



The Regional Municipality of York

**Audit Planning Report
For the year ended December 31, 2018**

October 3, 2018

kpmg.ca/audit



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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:

- Implications of new PSAS standards

See pages 6-8 and Appendix 7

KPMG team

The KPMG team will be led by Kevin Travers and supported by Nicole Hately. 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 the Audit Committee.

Audit Materiality

Materiality has been determined based on budgeted operating expenditures. We have determined materiality to be \$64 million for the year ending December 31, 2018.

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 and follow Audit Committee approved protocols.

Current developments

Please refer to Appendix 7 for relevant accounting changes relevant to the Region.

This Audit Planning Report should not be used for any other purpose or by anyone other than the Audit 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 accumulative surplus, and budgeted revenues and expenditures.	
Benchmark	Based on budgeted full accrual PSAB expenditures. This benchmark is consistent with the prior year.	\$2,202 million
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 \$60M.	\$64 million
% of Benchmark	The corresponding percentage for the prior year's audit was 3%.	3%
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 \$45M.	\$48 million
Audit Misstatement Posting Threshold (AMPT)	Threshold used to accumulate misstatements identified during the audit. The corresponding amount for the previous year's audit was \$3M.	\$3 million

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 scope

Professional standards require that we obtain an understanding of the Region's organizational structure, including its components and their environments that is sufficient to identify those components that are financially significant or that contain specific risks that must be addressed during our audit.

Group auditors are required to be involved in the component auditors' risk assessment in order to identify significant risks to the group financial statements. If such significant risks are identified, the group auditor is required to evaluate the appropriateness of the audit procedures to be performed to respond to the identified risk.

The components over which we plan to perform audit procedures are as follows:

Components	Why	Our audit approach
Housing York Inc.	Individually financially significant	Statutory audit of component financial statements
York Region Rapid Transit	Individually financially significant	Statutory audit of component financial statements
YTN Telecom Network Inc.	Individually financially significant	Statutory audit of component financial statements

Audit approach

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

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.

Professional requirements	Why	Our audit approach
Fraud risk from revenue recognition	<p>This is a presumed fraud risk, which has not been rebutted.</p> <p>The primary risk resides with manual journal entries for revenue transactions not in the normal course of business.</p>	Our audit methodology incorporates the required procedures in professional standards to address this risk. We test journal entries that meet specific criteria. This criteria is designed during the planning phase of the audit and is based on areas and/or accounts that are susceptible to manipulation through management override and/or we design search filters that allow us to identify any unusual journal entries.
Fraud risk from management override of controls	<p>This is a presumed fraud risk.</p> <p>We have not identified any specific additional risks of management override relating to this audit.</p>	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.

Audit approach

Other areas of focus	Our audit approach
Investments and Related Income	<ul style="list-style-type: none"> — Substantive test of details over additions and disposals of investments — Obtain confirmations from third parties — Review investment policy
Tangible Capital Assets	<ul style="list-style-type: none"> — Substantive test of details over additions and disposals — Review amortization policy and recalculations — Review construction in progress to ensure amounts are properly transferred to correct capital asset classes and amortization expense commences on a timely basis — Assess impairment reviews by management
Taxation Revenue	<ul style="list-style-type: none"> — Substantive approach recalculating tax revenue using approved tax rates and assessment — Obtain confirmations from the lower tier municipalities
Development Charges Revenues and Expenses	<ul style="list-style-type: none"> — Substantively test development charge collections by vouching to cash receipts and ensure proper classification — Perform interest reasonability on interest earned for development charges — Vouch development charge expenditures to supporting documents and ensure they relate to the appropriate programs — Perform analysis on certain over budget projects
Government Grants	<ul style="list-style-type: none"> — Compare grants received to grants earned with reference to the related expenses to ascertain that the appropriate amount of revenue has been recognized
Post Retirement Liability	<ul style="list-style-type: none"> — Obtain actuary report and review assumptions used by actuary expert — Review of disclosures

