



Media Release: Thursday, November 10, 2016, 4:30 p.m.

## **Regional Municipality of Waterloo**

### **Audit Committee**

### **Agenda**

Wednesday, November 16, 2016

1:00 p.m.

Waterloo County Room

150 Frederick Street, Kitchener

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- 1. Declarations of Pecuniary Interest under the “Municipal Conflict Of Interest Act”**
  - 2. Reports**
    - 2.1** [COR-FSD-16-28](#), 2016 Year-End Audit Plan (Information) 3
  - 3. Presentations**
    - 3.1** Matthew Betik, KPMG Re: [Region of Waterloo 2016 Audit Service Plan](#) 7
  - 4. Motion to Go into Closed Session**

That a closed meeting of the Audit Committee be held on Wednesday, November 16, 2016 at 1:30 p.m. in the Waterloo County Room in accordance with Section 239 of the “Municipal Act, 2001”, for the purposes of considering the following subject matters:

    - a) personal matters about identifiable individuals including municipal or local board employees
  - 5. Motion to Reconvene into Open Session**
  - 6. Information/Correspondence**

**6.1** Council Enquiries and Requests for Information Tracking List – No items pending

**7. Other Business**

**7.1** Next Meeting Date

**8. Adjourn**



**Report:** COR-FSD-16-28

## **Region of Waterloo**

### **Corporate Services**

### **Financial Services & Development Financing**

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**To:** Chair Sean Strickland and Members of the Audit Committee

**Date:** November 16, 2016                      **File Code:** F10-20

**Subject:** 2016 Year-End Audit Plan

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#### **Recommendation:**

For Information

#### **Summary:**

Nil

#### **Report:**

In August 2016, the Region awarded a three year contract for audit services to KPMG. The 2016 fiscal year (ending December 31, 2016) marks the first year of the contract term. Matthew Betik, the Audit Partner from KPMG, will be conducting the 2016 Audit. This year KPMG will be performing 18 audits for the Region of Waterloo. The complete list is attached as Appendix A to this report.

The Region's year-end process requires the dedication and diligence of a large number of Regional employees from various departments to ensure that financial transactions are complete, correct and processed on a timely basis. The Financial Services and Development Financing Division of the Corporate Services Department co-ordinates the year-end process and sets the required deadlines to ensure the timely completion of the financial statements. The 2016 Audited Financial Statements are scheduled to be presented to Audit Committee in late April, 2017.

Key dates for the 2016 year-end process are as follows:

Nov 7-11, 2016	Preliminary Audit work by KPMG
November 16, 2016	Audit Committee – Representatives from KPMG will present an overview of the proposed 2016 financial statement audit work plan
March 6, 2017	2016 General Ledger Closed
March 13 – April 7, 2017	Annual Audit by KPMG
Late April 2017	Presentation of 2016 Financial Statements to Audit Committee
May 2017	Administration & Finance Committee and Regional Council Approval of Financial Statements

**Corporate Strategic Plan:**

To ensure Regional programs and services are efficient and effective and provide value for money.

**Financial Implications:**

The total cost of all audit work relating to the 2016 fiscal year is estimated at \$139,000. This amount is included in the Region's annual operating and capital budgets, as required.

