



Appendix 2

The Corporation of The City of Mississauga

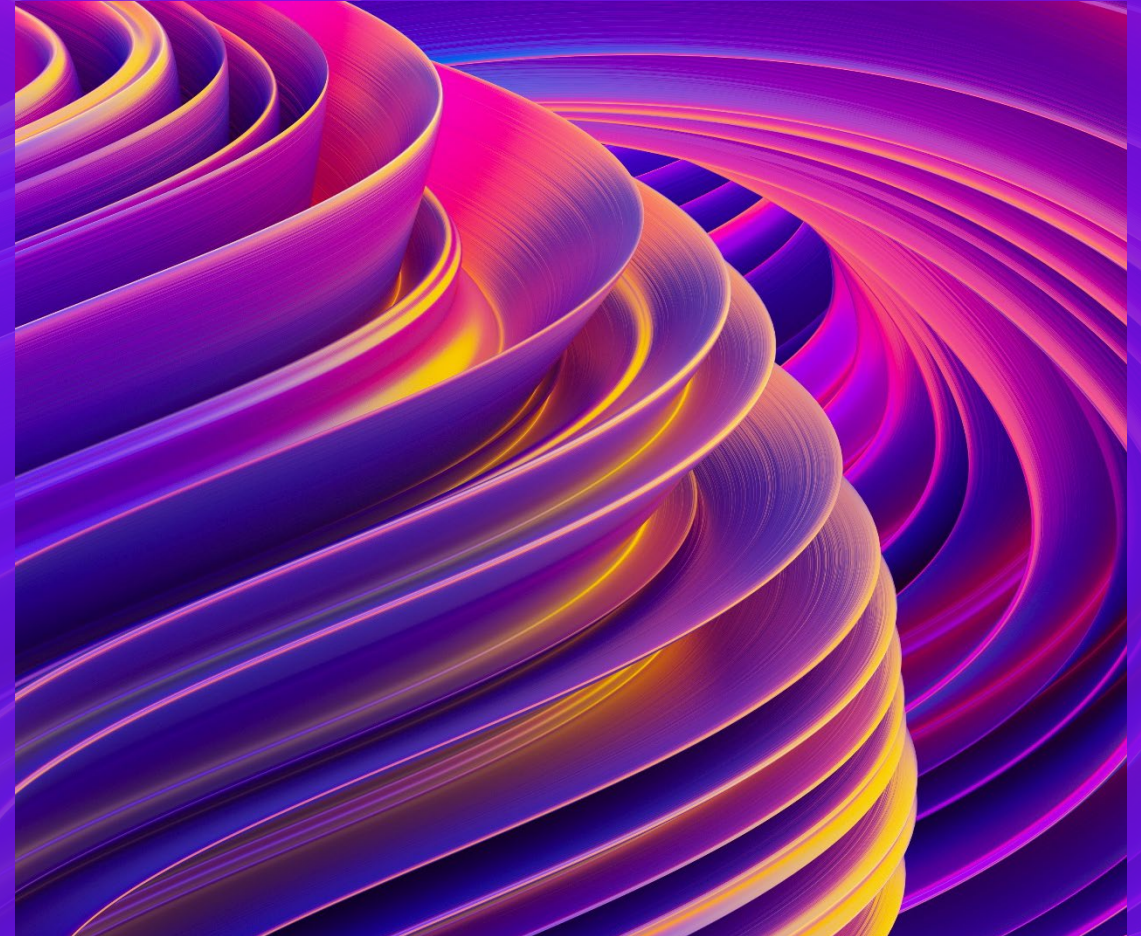
**Audit Findings Report
for the year ended
December 31, 2023**



Licensed Public Accountants

Prepared as of March 30, 2024 for presentation on May 13, 2024

kpmg.ca/audit



KPMG contacts

Key contacts in connection with this engagement



Maria Khoushnood

Lead Audit Engagement Partner

416-228-7082

mkhoushnood@kpmg.ca



Aamir Ibrahimi

Senior Manager

416-218-8083

aamirbrahimi1@kpmg.ca

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Digital use information

This Audit Findings 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.

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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 results of our audit of the consolidated financial statements as at and for the year ended December 31, 2023. This report builds on the Audit Plan we presented to the Audit Committee. This report is intended solely for the information and use of Management, the Audit Committee, and City Council and should not be used for any other purpose or any other party. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.



Audit highlights



No matters to report



Matters to report – see link for details

Status

We have completed the audit of the consolidated financial statements (“financial statements”).



Significant changes

Significant changes since our audit plan

There were no significant changes to our audit plan which was originally communicated to you in the audit planning report.

Risks and results

Significant risks

Other risks of material misstatement

Going concern matters

Policies and practices & Specific topics

Significant unusual transactions

Accounting policies and practices

Other financial reporting matters

Uncorrected misstatements

Uncorrected misstatements

- Professional standards require that we request of management and the Audit Committee that all identified audit misstatements be corrected. We have already made this request of management.
- A summary of the impact of the uncorrected audit misstatements is on page 17 of this report.

