



FINANCE & BUDGET COMMITTEE AGENDA
Special Meeting
Tuesday, January 23, 2018
5:30 PM - Heritage Room
2580 Shaughnessy Street

1. CALL TO ORDER

2. ADOPTION OF THE AGENDA

2.1 Adoption of January 23, 2018 Finance and Budget Committee meeting agenda.

Recommendation: That the January 23, 2018 Finance and Budget Committee meeting agenda be adopted.

3. CONFIRMATION OF MINUTES

3.1 Minutes of January 9, 2018

Recommendation: That the January 9, 2018 minutes of the Finance and Budget Committee meeting be adopted.

4. REPORTS

4.1 KPMG Audit Planning Letter

5. RESOLUTION TO CLOSE

5.1 Resolution to Close the Finance and Budget Committee Meeting of January 23, 2017.

Recommendation: That the Finance and Budget Committee Meeting be closed to the public under the following subsection of section 90(1)

l) discussions with municipal officers and employees respecting municipal objectives, measures and progress reports for the purposes of preparing an annual report under section 98 (annual municipal report).

The Finance and Budget Committee provides overall policy direction to promote fiscal responsibility and sound financial management to advance the City's corporate objectives.

PRESENT:

Mayor Greg Moore
Councillor Laura Dupont
Councillor Darrell Penner
Councillor Dean Washington
Councillor Brad West

STAFF REPRESENTATIVES:

John Leeburn, Chief Administrative Officer
Lori Bowie, Director of Recreation
Carolyn Deakin, Assistant Corporate Officer
Nick Delmonico, Fire Chief
Kristen Dixon, Director of Engineering and Public Works
Julie Drotar, Inspector
Karen Grommada, Director of Finance
Paula Jones, Manager of Bylaw Services
Aurora Lore, Bylaw Enforcement Officer
Laura Lee Richard, Director of Development Services
Steve Traviss, Director of Human Resources
Robin Wishart, Director of Corporate Support
Farouk Zaba, Manager of Financial Planning and Systems

1. CALL TO ORDER

1.1 Councillor Washington called the meeting to order at 6:00 pm in the Heritage Room at City Hall, 2580 Shaughnessy Street, Port Coquitlam.

2. ADOPTION OF THE AGENDA

2.1 It was moved and seconded:
That the Agenda of the December 11, 2017 Budget Infrastructure Committee meeting be adopted.

Carried

2.2 It was moved and seconded:
That the Agenda of the December 12, 2017 Budget Infrastructure Committee meeting be adopted.

Carried

2.3 It was moved and seconded:
That the Agenda of the December 18, 2017 Budget Infrastructure Committee meeting be adopted.

Carried

2.4 It was moved and seconded:
That the Agenda of the December 19, 2017 Finance & Intergovernmental Committee meeting be adopted.

Carried

3. PRESENTATIONS

3.1 **Budget Update – Manager of Financial Planning Systems**
A presentation and discussion on the Budget from the Manager of Financial Planning & Systems.

4. ADJOURNMENT

It was moved and seconded:
That the Finance & Budget Committee Meeting of January 9, 2018 be adjourned at 6:10pm.

Carried

Councillor Washington
Chair

Karen Grommada
Director of Finance

The official Minutes of the January 9, 2018 Finance & Budget Committee Meeting are not read and adopted until certified correct by the Committee Chairperson.



REPORT TO FAB

DATE: January 17, 2018
TO: Finance and Budget Committee
FROM: Sharleen Karamanian, Manager of Accounting Services
SUBJECT: **KPMG AUDIT PLANNING LETTER**

RECOMMENDATION:

None

BACKGROUND & COMMENTS:

KPMG, the City's auditors, have provided an audit planning letter detailing the planned scope of work and timing for the audit of the City's 2017 consolidated financial statements. This letter is intended to assist the Committee in discharging its duties and responsibilities with respect to financial governance and oversight and is one of the acceptable methods for the auditors to meet their requirements to communicate with those charged with governance.

