For Action

KPMG LLP's Audit Plan for Year Ended December 31, 2023

Date: November 14, 2023
To: TTC Audit and Risk Management Committee
From: Chief Financial Officer

Summary

This report from the TTC's external auditors, KPMG LLP, outlines the audit plan for the audit of the TTC's consolidated financial statements and its subsidiary company, TTC Insurance Company Ltd., for the year ended December 31, 2023.

Recommendations

It is recommended that the TTC Audit and Risk Management Committee:

1. Receive this report for information.

Financial Summary

The cost of the TTC and TTC Insurance Company Ltd. external audits for the year ending December 31, 2023 is $146,000. Funding is approved in the 2023 Operating Budget to cover this cost.

Equity/Accessibility Matters

This report and its recommendations have no accessibility or equity issues or impacts.

Decision History

Under Section 139 of the City of Toronto Act, 2006 (the Act), the City is required to appoint an auditor licensed under the Public Accounting Act 2004, who is responsible for annually auditing the accounts and transactions of the City and its local boards and expressing an opinion on the financial statements of these bodies based on the audit. In addition, Section 102, paragraph 3, of the Insurance Act (Ontario), Auditor's report, requires annual audited financial statements of the TTC Insurance Company.

The Act provides that the City's auditor shall not be appointed for a term exceeding five years.

On June 29, 2020, City Council awarded a contract that appointed KPMG LLP as the auditor for the City and its local boards to express an opinion on their respective financial statements. The 2023 year-end audit represents the fourth year of the contract term.

http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.AU5.7

Issue Background

The Audit and Risk Management Committee is tasked with the responsibility of reviewing the external auditors' proposed annual financial statement audit scope and plan as set out by the Committee's terms of reference:

TTC Audit and Risk Management Committee Terms of Reference

Comments

The appended report outlines KPMG's audit plan for the audit of the TTC's consolidated financial statements and its subsidiary company, TTC Insurance Company Limited, for the year ended December 31, 2023.

The audit plan includes:

- The nature, approach, extent and timing of KPMG's audit work;
- KPMG's view on TTC audit risks and areas of audit focus; and
- KPMG's materiality levels.

Kevin Travers, Partner, and Sal Del Mastro, Senior Manager of KPMG, will be at the Audit and Risk Management Committee meeting to present the plan and answer any questions.

Contact

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Signature

Josie La Vita
Chief Financial Officer

Attachments

Attachment 1 – KPMG’s Audit Planning Report for the Year Ending December 31, 2023

KPMG

Toronto Transit Commission

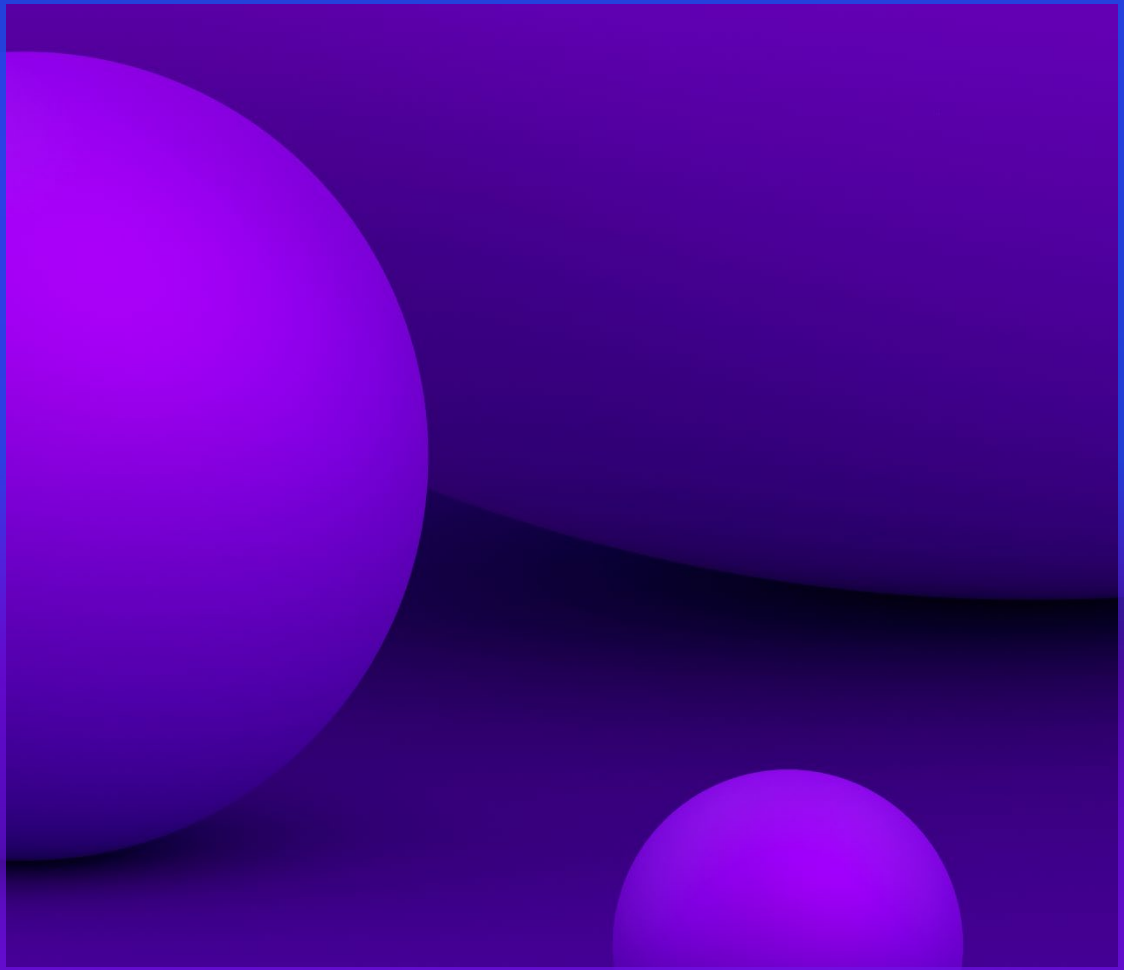
Audit Planning Report for the year ending December 31, 2023

