



## Notice of Meeting and Meeting Agenda Capital Region Housing Corporation Board

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Wednesday, January 10, 2024

1:00 PM

6th Floor Boardroom  
625 Fisgard Street  
Victoria, BC

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The Capital Regional District strives to be a place where inclusion is paramount and all people are treated with dignity. We pledge to make our meetings a place where all feel welcome and respected.

### 1. TERRITORIAL ACKNOWLEDGEMENT

### 2. APPROVAL OF THE AGENDA

### 3. ADOPTION OF MINUTES

#### 3.1. [24-026](#) Minutes of the December 13, 2023 Capital Region Housing Corporation Board

**Recommendation:** That the minutes of the Capital Region Housing Corporation Board meeting of December 13, 2023 be adopted as circulated.

**Attachments:** [Minutes - December 13, 2023](#)

### 4. REPORT OF THE CHAIR

### 5. PRESENTATIONS/DELEGATIONS

*The public are welcome to attend CRD Board meetings in-person.*

*Delegations will have the option to participate electronically. Please complete the online application at [www.crd.bc.ca/address](http://www.crd.bc.ca/address) no later than 4:30 pm two days before the meeting and staff will respond with details.*

*Alternatively, you may email your comments on an agenda item to the CRD Board at [crdboard@crd.bc.ca](mailto:crdboard@crd.bc.ca).*

#### 5.1. Presentations

##### 5.1.1. [24-037](#) Presentation: CRHC 2023 Audit Planning, Lenora Lee, Lead Audit Engagement Partner, KPMG (Verbal)

### 6. CONSENT AGENDA

### 7. ADMINISTRATION REPORTS

7.1. [23-978](#) Capital Region Housing Corporation 2023 Audit Planning Discussion

**Recommendation:** That the Capital Region Housing Corporation 2023 Audit Plan developed by KPMG be approved.

**Attachments:** [Staff Report: CRHC 2023 Audit Planning Discussion](#)  
[Appendix A: KPMG CRHC 2023 Audit Planning Report](#)

8. REPORTS OF COMMITTEES

9. NOTICE(S) OF MOTION

10. NEW BUSINESS

11. ADJOURNMENT

## Meeting Minutes

### Capital Region Housing Corporation Board

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Wednesday, December 13, 2023

1:00 PM

6th Floor Boardroom  
625 Fisgard Street  
Victoria, BC

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#### PRESENT

DIRECTORS: Z. de Vries (Chair), J. Caradonna (Vice Chair), M. Alto (EP), J. Bateman (for M. Tait) (EP), P. Brent, S. Brice, C. Coleman (EP), B. Desjardins, S. Goodmanson, G. Holman, P. Jones, D. Kobayashi, M. Little, C. McNeil-Smith, K. Murdoch, D. Murdock, C. Plant, L. Szpak, D. Thompson, S. Tobias, A. Wickheim, K. Williams, R. Windsor (EP)

STAFF: T. Robbins, Chief Administrative Officer; N. Chan, Chief Financial Officer; A. Fraser, General Manager, Integrated Water Services; L. Hutcheson, General Manager, Parks and Environmental Services; K. Lorette, General Manager, Planning and Protective Services; K. Morley, General Manager, Corporate Services; M. Lagoa, Deputy Corporate Officer; S. Orr, Senior Committee Clerk (Recorder)

EP - Electronic Participation

Regrets: Director(s) J. Brownoff, M. Tait

The meeting was called to order at 1:06 pm.

#### 1. TERRITORIAL ACKNOWLEDGEMENT

Vice Chair Caradonna provided a Territorial Acknowledgement.

#### 2. APPROVAL OF THE AGENDA

**MOVED** by Director Szpak, **SECONDED** by Director Murdoch,  
That the agenda for the December 13, 2023 Session of the Capital Region  
Housing Corporation Board be approved.  
**CARRIED**

#### 3. ADOPTION OF MINUTES

- 3.1. [23-927](#) Minutes of the November 8, 2023 Capital Region Housing Corporation Board

**MOVED** by Director Szpak, **SECONDED** by Director Little,  
That the minutes of the Capital Region Housing Corporation Board meeting of  
November 8, 2023 be adopted as circulated.  
**CARRIED**

**4. REPORT OF THE CHAIR**

**5. PRESENTATIONS/DELEGATIONS**

There were no presentations or delegations.

**6. CONSENT AGENDA**

**MOVED** by Director Szpak, **SECONDED** by Director Kobayashi,  
That consent agenda items 6.1. through 6.4. be approved.  
**CARRIED**

**6.1.     [23-907](#)           2024 Portfolio Operating Budgets**

1. That the 2024 Operating Budget for the Umbrella Operating Agreement be approved;
  2. That the 2024 Operating Budget for the No Operating Agreement be approved;
  3. That the 2024 Operating Budget for the Regional Housing First Program Agreement be approved;
  4. That the 2024 Operating Budget for the Investment in Housing Innovation be approved;
  5. That the 2024 Operating Budget for the Community Housing Fund (CHF) be approved;
  6. That the 2024 Operating Budget for the Independent Living BC Agreement be approved; and
  7. That any 2023 operating surplus/(deficits) to be transferred to/(from) the individual Portfolio Stabilization Reserves be approved.
- CARRIED**

**6.2.     [23-906](#)           2024 Administration, Development Services & Routine Services Budgets**

1. That the Capital Region Housing Corporation 2024 Administration Budget be approved;
  2. That the Capital Region Housing Corporation 2024 Development Services Budget be approved; and
  3. That the Capital Region Housing Corporation 2024 Routine Replacement Services Budget be approved.
- CARRIED**

**6.3.**     [23-905](#)     Five-Year Updated Routine Capital Plans (2024-2028)

1. a) That the Capital Region Housing Corporation Umbrella Operating Agreement (UOA) Updated Five-Year Routine Capital Plan 2020-2024 be approved; and  
b) That staff be authorized to implement the UOA 2024 Routine Capital Plan.
  2. a) That the Independent Living BC 2 (ILBC2) Updated Five-Year Routine Capital Plan 2024-2028 be approved; and  
b) That staff be authorized to implement the ILBC2 2024 Routine Capital Plan.
  3. a) That the No Operating Agreement (NOA) Updated Five-Year Routine Capital Plan 2024-2028 be approved; and  
b) That staff be authorized to implement the NOA 2024 Routine Capital Plan.
  4. a) That the Investment in Housing Innovation (IHI) Updated Five-Year Routine Capital Plan 2024-2028 be approved; and  
b) That staff be authorized to implement the IHI 2024 Routine Capital Plan.
  5. a) That the Regional Housing First Program (RHFP) Updated Five-Year Routine Capital Plan 2024-2028 be approved; and  
b) That staff be authorized to implement the RHFP 2024 Routine Capital Plan.
  6. a) That the Community Housing Fund (CHF) Five-Year Routine Capital Plan 2024-2028 be approved; and  
b) That staff be authorized to implement the CHF 2024 Routine Capital Plan.
- CARRIED**

**6.4.**     [23-908](#)     Major Capital Plan (2024-2028)

1. That the Major Capital Plan (2024-2028) be approved; and
  2. That the Chief Administrative Officer, or their duly authorized delegate, be authorized to apply for, negotiate and accept the terms to receive funds for up to six development projects through funding programs as necessary and as they become available.
- CARRIED**

**7. ADMINISTRATION REPORTS**

There were no administration reports.