Corrected misstatements

Corrected misstatements

- A summary of the impact of the corrected audit misstatement is on slide 18 of this report.
- This adjustment was duly corrected by the management in the consolidated financial statements of the City for the year ended December 31, 2023

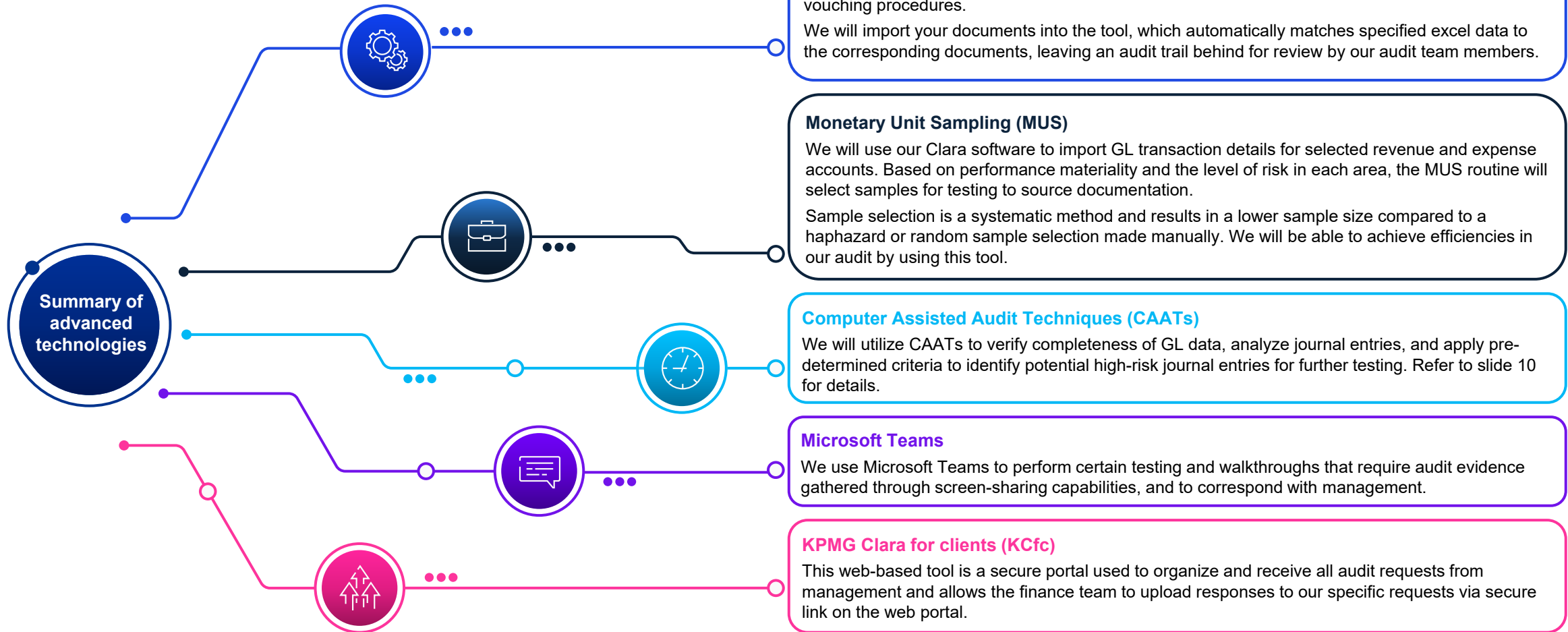
Control deficiencies

Significant deficiencies



Technology highlights

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



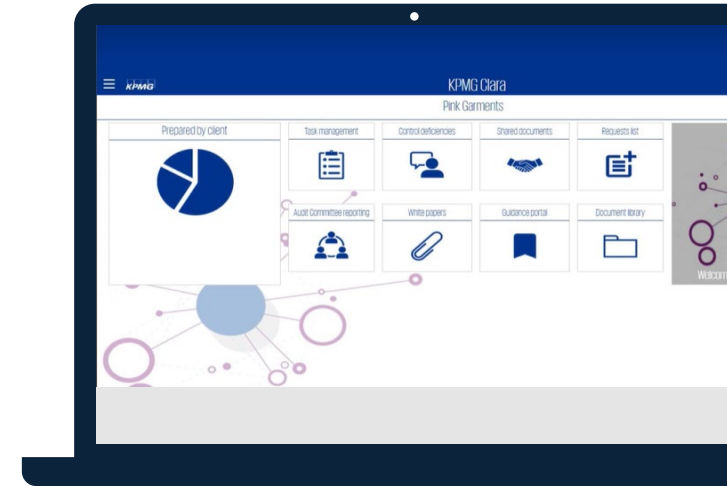


Status

As of the date of preparation of this Audit Findings Report, we have completed the audit of the consolidated financial statements and received evidence of approval of the financial statements from the City's Director of Finance and Treasurer (individual delegated with authority to approve the financial statements).

Our audit report is dated the date of approval of the consolidated financial statements by the City's Director of Finance and Treasurer, April 19, 2024.

KPMG Clara for Clients (KCfc)



Real-time collaboration and transparency

We leveraged **KCfc** to facilitate real-time collaboration with management and provide visual insights into the status of the audit!

On our audit we used KCfc to coordinate <X> requests from management.





Significant risks and results

We highlight our significant findings in respect of **significant risk**.



Presumed risk of fraudulent revenue recognition

RISK OF



FRAUD

Significant risk

Estimate?

The primary risk of fraudulent revenue recognition resides with manual journal entries for revenue transactions not in the normal course of business, specifically related to management's calculation of the deferred revenue – obligatory reserve funds.

