KPMG

Ottawa-Carleton District School Board

Audit Planning Report for the year ending August 31, 2023

KPMG LLP

Licensed Public Accountants

Prepared as of September 11, 2023 for presentation to the Audit Committee on September 20, 2023

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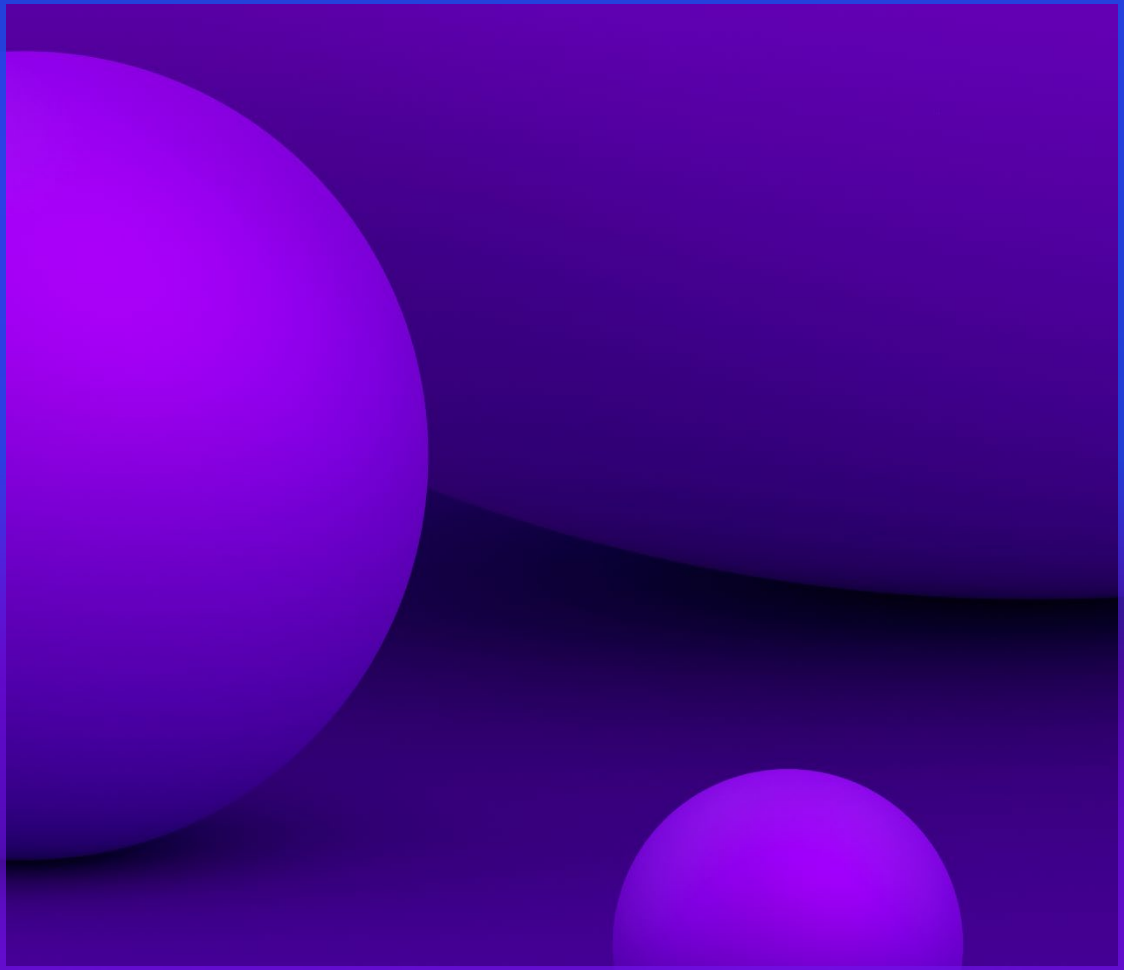

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The purpose of this report is to assist you, as a member of the Audit Committee, in your review of the plan for our audit of the financial statements. This report is intended solely for the information and use of Management, the Audit Committee, and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

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 the Ottawa-Carleton District School Board ("the Board") as of and for the year, ending August 31, 2023, will be performed in accordance with Canadian generally accepted auditing standards.