KPMG LLP

Licensed Public Accountants

Prepared as of September 21, 2023 for presentation to the Audit and Risk Management Committee on November 14, 2023.

kpmg.ca/audit



KPMG contacts

Key contacts in connection with this engagement

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Table of contents

The purpose of this report is to assist you, as a member of the Audit and Risk Management Committee, in your review of the plan for our audit of the financial statements. This report is intended solely for the information and use of Management, the Audit and Risk Management Committee, and the Board of Directors and should not be used for any other purpose or any other party. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this report to the Audit and Risk Management 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.

Digital use information

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

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

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

Audit highlights

No matters to report

Matters to report – see link for details

Scope

Our audit of the consolidated financial statements ("financial statements") of Toronto Transit Commission ("TTC") and Toronto Transit Commission Insurance Company Limited (""TTCIC") ("the Entities") as of and for the year ending December 31, 2023, will be performed in accordance with Canadian generally accepted auditing standards (CASs).

The Entities are controlled by the City of Toronto (the "City") and thus the Entities' financial results are consolidated into the City's consolidated financial statements. The audit engagement team for the City (the "Group auditor") has noted that they will use the work our audit and the auditors' report related to the Entities financial statements. TTC is considered a significant component for the audit engagement of the City. In accordance with Canadian auditing standards, we will be communicating matters of significance to the group auditor throughout the audit including planning and risk assessment, execution, and reporting.

Audit strategy

Materiality:
TTC: $60 million
TTCIC: $2.6 million

- Involvement of others
- Updates to our prior year audit plan

Risk assessment

- Risk of management override of controls
- Presumed risk of fraudulent revenue recognition
- Other areas of focus

- Revenue, subsidies receivable, accounts receivable, and deferred revenue
- Cash and investments
- Accounts payable, accrued liabilities and other expenses
- Unsettled accident claims
- Tangible Capital Assets
- Inventory
- Salaries, benefits and employee future benefits
- Contingencies, commitments & subsequent events
- Asset retirement obligations

Technology highlights

KPMG Clara

We plan to utilize technology to enhance the quality and effectiveness of the audit.

Summary of advanced technologies

KPMG Clara for Clients

Secure cloud based audit platform we use to plan, execute and manage the audit while providing management with access at every step.

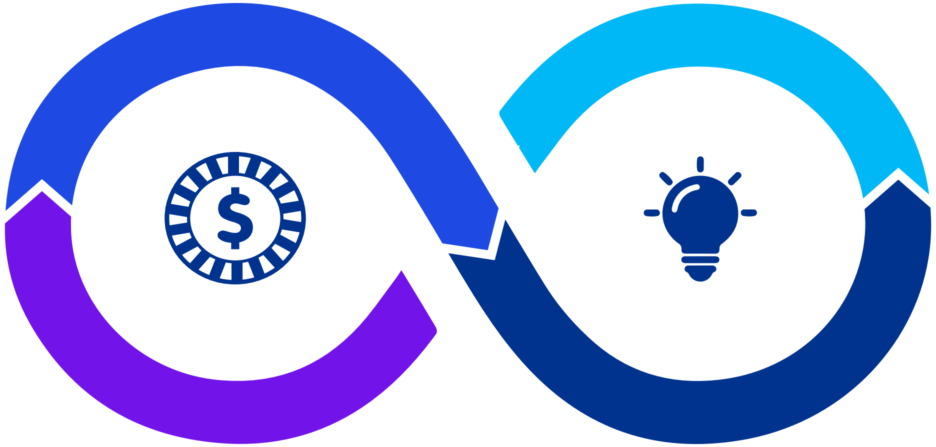
KPMG Clara Workflow

KPMG workflow tool that drives execution of the audit by enabling easy access to relevant audit guidance, templates, and integrated engagement management

KPMG application software

One way we use KPMG application software (“IDEA") is to analyze journal entries and apply certain criteria to identify potential high-risk journal entries for testing.

