Attachment 2: Audit Findings Report

Toronto and Region Conservation Authority

Audit Findings Report
for the year ended December 31, 2020

KPMG LLP

Licensed Public Accountants

June 25, 2021

kpmg.ca/audit

KPMG

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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.

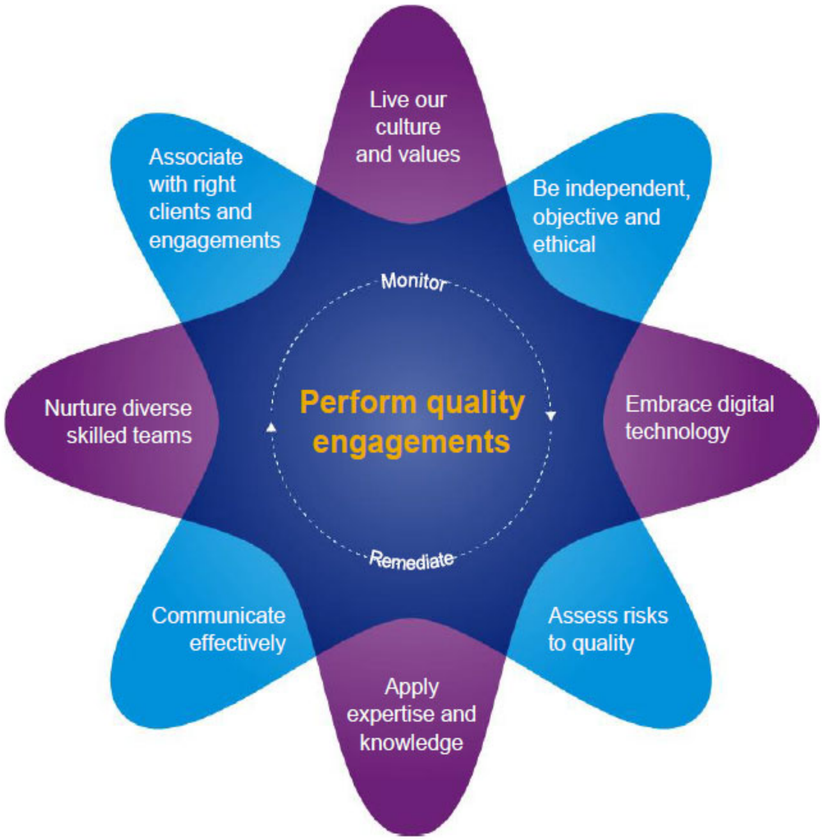
How do we deliver audit quality?

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.

Executive summary

Purpose of this report[1]

The purpose of this Audit Findings Report is to assist you, as a member of the Executive Committee, in your review of the results of our audit of the financial statements of Toronto and Region Conservation Authority ("the Authority") as at and for the year ended December 31, 2020.

What's new in 2020

There have been significant changes in 2020 which impacted financial reporting and our audit:

- COVID-19 pandemic – See page 6
- New CAS auditing standards – See page 8

Audit risks and results

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

Finalizing the audit

As of the date of this report, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include amongst others:

– Completing our discussions with the Executive Committee
– Completing our subsequent event review procedures
– Receipt of signed management representation letter (dated upon board approval)
– Obtaining evidence of the Board's approval of the financial statements

We will update the Executive Committee, and not solely the Chair (as required by professional standards), 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.

Our auditors' report, a draft of which is attached to the draft financial statements, will be dated upon the completion of all remaining procedures.

Independence

We are independent with respect to Toronto and Region Conservation Authority 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.

Audit Materiality

Materiality has been determined based on total expenses. We have reviewed the scope of work across segments and activities across the entity. We have determined materiality to be $3.5M (2019 - $3.2M) for the year ended December 31, 2020.

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[1] This Audit Findings Report should not be used for any other purpose or by anyone other than the executive committee. 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)

Adjustments and differences

We identified differences that were required to be corrected by management.

We identified one difference that remains uncorrected.