CONCLUSION:

The auditors are scheduled to meet with the Committee on January 23, 2018 to discuss the Audit Planning Letter and answer any questions the Committee may have. The interim audit field work was conducted on November 21 and November 22, 2017 and year end field work commences on March 19, 2018. The auditors are anticipating being able to present their findings to the Finance and Budget Committee by mid-May, 2018.

Respectfully Submitted by:

Sharleen Karamanian, CPA, CGA
Manager of Accounting Services

Attachment 1: Audit Planning Letter



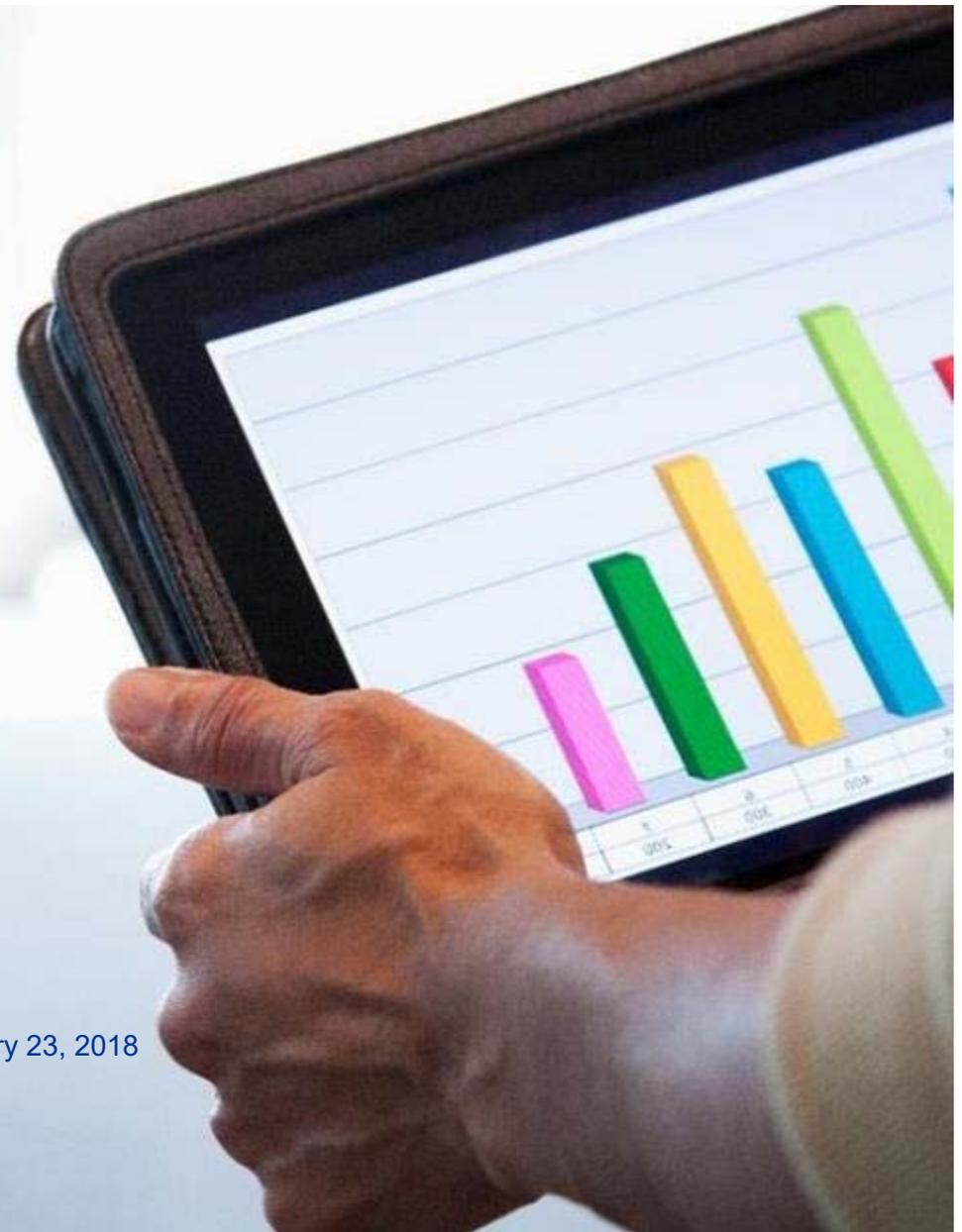
City of Port Coquitlam

**Audit Planning Report
For the year ended December 31, 2017**

KPMG LLP

December 29, 2017, for presentation at the meeting on January 23, 2018

kpmg.ca/audit



The contacts at KPMG in connection with this report are:

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Lead Engagement Partner

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Asifa Hirji

Senior Manager

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At KPMG, we are **passionate** about earning your **trust**. We take deep **personal accountability**, individually and as a team, to deliver **exceptional service and value** in all our dealings with you.

At the end of the day, we measure our success from the **only perspective that matters – yours**.

Executive summary

Audit and business risk

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

- Update on theft incident,
- Development cost charges,
- Employee future benefits, and
- Tangible capital assets.

See pages 5 to 6.

KPMG team

The KPMG team will be led by C.J. James. When necessary, subject matter experts will be involved to ensure our approach is appropriate and robust.

Effective communication

We are committed to transparent and thorough reporting of issues to management and the Finance and Intergovernmental Committee (the “Committee”). We have planned our work to closely coordinate and communicate with KPMG partners and offices conducting local government and other public sector audits in British Columbia.

See Appendix 3.

Materiality

Materiality has been determined based on total expenses. We have determined materiality to be \$1,800,000 for the year ending December 31, 2017 (2016 - \$1,700,000).