Other areas of focus	Our audit approach
Accounts Payable, Accrued Liabilities and Expenses	<ul style="list-style-type: none"> — Evaluate the design and implementation of controls over payroll expenses and procurement — Test the operating effectiveness of the controls — Substantive test of details of payroll and non-payroll expenses — Search for unrecorded liabilities — Examine accrued liabilities for accuracy and completeness
Cash and Investments (Housing York Inc.)	<ul style="list-style-type: none"> — Confirmation with third parties — Review of bank reconciliations and reconciling items
Property Holdings (Housing York Inc.)	<ul style="list-style-type: none"> — Substantively test additions to property holdings
Subsidy and Rental Revenue (Housing York Inc.)	<ul style="list-style-type: none"> — Perform substantive analytical procedures over subsidy and rental revenue — Revenue recognition, revenue restrictions and presentation considerations
Accounts Payable, Accrued Liabilities and Expenditures (Housing York Inc.)	<ul style="list-style-type: none"> — Verify mathematical accuracy of the reconciliation between the sub-ledger and general ledger — Perform the search for unrecorded liabilities — Perform substantive analytical procedures over expenditures
Mortgage Payable (Housing York Inc.)	<ul style="list-style-type: none"> — Confirmation with various third party institutions and lenders — Ensure appropriate disclosure in the financial statements (current vs non-current, interest rates, maturity dates) — Assess compliance with covenants, if any

Data & analytics in the audit

We will be integrating Data & Analytics (D&A) procedures into our planned audit approach. Use of innovative D&A allows us to analyze greater quantities of data, dig deeper and deliver more value from our audit.

We believe that D&A will improve both the quality and effectiveness of our audit by allowing us to analyze large volumes of financial information quickly, enhancing our understanding of your business as well as enabling us to design procedures that better target risks.

Area(s) of focus	Planned D&A routines
Journal entry testing	<ul style="list-style-type: none"> Utilize computer-assisted audit techniques (CAATs) to analyze journal entries and apply certain criteria to identify potential high-risk journal entries for further testing

Detailed results and summary insights gained from D&A will be shared with management and presented in our Audit Findings Report.

New Auditor Reporting

What's new and effective for 2018?

Highlights of the new auditors' report include:

Change	Applicability
Re-ordering of the auditors' report including moving opinion to the first section	Listed and non-listed entities
Expanded descriptions of management's, those charged with governance and auditors' responsibilities	Listed and non-listed entities
Separate section on "Material Uncertainty Related to Going Concern", if applicable	Listed and non-listed entities
Separate section on "Other Information" (e.g. MD&A)	Listed and non-listed entities
Disclosure of name of the engagement partner	Listed entities

Key audit matter reporting today

Key audit matters (KAMs) are those matters that, in the auditors' professional judgment, were of most significance in the audit. Currently, the reporting of KAMs in the auditors' report is only applicable when required by law or regulation or when the auditor is engaged to do so.



Key audit matter reporting in the future

The Public Company Accounting Oversight Board (PCAOB) adopted their enhanced auditor reporting standards which includes, among other requirements, discussion of critical audit matters (CAMs) (similar to KAMs) within the auditors' report. As a result of the U.S. developments, the Accounting and Assurance Standards Board in Canada is deliberating how and when the disclosure of KAMs will be required for listed entities in Canada. It is expected KAM reporting for certain listed entities in Canada will be required starting in 2020.