Audit strategy

Materiality $14,000,000

Involvement of others

Updates to our prior year audit plan

- New significant risks
- Other significant changes

Audit strategy - group audit

Total	Total assets	Total revenue
Total work performed	100%	100%

Involvement of other KPMG teams

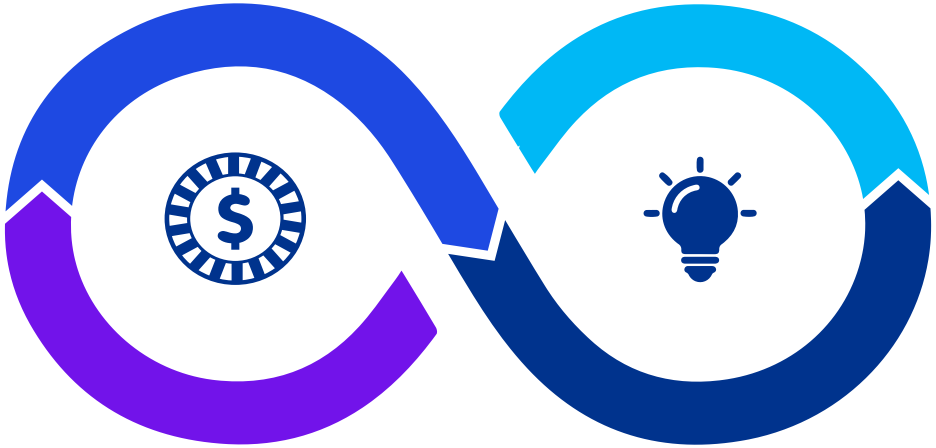
Risk assessment

Risk of management override of controls

Other significant risks

Presumed risk of fraudulent revenue recognition

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:

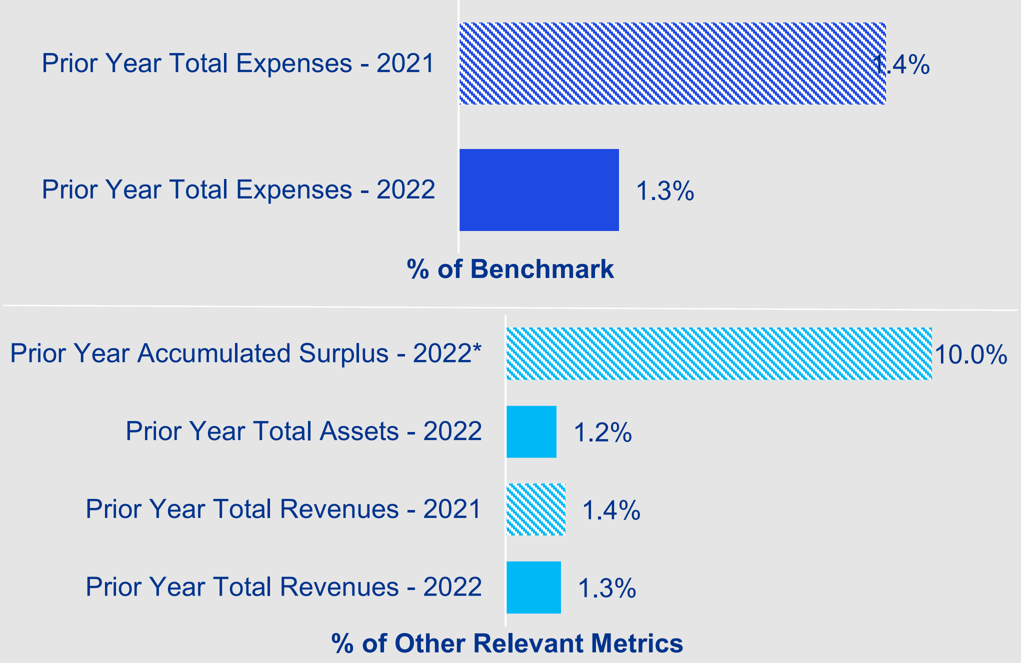
- Identified misstatements on our audit; and
- Uncorrected misstatements, if any, on the financial statements and in forming our opinion.