See page 4.

Independence

We are independent and have extensive quality control and conflict checking processes in place. We provide complete transparency on all services.

This Audit Planning Report should not be used for any other purpose or by anyone other than the Committee. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this Audit Planning 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.

Materiality

The determination of materiality requires professional judgment and is based on a combination of quantitative and qualitative assessments including the nature of account balances and financial statement disclosures.

The first step is the determination of the amounts used for planning purposes as follows:

Materiality determination	Comments	Amount
Metrics	Relevant metrics included revenue, expenses and accumulated surplus.	
Benchmark	Based on total expenses for the prior year. This benchmark is consistent with the prior year.	\$87,816,000
Materiality	Determined to plan and perform the audit and to evaluate the effects of identified misstatements on the audit and of any uncorrected misstatements on the financial statements. The corresponding amount for the prior year's audit was \$1,700,000.	\$1,800,000
% of Benchmark	The corresponding percentage for the prior year's audit was 2.0%.	2.0%
Performance materiality	Used 75% of materiality, and used primarily to determine the nature, timing and extent of audit procedures. The corresponding amount for the prior year's audit was \$1,275,000.	\$1,350,000
Audit Misstatement Posting Threshold (AMPT)	Threshold used to accumulate misstatements identified during the audit. The corresponding amount for the previous year's audit was \$85,000.	\$90,000

Professional standards require us to re-assess materiality at the completion of our audit based on period-end results or new information in order to confirm whether the amount determined for planning purposes remains appropriate. Our assessment of misstatements, if any, in amounts or disclosures at the completion of our audit will include the consideration of both quantitative and qualitative factors.