How we deliver audit quality



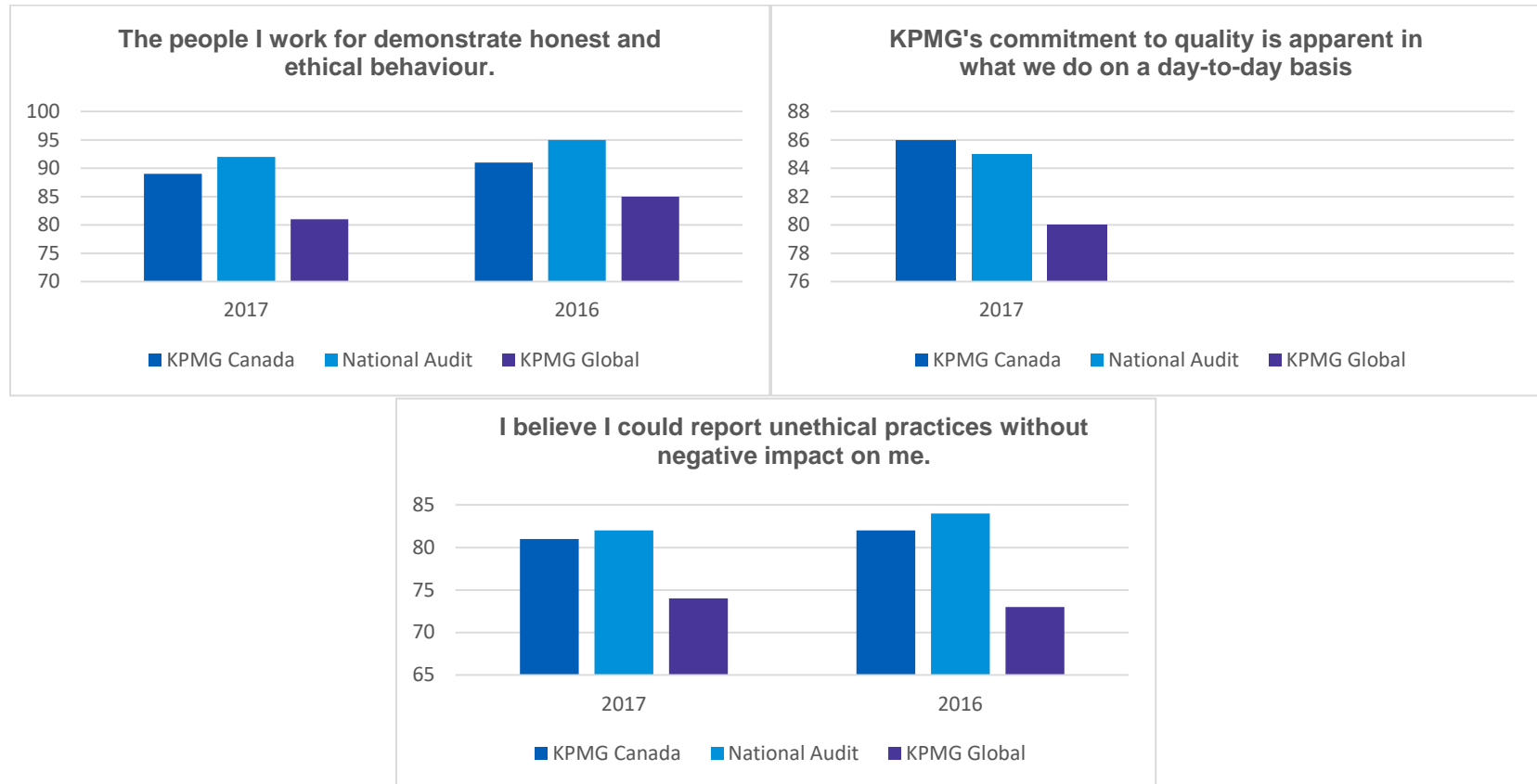
Highly talented and experienced team

	Team member	Background / experience	Discussion of role
	Kevin Travers Lead Audit Engagement Partner ktravers@kpmg.ca	<p>Kevin has been the lead audit engagement partner for the Regional Municipality of York for many years and in addition to the Region, he leads 4 other municipal audits.</p> <p>He is considered an authority on municipal financial reporting within Canada having authored and delivered many presentations / seminars / webinars on financial reporting developments and is also a reviewer for the Canadian Financial Reporting Award as administered by the Government Finance Officers' Association.</p>	<ul style="list-style-type: none"> — Kevin will lead our audit for The Regional Municipality of York and be responsible for the quality and timeliness of everything we do. — He will often be onsite with the team and will always be available and accessible to you.
	Nicole Hately Audit Manager nhately@kpmg.ca	<p>Nicole has been a member of the Regional Municipality of York's audit team for the last 6 years, and led the team last year as the audit manager. She has in-depth knowledge of the Region's transactions and audit requirements.</p>	<ul style="list-style-type: none"> — Nicole will work very closely with Kevin on all aspects of our audit for the Region. — She will be on site and directly oversee and manage our audit field team and work closely with your management team.

Our tone at the top

KPMG's commitment to quality starts with leadership and with the tone at the top that drives the pursuit of audit quality at a global level and in every KPMG member firm and audit engagement. The KPMG network includes more than 162,000 professionals around the world of which 2,500+ are audit professionals in Canada.

Our annual Global People Survey provides our people a chance to communicate how they feel about working at KPMG.



Value for fees

The value of our audit services

We recognize that the primary objective of our engagement is the completion of an audit of the consolidated financial statements in accordance with professional standards. We also believe that our role as external auditor of the Region and the access to information and people in conjunction with our audit procedures, place us in a position to provide other forms of value. We know that you expect this of us.

We want to ensure we understand your expectations. To facilitate a discussion (either in the upcoming meeting or in separate discussions), we have outlined some of the attributes of our team and our processes that we believe enhance the value of our audit service. We recognize that certain of these items are necessary components of a rigorous audit. We welcome your feedback.