No

Our response and findings

- Our audit methodology incorporated the required procedures in professional standards to address this risk.
- Our audit approach consisted of evaluating the design and implementation of selected relevant controls. We tested journal entries that meet specific criteria. This criteria was designed during the planning phase of the audit and is based on areas and accounts that are susceptible to manipulation through management override. We also designed search filters that allowed us to identify any unusual journal entries.
- As part of our audit approach to address the inherent risk of error in revenue recognition, we substantively tested revenues (both recognized and amounts held as deferred at year end). We also incorporated an element of uncertainty into the journal entries and revenue testing.
- We did not identify any issues related to fraud risk associated with revenue recognition.



Significant risks and results

We highlight our significant findings in respect of **significant risk**.



Risk of management override of controls

RISK OF



FRAUD

Significant risk

Estimate?

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

No

Our response and findings

- As this risk is not rebuttable, our audit methodology incorporated the required procedures in professional standards to address this risk.
- These procedures included the testing of journal entries and other adjustments, performing a retrospective review of estimates and evaluating the business rationale of significant unusual transaction.
- We did not identify any issues or concerns regarding management override of controls.



Other risks of material misstatement and results

We highlight our significant findings in respect of **other risks of material misstatement**.



PS 3280 - Asset Retirement Obligations (ARO)

Other risk of material misstatement

Estimate?

The new standard PS 3280 Asset retirement obligations (“ARO”) came into effect for fiscal year beginning January 1, 2023. The new ARO standard requires 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 assessment of these future legal obligations requires management to perform a comprehensive analysis of controlled assets, along with the development of estimates to evaluate an estimated liability at the financial reporting dates of December 31, 2023 and December 31, 2022. The City has adopted the modified retroactive approach, which entails a recognition of the ARO liability as at January 1, 2022.

Yes

Using the modified retroactive method, the City has recognized ARO as at January 1, 2022 with a restatement of the opening accumulated surplus as at January 1, 2022. See note 2 in the financial statements for the change in accounting policy note.

Our response and significant findings

- We obtained the City’s ARO policy and the corresponding ARO implementation memo and performed a review to ascertain their alignment with the requirements of the PS 3280. We performed an assessment of the reasonableness of the City’s scoping decisions and the rationale for excluding certain TCA items to determine whether they are in compliance with standard guidelines and general practice across industry.
- We obtained City’s ARO model assessment and performed the following procedures:
 - We reviewed the City’s ARO model and performed an assessment of the mathematical accuracy and related calculations of ARO liability at asset category level.
 - We obtained an understanding of significant assumptions made in the development of the ARO model and evaluated these assumptions for their reasonableness.
 - We reviewed the cost per square foot analysis for asbestos, as developed by management, and verified all inputs against supporting documentation to ensure reasonable and accurate cost was applied to all in-scope assets in the ARO model. For any inputs that incorporated significant assumptions, we evaluated the reasonableness of these assumptions and compared to the external sources or general industry practice.
 - We selected samples of in-scope assets where measurement of ARO has been calculated and agreed to relevant inputs to supporting documentation.
- We conducted meetings with significant internal subject matter experts involved in the ARO model development to evaluate their extent of involvement, area of expertise and relevant skills and capabilities. We assessed the qualifications, competence and objectivity of these internal experts as required by the Canadian auditing standards.
- We assessed the disclosures in the financial statements against the requirements of the PS 3280 to ensure disclosures are in accordance with PS 3280.
- We did not note any issues in the City’s adoption process of new ARO accounting standard. The measurement and recognition of ARO obligation is reasonable.



Other risks of material misstatement and results



PS 3450 - Financial Instruments and other new standards

Other risk of material misstatement

Estimate?

The new standard PS 3450 *Financial instruments* came into effect for the fiscal year ended on December 31, 2023, and is to be prospectively applied from January 1, 2023. This standard sets forth the guidelines for accounting for financial assets and liabilities, including derivative financial instruments.

No

Under PS 3450, all financial instruments are included on the Statement of Financial Position and are measured either at fair value or amortized cost based on the characteristics of the instrument and the organization's accounting policy choices. PS 3450 requires mandatory fair value reporting for equities and derivatives whereas for all other investments, an election is available for entities to choose between amortized cost and fair value.

For items that are reported at fair value, the unrealized gains and losses are required to be reported on a new statement called Statement of Remeasurement Gains and Losses.

Other new standards coming into effect starting fiscal 2023 include PS2601 *Foreign Currency Translation*, PS 1201 *Financial Statement Presentation*, PS 3041 *Portfolio Investments*. These other standards are required to be adopted concurrently with PS 3450 *Financial Instruments*.

Our response and significant findings

- We obtained the City's financial instruments policy along with the implementation memo for the adoption of these new accounting standards. We conducted a review to ascertain the alignment of City's policy and implementation with the requirements of the PS 3450 standard.
- We noted that all financial instruments for the City are recorded at amortized cost in 2023. We did not identify any financial instruments that require mandatory fair value reporting as per PS 3450 Financial Instruments. The City has not elected to report any financial instruments at fair value.
- A statement of remeasurement gains and losses has not been added to the financial statements due to no material balances flowing through this statement.
- We did not identify any significant issues or misstatements in the City's adoption process of new financial instruments accounting standard.
- The City has added additional disclosures related to the financial risks associated with their financial instruments as required by PS 3450 Financial Instruments.
- Management has assessed the impact of the other standards noted above to be insignificant and immaterial. We agree with management's assessment.
- The measurement, recognition and presentation of balances impacted by this new standard are in accordance with the requirement of PS 3450 Financial Instruments.