See page 18

Accounting estimates

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

Items requiring the use of significant estimates include allowance for doubtful accounts, accrued liabilities, vacation pay entitlements, derivative financial instrument and tangible capital assets. Please refer to note 1 (l) to the financial statements.

Significant accounting policies and practices

There have been no initial selections of, or changes to, significant accounting policies and practices to bring to your attention.

Performance improvement observations

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

What's new in 2020

COVID-19 pandemic

We incorporated revisions to our audit plan arising from the impacts of the COVID-19 pandemic. We adapted our audit to respond to the continued changes in your business, including the impacts on financial reporting and internal control over financial reporting.

Area of Impact	Key Observations
Company's financial reporting impacts	— We considered impacts to financial reporting due to COVID-19 pandemic and the increased disclosures needed in the financial statements as a result of the significant judgements. — In areas of the financial statements where estimates involved significant judgements, we evaluated whether the method, assumptions and data used by management to derive the accounting estimates, and their related financial statement disclosures were still appropriate per the relevant financial reporting framework given the changed economic conditions and increased estimation uncertainty. — The areas of the financial statements most affected included: o Authority generated revenue – program cancellation due to social distancing restrictions. o Accounts receivable – considered changes in collectability assessment; upon tracing a sample of accounts receivable to subsequent receipts, no valuation issues were noted. o Impairment of Tangible Capital Assets – No triggers for impairment were identified; assets continue to provide economic benefit to TRCA. o Disclosures – Management's disclosures were reviewed in the context of the pandemic and determined to be adequately described.
Company's internal control over financial reporting	— Along with TRCA's remote working environment, the financial reporting impacts above necessitated certain changes to TRCA's internal control over financial reporting. — As a result of the changes to internal control over financial reporting due to the COVID-19 pandemic, we: o Evaluated the design of the new relevant controls implemented in the control environment, the entity's risk assessment process, information and communication, and monitoring components of internal control over financial reporting. o We found that changes to internal controls due to the COVID-19 pandemic were not significant.

COVID-19 pandemic

We incorporated revisions to our audit plan arising from the impacts of the COVID-19 pandemic. We adapted our audit to respond to the continued changes in your business, including the impacts on financial reporting and internal control over financial reporting.

Area of Impact	Key Observations
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 additional risks of material misstatement as a result of impacts of the COVID-19 pandemic to financial reporting.
Working remotely	— We used virtual work rooms, video conferencing, and internally shared team sites to collaborate in real-time, both amongst the audit team as well as with management. — We used secure and innovative technologies to conduct walkthroughs and perform tests of controls, as necessary. — 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.
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 TRCA's financial reporting and changes in TRCA's control environment. — Manager and partner 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.
Substantive Testing - Response	— No substantive procedures were changed as a result of the virtual work environment

New auditing standards

The following new auditing standards that are effective for the current year had an impact on our audit.

Standard	Key observations
CAS 540, Auditing Accounting Estimates and Related Disclosures	— The new standard was applied on all estimates within the financial statements that had a risk of material misstatement due to estimation uncertainty and not just “key estimates”, “critical accounting estimates”, or “estimates with significant risk”. — The granularity and complexity of the new standard along with our interpretation of the application of that standard necessitated more planning and discussion and increased involvement of more senior members of the engagement team. — 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. — We considered the potential for management bias. — We assessed the degree of uncertainty, complexity, and subjectivity involved in making each accounting estimate to determine the level of audit response; the higher the level of response, the more persuasive the audit evidence was needed. — Based on our audit procedures performed we concluded that management’s estimates and judgements were reasonable.

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	Amount
Materiality	Determined to 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 $3.2 million	$3.5 million
Benchmark	Based on total expenses for the year. This benchmark is consistent with the prior year. The corresponding amount for the prior year's audit was $129.6 million	$142.4 million
% of Benchmark	The corresponding percentage for the prior year's audit was 2.50%	2.50%

Audit risks and results

Significant financial reporting risk	Why is it significant?
Fraud risk from management override of controls	This is a presumed fraud risk. Professional standards presume the risk of management override of controls exist in all companies. We have not identified any specific additional risks of management override relating to this audit.