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.

Initial materiality

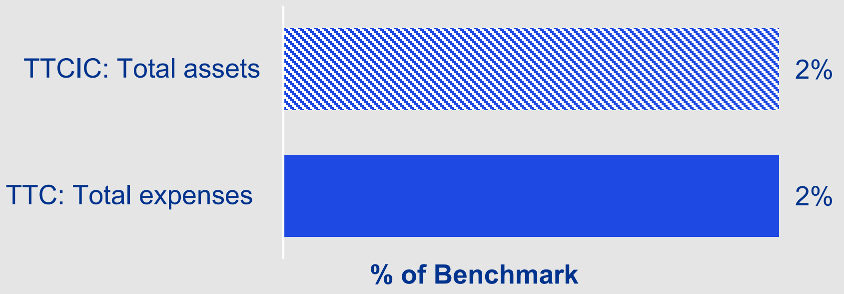
Materiality

TTC: $60 million

(2022: $57.2 million)

TTCIC: $2.6 million

(2022: $2.6 million)



TTC: Estimated total expenses from continuing operations

$3 billion

(2022: $2.86 billion)

TTCIC: Estimated total assets

$136 million

(2022: $132 million)

Involvement of others

The following parties are involved in the audit of the financial statements:

Involved party	Nature and extent of planned involvement
KPMG professionals with specialized skill or knowledge who are involved in performance of audit procedures	**Actuarial Specialist – Employee Future Benefits (TTC):** • Evaluation of valuation of the employee future benefits. **IT Audit Specialist (TTC):** • Assisting Audit team in obtaining an understanding of the entity's IT environment, evaluating the design of relevant general and application IT controls and testing their operating effectiveness. **P&C Actuarial Specialist - Accident claims liability (TTCIC and TTC):** • Assessing the reasonableness of the estimates of claim liabilities, including the underlying assumptions and the methodology used in the determination of the liability.

Updates to our prior year audit plan

New significant risks

No new significant financial reporting risks identified

Other significant changes

Changes in accounting standards

- PS 3280 Asset Retirement Obligations
- Refer to appendix D for further explanation and for future changes in accounting standards.

Changes in accounting standards

Risk assessment summary

Our planning begins with an assessment of risks of material misstatement in your financial statements.

We draw upon our understanding of the Company and its environment (e.g. the industry, the wider economic environment in which the business operates, etc.), our understanding of the Company's components of its system of internal control, including our business process understanding.

We use advanced technologies in performing our risk assessment procedures.

		Risk of fraud	Risk of error
●	Management override of controls	✓	
●	Fraudulent revenue recognition	✓	
●	Revenue, subsidies receivable, accounts receivable, and deferred revenue		✓
●	Cash and investments		✓
●	Accounts payable, accrued liabilities and other expenses		✓
●	Unsettled accident claims		✓
●	Tangible capital assets		✓
●	Inventory		✓
●	Salaries, benefits and employee future benefits		✓
●	Contingencies, commitments & subsequent events		✓
●	Asset retirement obligations		✓

● PRESUMED RISK OF MATERIAL MISSTATEMENT ● OTHER AREA OF FOCUS

Audit Risks - Significant risks

Management Override of Controls

RISK OF
FRAUD

Presumption of the risk of fraud resulting from management override of controls

Why is it significant?

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

Our planned response

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

- testing of journal entries and other adjustments
- performing a retrospective review of estimates
- evaluating the business rationale of significant unusual transactions.

Audit Risks - Significant risks

Fraudulent revenue recognition

RISK OF
FRAUD

Presumption of the risk of fraud resulting from fraudulent revenue recognition

Why is it significant?

This is a presumed risk of material misstatement due to fraud. This risk has not been rebutted. Audit standards require us to assume there are generally pressures/incentives on management to commit fraudulent financial reporting through inappropriate revenue recognition. This can be perpetrated through revenue cut-off or manual journal entries and other adjustments related to revenue recognition.

Our planned response

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

- substantive testing of subsidy and passenger revenues (both recognized and amounts recorded as deferred at year end),
- assessment of management methodology in determining appropriate cut-off as at year-end,
- obtaining an understanding of potential risks of fraud and error related to revenue recognition, and Management's response to fraud risk in revenue recognition and test the design, implementation, and operating effectiveness of selected internal controls over revenue recognition,
- performing test of details to substantively test significant revenue streams,
- journal entry review of revenue entries matching predetermined high-risk criteria,
- revenue cut-off procedures, including review of the completeness of deferred revenue balances.