**8. REPORTS OF COMMITTEES**

There were no reports of committees.

**9. NOTICE(S) OF MOTION**

There were no notice(s) of motion.

**10. NEW BUSINESS**

There was no new business.

**11. ADJOURNMENT**

**MOVED** by Director Little, **SECONDED** by Director Thompson,  
That the December 13, 2023 Capital Region Housing Corporation Board meeting  
be adjourned at 1:09 pm.  
**CARRIED**

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CHAIR

CERTIFIED CORRECT:

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CORPORATE OFFICER

**REPORT TO CAPITAL REGION HOUSING CORPORATION BOARD  
MEETING OF WEDNESDAY, JANUARY 10, 2024**

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**SUBJECT**      **Capital Region Housing Corporation 2023 Audit Planning Discussion**

**ISSUE SUMMARY**

This report provides information to the Capital Region Housing Corporation Board (the Board) on the 2023 Audit Plan and related work to be completed by KPMG for the 2023 audit of the Capital Region Housing Corporation (CRHC) financial statements.

**BACKGROUND**

As a local government-controlled entity, the CRHC is required by the Inspector of Municipalities to appoint an auditor pursuant to its articles of incorporation and the *Business Corporations Act*. Through a public procurement process, KPMG was selected to perform the upcoming audit.

Consistent with the approach from previous years, the auditors circulate the audit plan to the Board for information prior to the start of the audit. KPMG will make a presentation to the Board to review the 2023 annual Audit Planning Report (Appendix A), as a fundamental component of the CRHC's annual financial statement audit. This standard audit procedure is similarly undertaken by other local governments in the region.

The presentation will provide the Board with an overview of the audit strategy and approach that KPMG will use in addressing any significant risks. The audit plan is designed to identify and address key financial reporting risks, including fraud, by evaluating the existence, quality and effectiveness of management's internal controls over financial reporting. KPMG notes in Appendix A that they have not identified any areas of significant financial reporting risks. However, there is a presumed fraud risk around management override of controls. KPMG addresses this risk by performing testing of journal entries and other adjustments, performing a retrospective review of estimates and evaluating the business rationale of significant unusual transactions. Additionally, at the Board meeting, KPMG will obtain the Board's views on the risk of fraud for the CRHC.

KPMG will present to the Board an overview of the audit cycle, timetable and specific areas of audit focus. The audit will focus on the adoption of PS 3280 *Asset Retirement Obligations* accounting standard, government contributions and building developments and redevelopments. KPMG will provide the basis of audit materiality they deem necessary to evaluate any misstatements they identify during the audit.

**ALTERNATIVES**

*Alternative 1*

That the Capital Region Housing Corporation 2023 Audit Plan developed by KPMG be approved.

*Alternative 2*

That this report be referred back to staff for additional information.

## **IMPLICATIONS**

### *Financial Implications*

KPMG will begin the year-end audit field work February 20, 2024, which will take approximately two weeks. The auditors will perform sample testing on many areas including invoices, journal entries, accounts receivables and accounts payables. In compliance with Canadian Public Sector Accounting Standards (PSAS), this testing will ensure that all aspects of financial transactions are being recorded and reported in the financial statements. Additionally, as part of the audit process, the auditors will provide a detailed Audit Findings Report. The finalized financial statements will be presented to the Hospitals and Housing Committee along with the Audit Findings Report.

## **CONCLUSION**

KPMG's primary objective of the Financial Statement audit is to present an opinion on the extent to which the CRHC's consolidated financial statements are fairly presented, in accordance with the PSAS. As part of the annual audit, KPMG provides an audit plan to the Board. The auditors will conduct their audit of the 2023 financial statements pursuant to this plan.

## **RECOMMENDATION**

That the Capital Region Housing Corporation 2023 Audit Plan developed by KPMG be approved.

|               |  |
|---------------|--|
| Submitted by: | Rianna Lachance, BCom, CPA, CA, Senior Manager, Financial Services           |
| Concurrence:  | Nelson Chan, MBA, FCPA, FCMA, Chief Financial Officer                        |
| Concurrence:  | Kevin Lorette, P. Eng., MBA, General Manager, Planning & Protective Services |
| Concurrence:  | Ted Robbins, B. Sc., C. Tech., Chief Administrative Officer                  |