Our response and significant findings

Professional standards require certain procedures to be performed to address the presumed risks of management override of controls.

- Using our Data & Analytics software, we tested manual and automated journal entries by extracting all journal entries recorded in the general ledger system and other adjustments. Using these extractions, we selected a sample of journal entries and verified if they were supported by proper documentation and followed the journal entry initiation and approval controls and process in place. We did not find any exceptions in our testing over journal entries.
- We evaluated the reasonableness of estimates. We found that management's process for identifying accounting estimates is considered adequate.
- We did not identify any significant unusual transactions or any specific additional risks of management override during our audit.

No issues were noted.

Audit risks and results

Cash and investments	New or changed?	Estimate?
These are material account balances and disclosures	Same as prior year	No significant estimates noted.

Our response and significant findings

- We confirmed cash balances at year end with RBC Royal Bank.
- We reviewed the year end bank reconciliations for all accounts, vouching significant items to supporting documentation.
- We confirmed the investment balances at year end with RBC Dominion Securities Inc. and CIBC Mellon.
- We performed substantive analytical procedures on investment income and gains/losses on investments.
- We reviewed the carrying value of investments in comparison with their fair value to assess if an impairment charge is required.
- We performed cut-off testing over a sample of transactions in the last month of 2020 and the first month of 2021 to assess if they were recognized in the correct period.
- We reviewed the Authority's compliance with the Investment policy (SPP No. CS-3.10) which outlines policies and controls over investment policies. As at December 31, 2020, the Authority was in compliance with all policies.
- We reviewed management's presentation of cash and investments in the financial statements and the disclosures in the notes to the financial statements and find them to be appropriate

No exceptions were noted during testing.

Audit risks and results

Revenue, Deferred Revenue, and Accounts Receivable	New or changed?	Estimate?
These are material account balances and disclosures.	Same as prior year	No significant estimates noted.

Our response and significant findings

- We tested each revenue stream by vouching revenue items to source documentation on a sample basis:
  - We tested a sample of deferred revenue receipt and release transactions and agreed to supporting documentation.
  - We tested a sample of government funding and authority generated revenue by agreeing to supporting documentation.
  - We agreed municipal levies revenues to approved budgeted amounts and to payment receipts.
- We performed testing over the completeness of revenue by reviewing a sample of transactions at the end of 2020 and the beginning of 2021 to assess whether they were recorded in the correct period.
- For all revenue sources, we reviewed the Authority's revenue recognition policy in accordance with appropriate PSAB standards.
- We reviewed accounts receivable sub-ledgers for credit balances, unusual amounts, and aged balances, and we vouched a sample of balances to supporting documentation including payment receipt.
- We obtained a confirmation from the Toronto and Region Conservation Foundation with respect to amounts owing to the Authority.
- We reviewed management's presentation of revenue sources in the financial statements and the disclosures in the notes to the financial statements and find them to be appropriate.

In 2020, the federal government launched the Canada Emergency Wage Subsidy ("CEWS") program in response to the COVID-19 pandemic. TRCA applied for $1,497 (2019 - nil) and received $473 (2019 - nil). Due to ongoing uncertainties with respect to TRCA's eligibility, we recommended that management recognize the funding received to date as accounts payable and accrued liabilities. Management has agreed to record this adjustments and the adjustment has been reflected in the financial statements.

Audit risks and results

Tangible Capital Assets	New or changed?	Estimate?
These are material account balances and disclosures.	Same as prior year	No significant estimates noted.

Our response and significant findings

- We tested a sample of additions to tangible capital assets and work-in-progress and agreed each sample to supporting documentation.
- We tested a sample of transfer of tangible capital assets out of the work in progress account and agreed to sufficient appropriate evidence that the asset was completed and put into use.
- We performed substantive analytical procedures over amortization of tangible capital assets.
- We tested a sample of disposals and agreed to board minutes authorizing significant dispositions.
- We reviewed management's presentation of tangible capital assets in the financial statements and the disclosures in the notes to the financial statements and find them to be appropriate.