**Other Department Consultations/Concurrence: Nil**

**Attachments:**

Appendix A – List of 2016 Regional Audits

**Prepared By: Peter Holling**, Manager, Accounting & Supply Services

**Approved By: Craig Dyer**, Commissioner, Corporate Services/Chief Financial Officer

**Appendix A – List of 2016 Regional Audits**

<b>Description</b>	<b>Prepared for</b>	<b>Financial Year–end</b>
Regional Municipality of Waterloo (consolidated)	Audit Committee & Regional Council	Dec 31, 2016
Regional Municipality of Waterloo Trust Fund (Sunnyside Home)	Audit Committee & Regional Council	Dec 31, 2016
Regional Municipality of Waterloo Sinking Fund	Audit Committee & Regional Council	Dec 31, 2016
Waterloo Region Heritage Foundation	Heritage Foundation Board	Dec 31, 2016
Region of Waterloo Arts Fund	Arts Fund Board	Dec 31, 2016
Sunnyside Home Annual Reconciliation Report – year end settlement	Ministry of Health & LTC	Dec 31, 2016
Sunnyside Community Support Service – year end settlement	Ministry/LHIN	Mar 31, 2017
Sunnyside Affordable Housing – financial & program compliance	Ministry of Municipal Affairs & Housing	Dec 31, 2016
Region of Waterloo Community Housing Inc.	ROWCHI Board	Dec 31, 2016
Public Health Cost Shared Programs year end settlement	Ministry of Health & LTC	Dec 31, 2016
Provincial Offences Court Administration and Prosecution Program Ministry Submission	Ministry of the Attorney General	Dec 31, 2016
Healthy Babies Healthy Children Program year end settlement	Ministry of Health & LTC	Dec 31, 2016
TPAR – Victim Services	Ministry of Community and Social Services	Dec 31, 2016
Homelessness Partnering Initiative – compliance with federal funding agreement	Employment & Social Development Canada	Mar 31, 2017
Employment Ontario Youth Employment - year end settlement	Ministry of Training / Colleges & Universities	Mar 31, 2017

<b>Description</b>	<b>Prepared for</b>	<b>Financial Year-end</b>
Children's Services Financial Statements –year end settlement	Ministry of Education	Dec 31, 2016
Transfer Payment Annual Reconciliation – Ministry of Community and Social Services /Ministry of Children & Youth Services- year end settlement	Ministry of Community & Social Services	Dec 31, 2016
Rapid Transit – Financial and compliance audits required by the Federal Contribution Agreement and Provincial Transfer Payment Agreement	Province & Federal Government	Mar 31, 2017



# The Regional Municipality of Waterloo

Audit Planning Report for the year ended  
December 31, 2016

*KPMG LLP*

Chartered Professional Accountants,  
Licensed Public Accountants

November 16, 2016

[kpmg.ca/audit](http://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:

- Accounting standard for contaminated sites,
- Tangible Capital assets,
- Post-employment benefits,
- Obligatory Reserve Fund Revenue

## KPMG team

The KPMG team will be led by Matthew Betik, Brendan Hall and Courtney Cheal. Subject matter experts will be involved, if necessary.

## Effective communication

We are committed to transparent and thorough reporting of issues to the Commissioner Corporate Services/CFO, senior management and the Audit Committee.

## Audit Materiality

Materiality has been determined based on revenue. We have determined materiality to be \$20,000,000 for the year ending December 31, 2016.

## A collective audit approach

We have planned the audit to coordinate our work with internal audit to reduce overlap and leverage the internal assurance work performed. We will continue to liaise regularly and extensively with internal audit.

## 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 4 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.

# 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 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. However, the audit team has rebutted this presumption due to the following reasons:</p> <ul style="list-style-type: none"> <li>• The presumed fraud risk is ordinarily associated with for-profit enterprises</li> <li>• The majority of revenue is calculated based on MPAC data, approved utility rates and user fees, and is not subject to complexity or judgement at the reporting level; and</li> </ul> <p>KPMG does not believe that the use of inappropriate cut-off would be utilized to perpetrate fraud.</p>	Not applicable.
Fraud risk from management override of controls	<p>This is a presumed fraud risk.</p>	<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.</p>

# Audit approach

Other areas of focus include the following:

Other areas of focus	Why	Our audit approach
Post-employment benefits	<ul style="list-style-type: none"> <li>Estimates and judgements used by management</li> <li>Complexity of the accounting guidance</li> </ul>	<ul style="list-style-type: none"> <li>Communicate with management's actuarial specialists</li> <li>Assess the reasonableness of assumptions used, and</li> <li>Test the appropriateness of the underlying data, including employee populations</li> </ul> <p>We will also use the work of the School Boards' Cooperative Incorporated (Actuarial Consultant) in our audit of the accounts and disclosures.</p>
Obligatory Reserve Funds Revenue and Deferred Revenue	<ul style="list-style-type: none"> <li>Revenue recognized from the Development Charge Reserve Fund is subject to judgement as capital projects must be growth related in nature</li> </ul>	<ul style="list-style-type: none"> <li>Test controls around the recording of revenues/cash receipts</li> <li>Identify and evaluate the operative effectiveness of internal controls over the identification of development charge funding projects and allocation of related expenses</li> <li>Perform substantive testing over amounts being recognized as revenue</li> </ul>
Tangible Capital Assets	<ul style="list-style-type: none"> <li>Significance of the account balances</li> <li>Risk of error in inappropriately recognizing costs as either capital or operating</li> </ul>	<ul style="list-style-type: none"> <li>Discuss capitalization policies and their application with management</li> <li>Test a sample of capital additions to ensure existence and accuracy</li> <li>Test items recorded as repairs &amp; maintenance or other similar accounts to ensure completeness of capital additions</li> </ul>
Review of a specific area on the financial processes and procedures	<ul style="list-style-type: none"> <li>Requested by management</li> </ul>	<ul style="list-style-type: none"> <li>To be determined after discussions with management</li> <li>Report will be submitted to the CFO by January 31<sup>st</sup></li> </ul>