Other areas of focus

Areas	Risk due to error	Audit approach
Revenue, subsidies receivable, accounts receivable, and deferred revenue **Applicable Entity:** TTC	Risk of material misstatement related to the occurrence and completeness of revenue and accuracy of timing of revenue recognition.	• Combined approach to test the operating effectiveness of controls, and substantive test of details over revenue transactions. • Third party confirmation for operating and capital subsidies from Municipal, Provincial and Federal governments, and for subsidies receivable. • Obtain and review service auditor's CSAE 3416 report on controls in place at PRESTO and obtain third party confirmation of passenger revenue from PRESTO, as well as supplemental procedures to reconcile TTC records to the information provided by PRESTO. • Vouch a selection of revenue transactions to supporting documentation for other revenue streams. • Agree significant receivable balances to subsequent cash receipts. • Revenue cut-off testing considerations.
Cash and investments **Applicable Entity:** TTC & TTC Insurance Company Limited	Risk of material misstatement related to the completeness, existence and accuracy of cash, investments, and presentation of related note disclosures.	• Confirmation with third party financial institutions for cash balances. • Consideration of any temporary or permanent declines in value, as well as related disclosure requirements. • Review of bank reconciliations and vouch significant reconciling items to supporting documentation. • Review of financial statement disclosures for cash and investments.

Other areas of focus

Areas	Risk due to error	Audit approach
Accounts payable, accrued liabilities and other expenses **Applicable Entity:** TTC & TTC Insurance Company Limited	Risk of material misstatement related to completeness and accuracy of liabilities and operating expenses.	• Combined approach to test the operating effectiveness of controls related to the procurement process, and substantive test of details over expenses and liabilities. • Perform substantive analytical procedures over payables and expenses. • Significant accruals vouched to supporting documentation. • Enhanced cut-off procedures to consider inherent risk of the remote work environment. • Search for unrecorded liabilities.
Unsettled accident claims **Applicable Entity:** TTC & TTC Insurance Company Limited	Evaluate the completeness and accuracy of unsettled accident claims.	• Review report prepared by management actuarial expert for determining unsettled accident claims. • Obtain assistance from KPMG actuarial specialists to review the methodology and underlying assumptions used to formulate management expert report. • Vouch underlying data contained in valuation to source documentation. • Leverage work from TTC Insurance Company Limited as audit evidence over unsettled accident claims for TTC audit.

Other areas of focus

Areas	Risk due to error	Audit approach
Tangible Capital Assets **Applicable Entity:** TTC	Evaluate classification and existence of capital asset additions, asset transfers, and accuracy of amortization.	• Significant additions and disposals vouched to supporting documentation. • Review tangible capital asset continuity schedule, verify mathematical accuracy of schedule and reconcile to general ledger. • Recalculation and assessment of amortization expense. • Examination of classification of capitalized expenditures, including payroll. • Impairment analysis of tangible capital assets and aging analysis of construction in progress.
Inventory **Applicable Entity:** TTC	Evaluate the completeness, existence and accuracy of inventory balances, and assessment of provision for inventory obsolescence.	• Physical attendance to observe cycle counts performed by management as a dual-purpose test over controls and as a substantive procedure. • Reconciliation of inventory listing to inventory count results and general ledger. • Vouch inventory related purchases to supporting documentation. • Review of the accuracy of inventory costing. • Review provision for inventory obsolescence.

Other areas of focus

Areas	Risk due to error	Audit approach
Salaries, benefits and employee future benefits **Applicable Entity:** TTC	Risk of material misstatement related to the completeness and accuracy of payroll expenditures, accrued liabilities and employee future benefits.	• Combined approach to test the operating effectiveness over monitoring controls related to payroll and substantive testing over payroll. • Significant payroll-related accruals recalculated and vouched to supporting documentation. • Perform substantive analytical procedures / test of details over salaries and benefits, and related accounts. • Review of the reconciliation of the payroll journals to the general ledger. • Review actuarial report prepared by management specialists for the determination of the valuation of employee future benefit liabilities. • Obtain assistance from KPMG actuarial specialists to review the methodology and assumptions used by management experts for the determination of the employee future benefit liabilities. • Vouch underlying data contained in valuation to source documentation.
Contingencies, commitments & subsequent events **Applicable Entity:** TTC & TTC Insurance Company Limited	Evaluate the completeness and presentation of contingencies, commitments and subsequent events.	• Gain an understanding of any events that have occurred during the year which impact outstanding commitments as disclosed (i.e. any new agreements that have financial implications either via expenditures or revenue generation). • Obtain and review all significant agreements and / or correspondence received during and subsequent to year end to assess the impact on TTC's financial reporting. • Direct confirmation with external legal counsel to ensure that all significant contingent liabilities are appropriately disclosed and / or recorded. • Communication with those charged with governance and oversight to ensure that all significant and relevant subsequent events are appropriately disclosed.