No exceptions were noted during testing.

Audit risks and results

Compensation Expense and Vacation Pay Entitlements	New or changed?	Estimate?
These are material account balances and disclosures.	Same as prior year	No significant estimates noted.

Our response and significant findings

- We obtained an understanding of the processes surrounding payroll.
- We performed substantive analytical procedures over compensation expenses and substantively tested employee headcount for existence and completeness.
- We tested significant payroll accruals as at year-end by agreeing to payroll registers and payment subsequent to year-end.
- We reviewed the listing of employee vacation accruals and tested on a sample basis by agreeing to employee files and reviewing the maximum allowable carry-forward amounts in accordance with the Authority's policies.
- We reviewed management's presentation of compensation on expenses in the financial statements and the disclosures in the notes to the financial statements and find them to be appropriate.

During our testing, we noted the Authority recovered a portion of payments previously made to the benefits provider Sun Life Financial. All amounts recovered were booked as a reduction to Benefit Expenses in the current year. Upon inspection of the refund claim details, we noted a portion of the claims ($685K) related to 2019 and prior, thus we proposed an adjusting entry to increase Benefit Expenses and reduce opening Accumulated Surplus. This adjustment remains unrecorded by management and has not been reflected in the financial statements.

Audit risks and results

Expenses, Payables, and Accrued Liabilities	New or changed?	Estimate?
These are material account balances and disclosures.	Same as prior year	No significant estimates noted.

Our response and significant findings

- We selected a sample of expense transactions and agreed to supporting invoices to assess accuracy of amounts recorded and their classification.
- We reviewed supporting documentation for significant accruals.
- We performed a trend analysis and actual version budget of expenses and reviewed significant variances with management
- We performed a search for unrecorded liabilities to assess the completeness of liabilities.
- We held inquiries with management, reviewed Board minutes, and reviewed all legal correspondence during the fiscal year to evaluate potential legal liabilities and contingencies. To assess the existence and completeness of liabilities, we obtained a legal confirmation letter from the Authority's legal counsel.
- We reviewed management's presentation of expenses and liabilities in the financial statements and the disclosures in the notes to the financial statements and find them to be appropriate with the reporting framework.

No exceptions were noted during testing.

Audit risks and results

Derivative Financial Instrument	New or changed?	Estimate?
Financing and Interest Rate Swap Agreements dated February 26, 2019 Significant financial statement disclosure	Same as prior year	No significant estimates noted.

Our response and significant findings

- With respect to the financing agreement between the Authority and CIBC dated February 26, 2019:
  - We reviewed the terms and conditions of the executed financing agreement with CIBC dated February 26, 2019.
- We obtained confirmation of the debt balance as at December 31, 2020 from CIBC.
- We reviewed the Authority's compliance with certain financial and non-financial covenants in accordance with the financing agreement.
- With respect to the interest rate swap agreement with CIBC dated February 26, 2019:
  - We reviewed the terms and conditions of the interest rate swap agreement with CIBC dated February 26, 2019.
  - We obtained a confirmation from CIBC of the mark-to-market value of the interest rate swap as at December 31, 2020
  - We engaged KPMG valuations specialist to assess the reasonability of CIBC's estimates of the mark-to-market value of the swap as at December 31, 2020
- We reviewed management's presentation of the financing and interest rate swap agreement in the financial statements and the disclosures in the notes to the financial statements and find them to be appropriate with the reporting framework.

No exceptions were noted during testing.

Technology in the audit

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

Areas of the audit where Technology and D&A routines were used

Tool	Our results and insights
Journal Entry Analysis	We utilized our proprietary D&A tool, IDEA, to analyze journal entries and apply certain criteria to identify potential high-risk journal entries for further testing. We are satisfied with the results of our testing of specific relevant journal entries.
Data Extraction & Analytics Tools	We utilized data and analytics in the audit to evaluate the completeness of the journal entry population through a roll-forward of selected accounts. This consists of a summation of all automated and manual journal entries posted in the selected GL accounts during the fiscal year and comparison of the calculated final balances to the account balances as at and for the year ended December 31, 2020 as reported by management. We did not identify any issues in regards to the completeness of journal entries.