## **ATTACHMENT:**

Appendix A: KPMG CRHC 2023 Audit Planning Report



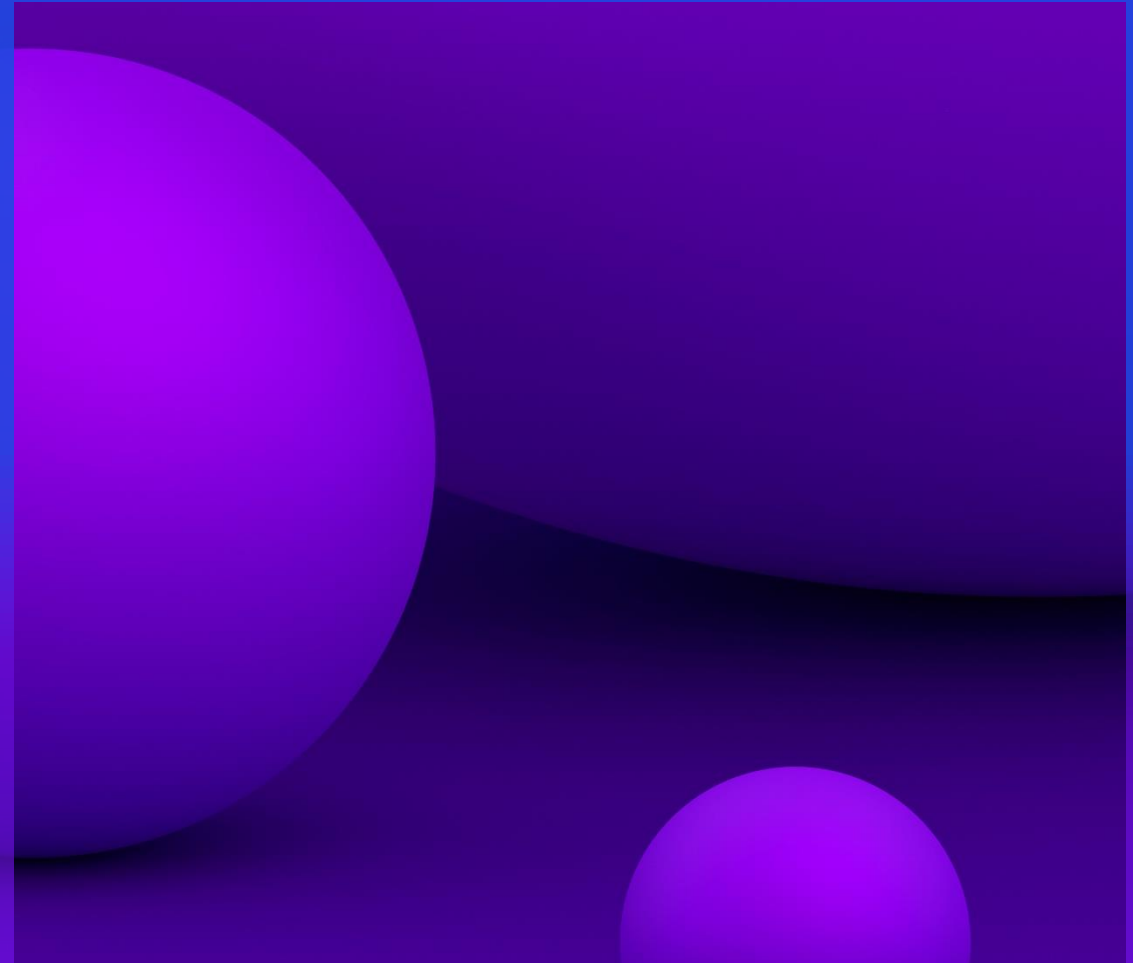
# Capital Region Housing Corporation

Audit Planning Report  
for the year ended  
December 31, 2023

A stylized signature of 'KPMG LLP' in a cursive font, with a horizontal line underneath.

Prepared for the Board of Directors meeting on January 10, 2024

[kpmg.ca/audit](https://kpmg.ca/audit)



# KPMG contacts

## Key contacts in connection with this engagement

### **Lenora Lee**

Lead Audit Engagement Partner

250-480-3588

lenoramlee@kpmg.ca

### **Sarah Burden**

Senior Manager

250-480-3562

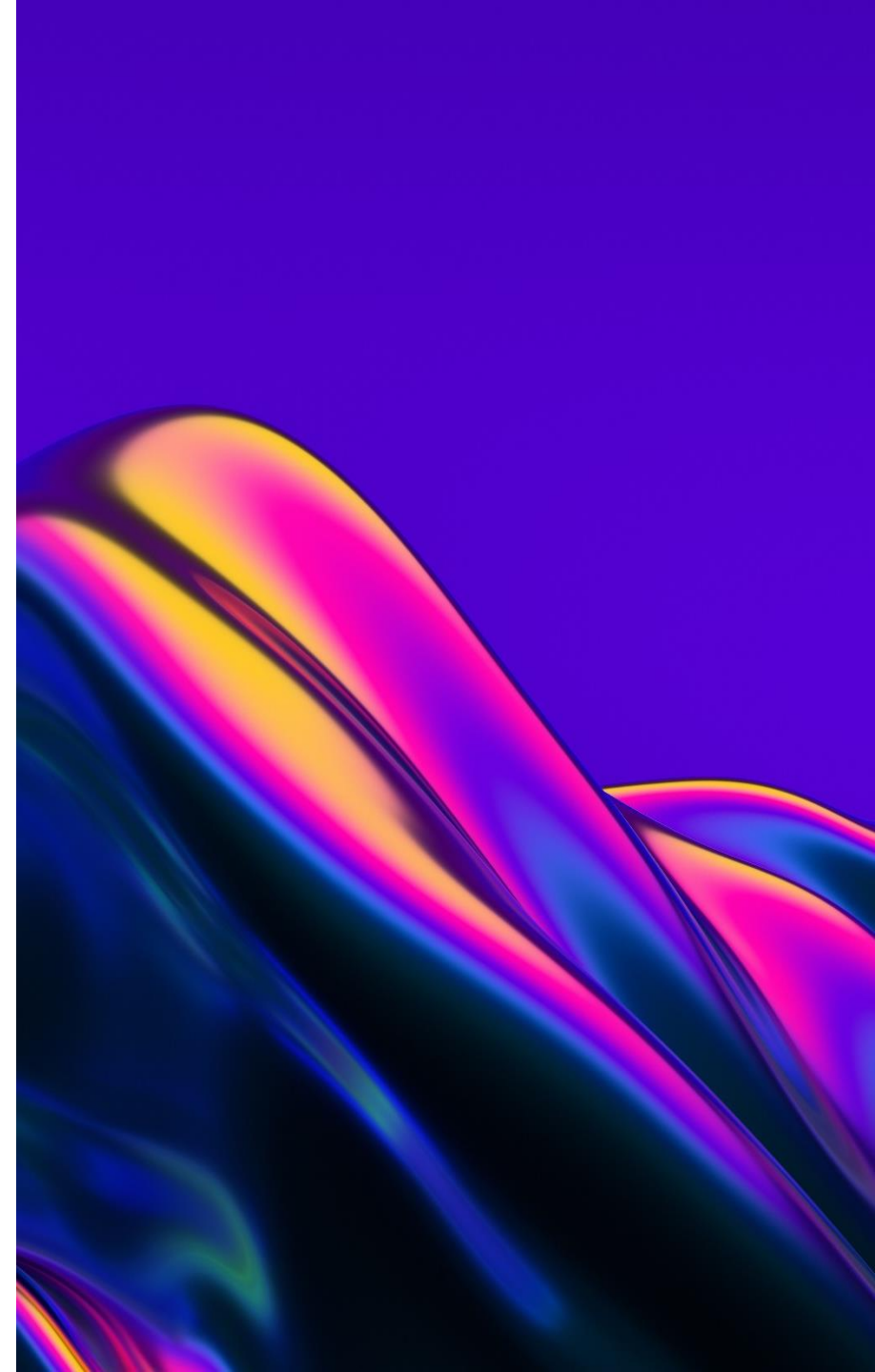
sburden1@kpmg.ca

### **Cameron Rice-Gural**

Senior Manager

250-480-3677

cricegural@kpmg.ca



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Appendices

The purpose of this report is to assist you, as a member of the Board of Directors, 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, and the Board of Directors and should not be used for any other purpose or any other party. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this report to the Board of Directors 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 financial statements (“financial statements”) of Capital Region Housing Corporation (the “Entity” or “CRHC”) as of and for the year ended December 31, 2023, will be performed in accordance with Canadian generally accepted auditing standards.