Other areas of focus

Areas	Risk due to error	Audit approach
Asset retirement obligations (ARO) **Applicable Entity:** TTC	Risk of material misstatement related to the completeness, existence and accuracy of asset retirement obligations.	• Obtain management's final assessment of ARO, including support for the calculation of any recorded liability related to future costs associated with legal obligations that will be incurred upon retirement of a controlled tangible asset. • Obtain an understanding of the activities performed by management to identify the legal obligations associated with retirement of tangible capital assets. Ensure that all of the recognition criteria have been met to recognize an ARO in the financial statements • Review the costs that have been included in ARO liability based on information available to management and provided by any external experts. • Review the presentation of ARO in the financial statements and ensure that the financial statements include appropriate note disclosure related to the adoption of the new standard.

Key milestones and deliverables

Aug - Sept 2023
Planning & Risk Assessment

- Audit planning discussion timing:
  - TTC – September 27, 2023
  - TTCIC – October 19, 2023
- Kick-off with management
- Planning and initial risk assessment procedures, including:
  - Involvement of others
  - Identification and assessment of risks of misstatements and planned audit response for certain processes
- Obtain and update an understanding of the Company and its environment

Oct – Nov 2023
Risk assessment & Interim work

- Evaluate the Entity's components of internal control, other than the control activities component
- Perform process walkthroughs for certain business processes
- Complete initial risk assessment
- Review and assess management's assessment of asset retirement obligations and perform interim procedures

Oct – Nov 2023
Interim work

- Interim fieldwork timing:
  - TTC: October 2023
  - TTCIC: November 27 –30, 2023
- Perform interim substantive audit procedures
- Perform site visits
- Provide update on audit progress

Jan - Apr 2024
Final Fieldwork & Reporting

- **TTC:**
  - Final Fieldwork - March 11 to April 12, 2024
- **TTCIC:**
  - Final Fieldwork - January 15 - 26, 2024
  - Closing meeting – February 9, 2024
  - Approval of financial statements –February 20, 2024
- Complete year-end data extraction and processing activities
- Perform remaining substantive audit procedures
- Evaluate results of audit procedures, including control deficiencies and audit misstatements identified
- Review financial statement disclosures
- Closing meeting with management

June 2024
Reporting

- **TTC:**
  - Closing meeting – Expected June, 2024
  - Approval of financial statements – Expected June, 2024
- Present audit results to the Audit and Risk Management Committee and perform required communications
- Issue audit report on financial statements

Appendices

A Other required communications

B KPMG Clara

C Audit quality

D Changes in accounting standards

E Audit assurance and insights

Appendix A: 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
- CPAB Audit Quality Insights Report: 2022 Annual Inspections Results

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:

- What are your views about fraud risk at the entity?
- How do those charged with governance exercise effective oversight of management's processes for identifying and responding to the risk of fraud in the Entity and internal controls management has established to mitigate these fraud risks?
- Are you aware of, or have you identified any, instances of actual, suspected, or alleged fraud, including misconduct or unethical behaviour related to financial reporting or misappropriation of assets? If so, have the instances been appropriately addressed and how have they been addressed?
- Is the entity in compliance with laws and regulations?
- Has the entity entered into any significant unusual transactions?