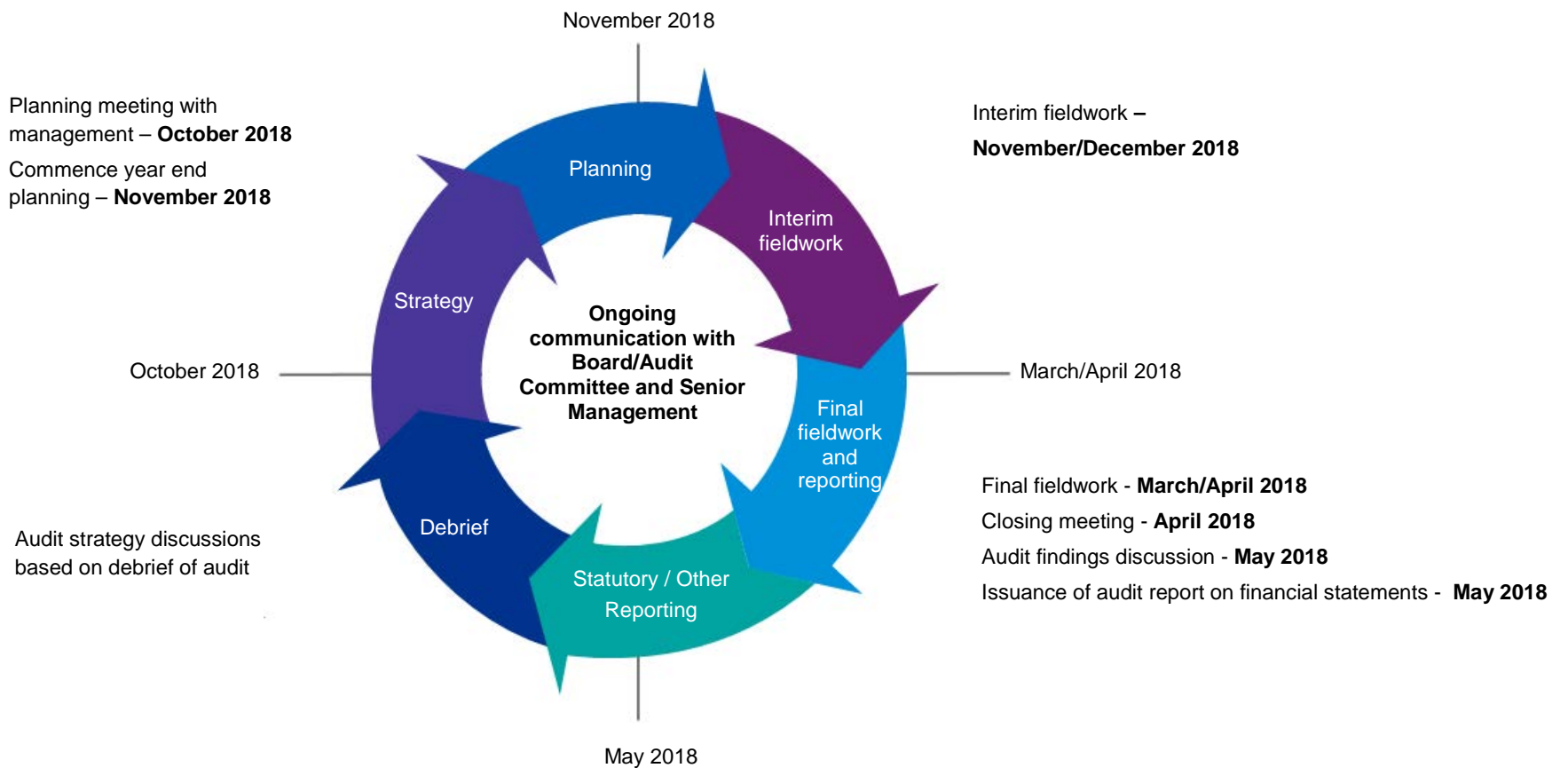
- Extensive industry experience on our audit team – as outlined in our team summary, the senior members of our team have extensive experience in audits of other large municipalities. This experience ensures that we are well positioned to identify and discuss observations and insights that are important to you;
- Current development updates – we have provided tailored information on current developments in PSAS
- Income taxes and other – while our audit procedures were not designed to identify all matters that could be relevant to the preparation of your annual returns for income and other taxes, we expect to share best practices and current tax developments with your team;

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:



Appendices

Appendix 1: Audit quality and risk management

Appendix 2: KPMG's audit approach and methodology

Appendix 3: Required communications

Appendix 4: Lean in Audit™

Appendix 5: Audit trends

Appendix 6: KPMG's Cyber Security Protocol

Appendix 7: 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, Engagement Quality Control Reviewer reviews the appropriateness of key elements of publicly listed client audits.
 - 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 Audit 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 and upon completion 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 and any subsequent amendment letters as provided by management.
- **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 annual audit. In accordance with professional standards, copies of the representation letter will be provided to the Audit Committee
- **Audit findings report** – at the completion of our audit, we will provide a report to the Audit Committee
- **Annual independence letter** – at the completion of our audit, we will provide a letter to the Audit Committee
- **CPAB Big Four Firm Public Report (November 2017)** – Please refer to <http://www.cpab-ccrc.ca/Documents/News%20and%20Publications/2017%20Big%20Four%20Report%20EN.pdf>

Appendix 4: Lean in Audit™

An innovative approach leading to enhanced value and quality

Our new innovative audit approach, Lean in Audit, further improves audit value and productivity to help deliver real insight to you. Lean in Audit is process-oriented, directly engaging organizational stakeholders and employing hands-on tools, such as walkthroughs and flowcharts of actual financial processes.

By embedding Lean techniques into our core audit delivery process, our teams are able to enhance their understanding of the business processes and control environment within your organization – allowing us to provide actionable quality and productivity improvement observations.