Uncorrected differences and corrected adjustments

Differences and adjustments include disclosure and presentation differences and adjustments.

Professional standards require that we request of management that all identified differences be corrected.

Uncorrected differences

The management representation letter includes details of the uncorrected difference.

Corrected adjustments

The management representation letter includes details of this corrected adjustment.

Appendices

Content

Appendix 1: Other Required Communications

Auditor's report	Management representation letter
The conclusion of our audit is set out in our draft auditors' report attached to the draft financial statements.	In accordance with professional standards, a copy of the management representation letter is provided to the Executive Committee. The management representation letter is attached.

Audit Quality in Canada

Audit Quality (AQ) is at the core of everything we do at KPMG. Appendix 2 provides more information on AQ.

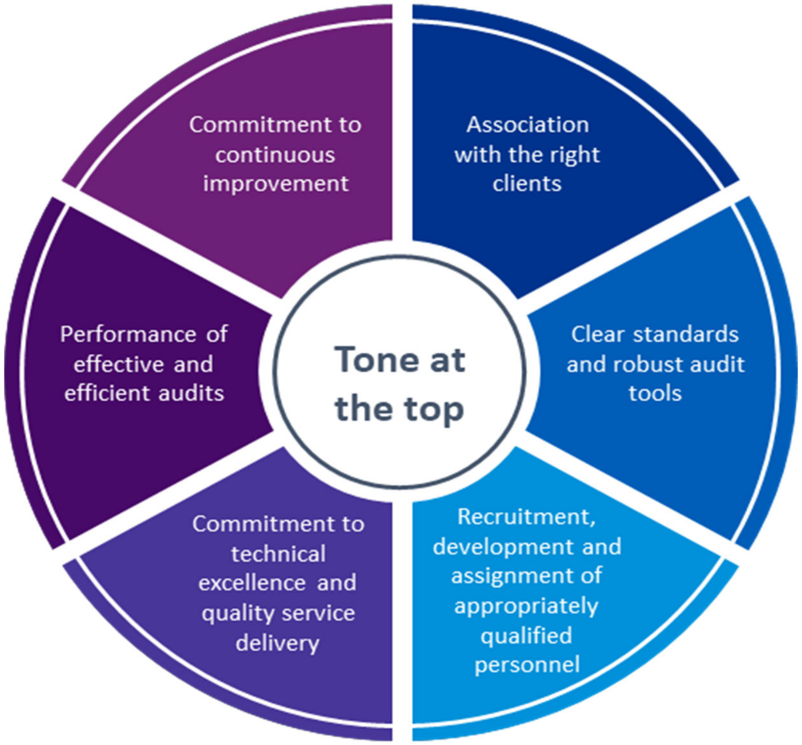
The reports available through the following links were published by the Canadian Public Accountability Board about the results of quality inspections conducted over the past year for referral by the Executive Committee:

- 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: KPMG's System of Quality Control

Quality control is fundamental to our business and is the responsibility of every partner and employee. To help all audit professionals concentrate on the fundamental skills and behaviors required to deliver a quality audit, KPMG has developed the Audit Quality Framework shown below. These are the cornerstones of how we execute our responsibilities



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.

All of our related activities are undertaken in an environment of the utmost level of **objectivity, independence, ethics,** and **integrity**.

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

Appendix 3: Key Audit Matters

Key audit matters (KAMs) are those matters that were communicated to those charged with governance which required significant audit attention in performing the audit and that, in the auditor's professional judgment, were of the most significance in the audit of the financial statements in the current period.

Non-TSX listed entities (i.e., TSX-V listed entities) will be required to have Key Audit Matters in their auditors' report for periods ending on or after December 15, 2022.

The above excludes entities that comply with National Instrument 81-106, *Investment Fund Continuous Disclosure*.