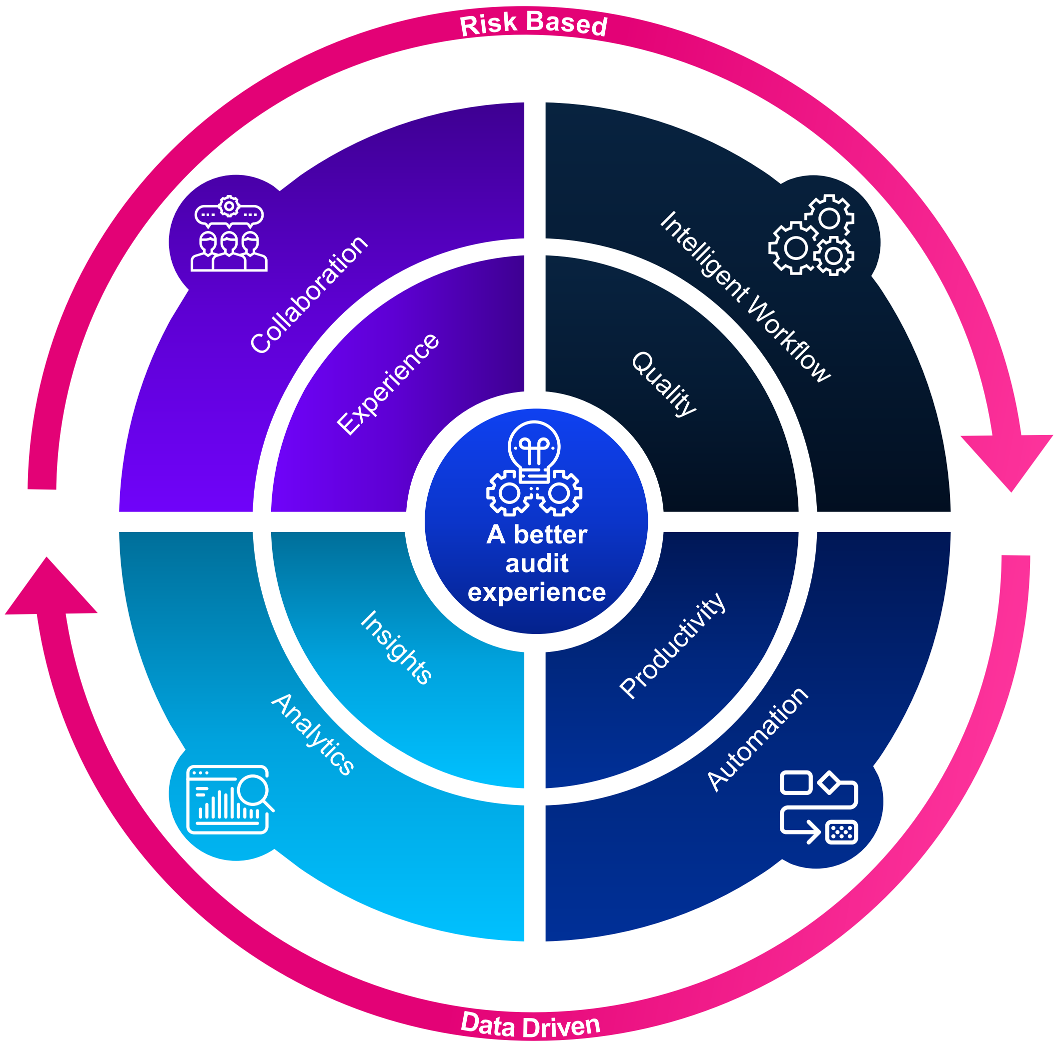
Appendix B: KPMG Clara

Streamlined client experience
And deeper insights into your business, translating to a better audit experience.

Secure
A secure client portal provides centralized, efficient coordination with your audit team.

Intelligent workflow
An intelligent workflow guides audit teams through the audit.

Increased precision
Advanced data analytics and automation facilitate a risk-based audit approach, increasing precision and reducing your burden.



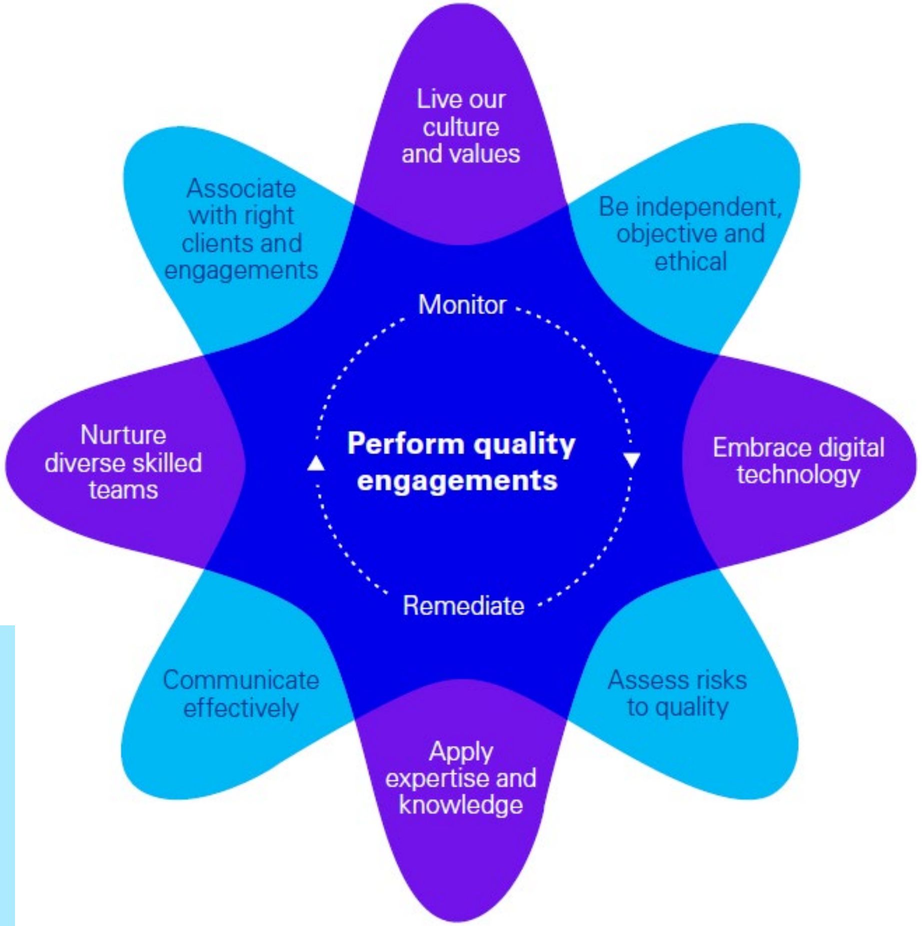
Appendix C: Audit quality: How do we deliver audit quality?