# Audit approach

Other significant accounts of focus and our audit approach include the following:

Other Significant Accounts	Our audit approach
Investments and related income	<ul style="list-style-type: none"> <li>• Confirmation of details with investment managers</li> </ul>
Taxation Revenue	<ul style="list-style-type: none"> <li>• Analytical procedures recalculating tax revenue using approved tax rates and related MPAC assessments</li> <li>• Confirmation of amounts billed by lower tier municipalities</li> </ul>
User Fees and Service Charge Revenue	<ul style="list-style-type: none"> <li>• Testing of internal controls over cash receipts and recording</li> <li>• Analytical procedures comparing current year's revenues on a disaggregated basis to the current year budget and the prior year, adjusting for known changes in assumptions</li> </ul>
Government Transfers	<ul style="list-style-type: none"> <li>• Review of agreements to ensure proper revenue recognition criteria was followed. To ensure the transfers were authorized and all eligibility criteria and any stipulations were met.</li> <li>• Perform test of details on significant transfers</li> </ul>
Expenses	<ul style="list-style-type: none"> <li>• Evaluate the design and implementation of controls over payroll and non-payroll expenses</li> <li>• Testing the operating effectiveness of key internal controls</li> <li>• Analytical procedures comparing current year's expenses on a disaggregated basis to the current year budget and the prior year, adjusting for known changes in assumptions</li> <li>• Testing the completeness, existence, and accuracy of year end accruals, most notably those that contain areas of estimate of judgment</li> </ul>

# Audit scope of other entities and deliverables

## Other entities and deliverables

Other entities	Scoping
Regional Municipality of Waterloo Trust Fund (Sunnyside Home)	<b>Audit</b>
Regional Municipality of Waterloo Sinking Fund	<b>Audit</b>
Waterloo Region Heritage Foundation	<b>Audit</b>
Region of Waterloo Arts Fund	<b>Audit</b>
Region of Waterloo Community Housing Inc.	<b>Audit</b>
Sunnyside Home Annual Reconciliation Report	<b>Special report</b>
Sunnyside Community Support Service	<b>Special report</b>
Sunnyside Affordable Housing	<b>Special report</b>
Public Health Cost Shared Programs Year end Settlement	<b>Special report</b>
Provincial Offences Court Administration and Prosecution Program Ministry Submission	<b>Special report</b>
Healthy Babies Healthy Children Program Year end Settlement	<b>Special report</b>
Homelessness Partnering Initiative	<b>Special Report</b>
Employment Ontario Year end Settlement	<b>Special Report</b>
Children's Services Financial Statements / EFIS Yearend Settlement	<b>Special report</b>
TPAR – Victim Services	<b>Special report</b>
Transfer Payment Annual Reconciliation – MCSS/MCYS	<b>Review engagement</b>
Rapid Transit Project Financial Audit	<b>Audit</b>
Rapid Transit Compliance Audit	<b>Compliance audit</b>

# Materiality

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.

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

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.

Materiality determination	Comments	Amount
Metrics	Relevant metrics include Net assets/accumulated surplus, Total Revenue, and Total Expenses.	
Benchmark	Based on total revenues, KPMG extrapolated September 30, 2016 revenue to December 31, 2016 adjusted for one time revenues such as government transfers for rapid transit.	\$1,000,000,000
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. Previous year's materiality was \$18,800,000.	\$20,000,000
% of Benchmark	Materiality as a percentage of gross benchmarks typically are within 0.5 and 3.0%.	2.0%
Performance materiality	Used 75% of materiality, and used primarily to determine the nature, timing and extent of audit procedures.	\$15,000,000
Audit Misstatement Posting Threshold (AMPT)	Threshold used to accumulate misstatements identified during the audit.	\$1,000,000 \$3,000,000 for reclassification

# Value for fees

In determining the fees for our services, we have considered the nature, extent and timing of our planned audit procedures as described above. Our fee analysis has been reviewed with and agreed upon by management and are aligned with our submitted pricing proposal as found on P2016-18.