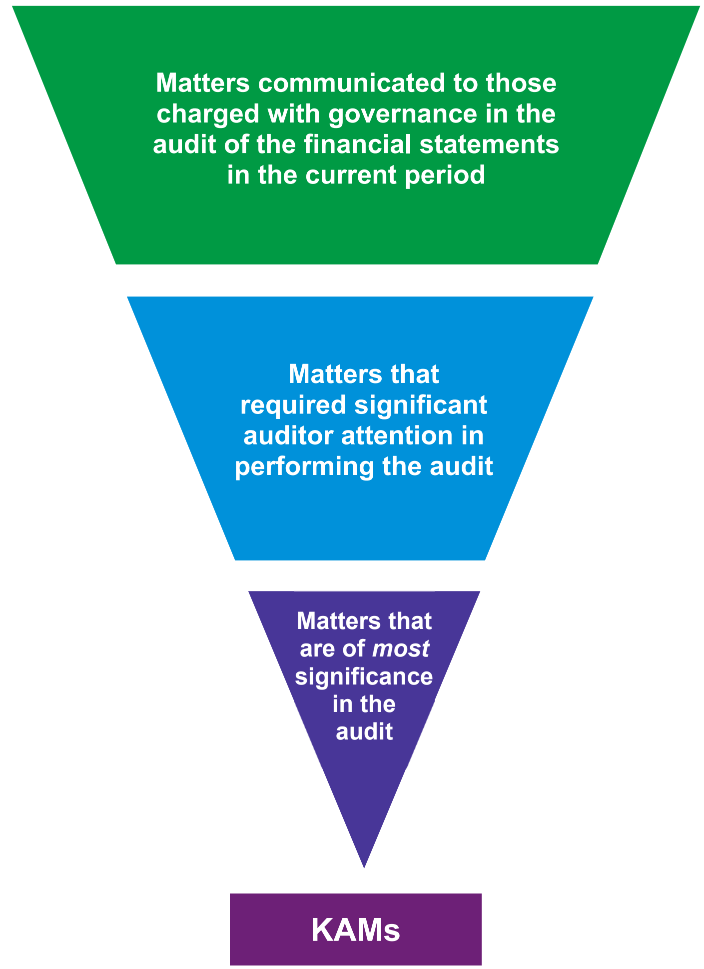
The above includes auditors' reports on separate/non-consolidated financial statements.

The total population of potential KAMs begins with all matters communicated to the audit committee during the audit of the current period.

The auditor is required to identify from that total population of potential KAMs, which matters required significant auditor attention in performing the audit. In doing so, the auditor is required to take into account the following:

– Areas of higher assessed risks of material misstatement identified
– Areas of significant financial reporting risks identified
– Significant auditor judgments relating to areas in the financial statements that are subject to a high degree of estimation uncertainty
– The effect of the audit of significant events or transactions that occurred during the period

From that population of potential KAMs, the auditor identifies those matters that are of "most" significance in the audit. The use of the term "most" is not intended to limit the number of KAMs to one. However, lengthy lists of KAMs may be contrary to the notion that such matters are of most significance to the audit.



Appendix 4: Current Developments

Public Sector Accounting Standards

Standard	Summary and implications
Impact of COVID-19	– In response to the impact of COVID-19 on public sector entities, PSAB has approved deferral of all upcoming accounting standards by one year and will issue non-authoritative guidance on the effects of COVID-19. The dates noted below reflect the new revised dates.
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. This would be applicable to TRCA's fiscal year starting on January 1, 2023. – The new standard addresses the recognition, measurement, presentation and disclosure of legal obligations associated with retirement of tangible capital assets in productive use. Retirement costs will be recognized as an integral cost of owning and operating tangible capital assets. PSAB currently contains no specific guidance in this area. – The ARO standard will require the public sector entity to record a liability related to future costs of any legal 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. This would be applicable to TRCA's fiscal year starting on January 1, 2024. – 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. This would be applicable to TRCA's fiscal year starting on January 1, 2023. – 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. – In July 2020, PSAB approved federal government narrow-scope amendments to PS3450 *Financial Instruments* which will be included in the Handbook in the fall of 2020. Based on stakeholder feedback, PSAB is considering other narrow-scope amendments related to the presentation and foreign currency requirements in PS3450 *Financial Instruments*. The exposure drafts were released in summer 2020 with a 90-day comment period.
Employee Future Benefit Obligations	– PSAB has initiated a review of sections PS3250 *Retirement Benefits* and PS3255 *Post-Employment Benefits, Compensated Absences and Termination Benefits*. In July 2020, PSAB approved a revised project plan. – PSAB intends to use principles from International Public Sector Accounting Standard 39 *Employee Benefits* as a starting point to develop the Canadian standard. – Given the complexity of issues involved and potential implications of any changes that may arise from the review of the existing guidance, PSAB will implement a multi-release strategy for the new standards. The first standard will provide foundational guidance. Subsequent standards will provide additional guidance on current and emerging issues.