## Audit strategy

Materiality \$700,000



Updates to our prior year audit plan



- Implementation of new accounting standards
- Implementation of new auditing standards



Involvement of others



Required communications



## Risk assessment



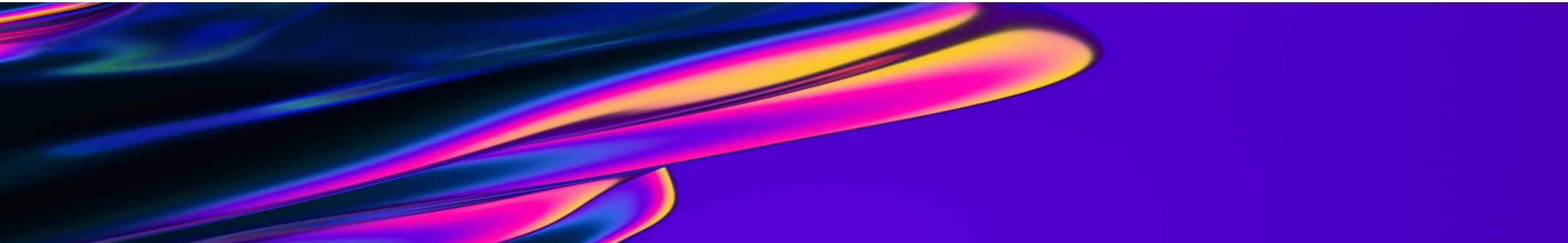
Risk of management override of controls



Other significant risks

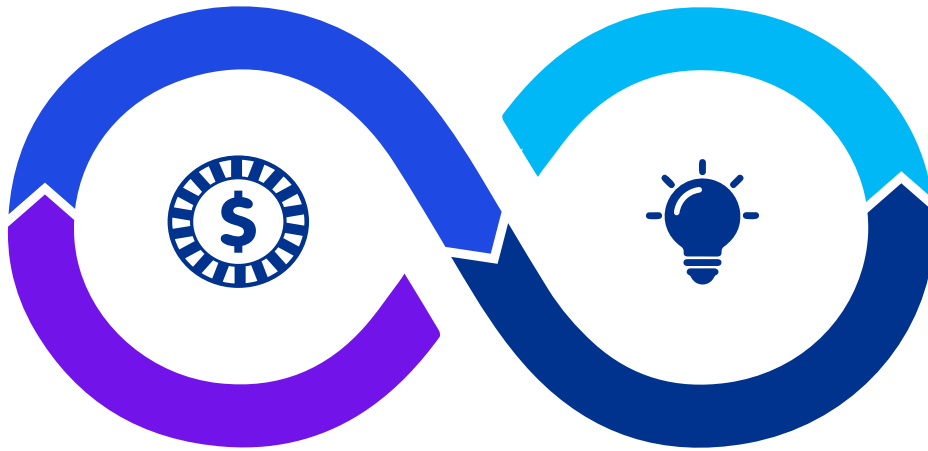


Other risks of material misstatement





# 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.

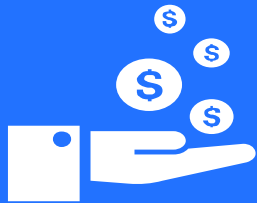
## Evaluate the effect of misstatements

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.



# Materiality



**Materiality**  
**\$700,000**  
(2022: \$600,000)

**Prior year normalized revenues\***

**\$31.5 million**  
(2022: \$25 million)

**% Benchmark**

**2.2%**  
(2022: 2.4%)

**Audit Misstatement Posting Threshold**

**\$35,000**  
(2022: \$30,000)

\*Normalized for one-time, non-recurring grants received



# Updates to our prior year audit plan

## New significant risks



### No significant risks noted



We have not identified significant risks of material misstatement, except for the presumed risk of management override of controls, which is required by professional standards. This assessment is consistent with previous years. Any changes to the audit plan will be communicated to Management and the Board of Directors (the “Board”).

## Other significant changes



### No significant changes noted



There are no significant changes noted



### Newly effective accounting standards



New accounting standards effective for the year ending December 31, 2023 include:

- *PS 3280, Asset retirement obligations*

New accounting standards effective for the year ending December 31, 2024 include:

- *PS 3400, Revenue*

See Appendix 3 for further details.

Newly effective  
accounting standards



### Newly effective auditing standards



There are three new auditing standards effective for year ending December 31, 2023 related to quality management. See Appendix 4 for further details.

Newly effective  
auditing standards





# Risk assessment summary

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

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

|   |   | Risk of fraud | Risk of error | Risk rating |
|---|---|---------------|---------------|-------------|
| ● | Management override of controls                               | ✓             |               | Significant |
| ● | Asset retirement obligations                                  |               | ✓             | Elevated    |
| ● | Government contributions                                      |               | ✓             | Elevated    |
| ● | Capital assets (new building developments and redevelopments) |               | ✓             | Elevated    |

● ELEVATED RISK ● PRESUMED RISK OF MATERIAL MISSTATEMENT



# Risk assessment summary

We highlight below examples of audit procedures we will perform to refresh our understanding of the organization and its internal controls to inform our risk assessment and design procedures to address where material errors could occur.

## Risk Assessment Procedures

- Update our understanding of the Entity and its environment (industry, economic environment, regulatory and legislative requirements).
- Identify key business processes (Treasury and Debt, Revenue, Purchases and Payments, Payroll) and where material errors in the financial statements could arise, including from error and fraud.
- Validate our understanding of key business processes by performing a walkthrough of each significant process to determine if the process operates as described.
- Update our understanding of the Entity's internal controls and risk assessment processes and evaluate their suitability based on the nature and complexity of the organization.
- Evaluate if a culture of honesty and ethical behaviour has been created and maintained.
- Evaluate if appropriate policies and procedures for communications and information systems are in place to support accurate and timely preparation of the financial statements.
- Documents inspected will include Code of Conduct, Reporting of Serious Misconduct Policy and Procedure, Quarterly financial reporting and management updates.