## Matters that could impact our fee

The proposed fees outlined above are based on the assumptions described in the engagement letter.

The critical assumptions, and factors that cause a change in our fees, include:

- Significant changes in the nature or size of the operations of the Region beyond those contemplated in our planning processes;
- Changes in professional standards or requirements arising as a result of changes in professional standards or the interpretation thereof; and
- Changes in the time of our work.

# 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.

Key deliverables and expected dates	
Deliverables	Expected date(s)
Conduct interim audit field work	November 7, 2016
Conduct year-end audit field work	March 13, 2017 to March 31, 2017
Present audit findings to the Audit Committee	Last week in April 2017
Provide audit opinion on financial statements	May 2017

# Appendices

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**Appendix 1: Audit quality and risk management**

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**Appendix 2: KPMG's audit approach and methodology**

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**Appendix 3: Required communications**

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**Appendix 4: Current developments**

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# 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 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. There are no required amendments for the 2016 fiscal year.

**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

## Appendix 4: Current developments

The following is a summary of the current developments that are relevant to the Regional Municipality of Waterloo.

Standard	Summary and implications
PS 3380, Contractual Rights	<p>This standard is a disclosure standard which defines contractual rights to future assets and revenue and sets out the required disclosures.</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.</p> <p>Factors to consider include, but are not limited to:</p> <ul style="list-style-type: none"> <li>(a) contractual rights to revenue that are abnormal in relation to the financial position or usual business operations; and</li> <li>(b) contractual rights that will govern the level of certain type of revenue for a considerable period into the future.</li> </ul> <p>Examples of a contractual right include contractual rights to receive payments under a shared cost agreement or contractual rights to receive lease payments.</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><b>Implications:</b> Additional disclosures may be required if contractual rights to assets or revenue exist</p>
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"> <li>(a) 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</li> <li>(b) The public sector entity can control the economic resources and access to the future economic benefits.</li> <li>(c) The transaction or event giving rise to the public sector entity's control has already occurred.</li> </ul> <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 section 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><b>Implications:</b> Assets such as accrued receivables will have to be reviewed to determine if they meet this definition.</p>

PS 3320, Contingent Assets	<p>This standard defines contingent assets.</p> <p>They have two basic characteristics:</p> <p>(a) An existing condition or situation that is unresolved at the financial statement date</p> <p>(b) An expected future event that will resolve the uncertainty as to whether an asset exists</p> <p>The standard also has specific disclosure requirements for contingent assets when the occurrence of the confirming event is likely.</p> <p>Contingent assets include grants receivable where the conditions are met but funding is conditional upon approval of an application for funding.</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>
PS 2200, Related Party Disclosures	<p><b>Implications:</b> Additional disclosures may be required if contingent assets exist.</p> <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><b>Implications:</b> Related parties will have to be identified. Additional disclosures may be required with respect to transactions with related parties.</p>

PS 3420, Inter-entity Transactions	<p>This standard relates to the measurement of transactions between public sector entities that comprise the government's reporting entity.</p> <p>Transactions are recorded at carrying amounts with the exception of the following:</p> <ul style="list-style-type: none"> <li>(a) In the normal course of business – use exchange amount</li> <li>(b) Fair value consideration – use exchange amount</li> <li>(c) No or nominal amount – provider to use carrying amount; recipient choice of either carrying amount or value fair.</li> <li>(d) Cost allocation – use exchange amount</li> </ul> <p>This standard is effective for fiscal periods beginning on or after April 1, 2018 (the Region's December 31, 2019 year end).</p>
Financial Instruments	<p><b>Implications:</b> The Region will have to identify these transactions and determine if they have been measured at the carrying amount if required.</p> <hr/> <p>A standard has been issued, establishing a standard on accounting for and reporting all types of financial instruments including derivatives. The effective date of this standard has recently been deterred and it is now effective for fiscal periods beginning on or after April 1, 2019 (the Region's December 31, 2020 year-end).</p> <p><b>Implications:</b> 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 re-measurement gains and losses.</p> <p>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 on 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><b>Implications:</b> Exchange gains and losses arising prior to settlement are recognized in a new statement of re-measurement gains and losses.</p>

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