Any insights gathered through the course of the audit will be available to both engagement teams and yourselves. For example, we may identify control gaps and potential process improvement areas, while companies have the opportunity to apply such insights to streamline processes, inform business decisions, improve compliance, lower costs, increase productivity, strengthen customer service and satisfaction and drive overall performance.

How it works

Lean in Audit employs three key Lean techniques:

1. Lean training

- Provide basic Lean training and equip our teams with a new Lean mindset to improve quality, value and productivity.

2. Interactive workshops

- Perform interactive workshops to conduct walkthroughs of selected financial processes providing end to end transparency and understanding of process and control quality and effectiveness.

3. Insight reporting

- Quick and pragmatic insight report including your team's immediate quick win actions and prioritized opportunities to realize benefit.

Appendix 5: Audit trends

KPMG understands the wide range of challenges and evolving trends that you face as an audit committee of the Region. We also understand that sometimes keeping up with critical issues as they emerge can be difficult.

As your auditors, it is incumbent upon us to provide you with any information that will help you further strengthen corporate governance, enhance your oversight and add greater value within your organization.

As such, KPMG's Audit Committee Institute ([ACI](#)) provides information, resources and opportunities for you to share knowledge with your peers. First, you are welcome to attend our Audit Committee Roundtable sessions, which are held in major cities across the country. In addition, you will also benefit from our monthly article series ([Audit Point of View](#)) as well as [thought leadership](#) and insights on the most pressing audit committee agenda items.

More information on all of these can easily be found at www.kpmg.ca/audit.

Our discussions with you, our audit opinion and what KPMG is seeing in the marketplace—both from an audit and industry perspective—indicate the following is specific information that will be of particular interest to Region. We would, of course, be happy to further discuss this information with you at your convenience.

Thought Leadership	Overview	Links
Audit Trends	With a range of provocative data, insight and opinion gleaned from KPMG professionals and The Conference Board of Canada survey of Audit Committees and CFOs, Audit Trends examines seven key issues addressing corporate readiness, preparedness and priority in a volatile business environment.	Link to report
The Blockchain shift will be seismic	Blockchain technology is a focused disruptor of the very foundations of external and internal audit: financial recordkeeping and reporting. This Audit Point of View article offers insight on how blockchain technology is impacting business and what audit committees should be thinking about to prepare for certain risks.	Link to article

Appendix 6: KPMG's Cyber Security Protocol

This summary is intended to provide management and Audit Committee members with some insight into KPMG's strategies and procedures regarding our cyber defence.

KPMG Global

KPMG Global provides managed security services for member firms which includes 24x7 monitoring and alerting services to identify potential attacks on our environment. We use a series of centrally managed firewalls among our network of member firms to identify and address potential attacks to member firms and to prevent attacks from spreading between member firms. This approach was in place during the Wanna Cry outbreak and was a critical element in our successful defence against that incident.

KPMG Global has also implemented enhanced email protection to address malware and attacks through email and we have implemented automated vulnerability detection services. This service scans equipment that is exposed to the Internet and identifies known vulnerabilities on a real-time basis. "Good housekeeping" is a central tenet of our approach and we continue to focus on known vulnerabilities and patching.

KPMG Global believes the cloud represents a secure environment when appropriately configured and monitored as a platform to deliver services. Our approach to secure the cloud includes deploying full-time, dedicated security and privacy resources, integrating the cloud platform into our managed security services to promote "good housekeeping," and deploying a continuous monitoring plan for each of the cloud platforms that we deploy to member firms and to our clients.

KPMG Global has invested heavily in enhancing the security of our environment, evidenced by the introduction of our Global Security Operations Centre, managed services and other enhancements to our cyber defence.