Initial materiality

Materiality

$14,000,000

(2022: $13,500,000)



Prior Year Total Expenses

$1,043,553,700

(2021: $1,004,762,246)

Prior Year Total Revenues

$1,055,179,851

(2021: $1,016,291,277)

Prior Year Total Assets

$1,205,252,832

(2022: $141,922,485 Accumulated Surplus)

*Materiality represents a significant percentage of accumulated surplus; however, this is expected given the Board strives to maintain a balanced budget

Involvement of others

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

Involved party	Nature and extent of planned involvement
Management's specialist – Mercer	Mercer prepares the Employee Future Benefits Accounting Actuarial Valuation Report as at year end in accordance with Sections 3250 and 3255 of the Chartered Professional Accountants of Canada Public Sector Accounting Handbook. KPMG will assess the competence and capabilities of the expert, along with the assumptions used in the report. KPMG will evaluate and plan to rely on the report prepared by Mercer.
Management's specialist – Facilities personnel	Facilities personnel assisted management in completing an inventory of other potential areas where asset retirement obligations may exist beyond asbestos – containing materials in buildings. Management used this information to appropriately scope potential obligations and determine an appropriate measurement of the liability. KPMG will assess the competence and capabilities of the expert, along with any significant assumptions used by the expert. KPMG will test and utilize on the information provided by Facilities personnel as part of our testing over the ARO balances.
Management's specialist – Ministry of Education	The Ministry of Education provided costing methodologies for all potential asbestos – containing materials and other types of AROs. Management used this information to apply costs based on the quantity or square footage of these materials in each building. KPMG will assess the competence and capabilities of the expert, along with any significant assumptions used by the expert. KPMG will evaluate the information provided by the Ministry and perform procedures to validate the information used in the model.

Updates to our prior year audit plan

New significant risks

New significant area of focus – Asset Retirement Obligations

A new significant area of focus was identified in the current year related to the Board's implementation of the new accounting standard, PS 3280, Asset Retirement Obligations ("ARO"). The ARO standard requires the School Board to record a liability related to the future costs of any legal obligations to be incurred upon retirement of any controlled tangible assets.

Other significant changes

Other significant changes – Bill 124

On November 29, 2022, the Ontario Superior Court rendered a decision to declare the Protecting a Sustainable Public Sector for Future Generations Act, 2019, known as Bill 124, to be void and of no effect. On December 29, 2022, The Province of Ontario appealed the Superior Court's decision, but the Government has not sought a stay of decision. This ruling has triggered reopener provisions that required renewed negotiations with certain labour groups on compensation for the years that were previously capped by the legislation. The Board will need to evaluate the impact of this on the payroll costs and accruals for fiscal 2023.

Newly effective accounting standards

PS 3280, *Asset Retirement Obligations (ARO)*, becomes effective for this year end (fiscal years beginning on or after April 1, 2022).

This new standard will require the Board to record a liability related to future costs of any legal obligations to be incurred upon retirement of any controlled tangible capital assets. 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.

The Board has been working within their finance team as well as their facilities department, and will be relying on costing from the Ministry of Education ("the Ministry") for certain assets, to assist with the Board's PS 3280 ARO compliance. The Board has completed their ARO evaluation and costing as of September 1, 2022 (opening balances) for purposes of Ministry reporting, and will update their estimate as of August 31, 2023.

Newly effective accounting standards

Updates to our prior year audit plan

Other significant changes

Newly effective accounting standards (continued)

PS 3450, *Financial instruments*, PS 2601, *Foreign currency translation*, PS 1201, *Financial statement presentation* and PS 3041 *Portfolio investments* become effective for this year end (fiscal years beginning on or after April 1, 2022).

Equity instruments quoted in an active market and free-standing derivatives are to be carried at fair value. All other financial instruments can be carried at cost or fair value depending on the entity's choice. This choice must be made on initial recognition of the financial instrument and is irrevocable. 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.

The Board is in the process of considering the impact of these new accounting standards; however, do not expect a significant effect on the financial statements. A final evaluation will be completed at year end and appropriate disclosure added to the financial statements.

Other accounting standards that are effective for future fiscal years have been outlined in the Appendices.

Newly effective accounting standards

Newly effective auditing standards

Canadian Auditing Standard 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement*, becomes effective for this audit period (audits of financial statements for periods beginning on or after December 15, 2021).

This standard has been revised, reorganized and modernized in response to challenges and issues with the previous standard. It aims to promote consistency in application, improve scalability, reduce complexity, support a more robust risk assessment and incorporate enhanced guidance material to respond to the evolving environment, including in relation to information technology.