Audit approach

The key areas of focus and our audit approach to address these areas identified are as follows:

Areas of audit focus	Why	Our audit approach
Update on theft incident	In February 2017, the City was notified of a theft incident. The City conducted an investigation and \$175,000 of misappropriated funds was recovered.	<ul style="list-style-type: none"> – We have obtained an update from management about the status and results of the investigation. We will inquire with management at year-end about any additional information relevant to the 2017 financial statement audit. – We will review the accounting treatment and financial statement presentation applied to the funds recovered. – We will review the revised internal control processes for purchasing and accounting analysis implemented by management.
Development cost charges (“DCC”)	DCC charged by the City are recorded as a liability and recognized as revenue when the expenditures are incurred.	<ul style="list-style-type: none"> – Update our understanding of the process activities and controls for DCC. – Select a sample of DCC charged, recalculate the total amount, agree each factor in the calculation to supporting documentation (e.g. approved rates) and agree the amount recorded to cash receipts or letters of credit. – Select a sample of DCC expenditures and agree the amount recorded to supporting documentation. – Review the year-end DCC fund balances and identify any funds with a negative balance. For funds with negative balances, inquire with management about the plan for future collection of DCC.
Employee future benefits	The City provides certain post-employment benefits to their employees, which are recorded as a liability. There is estimation uncertainty relating to the actuarial valuation of the liability.	<ul style="list-style-type: none"> – Test the accuracy and completeness of the employee data sent to the actuary for the valuation of the liability. – Review the actuary’s report and assess the reasonableness of significant assumptions, including changes in assumptions from the prior year. – Agree the liability balance in the actuary’s report to the general ledger. – Review the financial statement note disclosures for employee future benefits.

Audit approach (continued)

Areas of audit focus	Why	Our audit approach
Tangible capital assets ("TCA")	Each year the City incurs capital expenditures which are recorded as TCA. Coordination is required between the Finance and Engineering departments to ensure that all projects and assets are accounted for appropriately.	<ul style="list-style-type: none"> – Update our understanding of the process activities and controls for TCA. – Select a sample of TCA additions, including developer contributed assets, and agree the amount recorded in the general ledger to supporting documentation. Ensure each item is recorded in the appropriate TCA category and is appropriate to capitalize. – Select a sample of TCA disposals and recalculate the gain/loss recorded. Agree any proceeds from disposition to cash receipts. – Perform analytical procedures on amortization expense to assess whether the change in the balance from the prior year is reasonable.

Audit approach (continued)

Professional standards presume the risk of fraudulent revenue recognition and the risk of management override of controls exist in all entities.

The risk of fraudulent revenue recognition can be rebutted, but the risk of management override of control cannot, since management is typically 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.

We have rebutted the risk of fraudulent revenue for the City.

Professional requirements	Why	Our audit approach
Fraud risk from management override of controls	This is a presumed fraud risk. We have not identified any specific additional risks of management override relating to this audit.	As the risk 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 and evaluating the business rationale of significant unusual transactions.

Annual inquiries of the Committee

Professional standards require that during the planning of our audit we obtain your views on the risks of potential non-compliance with laws and regulations and the existence of fraud. We make similar inquiries to management as part of our planning process; responses to these questions will assist us in planning our overall audit strategy and audit approach accordingly. We ask the following:

- Are you aware of, or have you identified, any instances of actual, suspected, possible or alleged non-compliance of laws and regulations or 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?
- What are your views about fraud risks at the City?
- Do you believe that the Committee exercises effective oversight of management’s process for identifying and responding to the risk of fraud in the City and the internal controls that management has established to mitigate these fraud risks?
- Are you aware of the City entering into any significant unusual transactions?

If you have any comments on the above questions that you would like to bring to our attention, please contact C.J. James, Engagement Partner.

How we deliver audit quality



Audit cycle and timetable

Our key activities during the year are designed to achieve our one principal objective: To provide a robust audit, efficiently delivered by a high quality team focused on key issues.

Our timeline is in line with prior year and has been agreed upon with management.