KPMG Canada Approach

- KPMG Canada does not currently use Office 365 or Cloud based email.
- Cloud environments provide robust security when properly configured, with proper password management.
- The Canadian firm's email servers are hosted in Canada and controlled and managed by KPMG Canada.
- In compliance with our global security controls, we enforce strong passwords that need to be renewed at regular intervals.
- We also maintain a specific IT security platform for the maintenance and management of privileged accounts.
- KPMG's Information Security Program is built on a comprehensive framework of policies, standards, and processes based on ISO 27001:2013.
- KPMG's security requirements are set out in Global Information Security Policies and Standards (GISP).
- The Canadian firm undergoes an internal audit every year to ensure compliance to key security controls in the GISP.
- Every three years, the Canadian firm goes through a Compliance Review conducted by a team from non-Canadian member firms.

Appendix 7: Current developments

Please visit the Audit Committee Institute / [Current Developments](#) page for current developments in IFRS, Canadian securities matters, Canadian auditing other professional standards and US accounting, auditing and regulatory matters.

The following is a summary of the current developments that are relevant to the Region:

Standard	Summary and implications
PS 3210 Assets	<p>This standard provides a definition of assets and further expands that definition as it relates to control.</p> <p>Assets are defined as follows:</p> <ul style="list-style-type: none"> – They embody future economic benefits that involve a capacity, singly or in combination with other assets, to provide goods and services, to provide future cash inflows, or to reduce cash outflows. – The public sector entity can control the economic resource and access to the future economic benefits. – The transaction or event giving rise to the public sector entity's control has already occurred. <p>The standard also includes some disclosure requirements related to economic resources that are not recorded as assets to provide the user with better information about the types of resources available to the public sector entity.</p> <p>This standard is effective for fiscal periods beginning on or after April 1, 2017 (the Region's December 31, 2018 year-end).</p> <p>This standard is not expected to materially impact the Region's 2018 consolidated financial statements.</p>
PS 3380 Contractual Rights	<p>This standard defines contractual rights to future assets and revenue.</p> <p>Information about a public sector entity's contractual rights should be disclosed in notes or schedules to the financial statements and should include descriptions about their nature and extent and the timing. The standard also indicates that the exercise of professional judgment would be required when determining contractual rights that would be disclosed. Factors to consider include, but are not limited to:</p> <ul style="list-style-type: none"> (a) contractual rights to revenue that are abnormal in relation to the financial position or usual business operations; and (b) contractual rights that will govern the level of certain type of revenue for a considerable period into the future. <p>This standard is effective for fiscal periods beginning on or after April 1, 2017 (the Region's December 31, 2018 year end).</p> <p>This standard is not expected to materially impact the Region's 2018 consolidated financial statements.</p>

PS 2200 Related Party Disclosures	<p>This standard relates to related party disclosures and defines related parties. Related parties could be either an entity or an individual. Related parties exist when one party has the ability to control or has shared control over another party. Individuals that are key management personnel or close family members may also be related parties.</p> <p>Disclosure is only required when the transactions or events between related parties occur at a value different from what would have been recorded if they were not related and the transactions could have a material financial impact on the financial statements. Material financial impact would be based on an assessment of the terms and conditions underlying the transaction, the financial materiality of the transaction, the relevance of the information and the need for the information to enable the users to understand the financial statements and make comparisons.</p> <p>This standard also specifies the information required to be disclosed including the type of transactions, amounts classified by financial statement category, the basis of measurement, and the amounts of any outstanding items, any contractual obligations and any contingent liabilities. The standard also requires disclosure of related party transactions that have occurred where no amounts has been recognized.</p> <p>This standard is effective for fiscal periods beginning on or after April 1, 2017 (the Region's December 31, 2018 year end).</p> <p>This standard is not expected to materially impact the Region's 2018 consolidated financial statements.</p>
PS 3320 Contingent Assets	<p>This standard defines contingent assets and the disclosure requirement. Contingent assets have two basic characteristics:</p> <ul style="list-style-type: none"> (a) an existing condition or situation that is unresolved at the financial statement date; and (b) an expected future event that will resolve the uncertainty as to whether an asset exists. <p>Information about a public sector entity's contingent assets should be disclosed in the notes or schedules to the financial statements and should include descriptions about the nature, extent and basis of the estimate.</p> <p>This standard is effective for fiscal periods beginning on or after April 1, 2017 (the Region's December 31, 2018 year end).</p> <p>This standard is not expected to materially impact the Region's 2018 consolidated financial statements.</p>
PS 3420 Inter-entity Transactions	<p>This standard relates to the measurement of related party transactions and includes a decision tree to support the standard.</p> <p>Transactions are recorded a carrying amounts with the exception of the following:</p> <ul style="list-style-type: none"> • In the normal course of business – use exchange amount • Fair value consideration – use exchange amount • No or nominal amount – provider to use carrying amount; recipient choice of either carrying amount or value fair. • Cost allocation – use exchange amount <p>This standard is effective for fiscal periods beginning on or after April 1, 2017 (the Region's December 31, 2018 year end)</p> <p>This standard is not expected to materially impact the Region's 2018 consolidated financial statements.</p>