As a result, our risk assessment and documentation of understanding of the Board's processes has become more detailed than in previous years, particularly in terms of required documentation. The impact of this standard is largely related to us as your auditors and will not result in a substantial change to our audit plan compared to prior periods as our previous risk assessment process was already robust and comprehensive.

Newly effective auditing standards

Group audit - Scoping

A group audit is the audit of group (or consolidated/combined) financial statements. Group financial statements include the financial information of more than one component.

Type of work performed	Total assets	Total revenue
Total full-scope audits	99.6%	93.1%
Untested	0.4%	6.9%
Total consolidated	**100%**	**100%**

The threshold for individually financially significant components is 15% of total assets or total revenue. The components included within the consolidated financial statements include the Board, over which a full-scope audit is performed, the Ottawa-Carleton Education Network Inc. and the Ottawa Student Transportation Authority, which are not considered to be a significant components of the Board.

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

		Risk of fraud	Risk of error	PY risk rating
●	Management Override of Controls	✓		Significant
●	Asset retirement obligation		✓	Not applicable
●	Provincial grant revenue and deferred revenue		✓	Base
●	Tangible capital assets and deferred capital contributions		✓	Base
●	Salary and wages and employee benefits		✓	Base
●	Accounts payable and accrued liabilities and expenses		✓	Base
●	Consolidation of Ontario School Board Insurance Exchange (OSBIE)		✓	Not applicable

● SIGNIFICANT RISK ● PRESUMED RISK OF MATERIAL MISSTATEMENT ● OTHER RISK OF MATERIAL MISTATEMENT

Significant risks

Management Override of Controls (non-rebuttable significant risk of material misstatement)

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.

New Area of Focus

Asset Retirement Obligations

RISK OF ERROR

Risk	Estimate?	New or changed?
Asset retirement obligation – risk to be considered individually for the selection and application of the methods, assumptions and data relating to this estimate	Yes	New

Relevant inherent risk factors affecting our risk assessment

The new standard became effective for the Board's fiscal 2023 year end. The new standard is a complex accounting standard which requires the application of professional judgement and will result in significant changes to the Board's financial statements. ARO's are an estimate which will be derived from available information and will require the Board to make judgements and assumptions leveraging available data. We have assessed this as a significant risk given its nature.

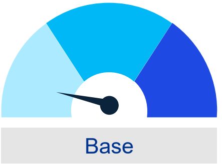
Our audit approach

- Obtain an understanding of the approach taken by Management to identify and measure in-scope ARO, including:
  - Management specialists consulted
  - List of agreements and other significant documents reviewed to identify potential ARO
- Evaluate the design and implementation of controls surrounding the implementation of the new standard including the process of identifying assets that may contain an ARO.
- Obtain an understanding of the data sources used to measure in-scope ARO, including significant measurement assumptions and decisions, as well as the rationale and significant judgments applied.
- Perform substantive testing over a selection of in-scope ARO and evaluate the reasonability of data and assumptions used on initial implementation. Assess and perform substantive testing over any significant changes during the year.
- Obtain an understanding of transitional provisions applied upon initial implementation and inspect the entries made by Management.
- Review financial statement note disclosure in accordance with PSAS.

Other risks of material misstatement

Areas	Level of risk due to error	Our planned response
Provincial grant revenue and deferred revenue	Base	• Update our understanding of the activities over the initiation, authorization, processing, recording and reporting of transactions within this process. • Perform substantive testing, including confirming student focused grant funding with the province, performing substantive analytical procedures or tests of details over select programs for other government grants and vouching significant deferred contributions to supporting documentation. • Review financial statement note disclosures in accordance with Public Sector Accounting Standards (PSAS).
Tangible capital assets and deferred capital contributions	Base	• Update our understanding of the activities over the initiation, authorization, processing, recording and reporting of transactions within this process. • Perform substantive testing over capital additions, including the determination of when capital expenditures are transferred from capital in progress and amortization begins. • Review management's determination of the useful lives of capital assets and the related amortization rates and evaluate the recognition of any amounts of deferred revenue for capital expenditures to ensure that recognition is appropriate. • Review financial statement note disclosure in accordance with PSAS.

