misstatements described in Attachment II are immaterial, both individually and in the aggregate, to the financial statements as a whole.

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

Securities legislation:

12) We have no knowledge of any reason, circumstance, or matters that would not permit us (or the certifying officers) to certify the Entity's annual filings in accordance with securities regulations or legislation.

Other:

13) We confirm that the contributed tangible capital assets reported in the financial statements are complete and accurate.

14) We have disclosed to you details of all significant property tax appeals and are satisfied that the financial statements reflect our best estimate of property tax appeal losses, if any.

Yours very truly,

____
Laura Swain, MBA, ADGM, Chief Administrative Officer

____
Jeff Dyck, CPA, CA, Chief Financial Officer

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(s)

In 2019, consumable inventory that was purchased for $nil had a cost ascribed to it in the amount of $486,000. In the current year, the valuation of these inventories was adjusted. There is no remaining unadjusted balance at year end.

Appendix 3: Global Quality Framework

Transparency report

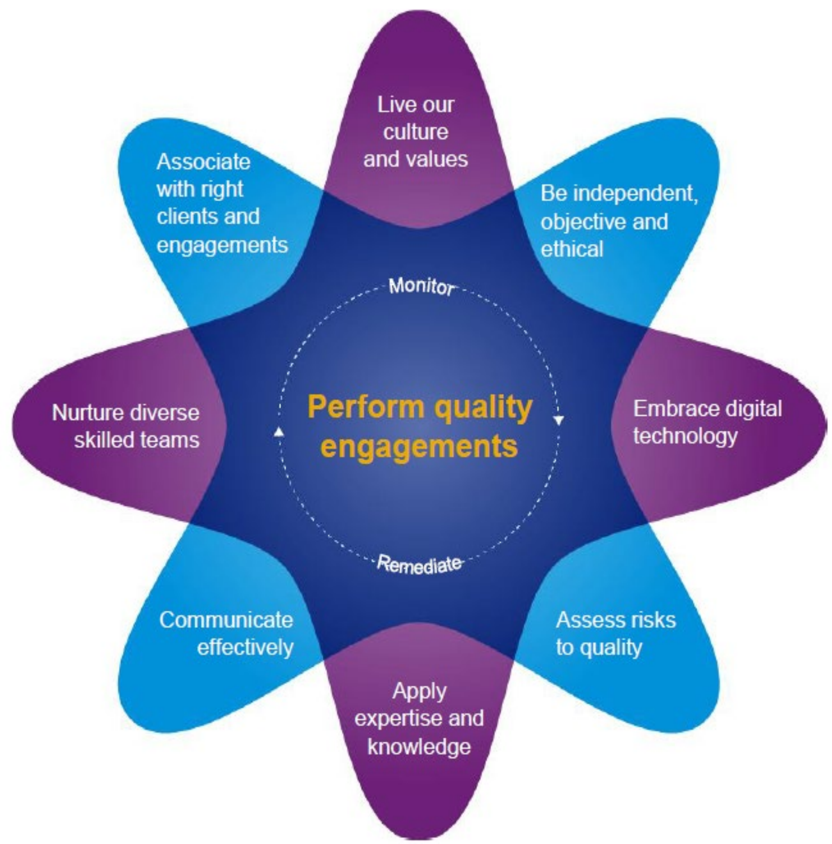
Quality essentially means doing the right thing and remains our highest priority. Our **Global Quality Framework** outlines how we deliver quality and how every partner and staff member contributes to its delivery.

'**Perform quality 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.

Appendix 4: Current Developments

Public Sector Accounting Standards

Standard	Summary and implications
Asset Retirement Obligations	– The new standard is effective for fiscal years beginning on or after April 1, 2022. The effective date was deferred by one year due to COVID-19. – 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. Current Canadian public sector accounting standards contain 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 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. – 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.
Revenue	– The new standard is effective for fiscal years beginning on or after April 1, 2023. The effective date was deferred by one year due to COVID-19. – 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.

Standard	Summary and implications
Financial Instruments and Foreign Currency Translation	– The accounting standards, PS3450 *Financial Instruments*, PS2601 *Foreign Currency Translation*, PS1201 *Financial Statement Presentation* and PS3041 *Portfolio Investments* are effective for fiscal years commencing on or after April 1, 2022. The effective date was deferred by one year due to COVID-19. – 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.
Employee Future Benefit Obligations	– Standard setters have initiated a review of sections PS3250 *Retirement Benefits* and PS3255 *Post-Employment Benefits, Compensated Absences and Termination Benefits*. In July 2020, standard setters approved a revised project plan. – Standard setters 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, standard setters 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.
Public Private Partnerships ("P3")	– Standard setters have proposed new requirements for the recognition, measurement and classification of infrastructure procured through a public private partnership and are in the process of reviewing feedback provided by stakeholders on the exposure draft. – The exposure draft proposes 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 P3 ends. – The exposure draft proposes that the public sector entity recognize 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 final standard was approved in December 2020 with an issuance date of April 1, 2021 and an effective date of April 1, 2023.

Standard	Summary and implications
Concepts Underlying Financial Performance	– Standard setters are in the process of reviewing the conceptual framework that provides the core concepts and objectives underlying Canadian public sector accounting standards. – Standard setters have released four exposure drafts for the proposed conceptual framework and proposed revised reporting model, and their related consequential amendments. Comments on the exposure drafts are due in May 2021. – Standard setters are proposing a revised, ten-chapter conceptual framework intended to replace PS 1000 *Financial Statement Concepts* and PS 1100 *Financial Statement Objectives*. 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. – In addition, Standard setters are proposing: • Relocation of the net debt indicator to its own statement and 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 non-financial assets before 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.

Standard	Summary and implications
International Strategy	– Standard setters reviewed all proposed options for its international strategy, and in accordance with its due process, approved the option to adapt International Public Sector Accounting Standards when developing future standards. Standard setters noted that the decision will apply to all projects beginning on or after April 1, 2021. – An exposure draft to modify the GAAP hierarchy has been issued with responses due by February 15, 2021.
Purchased Intangibles	– In October 2019, standard setters 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. – Standard setters have 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 with early adoption permitted. Application may be retroactive or prospective.

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