Key deliverables for the financial statement audit	Dates
Conduct the interim audit fieldwork	November 21 – 22, 2017
Present the Audit Planning Report to the Committee	January 23, 2018
Conduct year-end audit fieldwork	March 19 – 29, 2018
Present the Audit Findings Report to the Committee	May 8, 2018
Provide the audit opinion on the financial statements	Upon approval of the financial statements by Council

Appendices

Appendix 1: Audit quality and risk management

Appendix 2: KPMG's audit approach and methodology

Appendix 3: Required communications

Appendix 4: Engagement letter summary

Appendix 5: Data & analytics in audit

Appendix 5: Current developments

Appendix 1: Audit quality and risk management

KPMG maintains a system of quality control designed to reflect our drive and determination to deliver independent, unbiased advice and opinions, and also meet the requirements of Canadian professional standards.

Quality control is fundamental to our business and is the responsibility of every partner and employee. The following diagram summarises the six key elements of our quality control systems.

Visit our [Audit Quality Resources](#) page for more information including access to our audit quality report, [Audit quality: Our hands-on process](#).

- Other controls include:
 - Before the firm issues its audit report, a concurring partner reviews the appropriateness of key elements.
 - Technical department and specialist resources provide real-time support to audit teams in the field.
- We conduct regular reviews of engagements and partners. Review teams are independent and the work of every audit partner is reviewed at least once every three years.
- We have policies and guidance to ensure that work performed by engagement personnel meets applicable professional standards, regulatory requirements and the firm's standards of quality.



- All KPMG partners and staff are required to act with integrity and objectivity and comply with applicable laws, regulations and professional standards at all times.
- We do not offer services that would impair our independence.
- The processes we employ to help retain and develop people include:
 - Assignment based on skills and experience;
 - Rotation of partners;
 - Performance evaluation;
 - Development and training; and
 - Appropriate supervision and coaching.
- We have policies and procedures for deciding whether to accept or continue a client relationship or to perform a specific engagement for that client.
- Existing audit relationships are reviewed annually and evaluated to identify instances where we should discontinue our professional association with the client.

Appendix 2: KPMG's audit approach and methodology

Technology-enabled audit workflow (eAudit)

Engagement Setup

- Tailor the eAudit workflow to your circumstances
- Access global knowledge specific to your industry
- Team selection and timetable

Completion

- Tailor the eAudit workflow to your circumstances
- Update risk assessment
- Perform completion procedures and overall evaluation of results and financial statements
- Form and issue audit opinion on financial statements
- Obtain written representation from management
- Required Committee communications
- Debrief audit process



Risk Assessment

- Tailor the eAudit workflow to your circumstances
- Understand your business and financial processes
- Identify significant risks
- Plan the use of KPMG specialists and others including auditor's external experts, management experts, internal auditors, service organizations auditors and component auditors
- Determine audit approach
- Evaluate design and implementation of internal controls (as required or considered necessary)

Testing

- Tailor the eAudit workflow to your circumstances
- Perform tests of operating effectiveness of internal controls (as required or considered necessary)
- Perform substantive tests

Appendix 3: Required communications

In accordance with professional standards, there are a number of communications that are required during the course of our audit. These include:

- **Engagement letter** – the objectives of the audit, our responsibilities in carrying out our audit, as well as management’s responsibilities, are set out in the engagement letter. For your information, management’s responsibilities and the auditors’ responsibilities are summarized in Appendix 4.
- **Audit planning report** – as attached.
- **Required inquiries** – professional standards require that during the planning of our audit we obtain your views on risk of fraud and other matters. We make similar inquiries to management as part of our planning process; responses to these will assist us in planning our overall audit strategy and audit approach accordingly.
- **Management representation letter** – we will obtain from management certain representations at the completion of the audit. In accordance with professional standards, a copy of the representation letter will be provided to the Committee.
- **Audit findings report** – at the completion of our audit, we will provide a report to the Committee.
- **Independence** – at the completion of our audit, we will re-confirm our independence to the Committee.