# Significant risks



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

RISK OF



FRAUD

## Why is it significant?

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

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.

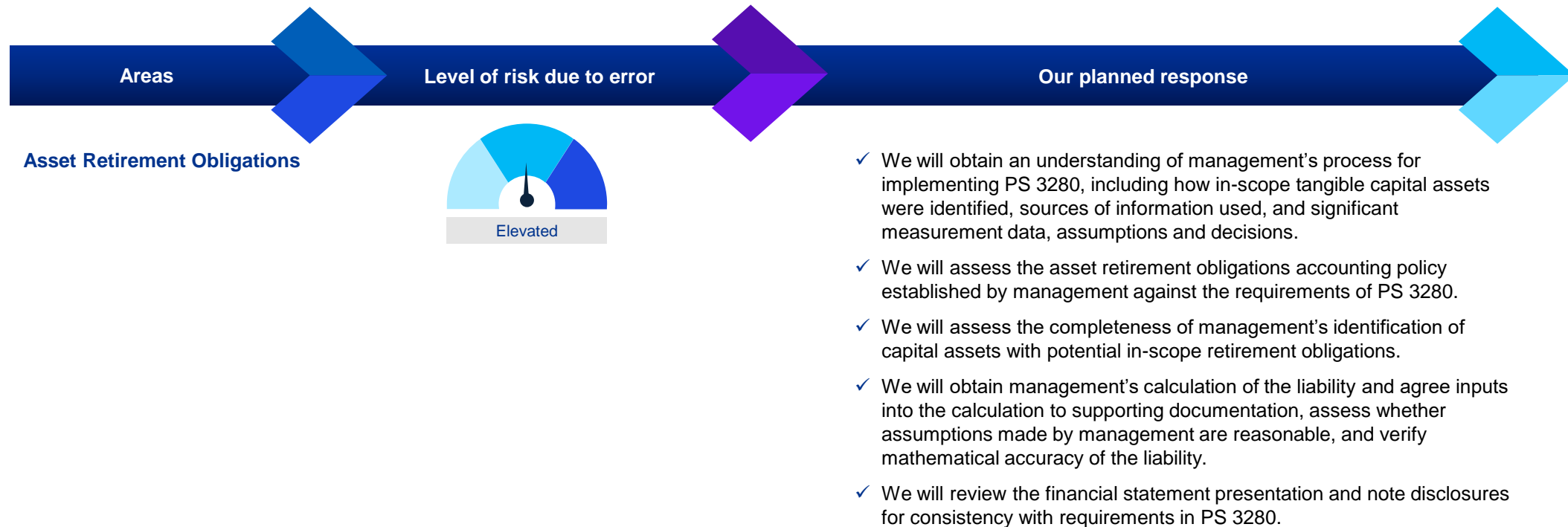
## Inquires required by professional standards

**Fraud inquires of  
those charged with  
governance**

- How do you oversee fraud risk assessments and the establishment of controls to address fraud risks?
- What are your views about fraud risks, including management override of controls, at the entity and whether you have taken any actions to respond to these risks?
- Are you aware of, or have you identified, any instances of actual, suspected, or alleged fraud, including misconduct or unethical behavior related to financial reporting or misappropriation of assets? If so, have the instances been appropriately addressed and how have they been addressed?
- Are you aware of or have you received tips or complaints regarding the entity's financial reporting (including those received through the internal whistleblower program, if such program exists) and, if so, what was your response to such tips and complaints?
- What is the Board's understanding of the entity's relationships and transactions with related parties that are significant to the entity?
- Does any member of the Board have concerns regarding relationships or transactions with related parties and, if so, what are the substance of those concerns?
- Has the entity entered into any significant unusual transactions?