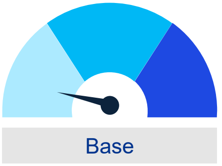
Other risks of material misstatement

Areas	Level of risk due to error	Our planned response
Salary and wages and employee benefits		• Update our understanding of the activities over the initiation, authorization, processing, recording and reporting of transactions within this process. Perform testing over selected controls for design, implementation and operating effectiveness. • Perform substantive analytical procedures over salaries and benefits expense. • Obtain collective agreements ratified during the year, if any. Assess significant accruals relating to outstanding collective agreements as necessary. • Obtain management's assessment and calculation of the impact of Bill 124 on payroll expenses and accruals. If significant, KPMG will perform substantive procedures over the balance as necessary. • Perform substantive procedures, over employee future benefits including review of assumptions, as well as assess and rely on management's expert – Mercer. • Review financial statement note disclosure in accordance with PSAS.

Other risks of material misstatement

Areas | **Level of risk due to error** | **Our planned response**

Accounts payable and accrued liabilities and expenses



- Update our understanding of the activities over the initiation, authorization, processing, recording and reporting of transactions within this process.
- Vouch significant accruals to supporting documentation.
- Perform a search for unrecorded liabilities.
- Perform substantive analytical procedures or substantive test of details over non-payroll expenses.
- With regards to contingent liabilities:
    - Update our understanding of management's process for identifying contingent liabilities, including legal accruals.
    - Obtain corroborative evidence to support management's assumptions, where possible.
    - Send legal letters to external legal counsel, review Board meeting minutes and make inquiries of management to identify any potential unrecorded liabilities.
    - Review financial statement note disclosure in accordance with PSAS.

Other risks of material misstatement

Areas	Level of risk due to error	Our planned response
Consolidation of OSBIE On September 20, 2022, the Ministry issued Memorandum 2022:SB24, which required school boards to consolidate their proportional share of OSBIE's financial results into their fiscal 2022 financial statements. In their opinion, although they do not have control of OSBIE, the school boards collectively have control of OSBIE. This requirement led to some challenges for the Board. Firstly, Management and KPMG feel that the requirement for the Board to consolidate their proportionate share of OSBIE into their financial statements is not in accordance with PSAS as there is no control of OSBIE at the individual school board level. Therefore, consolidation of these results could result in a qualified audit report being given, depending on whether the impact to the financial statements was considered to be material. Secondly, the financial information of OSBIE is not readily available to the Board. In addition, even if the information were provided, OSBIE's financial statements are prepared in accordance with International Financial Reporting Standards rather than PSAS, OSBIE's year end is December 31, 2022 rather than August 31, 2022 and any information provided by the entity would not have been audited, resulting in concerns over the reliability of information. The Ministry was also only requesting consolidation in the fiscal 2022 year, which would raise concerns over the comparability of information from the prior period. Several of the audit firms, school boards and OSBIE raised their concerns with the Ministry and Auditor General of Ontario. On October 26, 2022, the Ministry issued Memorandum 2022:SB28, which deferred the requirement to consolidate to the 2023 March Reporting to the Ministry. This has now been deferred to the fiscal 2023 year end.	 Base	• As a firm, KPMG will continue to attempt discussions with the Ministry and Auditor General of Ontario on this subject and we will work with management leading up to the reporting date to determine the appropriate course of action. • At this time, it is unknown what action the Ministry will require for the fiscal 2023 year end and hence we will reassess this risk as the audit commences and further information is known, which may increase the level of risk.

Key milestones and deliverables

March 2023 - June 2023
Planning & Risk Assessment

- 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 Board and its environment

June - July 2023
Risk assessment

- Evaluate the Board's components of internal control, other than the control activities component
- Complete initial risk assessment
- Communicate audit plan
- Identify IT applications and environments
- Evaluate March report work over opening ARO balances

October – November 2023
Final Fieldwork & Reporting

- 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
- Present audit results to the Audit Committee and perform required communications
- Issue audit report on financial statements
- Closing meeting with management

Request for pre-approval of services

We are presenting the following services for pre-approval by the Audit Committee. We will inform the Audit Committee on a timely basis of any services performed pursuant to pre-approval previously granted under the policies and procedures approach.