Other risks of material misstatement and results



Developer and other contributions applied revenue and Deferred Revenue – obligatory reserve funds

Other risk of material misstatement

Estimate?

The City recognizes revenue from different streams including taxation, user charges, funding transfers and government grants, development and other contributions, investment income, developer contributed and assumed assets, and other. Management follows the revenue recognition policies reported in note 1 to the financial statements to recognize revenue in accordance with PSAS, which includes deferring receipts and contributions if performance obligations are not met.

No

Our response

- We substantively tested revenues recognized and amounts held as deferred at year end using sampling techniques and direct confirmation of certain revenues with third parties, including other governments and agencies.
- We reviewed the calculation of deferred revenue continuity prepared by management and ensured the cash receipts and revenue recognized ties to our audited work.
- We tested a sample of cash receipts to supporting agreements and bank records and found no issues in the deferral of these receipts.
- We tested a sample of expended funds to supporting records of the underlying expenditures, noting that the expenditures were related to the purpose for which the contributions were recorded, and found no issues in the recognition of funds as revenue.

Our findings

- We note that management identified \$12M of obligatory reserve funds adjustments and revenue that should not have been recognized in prior periods. Management has corrected this error by recording \$12M as a decrease to development and other contributions applied revenue and a corresponding increase to deferred revenue –obligatory reserve funds.
- Accordingly, we have reported an uncorrected misstatement to note that 2023 revenues are understated by \$12M, with the effect of an overstatement in opening accumulated surplus of \$12M. The ending balance of accumulated surplus reported on the statement of financial position is correct as at December 31, 2023. Given that the uncorrected audit misstatement is not material to the City's consolidated financial statements, it does not affect our audit opinion.
- During the course of our audit procedures, we identified that management has recognized the surplus arising from long-term disability benefits insurance premiums collected and actual claims paid out as Development and other contributions applied (revenue). These funds are to be used towards actual claims in the future, the remaining surplus does not represent revenues but instead represent a liability (deferred revenue).
- Management has made a correction to comply with accounting standards by recording \$10M as a reduction in development and other contributions applied (revenue) and a corresponding recognition of deferred revenue – general (liability).
- Other than the uncorrected misstatements noted above, the amounts reported for revenue and deferred revenue for obligatory reserve as at year-end are reasonable.
- The note disclosures related to revenue and deferred revenue for obligatory reserves are in accordance with PSAS.



Other risks of material misstatement and results



Employee benefits liability

Other risk of material misstatement

Estimate?

Employee future benefits represent a liability computed by management's actuarial experts. A full actuarial study of the obligation was completed in December 2023. As the employee future benefits liabilities are significant and complex estimates, KPMG actuarial specialists were involved in completing the audit procedures.

Yes – Employee future benefits obligation/liability

Our response

- We assessed the participant data supplied by management to the actuary for completeness and accuracy.
- We obtained the actuarial valuation report and engaged our KPMG actuarial specialist team to audit the method and assumptions applied in the valuation.
- We evaluated the discount rate in comparison with rates issued by the Canadian Institute of Actuaries ("CIA") and KPMG LLP.
- We assessed the qualifications, competence and objectivity of the actuary as required by the Canadian auditing standards.
- We assessed the disclosures in the financial statements against the requirements of the PSAS

Our findings

- Based on our review of the report prepared by the actuary, we noted that the method applied for the estimate is acceptable per the Canadian Institute of Actuaries and Public Sector Accounting Standards (PSAS) 3250 Retirement Benefits.
- We assessed the key assumptions used by the actuary in light of the City's financial results. We also performed a sideways glance to compare the assumptions used by the actuary for the City with other Ontario municipalities and we did not note any significant differences.
- We noted that the discount rate used by the actuary is a key assumption. Discount rates of 3.25% - 5.00% (2022 – 3.25% - 3.50%) were used for the determination of the liability. We evaluated the discount rates against the discount rate curve issued by different reliable sources including The Canadian Institute of Actuaries (CIA), Fiera Capital and KPMG LLP. Our actuarial specialists assessed the discount rate and other assumptions using actuarial techniques and market data. Based on this evaluation, we concluded that the discount rates used are reasonable.
- The disclosures included in the financial statements are in accordance with the requirements of the public sector accounting standards.
- Based on the audit work performed, we did not note any issues related to the calculation of the City's employee benefits liability as at December 31, 2023.
- The employee benefit liability as at December 31, 2023 are outlined in note 9 to the financial statements.



Other risks of material misstatement and results



Contingencies

Other risk of material misstatement

Estimate?

PSAS 3300 Contingent Liabilities requires that the City recognize a liability when “it is likely that a future event will confirm that a liability has been incurred at the date of the financial statements; and the amount can be reasonably estimated.” At any point in time, the City is subject to a number of matters which could potentially result in the determination of a contingent liability as defined above, including, but not limited to matters such as legal claims, etc.

Estimation uncertainty exists related to the likelihood and measurement of the contingent liability.