Appendix 4: Engagement letter summary

Management's responsibilities

Management acknowledges and understands that they are responsible for:

- the preparation and fair presentation of the financial statements in accordance with the financial reporting framework referred to above
- ensuring that all transactions have been recorded and are reflected in the financial statements
- such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Management also acknowledges and understands that they are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud
- providing us with access to all information of which management is aware that is relevant to the preparation of the financial statements such as financial records, documentation and other matters, including the names of all related parties and information regarding all relationships and transactions with related parties
- providing us with additional information that we may request from management for the purpose of the audit
- providing us with unrestricted access to persons within the City from whom we determine it necessary to obtain audit evidence
- providing us with written representations required to be obtained under professional standards and written representations that we determine are necessary. Management also acknowledges and understands that, as required by professional standards, we may disclaim an audit opinion when management does not provide certain written representations required.
- ensuring that internal auditors providing direct assistance to us, if any, will be instructed to follow our instructions and that management, and others within the City, will not intervene in the work the internal auditors perform for us.

Auditor's responsibilities regarding the audit of the financial statements

Our function as auditors of the City is:

- to express an opinion on whether the City's annual financial statements, prepared by management with the oversight of those charged with governance, are, in all material respects, in accordance with the financial reporting framework referred to above
- to report on the annual financial statements

We will conduct the audit of the City's annual financial statements in accordance with Canadian generally accepted auditing standards and relevant ethical requirements, including those pertaining to independence (hereinafter referred to as applicable "professional standards").

We will plan and perform the audit to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error. Accordingly, we will, among other things:

- identify and assess risks of material misstatement, whether due to fraud or error, based on an understanding of the City and its environment, including the City's internal control. In making those risk assessments, we consider internal control relevant to the City's preparation of the annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control
- obtain sufficient appropriate audit evidence about whether material misstatements exist, through designing and implementing appropriate responses to the assessed risks
- form an opinion on the City's annual financial statements based on conclusions drawn from the audit evidence obtained
- communicate matters required by professional standards, to the extent that such matters come to our attention, to the appropriate level of management, those charged with governance and/or the board of directors. The form (oral or in writing) and the timing will depend on the importance of the matter and the requirements under professional standards.

Auditor's responsibilities regarding the audit of the Home Owner Grant: Treasurer/Auditor Certificate

We will perform audit procedures with respect to the Home Owner Grant: Treasurer / Auditor Certificate ("the Certificate") in accordance with Canadian generally accepted auditing standards with the objective of expressing an opinion on whether the financial information in the Certificate presents fairly, in all material respects, in accordance with Section 12 of the Home Owner Grant Act. However, we cannot provide assurance that an opinion without reservation will be rendered. Circumstances may arise in which it is necessary for us to modify our audit report or withdraw from the audit engagement. In such circumstances, our findings or reasons for withdrawal will be communicated to management and the Council.

The report will indicate that it is intended solely for the information and use of the City and the Ministry of Community, Sport, and Cultural Development and that it is not intended to be and should not be used by anyone other than these specified parties.

Auditor's responsibilities regarding the compliance with Subsections 2 and 3 of Section 124 of Part 8 of the School Act

We will perform audit procedures with respect to the City's compliance with subsections 2 and 3 of section 124 of Part 8 of the School Act in accordance with Canadian generally accepted auditing standards with the objective of expressing an opinion on whether the City is in compliance with subsections 2 and 3 of section 124 of Part 8 of the School Act. However, we cannot provide assurance that an opinion without reservation will be rendered. Circumstances may arise in which it is necessary for us to modify our audit report or withdraw from the audit engagement. In such circumstances, our findings or reasons for withdrawal will be communicated to management and the Council.

The report will indicate that it is intended solely for the information and use of the City and the Ministry of Community, Sport and Cultural Development and that it is not intended to be and should not be used by anyone other than these specified parties.

Appendix 5: Data & analytics in audit

Turning data into value

KPMG continues to make significant investments in our Data & Analytics (D&A) capabilities to help enhance audit quality and provide actionable insight to our clients by unlocking the rich information that businesses hold.