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

Perform quality engagement sits at the core along with our commitment to continually monitor and remediate to fulfil on our quality drivers.

Our **quality value drivers** are the cornerstones to our approach underpinned by the **supporting drivers** and give clear direction to encourage the right behaviours in delivering audit quality.

KPMG 2022 Audit Quality and Transparency Report



We define 'audit quality' as being the outcome when:

- audits are **executed consistently**, in line with the requirements and intent of **applicable professional standards** within a strong **system of quality management;** and
- all of our related activities are undertaken in an environment of the utmost level of **objectivity, independence, ethics** and **integrity.**

Appendix D: Changes in accounting standards

Standard	Summary and implications

Asset retirement obligations	• The new standard PS 3280 *Asset retirement obligations* is effective for fiscal years beginning on or after April 1, 2022 *(TTC's December 31, 2023 year-end)*.
	• 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:
	  • 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.

Appendix D: Changes in accounting standards (continued)

Standard	Summary and implications
Revenue	• The new standard PS 3400 *Revenue* is effective for fiscal years beginning on or after April 1, 2023 *(TTC's December 31, 2024 year-end).* • 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.
Purchased Intangibles	• The new Public Sector Guideline 8 *Purchased intangibles* is effective for fiscal years beginning on or after April 1, 2023 with earlier adoption permitted *(TTC's December 31, 2024 year-end).* • 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 *Financial statement concepts* to remove the prohibition to recognize purchased intangibles and to PS 1201 *Financial statement presentation* to remove the requirement to disclose purchased intangibles not recognized. • The guideline can be applied retroactively or prospectively.

Appendix D: Changes in accounting standards (continued)

Standard	Summary and implications
Public Private Partnerships	• The new standard PS 3160 *Public private partnerships* is effective for fiscal years beginning on or after April 1, 2023 *(TTC's December 31, 2024 year-end).* • 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.
Concepts Underlying Financial Performance	• 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.

Appendix D: Changes in accounting standards (continued)

Standard	Summary and implications

Financial Statement Presentation	• The proposed section PS 1202 *Financial statement presentation* will replace the current section PS 1201 *Financial statement presentation*. PS 1202 *Financial statement presentation* 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:
	  • 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 D: Changes in accounting standards (continued)

Standard	Summary and implications
Employee benefits	• The Public Sector Accounting Board has initiated a review of sections PS 3250 *Retirement benefits* and PS 3255 *Post-employment benefits, compensated absences and termination benefits*. • The intention is 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, 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 *Employee benefits* will replace the current sections PS 3250 *Retirement benefits* and PS 3255 *Post-employment benefits, compensated absences and termination benefits*. 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 E: Audit and assurance insights

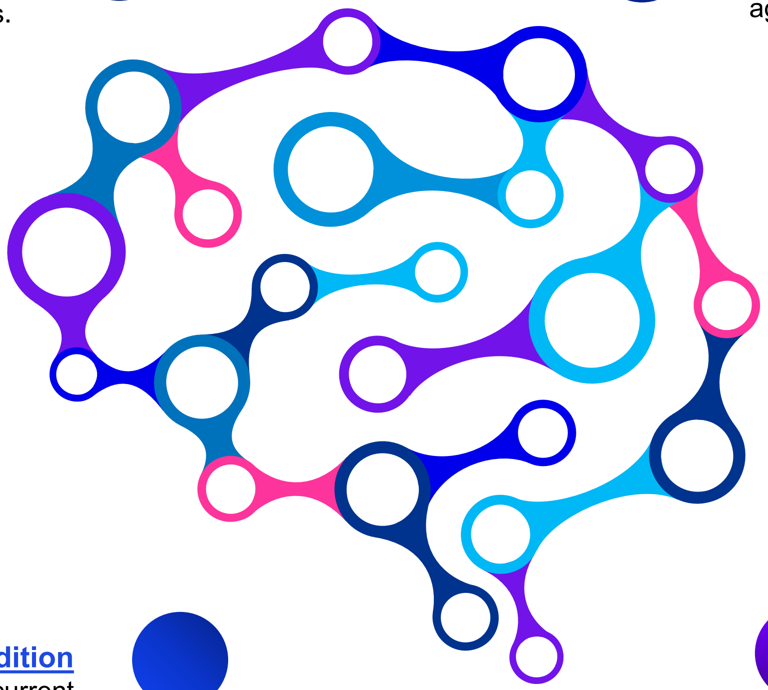
Our latest thinking on the issues that matter most to Audit Committees, board of directors and management.