At year end, no provision has been made in the consolidated statements for any liability that may result.

However, this estimation uncertainty does not result in a risk of material misstatement.

Our response

- We obtained and evaluated the City’s assessments and claims listing that are used to develop and record these estimated liabilities.
- We obtained a legal confirmation from internal legal counsel and evaluated the assessments made by internal legal counsel on the pending legal matters in terms of determination of likelihood and measurability.
- We reviewed Council and committee meeting minutes to determine the completeness of contingencies and held discussions thereon with senior management, including internal legal representatives.

Our findings

- We reviewed the listing of active litigation and potential claims provided by internal legal counsel and reviewed assessments of each matter and the process employed to develop and record the related estimated liabilities. Management has recorded an accrual based on the likely amounts of loss after accounting for insurance coverage.
- As these items are resolved, it is possible that the final amounts recorded for these liabilities may change, however the amounts currently recorded represent management’s best estimates of exposure given the information presently available.
- Based on the work performed, the contingent liabilities reported by the City are reasonable.



Other risks of material misstatement and results



Tangible capital assets

Other risk of material misstatement

Estimate?

Tangible capital assets present the biggest non-financial asset for the City. There is a risk of material misstatement related to the existence and accuracy of tangible capital assets and accuracy of timing of revenue recognition, particularly related to funds intended for tangible capital assets.

No

Our response and findings

- We tested, on a sample basis, the additions to tangible capital assets and noted that management has appropriately capitalized the additions including transfers from work in progress to tangible capital assets. We obtained assurance related to the accuracy and existence of these additions and also assessed if these additions met the criteria for capitalization.
- We tested on a sample basis the work in progress to ensure amounts are properly transferred to correct capital asset classes and amortization commences on a timely basis.
- We tested on a sample basis contributed and assumed assets to assess if these assets had been recognized at fair market value at the date of contribution.
- We assessed financial statement note disclosure in line with the PSAS.
- We obtained the City's amortization policy and assessed reasonableness of estimated useful lives.
- The impact on TCA from adoption of the new ARO standard has been disclosed in note 2 of the consolidated financial statements. There were no other significant findings as a result of our audit procedures for tangible capital assets.
- The amounts reported for tangible capital assets are reasonable and disclosures in the financial statements are in accordance with the public sector accounting standards.



Other risks of material misstatement and results



Enersource Corporation (“Enersource”)

Other risk of material misstatement

Estimate?

The City recognizes its investment in Enersource using the modified equity method. We reviewed the criteria per PS 3070 – Investment in Government Business Enterprises and noted the City’s investment in Enersource continues to meet the criteria of the section and therefore it is appropriate to continue to record the investment in Enersource using the modified equity method of accounting.

No

The City recognizes its 90% investment in Enersource using the modified equity method.

This Equity investment is not considered a significant component due to year over year change being not significant or material.

Our response and findings

- We obtained Enersource’s financial statements for the year ended December 31, 2023 and agreed the City’s share of income (increase in investment value) and dividends received (decrease in investment value) for the calculation of City’s investment in Enersource. We vouched dividends received from Enersource to supporting documentation and cash receipts.
- These transactions are disclosed in note 6 to the financial statements.
- No exceptions were noted during testing.



Other risks of material misstatement and results



Consolidation

Other risk of material misstatement

Estimate?

The City consolidates the following entities and organizations in the consolidated financial statements for the City:

- City of Mississauga Public Library Board
- Tourism Mississauga
- Business Improvement Areas (BIAs) including Clarkson, Cooksville, Malton, Port Credit, Streetsville

Inter-departmental and inter-organizational transactions and balances are between these entities and organizations are eliminated.

No

Our response and findings

- Each of the entities and organizations noted above are considered non-significant components to the City's financial statements. For each of these entities and organizations, there is a required statutory audit performed. These individual audits are performed by the same audit team as for the main City.
- We obtained an understanding the consolidation process in place by management including the review and approval controls, checks and balances, and information system being utilized for the consolidation process and the financial reporting process.
- We obtained the consolidation workbook from management and completed our audit procedures related to consolidation including elimination of inter-departmental and inter-organizational transactions, pick-up of government business enterprises and any other transactions that are relevant for consolidation.
- Based on the work performed, we did not identify any issues or errors.



Uncorrected misstatements

Uncorrected misstatements include financial presentation and disclosure omissions.



Impact of uncorrected misstatements – Not material to the financial statements

- The management representation letter includes the Summary of Uncorrected Audit Misstatements, which discloses the impact of all uncorrected misstatements considered to be other than clearly trivial.
- There was one uncorrected misstatement presenting an increase to revenue and a reduction to opening accumulated surplus for \$12M, related to an out of period error. Management has corrected this error in the current year whereby the ending accumulated surplus is correct. See page 11 for more detail.
- Based on both qualitative and quantitative considerations, management has decided not to correct the misstatement and represented to us that the misstatement—individually and in the aggregate—is, in their judgment, not material to the financial statements. This management representation is included in the management representation letter.
- We concur with management’s representation that the uncorrected misstatement is not material to the financial statements. Accordingly, the uncorrected misstatement has no effect on our auditor’s report.



Corrected misstatements

Corrected misstatements include financial presentation and disclosure misstatements.