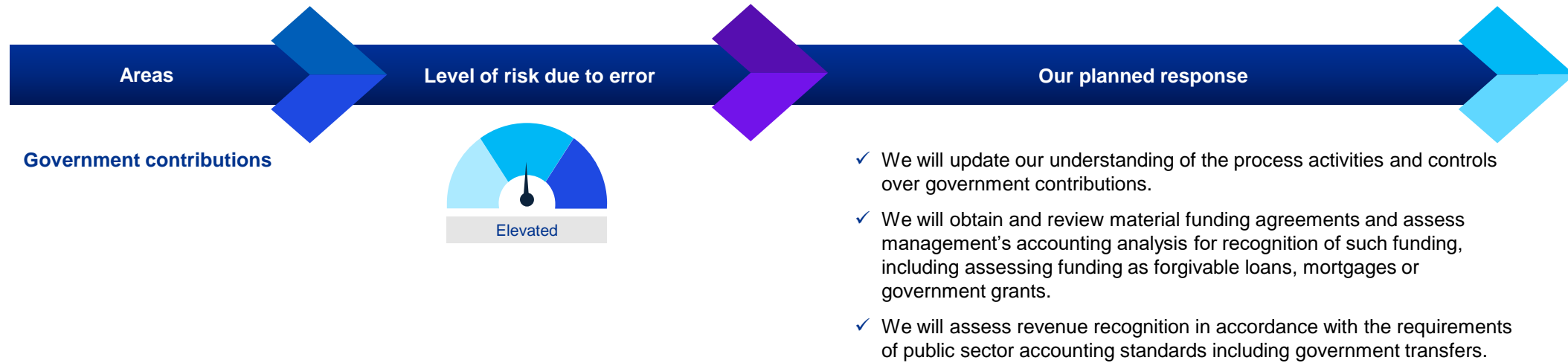


# Areas of focus



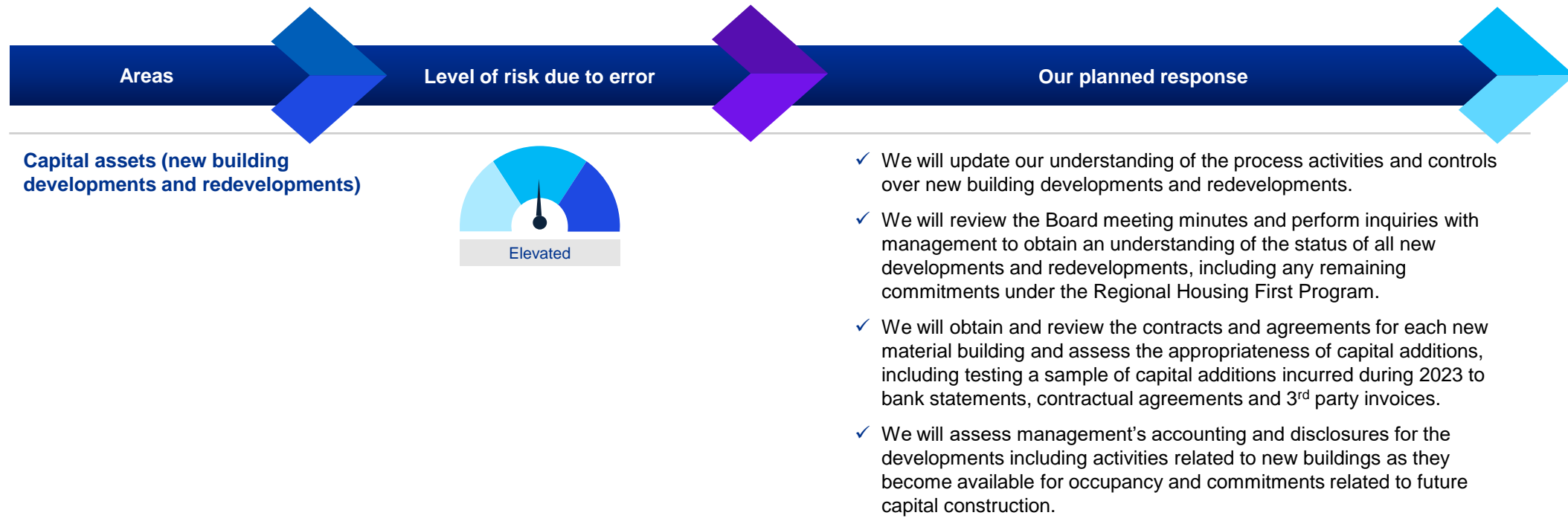


# Areas of focus





# Areas of focus





# Other substantive audit procedures

In addition to the areas of focus previously described, we highlight below examples of audit procedures we will perform to obtain evidence over the existence, accuracy and completeness of the financial statements, including presentation and disclosure.

## Substantive Audit Procedures

- Cash, investments and debt balances will be confirmed with the respective financial institutions.
- A sample of payments made after year end will be tested to determine if they were recorded in the appropriate fiscal year.
- Revenues and expenses will be tested by way of analytical procedures, developing an expectation based on prior year and budget, and comparing to actual.
- Salaries and wage expense will include testing internal controls over management review of payroll expense as well as comparing actual to prior year.
- A sample of new subsidized tenants will be tested to determine if the Subsidized Tenant Selection Process was followed to verify qualification and ordering of tenant selection.



# Concluding and Reporting

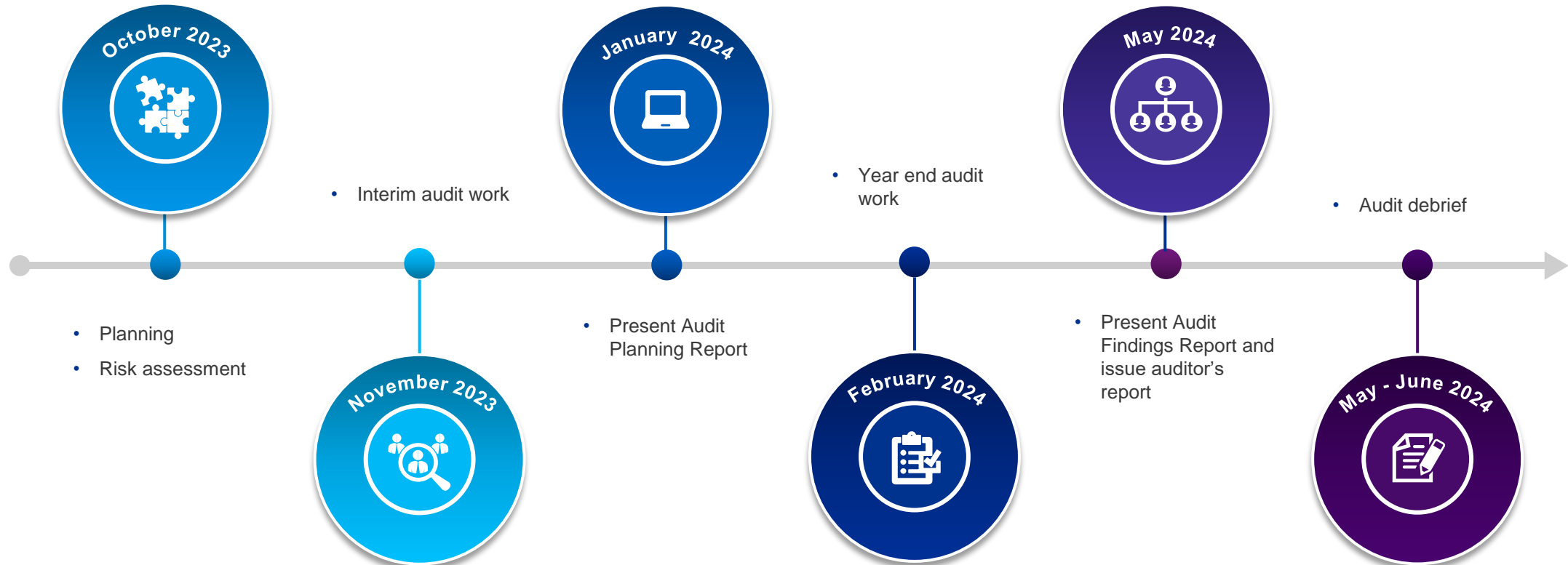
We highlight below examples of audit procedures we will perform to conclude on the reasonability of financial statements as a whole.

## Concluding and Reporting Procedures

- Evaluate management bias in the preparation of financial statements, based on patterns in the selection and application of accounting policies and principles.
- Financial statement presentation and disclosure will be evaluated for compliance with accounting standards and comparability to industry leading practice, for example financial reporting award requirements of Government Finance Officers Association International.
- Legal exposure and estimates of contingency provisions will be evaluated against supporting documentation including direct confirmation with external legal counsel.
- Disclosures in the financial statement notes will be evaluated for completeness based on our knowledge of the Entity's ability to continue as a going concern, related party transactions, future contractual commitments and events occurring after year end.
- Deficiencies in internal control and other control observations will be discussed with management, and if significant, communicated to the Board through a separate communication entitled Management Letter.



# Key milestones and deliverables



# Appendices

**1**

Required  
communications

**2**

Audit quality

**3**

Changes in  
accounting standards

**4**

Newly effective and  
upcoming changes to  
auditing standards

**5**

Thought leadership  
and insights





# Appendix 1: Required communications



## Auditor's report

A copy of our draft auditor's report setting out the conclusion of our audit will be provided at the completion of the audit.