Audit services	Fee	Fee structure
Audit of the fiscal 2023 consolidated financial statements	$85,500	Fixed
Incremental time for the audit of the new accounting standards	To be determined based on actual hours incurred	Fixed
Incremental time for the impact of Bill 124	To be determined based on actual hours incurred, if any	Fixed
Audit of the School Generated Funds	$19,750	Fixed

Appendices

A Required communications

A Use of technology

A Audit quality

A New accounting standards

A New auditing standards

A Insights

Appendix: Other required communications

CPAB communication protocol

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

- CPAB Audit Quality Insights Report: 2021 Annual Inspections Results
- CPAB Audit Quality Insights Report: 2022 Interim Inspections Results
- CPAB Audit Quality Insights Report: 2022 Annual Inspections Results

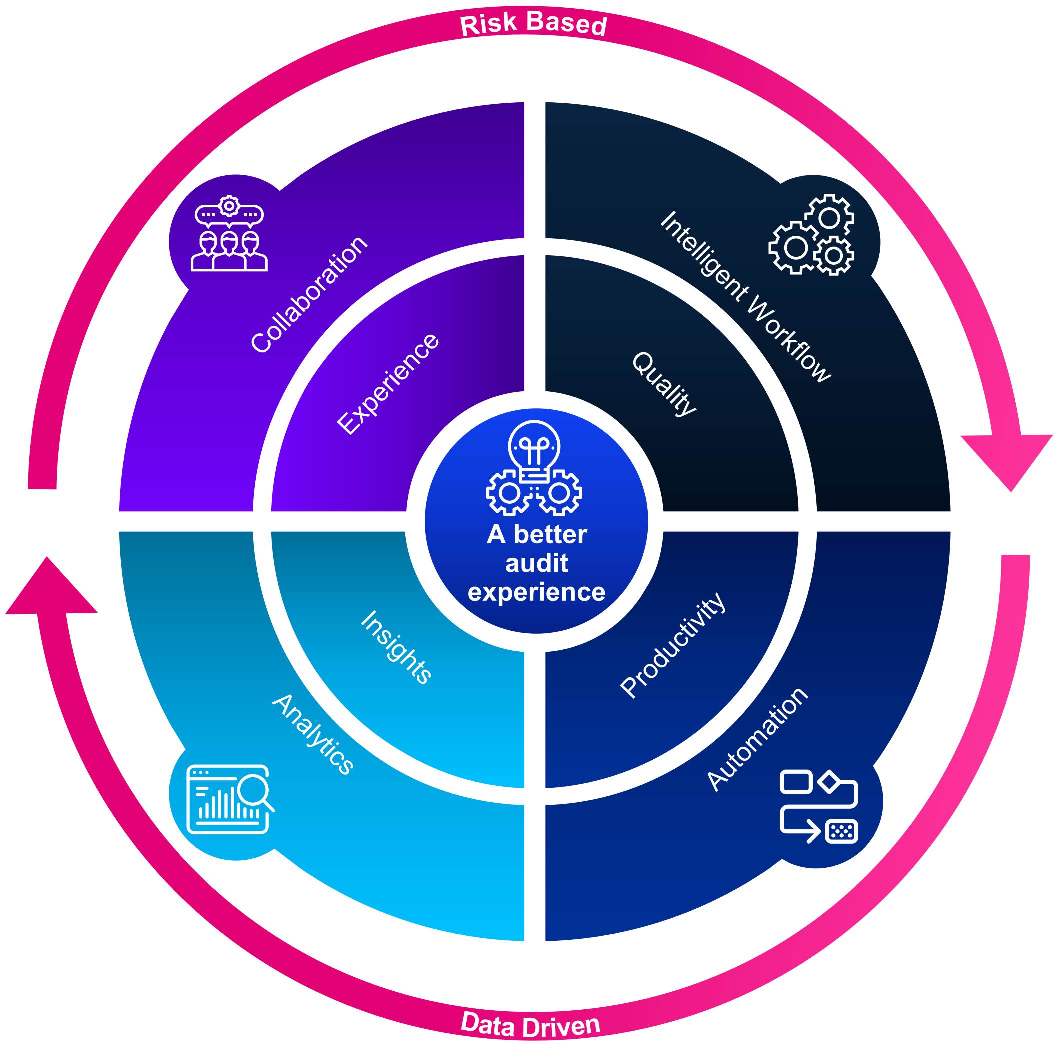
KPMG Clara

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: 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.