Impact of corrected misstatements

- During the course of our audit procedures, we identified that management has recognized the surplus arising from long-term disability benefits insurance premiums collected and actual claims paid out as Development and other contributions applied (revenue). These funds are to be used towards actual claims in the future, the remaining surplus does not represent revenues but instead represent a liability (deferred revenue).
- Management has corrected this error by recording \$10M as a reduction in development and other contributions applied (revenue) and a corresponding recognition of deferred revenue – general (liability).
- There were no other corrected misstatement identified during the course of the audit work performed.



Accounting policies and practices

Initial selection



The following new accounting standards came into effect for the year ended December 31, 2023 and were implemented by the City:

- PS 3450 *Financial Instruments*, PS 2601 *Foreign Currency Translation*, PS 1201 *Financial Statement Presentation*, PS 3041 *Portfolio Investments*
- PS 3280 *Asset Retirement Obligations*

Impact on adoption of new accounting policies are disclosed in Note 2 to the consolidated financial statements.

Revised



None in 2023

Significant qualitative aspects



Significant accounting policies are disclosed in Note 1 to the consolidated financial statements

Estimates and assumptions are disclosed in Note 1(aa).

Appendices

A

Other required communications

B

Audit quality

C

New accounting standards

D

New auditing standards

E

Insights

F

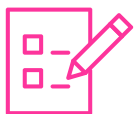
Environmental, social and governance (ESG)

G

Technology



Appendix A: Other required communications



Engagement terms

A copy of the engagement letter and any subsequent amendments has been provided to the Audit Committee.



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](#)
- [CPAB Audit Quality Insights Report: 2023 Interim Inspections Results](#)



Appendix B: Audit quality - How do we deliver audit quality?

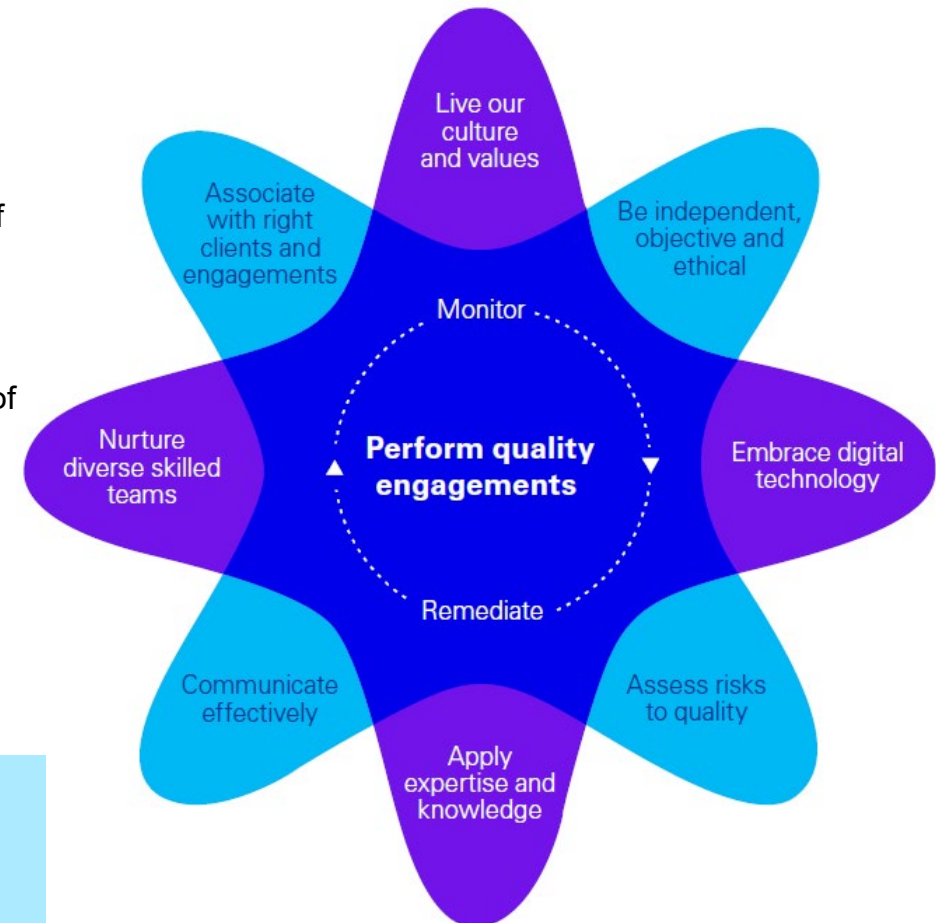
Quality essentially means doing the right thing and remains our highest priority. Our Global Quality Framework outlines how we deliver quality and how every partner and staff member contributes to its delivery.

The drivers outlined in the framework are the ten components of the KPMG System of Quality Management (SoQM). Aligned with ISQM 1/CSQM 1, our SoQM components also meet the requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA) and the relevant rules of professional conduct / code of ethics applicable to the practice of public accounting in Canada, which apply to professional services firms that perform audits of financial statements. Our Transparency Report includes our firm's Statement on the Effectiveness of our SoQM.

 [KPMG 2023 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**.



Doing the right thing. Always.