## 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.



## Audit findings report

At the completion of the audit, we will provide our findings report to the Board.

## 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 Board.



## Independence

We are independent and have a robust and consistent system of quality control. We provide complete transparency on all services and follow the Board's approved protocols. At the completion of our audit, we will re-confirm our independence to the Board.

## Internal control deficiencies

Control deficiencies identified during the audit will be communicated to management and the Board.



# Appendix 2: 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.

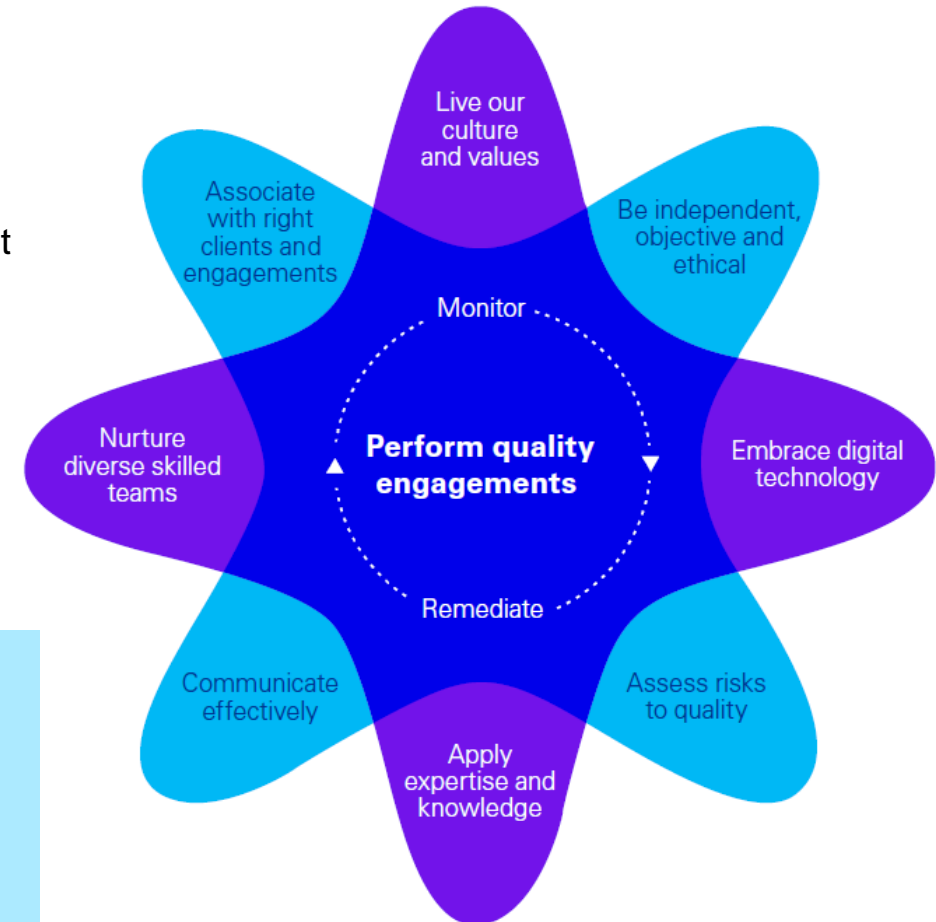
**Perform quality engagement** sits at the core along with our commitment to continually monitor and remediate to fulfil on our quality drivers.

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 3: Changes in accounting standards

**PS 3280 Asset Retirement Obligations (“PS 3280”)** is a new accounting standard effective for the fiscal years beginning on or after April 1, 2022. This standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets by public sector entities. This significant new accounting standard has implications that have the potential to go beyond financial reporting.

## Financial reporting implications

A liability for asset retirement costs will be recorded with a corresponding increase in the cost of tangible capital assets in productive use, resulting in a decrease (increase) to the net financial assets (net debt) reported in the Statement of Financial Position.

Asset retirement obligations associated with tangible capital assets that are not recognized or no longer in productive use are expensed.

Additional non-cash expenses for the amortization of tangible capital assets and accretion will be recognized annually.

The total cost of legally required retirement activities will be recognized earlier in a tangible capital asset's life. There is no change to the total cost recorded over an asset's life.

A rigorous process needs to be established to support updates to the ARO measurement on an annual basis post-initial implementation.

## Asset management implications

The asset retirement date used to determine the asset retirement liability needs to be consistent with the useful life of the related tangible capital asset. As a result, public sector entities need to assess whether the useful lives of tangible capital assets continue to be accurate and consistent with asset management plans.

Many public sector entities are using the implementation of PS 3280 as an opportunity to develop or refine their asset management plans.

## Funding implications

PS 3280 does not provide guidance on how the asset retirement liability should be funded. Many public sector entities currently fund retirement costs as they are incurred at the end of the asset's life. Public sector entities will need to assess whether this practice remains appropriate or if funding will be obtained over the life of the asset.

## Budget implications

In addition to budgeting for costs associated with the initial implementation of PS 3280, public sector entities will need to consider if the non-cash accretion expense and additional amortization expense will be included in the annual budget.

Public sector entities operating under balanced budget legislation or similar guidelines will need to obtain guidance from the provincial government or governance bodies to determine the impact of PS 3280 on current requirements.

## Capital planning implications

PS 3280 requires legal obligations associated with the retirement of tangible capital assets to be recorded when the assets are acquired, constructed, or developed. As a result, the cost of legally required retirement activities will need to be considered at the inception of a capital project to determine the financial viability and impact of the project.