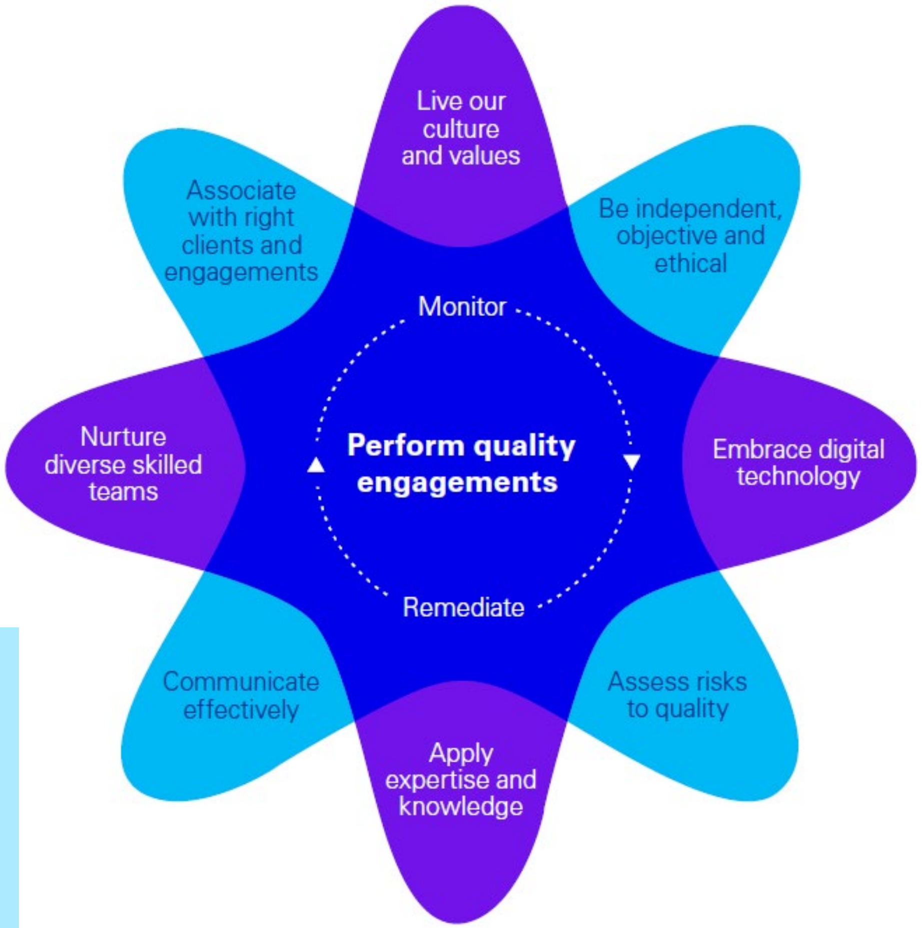
Perform quality engagement sits at the core along with our commitment to continually monitor and remediate to fulfil on our quality drivers.

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: Audit quality - Indicators (AQIs)

The objective of these measures is to provide more in-depth information about factors that influence audit quality within an audit process. Below are the AQIs that we have agreed with management are relevant for the audit. We would like to obtain agreement of the Audit Committee that these are the relevant AQIs.

We will communicate the status of the below AQIs on an annual basis.

Team composition

Experience of the team

- Role – number of years experience in the industry, number of years on this engagement

Technology in the audit

Implementation of Technology in the Audit

- Increase in use of technology in the audit year over year

Engagement hours

Hours spent by level

- Percentage of hours incurred by Partner, Senior Manager and audit staff throughout the course of the engagement

Timing of prepared by client (PBC) items

Timeliness of PBC items

- Number of timely and overdue items received by the audit team.

Example

Nothing to report | Some matters to report | Specific matters to report

Appendix: Newly effective and upcoming changes to 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.
	• 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;
	    • Begin considering the potential effects on the organization as soon as possible to coordinate with resources outside the finance department to identify ARO and obtain information to estimate the value of potential ARO to avoid unexpected issues.
	• We have varying levels of support to assist the Board, led by Bailey Church who leads our ARO standard implementation services.