Appendix C: Upcoming changes in accounting standards

Standard	Summary and implications
Revenue	<ul style="list-style-type: none">• The new standard PS 3400 <i>Revenue</i> is effective for fiscal years beginning on or after April 1, 2023.• The new standard establishes a single framework to categorize revenue to enhance the consistency of revenue recognition and its measurement.• The standard notes that in the case of revenue arising from an exchange transaction, a public sector entity must ensure the recognition of revenue aligns with the satisfaction of related performance obligations.• The standard notes that unilateral revenue arises when no performance obligations are present, and recognition occurs when there is authority to record the revenue and an event has happened that gives the public sector entity the right to the revenue.
Purchased Intangibles	<ul style="list-style-type: none">• The new Public Sector Guideline 8 <i>Purchased intangibles</i> is effective for fiscal years beginning on or after April 1, 2023 with earlier adoption permitted.• The guideline allows public sector entities to recognize intangibles purchased through an exchange transaction. The definition of an asset, the general recognition criteria and GAAP hierarchy are used to account for purchased intangibles.• Narrow scope amendments were made to PS 1000 <i>Financial statement concepts</i> to remove the prohibition to recognize purchased intangibles and to PS 1201 <i>Financial statement presentation</i> to remove the requirement to disclose purchased intangibles not recognized.• The guideline can be applied retroactively or prospectively.



Appendix C: Upcoming changes in accounting standards (continued)

Standard	Summary and implications
Public Private Partnerships	<ul style="list-style-type: none"> • The new standard PS 3160 <i>Public private partnerships</i> is effective for fiscal years beginning on or after April 1, 2023. • The standard includes new requirements for the recognition, measurement and classification of infrastructure procured through a public private partnership. • The standard notes that recognition of infrastructure by the public sector entity would occur when it controls the purpose and use of the infrastructure, when it controls access and the price, if any, charged for use, and it controls any significant interest accumulated in the infrastructure when the public private partnership ends. • The public sector entity recognizes a liability when it needs to pay cash or non-cash consideration to the private sector partner for the infrastructure. • The infrastructure would be valued at cost, which represents fair value at the date of recognition with a liability of the same amount if one exists. Cost would be measured in reference to the public private partnership process and agreement, or by discounting the expected cash flows by a discount rate that reflects the time value of money and risks specific to the project. • The standard can be applied retroactively or prospectively.
Concepts Underlying Financial Performance	<ul style="list-style-type: none"> • The revised conceptual framework is effective for fiscal years beginning on or after April 1, 2026 with earlier adoption permitted. • The framework provides the core concepts and objectives underlying Canadian public sector accounting standards. • The ten chapter conceptual framework defines and elaborates on the characteristics of public sector entities and their financial reporting objectives. Additional information is provided about financial statement objectives, qualitative characteristics and elements. General recognition and measurement criteria, and presentation concepts are introduced.



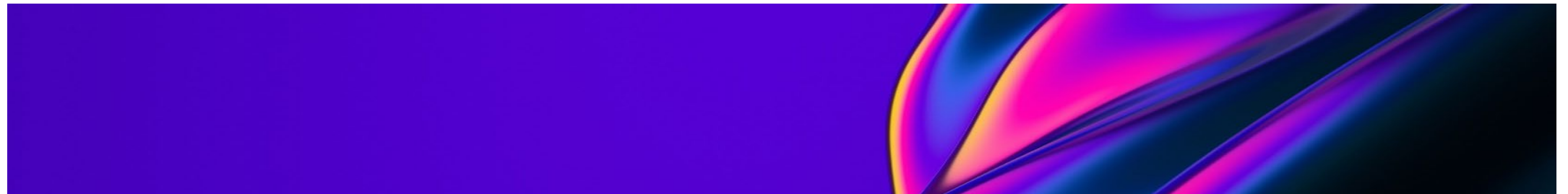
Appendix C: Upcoming changes in accounting standards (continued)

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



Appendix C: Upcoming changes in accounting standards (continued)

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





Appendix D: Newly effective and upcoming changes to auditing standards

For more information on newly effective and upcoming changes to auditing standards – see Current Developments



Effective for periods beginning on or after December 15, 2022

ISA/CAS 220

.....
(Revised) Quality management for an audit of financial statements

ISQM1/CSQM1

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

ISQM2/CSQM2

.....
Engagement quality reviews

Effective for periods beginning on or after December 15, 2023

ISA 600/CAS 600

.....
Revised special considerations – Audits of group financial statements



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](#)

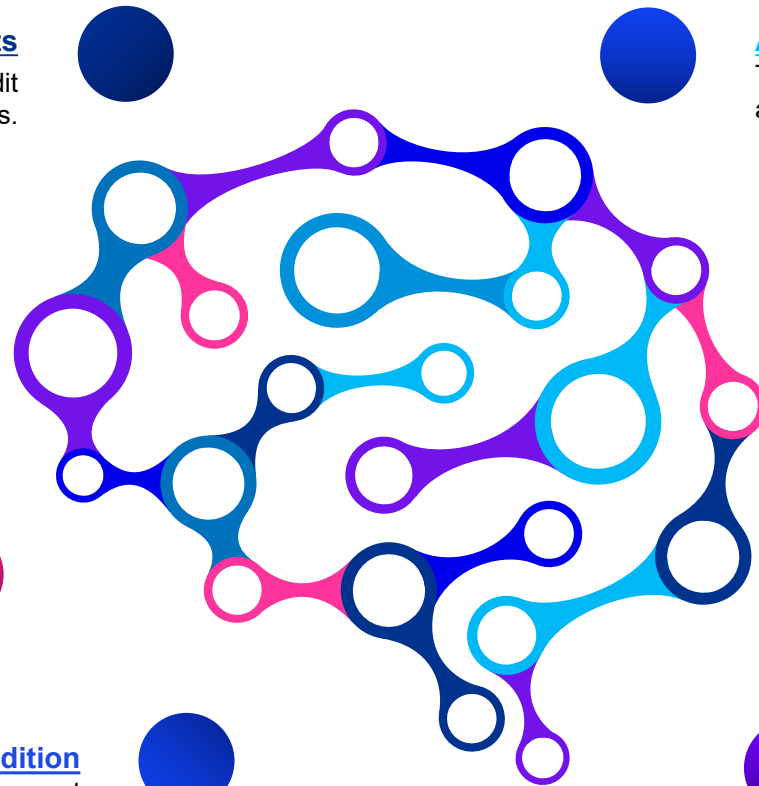
A quarterly newsletter with the latest thought-leadership from KPMG's subject matter leaders across Canada and valuable audit resources for clients.