# Appendix 3: Changes in accounting standards

| Standard  | Summary and implications  |
|---|---|
| <b>Revenue</b><br><br><div>Effective FY2024</div>               | <ul style="list-style-type: none"> <li>The new standard PS 3400 <i>Revenue</i> is effective for fiscal years beginning on or after April 1, 2023.</li> <li>The new standard establishes a single framework to categorize revenue to enhance the consistency of revenue recognition and its measurement.</li> <li>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.</li> <li>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.</li> </ul>                        |
| <b>Purchased Intangibles</b><br><br><div>Effective FY2024</div> | <ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>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.</li> <li>The guideline can be applied retroactively or prospectively.</li> </ul> |



# Appendix 3: Changes in accounting standards (continued)

| Standard                 | Summary and implications  |
|--------------------------|---|
| <b>Employee benefits</b> | <ul style="list-style-type: none"> <li>• 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>.</li> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> <li>• The Public Sector Accounting Board is in the process of evaluating comments received from stakeholders on the exposure draft.</li> </ul> |



# Appendix 3: Changes in accounting standards (continued)

| Standard   | Summary and implications  |
|--|---|
| <b>Concepts Underlying Financial Performance</b> | <ul style="list-style-type: none"> <li>The revised conceptual framework is effective for fiscal years beginning on or after April 1, 2026 with earlier adoption permitted.</li> <li>The framework provides the core concepts and objectives underlying Canadian public sector accounting standards.</li> <li>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.</li> </ul>   |
| <b>Financial Statement Presentation</b>          | <ul style="list-style-type: none"> <li>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.</li> <li>The proposed section includes the following: <ul style="list-style-type: none"> <li>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.</li> <li>Separating liabilities into financial liabilities and non-financial liabilities.</li> <li>Restructuring the statement of financial position to present total assets followed by total liabilities.</li> <li>Changes to common terminology used in the financial statements, including re-naming accumulated surplus (deficit) to net assets (liabilities).</li> <li>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”.</li> <li>A new provision whereby an entity can use an amended budget in certain circumstances.</li> <li>Inclusion of disclosures related to risks and uncertainties that could affect the entity’s financial position.</li> </ul> </li> <li>The Public Sector Accounting Board is currently deliberating on feedback received on exposure drafts related to the reporting model.</li> </ul> |



# Appendix 4: 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

None noted at this time that are applicable to the audit of CRHC.



# Appendix 5: Thought leadership and 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

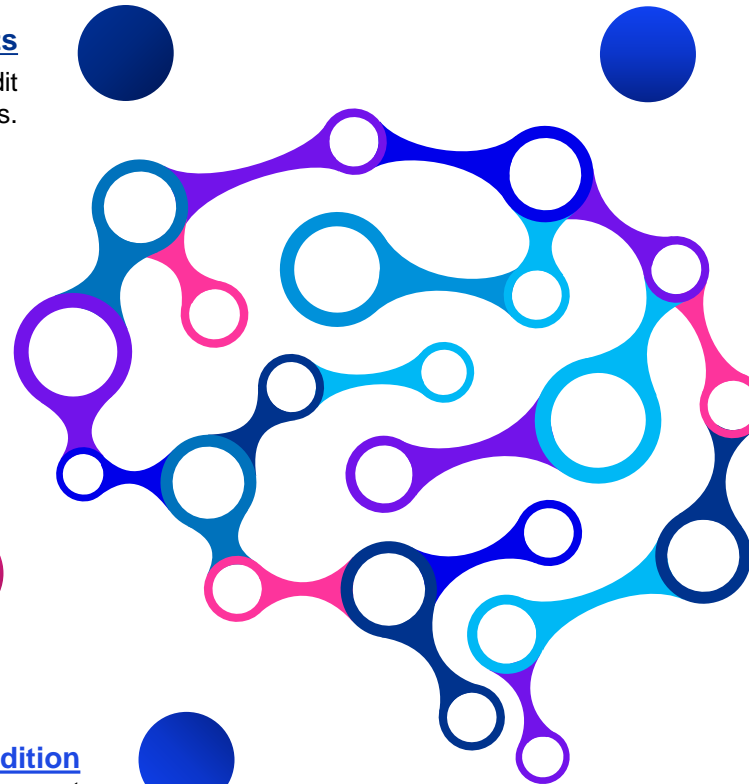
A quarterly newsletter with the latest thought-leadership from KPMG's subject matter leaders across Canada and valuable audit resources for clients.

## 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 5: Thought leadership and insights (continued)

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

### First IFRS Sustainability Disclosure Standards

The arrival of the first two IFRS Sustainability Disclosure Standards marks a key milestone in sustainability reporting and is a significant step towards creation of a global baseline for stakeholder-focused sustainability reporting that local jurisdictions can build on. **Although the standards are not required to be adopted by the Capital Region Housing Corporation, the new IFRS sustainability standards provide key insights into what the future of sustainability reporting may look like for the entity.**

### Summary of the recently released standards

The standards build on the four-pillar structure of the **Task Force on Climate-related Financial Disclosures**.

The **general requirements standard (IFRS S1)** defines the scope and objectives of reporting and provides core content, presentation and practical requirements.

It requires disclosure of material information on all sustainability-related risks and opportunities – not just on climate.

The **climate standard (IFRS S2)** replicates the core content requirements and supplements them with climate-specific reporting requirements.



Visit KPMG’s Sustainability Reporting website for more information, including a comprehensive summary of the new requirements and KPMG’s insights and illustrative examples for the new standards.

[Click here](#) to access KPMG’s portal



# Appendix 5: Thought leadership and insights (continued)

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

All entities are facing climate-related risks and opportunities – and are making strategic decisions in response. The impacts of climate-related risks in the financial statements are broad, potentially complex and will depend on industry-specific risks.

### How might climate-related risks impact the financial statements?

**01**

#### Assets

Consider the useful lives and residual values of PP&E and intangible assets, cash flow projections used for impairment testing of non-financial assets, and the potential impacts on inventories.

**02**

#### Liabilities

Consider the recognition of environmental and decommissioning obligations, accounting for emissions or ‘green’ schemes, impact on employee-benefit arrangements, and restructuring provisions.

**03**

#### Borrowers

Consider the accounting for different forms of government assistance, potential for embedded derivatives in green bonds, lease of green technology, impacts of leasing polluting assets.

**04**

#### Lenders

Consider how climate-related risks impact operating and financing leases, the potential impact on expected credit losses, and whether green loans meet the solely payments of principal and interest (SPPI) criterion.

**05**

#### Disclosures

Consider the impact on the going concern assessment and related disclosures and whether the impacts of climate-related matters have been disclosed clearly.

[See here for more information](#)



# Appendix 5: Thought leadership and insights (continued)

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

Note: Click on images to visit document link.



Intentional adoption of smart, digital, experience-centric solutions have become indispensable in overcoming today's challenges and aligning city services to the future needs and well-being of the public. We invite you to explore this report on KPMG's global research and insights on The future of local government.



The Green City outlines the need of the cities and the buildings in them to reflect climate consciousness.

The link provides guidance on what that looks like and the first steps to meeting those objectives.

### 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.

### A closer look at the GHG Protocol

Chartered Professional Accountants of Canada (CPA Canada) and the Institute for Sustainable Finance (ISF) produced a 23-page report ([click here](#)) on the GHG Protocol. The report looks to inform potential preparers and users of emissions disclosure; policy makers; standard setters; regulators; and others, and to spur important additional research into key aspects of emissions disclosure and standards that require closer attention.



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