Appendix: Newly effective and upcoming changes to accounting standards (continued)

Standard	Summary and implications
Financial instruments and foreign currency translation	• The new standards PS 3450 *Financial instruments*, PS 2601 *Foreign currency translation*, PS 1201 *Financial statement presentation* and PS 3041 *Portfolio investments* are effective for fiscal years beginning on or after April 1, 2022. • Equity instruments quoted in an active market and free-standing derivatives are to be carried at fair value. All other financial instruments, including bonds, can be carried at cost or fair value depending on the public sector entity's choice and this choice must be made on initial recognition of the financial instrument and is irrevocable. • Hedge accounting is not permitted. • A new statement, the Statement of Remeasurement Gains and Losses, will be included in the financial statements. Unrealized gains and losses incurred on fair value accounted financial instruments will be presented in this statement. Realized gains and losses will continue to be presented in the statement of operations. • PS 3450 *Financial instruments* was amended subsequent to its initial release to include various federal government narrow-scope amendments.
Revenue	• The new standard PS 3400 *Revenue* is effective for fiscal years beginning on or after April 1, 2023. • The new standard establishes a single framework to categorize revenue to enhance the consistency of revenue recognition and its measurement. • The standard notes that in the case of revenue arising from an exchange transaction, a public sector entity must ensure the recognition of revenue aligns with the satisfaction of related performance obligations. • The standard notes that unilateral revenue arises when no performance obligations are present, and recognition occurs when there is authority to record the revenue and an event has happened that gives the public sector entity the right to the revenue.

Appendix: Newly effective and upcoming changes to accounting standards (continued)

Standard	Summary and implications
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. • 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.
Public Private Partnerships	• The new standard PS 3160 *Public private partnerships* is effective for fiscal years beginning on or after April 1, 2023. • The standard includes new requirements for the recognition, measurement and classification of infrastructure procured through a public private partnership. • The standard notes that recognition of infrastructure by the public sector entity would occur when it controls the purpose and use of the infrastructure, when it controls access and the price, if any, charged for use, and it controls any significant interest accumulated in the infrastructure when the public private partnership ends. • The public sector entity recognizes a liability when it needs to pay cash or non-cash consideration to the private sector partner for the infrastructure. • The infrastructure would be valued at cost, which represents fair value at the date of recognition with a liability of the same amount if one exists. Cost would be measured in reference to the public private partnership process and agreement, or by discounting the expected cash flows by a discount rate that reflects the time value of money and risks specific to the project. • The standard can be applied retroactively or prospectively.

Appendix: Newly effective and upcoming changes to accounting standards (continued)

Standard	Summary and implications
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.

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: Newly effective and upcoming changes to 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: Upcoming changes to auditing standards

Effective for periods beginning on or after 15 December 2022

ISA 220

(Revised) Quality management for an audit of financial statements

ISQM1

Quality management for firms that perform audits or reviews of financial statements or other assurance or related services engagements

ISQM2

Engagement quality reviews

Effective for periods beginning on or after 15 December 2023

ISA 600

Revised special considerations – Audits of group financial statements

Appendix: Thought leadership insights

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

Unleashing the Positive in Net Zero

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

Click here to access KPMG’s portal.

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

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

Click here to access KPMG’s portal.

ESG, Strategy and the Long View

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

Click here to access KPMG’s portal.

KPMG’s Climate Change Financial Reporting Resource Centre

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

Click here to access KPMG’s portal.

Appendix: Thought leadership insights (continued)

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

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

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

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

Click here to access the report.

Gender Lens Investing

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

Click here to access KPMG’s portal.

Climate Change, Human Rights and Institutional Investors

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

Click here to access KPMG’s portal.

Inclusion and Diversity Practices

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

Click here to access KPMG’s portal.

Appendix: Thought leadership insights (continued)

Thought leadership – Audit quality

Audit Quality and Transparency Report

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

Click here to access KPMG's portal.

Audit and Assurance Insights

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

Click here to access KPMG's portal.

Thought leadership – Digital and technology

Going Digital, Faster in Canada

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

Click here to access KPMG's portal.

Five Questions Boards Should Ask About Digital Transformation Projects

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

Click here to access KPMG's portal.

Appendix: Thought leadership insights (continued)

Thought leadership – Boards, Audit Committees and C-Suite

2022 CEO Outlook – Canadian Insights

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

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

Click here to access KPMG's portal.

Audit Committee Guide – Canadian Edition

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

Click here to access KPMG's portal.

Board Leadership Centre

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

Click here to access KPMG's portal.

Momentum

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

Click here to access KPMG's portal.

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