When D&A is applied to the audit, it enables us to test complete data populations and understand the business reasons behind outliers and anomalies. Advancements in D&A tools allow us to analyze data at more granular levels, focusing on higher risk areas of the audit and developing insights you can then leverage to improve compliance, potentially uncover fraud, manage risk and more.

KPMG is enhancing the audit

The combination of our proven industry experience, technical know-how and external data allows us to focus our audit on the key business risks, while providing relevant insights of value to you.

For the audit

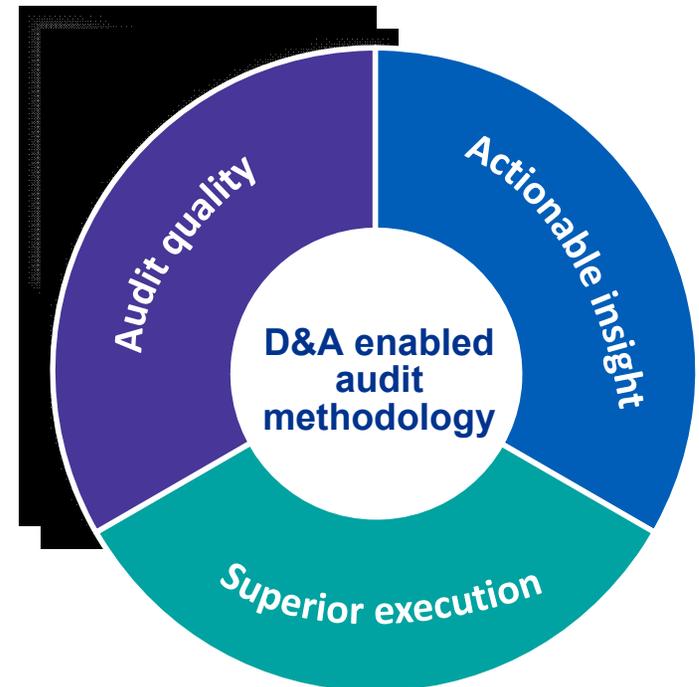
Audit quality

- Automated testing of 100% of the population
- Focuses manual audit effort on key exceptions and identified risk areas

For your business

Actionable insight

- Helping you see your business from a different perspective
- How effectively is your organization using your systems?



Appendix 6: Current developments

Public Sector Accounting Standards

Standard	Summary and implications
Related Party Transactions and Inter-entity Transactions	<ul style="list-style-type: none"> – Two new Handbook sections were approved in December 2014, effective for fiscal years beginning on or after April 1, 2017. – Related parties include entities that control or are controlled by a reporting entity, entities that are under common control and entities that have shared control over or that are subject to shared control of a reporting entity. – Individuals that are members of key management personnel and close members of their family are related parties. Disclosure of key management personnel compensation arrangements, expense allowances and other similar payments routinely paid in exchange for services rendered is not required. – Determining which related party transactions to disclose is a matter of judgment based on assessment of: <ul style="list-style-type: none"> • the terms and conditions underlying the transactions; • the financial significance of the transactions; • the relevance of the information; and • the need for the information to enable users’ understanding of the financial statements and for making comparisons. – A related party transaction, with the exception of contributed goods and services, should normally be recognized by both a provider organization and a recipient organization on a gross basis. – Related party transactions, if recognized, should be recorded at the exchange amount. A public sector entity’s policy, budget practices or accountability structures may dictate that the exchange amount is the carrying amount, consideration paid or received or fair value.
Assets, Contingent Assets and Contractual Rights	<ul style="list-style-type: none"> – Three new Handbook sections were approved in March 2015, effective for fiscal years beginning on or after April 1, 2017. – The intended outcome of the three new Handbook Sections is improved consistency and comparability. – The standard includes enhanced guidance on the definition of assets and disclosure of assets to provide users with better information about the types of resources available to the public sector entity. – Disclosure of contingent assets and contractual rights is required to provide users with information about the nature, extent and timing of future assets and potential assets and revenues available to the public sector entity when the terms of those contracts are met.