KPMG Audit & Assurance Insights
Curated research and insights for audit committees and boards.

Board Leadership Centre
Leading insights to help board members maximize boardroom opportunities

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

Audit Committee Guide – Canadian Edition
A practical guide providing insight into current challenges and leading practices shaping audit committee effectiveness in Canada.

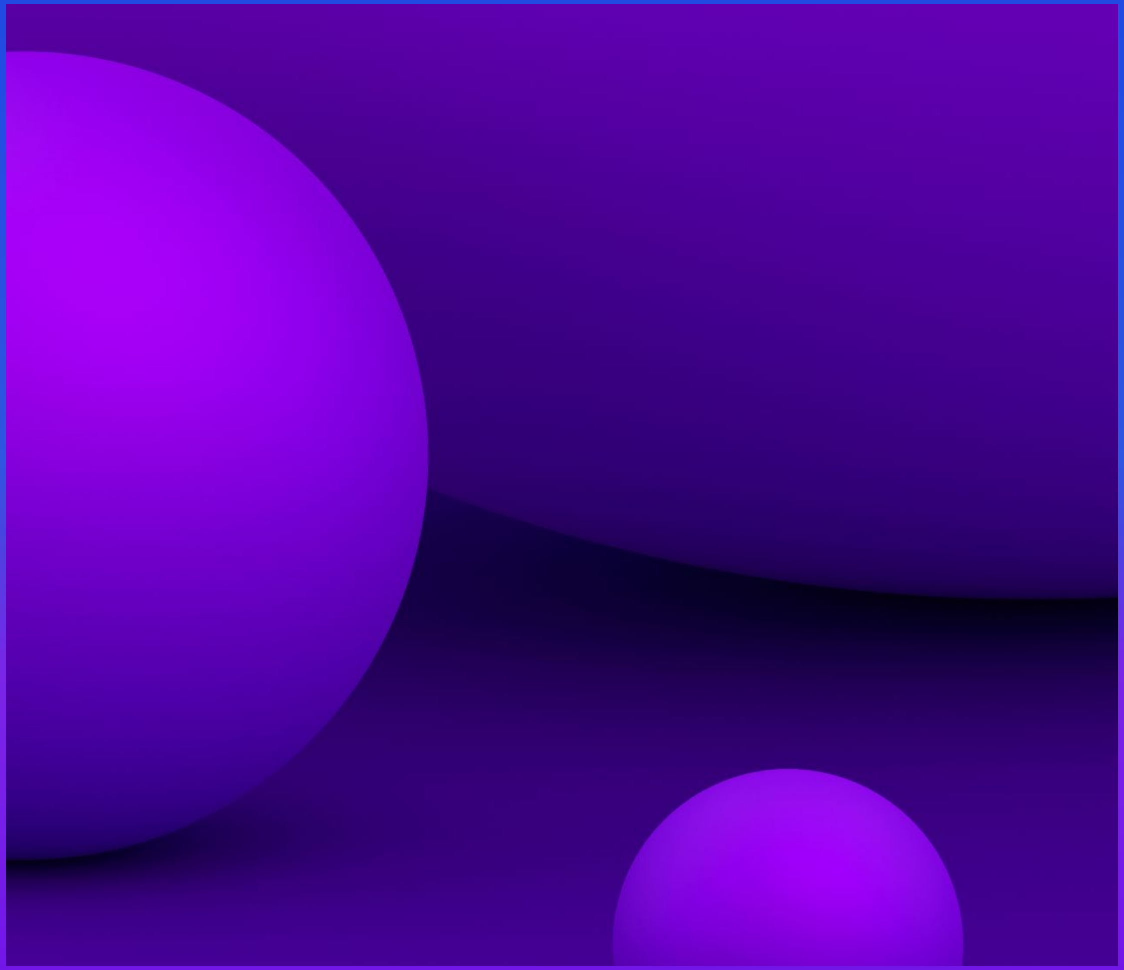


Accelerate 2023
The key issues driving the audit committee agenda in 2023.

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

KPMG Climate Change Financial Reporting Resource Centre
Our climate change resource center provides insights to help you identify the potential financial statement impacts to your business.

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



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