Standard	Summary and implications
Public Private Partnerships ("P3")	– PSAB has proposed new requirements for the recognition, measurement and classification of infrastructure procured through a public private partnership. PSAB 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 or TRCA's year ending December 31, 2024.
Concepts Underlying Financial Performance	– PSAB is in the process of reviewing the conceptual framework that provides the core concepts and objectives underlying Canadian public sector accounting standards. – PSAB has 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. – PSAB is 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, PSAB is 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	– PSAB has 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. PSAB noted that the decision will apply to all projects beginning on or after April 1, 2021. – An exposure draft to modify the GAAP hierarchy was issued and public comments were accepted up to February 15, 2021.
Purchased Intangibles	– In October 2019, PSAB approved a proposal to allow public sector entities to recognize intangibles purchased through an exchange transaction. Practitioners are expected to use the definition of an asset, the general recognition criteria and the GAAP hierarchy to account for purchased intangibles. – PSAB has approved Public Sector Guideline 8 which allows recognition of intangibles purchased through an exchange transaction. Narrow-scope amendments were made to Section PS 1000 Financial statement concepts to remove prohibition on recognition of intangibles purchased through exchange transactions and PS 1201 Financial statement presentation to remove the requirement to disclose that purchased intangibles are not recognized. – The effective date is April 1, 2023 (TRCA's year ending December 31, 2024) with early adoption permitted. Application may be retroactive or prospective.
Government Not-for-Profit Strategy	– PSAB is in the process of reviewing its strategy for government not-for-profit ("GNFP") organizations. PSAB intends to understand GNFPs' fiscal and regulatory environment, and stakeholders' financial reporting needs and concerns. – PSAB released a second consultation paper in January 2021 which summarizes the feedback received to the first consultation paper. It also describes options for the GNFP strategy and the decision-making criteria used to evaluate the options. PSAB recommends incorporating the PS4200 series with potential customizations into PSAS. This means reviewing the existing PS4200 series to determine if they should be retained and added to PSAS. Incorporating the updated or amended PS4200 series standards in PSAS would make the guidance available to any public sector entity. Accounting and/or reporting customizations may be permitted if PSAB determines there are substantive and distinct accountabilities that warrant modification from PSAS. Comments on the second consultation paper are due in May 2021.

Appendix 5: Audit and Assurance Insights

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

Featured insight	Summary	Reference
Audit & Assurance Insights	Curated thought leadership, research and insights from subject matter experts across KPMG in Canada.	**Learn more**
The business implications of coronavirus (COVID 19)	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.	**Learn more**
	Financial reporting and audit considerations: The impact of COVID-19 on financial reporting and audit processes.	**Learn more**
	KPMG Global IFRS Institute - COVID-19 financial reporting resource center.	**Learn more**
Accelerate 2020	Perspective on the key issues driving the Building Investment, Finance and Audit Committee agenda.	**Learn more**
Momentum	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.	**Sign-up now**
PSAB resources	KPMG resources for the new developments and trends in the public sector.	**Learn more**
Current Developments	Series of quarterly publications for Canadian businesses including Spotlight on IFRS, Canadian Securities & Auditing Matters and US.	**Learn more**
Board Leadership Centre	Leading insights to help board members maximize boardroom opportunities.	**Learn more**

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