PS 3430 Restructuring Transactions	<p>A restructuring transaction in the public sector differs from an acquisition as they generally include either no or nominal payment. It also differs from a government transfer as the recipient would be required to assume the related program or operating responsibility.</p> <p>The standard requires that assets and liabilities are to be measured at their carrying amount. It also prescribes financial statement presentation and disclosure requirements.</p> <p>This standard is effective for fiscal periods beginning on or after April 1, 2018 (the Region's December 31, 2019 year end).</p>
PS 3450 Financial Instruments	<p>A standard has been issued establishing standards on accounting for and reporting all types of financial instruments including derivatives. The effective date of this standard has recently been deferred and it is now effective for fiscal periods beginning on or after April 1, 2021 (the Region's December 31, 2022 year end). The effective date was extended from April 1, 2019.</p> <p>This standard will require the Region to identify any contracts that have embedded derivatives and recognize these on the consolidated statement of financial position at fair value. Portfolio investments in equity instruments are required to be recorded at fair value. Changes in fair value will be reported in a new financial statement – statement of remeasurement gains and losses. This standard sets out a number of disclosures in the financial statements designed to give the user an understanding of the significance of financial instruments to the Region. These disclosures include classes of financial instruments and qualitative and quantitative risk disclosures describing the nature and extent of risk by type. The risks to be considered include credit, currency, interest rate, liquidity, and market risk.</p>
Revised Standard PS 2601 Foreign Currency Translation	<p>A revised standard has been issued establishing standards on accounting for and reporting transactions that are denominated in a foreign currency.</p> <p>The effective date of this standard has been deferred and is effective for fiscal periods beginning on or after April 1, 2019 (the Region's December 31, 2020 year-end). Earlier adoption is permitted. An entity early adopting this standard must also adopt the new financial instruments standard.</p> <p>This standard will require exchange gains and losses arising prior to settlement are recognized in a new statement of remeasurement gains and losses.</p>
PS 3280 Asset Retirement Obligations	<p>A standard has been issued establishing standards on how to account for and report a liability for asset retirement obligations.</p> <p>The standard will require the Region to record a liability when a legal obligation associated with the retirement of a tangible capital asset exists. The costs associated with the asset retirement increase the carrying amount of the related tangible capital asset and would be expensed in a rational and systematic manner.</p> <p>The standard is effective for fiscal periods beginning on or after April 1, 2021 (the Region's December 31, 2022 year-end). Earlier adoption is permitted.</p>

PS 3400 Revenue

A standard has been issued establishing standards which delineates revenue as either exchange transactions or unilateral transactions and the appropriate revenue recognition timing under each type.

Exchange transactions are present where the transaction gives rise to one or more performance obligations on the part of the recipient. If no performance obligations are present, it would be described as unilateral.

The standard is effective for fiscal periods beginning on or after April 1, 2022 (the Region's December 31, 2023 year-end). Earlier adoption is permitted.

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