Standard	Summary and implications
Employee Future Benefit Obligations	<ul style="list-style-type: none"> – PSAB has initiated a review of sections PS3250 Retirement Benefits and PS3255 Post-Employment Benefits. Given the complexity of issues involved and potential implications of any changes that may arise from this review, the project will be undertaken in phases. Phase I will address specific issues related to measurement of employment benefits. Phase II will address accounting for plans with risk sharing features, multi-employer defined benefit plans and sick leave benefits. – An Invitation to Comment was issued in November 2016 and closed March 2017, seeking guidance on whether the deferral provisions in existing public sector standards remain appropriate and justified and the appropriateness of accounting for various components of changes in the value of the accrued benefit obligation and plan assets. Responses are currently under deliberation. – An Invitation to Comment is expected to be issued in November 2017 seeking guidance on the present value measurement of accrued benefit obligations. Webinars with an overview of the Invitation to Comment are scheduled for January 2018. – The ultimate objective of this project is to issue a new employment benefits section to replace existing guidance.
Asset Retirement Obligations	<ul style="list-style-type: none"> – A new standard is under development addressing the recognition, measurement, presentation and disclosure of legal obligations associated with retirement of tangible capital assets in productive use. Retirement costs would be recognized as an integral cost of owning and operating tangible capital assets. PSAB currently contains no specific guidance in this area. – PSAB recently released an Exposure Draft following the consideration of comments received in response to the previously released Statement of Principles. Responses are currently under deliberation. – The proposed ARO standard would 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 would be added to the historical cost of the asset and amortized over its useful life. – As a result of the proposed standard, the public sector entity would have to: <ul style="list-style-type: none"> • consider how the additional liability will impact net debt, as a new liability will be recognized with no corresponding increase in a financial asset; • carefully review legal agreements, senior government directives and legislation in relation to all controlled TCA to determine if any legal obligations exist with respect to asset retirements; • begin considering the potential effects on the organization as soon as possible to coordinate with resources outside the finance department to identify AROs and obtain information to estimate the value of potential AROs to avoid unexpected issues. – The Exposure Draft has a proposed effective date of April 1, 2021 for the standard.

Standard	Summary and implications
Public Private Partnerships	<ul style="list-style-type: none"> – A taskforce was established in 2016 as a result of increasing use of public private partnerships for the delivery of services and provision of assets. – A Statement of Principles (SOP) was issued in August 2017 which proposes new requirements for recognizing, measuring and classifying infrastructure procured through a public private partnership. Responses are currently under deliberation. – The SOP proposes that recognition of infrastructure by the public sector entity would occur when it controls the purpose and use of the infrastructure, when it controls access and the price, if any, charged for use, and it controls any significant interest accumulated in the infrastructure when the P3 ends. – The SOP proposes the public sector entity recognize a liability when it needs to pay cash or non-cash consideration to the private sector partner for the infrastructure. – The infrastructure would be valued at cost, with a liability of the same amount if one exists. Cost would be measured by discounting the expected cash flows by a discount rate that reflects the time value of money and risks specific to the project.
Revenue	<ul style="list-style-type: none"> – PSAB is proposing a single framework to categorize revenues to enhance the consistency of revenue recognition and its measurement. – An Exposure Draft (ED) was issued in May 2017 seeking feedback from stakeholders. Responses are currently under deliberation. – The ED proposes that in the case of revenues arising from an exchange, a public sector entity must ensure the recognition of revenue aligns with the satisfaction of related performance obligations. – The ED proposes that unilateral revenues arise when no performance obligations are present, and recognition occurs when there is authority to record the revenue and an event has happened that gives the public sector entity the right to the revenue. – The new section would be applied retroactively with restatement for fiscal years beginning on or after April 1, 2021.

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