[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.





Appendix F: ESG - Global regulatory reporting standards

	ISSB ¹ and CSSB	Canadian regulators (CSA)	US (SEC ^{2,3} and California ⁴)	EU ^{5,6}
Recent Activity	<ul style="list-style-type: none"> On March 13, 2024 the Canadian Sustainability Standards Board (CSSB) released proposals on its first two Canadian Sustainability Disclosure Standards (CSDS): Exposure Draft CSDS 1 (proposed general requirements standard) and Exposure Draft CSDS 2 (proposed climate standard). The proposed standards are aligned with the global baseline disclosure standards IFRS S1 and IFRS S2 with the exception of a Canadian-specific effective date for annual reporting periods beginning on or after January 1, 2025 and incremental transition relief. In June 2023, the International Sustainability Standards Board (ISSB) issued its first two IFRS Sustainability Disclosure Standards – IFRS S1 (general requirements standard) and IFRS S2 (climate standard). The ISSB standards are effective for annual periods beginning on or after January 1, 2024 – subject to local jurisdiction adoption. 	<ul style="list-style-type: none"> In parallel with the CSSB's release of its proposals on March 13, 2024, the Canadian Securities Administrators (CSA) issued a statement noting that they will seek consultation on a revised climate-related disclosure rule following the finalization of CSDS 1 and 2. In October 2021, the CSA issued their original proposed rule, proposed National Instrument 51-107 <i>Disclosure of Climate-related Matters</i>. Bill S-211, Canada's new Act on fighting against forced labor and child labour will take effect on January 1, 2024. Canadian and foreign businesses impacted by the Act will be required to file a report on their efforts to prevent and reduce the risk of forced labour and child labour in their supply chain, by May 31st of each year. 	<ul style="list-style-type: none"> The SEC's final climate rule was issued on March 6, 2024. The final rule will generally apply to all SEC registrants; <i>including</i> foreign private issuers (Form 20-F filers); <i>excluding</i> Canadian issuers reporting under the Multijurisdictional Disclosure System (Form 40-F filers) and asset-backed issuers. The earliest compliance date is the fiscal year beginning in Calendar year 2025 for large accelerated filers. The SEC also issued its final rules on cybersecurity in July 2023 and expects to release proposed disclosure rules on human capital management in spring 2024 and corporate board diversity in fall 2024. On October 7, 2023, the California Governor signed two climate disclosure laws that will shape climate disclosure practices beyond the state's borders. The laws will apply to US businesses (including US subsidiaries of non-US companies) that meet specified revenue thresholds and do business in California. The Governor also signed the California voluntary carbon market disclosures bill. 	<ul style="list-style-type: none"> The European Financial Reporting Advisory Group (EFRAG) was mandated to develop European Sustainability Reporting Standards (ESRSs) setting out the detailed disclosure requirements under the Corporate Sustainability Reporting Directive (CSRD). On July 31, 2023, the European Commission published the final text of its first set of twelve ESRSs as delegated acts The ESRSs will become effective as early as 2024 reporting periods for some companies. There are potentially considerable ESG reporting implications for Canadian entities – as most EU-listed companies and large subsidiaries of Canadian companies with significant operations in the EU are in scope. Non-EU parent entities with substantial activity in the EU may also be in scope, with separate standards to be developed for these entities, with an effective date of 2028 reporting periods

1. Refer to our [ISSB Resource Centre](#) for resources on implementing the IFRS Sustainability Disclosure Standards
2. Refer to our [Defining Issues](#) publication for more information on the SEC's final climate rule
3. Refer to our [Defining Issues](#) publication for more information on the SEC's cybersecurity rules
4. Refer to our [publication](#) on California's introduction of climate disclosures and assurance requirements
5. Refer to our [ESRS Resource Centre](#) for resources on implementing the ESRSs
6. Refer to our [publication](#) on the impact of EU ESG reporting on non-EU companies



Appendix G: Continuous evolution

Our investment: \$5B

We are in the midst of a five-year investment to develop our people, digital capabilities, and advanced technology.

Responsive delivery model

Tailored to you to drive impactful outcomes around the quality and effectiveness of our audits.

Result: A better experience

Enhanced quality, reduced disruption, increased focus on areas of higher risk, and deeper insights into your business.





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