

School District No. 23 (Central Okanagan)

For the year ended June 30, 2024

Report to the Finance and Audit Committee
Audit strategy

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Executive summary

Purpose of report and scope

The purpose of this report is to engage in an open dialogue with you regarding our audit of the financial statements of School District No. 23 (Central Okanagan) (the "District") for the year ended June 30, 2024. This communication will assist the Finance and Audit Committee in understanding the terms of the audit engagement, our proposed audit strategy and the level of responsibility assumed by us.

The information in this document is intended solely for the information and use of the Finance and Audit Committee, Board of Education and management. It is not intended to be distributed to or used by anyone other than these specified parties.

We have obtained our engagement letter dated July 1, 2022, which outlines our responsibilities and the responsibilities of management.

Status of our audit plan

We have started our initial planning of the audit of the financial statements of the District. The following planning-related items are outstanding:

- Internal control walkthroughs and testing
- Discussions with management and those charged with governance
- Preliminary analytical procedures
- Interim audit procedures

Approach

Our audit approach requires that we establish an overall strategy that focuses on risk areas. We identify and assess risks of material misstatement of the financial statements, whether due to fraud or error. The greater the risk of material misstatement associated with an area of the financial statements, including disclosures, the greater the audit emphasis placed on it in terms of audit verification and analysis. Where the nature of a risk of material misstatement is such that it requires special audit consideration, it is classified as a significant risk.

Our approach is discussed further in an Appendix of this report.

Independence

We have a rigorous process where we continually monitor and maintain our independence. The process of maintaining our independence includes, but is not limited to:

- Identification of threats to our independence and putting into place safeguards to mitigate those threats. For example, we evaluate the independence threat of any non-audit services provided to the District
- Confirming the independence of our engagement team members

We have identified no information regarding our independence that in our judgement should be brought to your attention.

Audit plan and risk assessment

We have planned our audit in accordance with our approach summarized in Appendix A.

Materiality

The purpose of our audit is to provide an opinion as to whether the financial statements are prepared, in all material respects, in accordance with Canadian Public Sector Accounting Standards and Section 23.1 of the Budget Transparency and Accountability Act (“Section 23.1”) as at June 30, 2024. Therefore, materiality is a critical auditing concept and as such we apply it in all stages of our engagement.

The concept of materiality recognizes that an auditor cannot verify every balance, transaction or judgment made in the financial reporting process. During audit planning, we made a preliminary assessment of materiality for the purpose of developing our audit strategy, including the determination of the extent of our audit procedures.

During execution of the audit, we will consider whether materiality should be re-assessed due to changes or events identified. At completion, we will consider not only the quantitative assessment of materiality, but also qualitative factors, in assessing the impact on the financial statements, our audit opinion and whether matters should be brought to your attention.

Considerations

The following is a summary of matters that relate to changes to the District and its environment that were considered in preparing our audit plan.

Matter	Discussion and impact
<p>Challenges and uncertainties related to the current economic environment</p>	<p>The economy is currently going through a period of high uncertainty. Factors such as inflation, labour shortages, supply constraints, fluctuations in demand, and other economic factors are creating a highly volatile landscape for businesses and other organizations. These factors may increase the risk of errors occurring in financial reporting. For example, an organization could fail to properly consider the impact of rising interest rates on the measurement of certain assets and liabilities. The risk of fraud is also increased. For example, in a challenging economic environment, there may be stronger incentives for management to present results that appear to comply with budget or for individual staff to attempt to misappropriate resources.</p> <p>As we complete our risk assessment, we will consider how the District has been impacted by these broader economic factors.</p>
<p>Impact of ongoing significant capital additions</p>	<p>As discussed with management during planning and as noted during our prior year audits, the District has several major capital projects ongoing. Some of these projects include:</p> <ul style="list-style-type: none"> • Construction of seven childcare centres, for which approximately \$22.3 million has been spent to date with a total estimated cost upon completion of approximately \$29.6 million. Four of the centres have been opened to date, with the remaining three expected to open on July 1/24 (Ellison Elementary and École George Elliot Secondary) and September 1/24 (École Hudson Road Elementary). • Construction of George Pringle Secondary School, for which approximately \$7.6 million has been spent to date with a total estimated cost upon completion of approximately \$124 million. The school is expected to open in September 2027. • Construction of an addition to École Dr. Knox Middle School, for which approximately \$7.4 million has been spent to date with a total estimated cost upon completion of approximately \$28 million. The addition is expected to open in the fall of 2024. • Addition of 5 prefabricated classrooms to North Glenmore Elementary School, for which approximately \$700,000 has been spent to date with a total estimated cost upon completion of approximately \$7.5 million. The prefabricated classrooms are expected to be ready for use in September 2024. <p>Large capital projects and land acquisitions bring about risks in several areas including tangible capital assets, deferred capital contributions and purchases and payables. Please see the other audit risks section of this report below for further discussion around these risks and our planned procedures.</p>
<p>New system implementation</p>	<p>The District transitioned to a new ERP and accounting system, Sparkrock, effective June 1, 2023. However, payroll was still processed through CIMS during the initial transition period. During the current fiscal year, payroll processes are being transitioned to Sparkrock. We plan on updating our documentation and completing testing surrounding the new payroll processes.</p>
<p>Laws and regulations</p>	<p>During the course of the audit, we will perform specified audit procedures to help identify instances of non-compliance with laws and regulations that may have a material effect on the financial statements. An audit of financial statements is not designed to detect all instances of non-compliance with laws and regulations and does not represent an audit of the District's compliance with applicable laws and regulations.</p> <p>While we have not identified any instances of non-compliance, we would like to know if you are aware of any instances of non-compliance.</p>

Matter	Discussion and impact
Fraud	<p>We are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However, owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements may not be detected and this is particularly true in relation to fraud. The primary responsibility for the prevention and detection of fraud rests with those charged with governance and management.</p> <p>During our audit planning, we will enquire of management as to their views on the risks of fraud and their processes for identifying and assessing fraud risks. We are not aware of any fraud-related matters that will affect our audit approach. However, we would like to obtain your input on the following areas:</p> <ul style="list-style-type: none"> • How you oversee management's processes for identifying and responding to the risks of fraud and the related internal controls that management has put in place • Whether you are aware of any actual, suspected or alleged fraud affecting the District beyond that already discussed

Significant risks

We identified the following significant risks on which we plan to focus our attention:

Area of risk	Why there is a risk	Planned audit response
Fraud risk related to revenue recognition	<p>There is a presumed risk of fraud in revenue.</p> <p>The risk primarily relates to revenue recognized under grants, school generated funds and tuition and fees.</p>	<ul style="list-style-type: none"> • Obtaining confirmation from the Ministry of Education and Child Care of grants received and reconciling to the appropriate accounts • Reviewing controls around the process of recognizing revenues from school generated funds, reviewing a sample of bank reconciliations, performing analytical review of transactions by school and testing a sample of receipts and disbursements • Analytical review of applicable tuition revenue recognized during the year and reviewing the deferred revenue schedule to ensure amounts received were appropriately deferred to the period to which they apply
Fraud risk from management override	<p>This is a presumed fraud risk.</p> <p>The risk relates to management's ability to override the controls surrounding financial reporting in order to report improved financial results, manipulate particular financial statement areas, or perpetrate other financial fraud.</p>	<ul style="list-style-type: none"> • Discuss with the audit team, the risk of management override (fraud) of financial controls including how and where fraud is more likely to occur • Using data analytics, test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements • Walkthrough key controls over the associated processes

Other audit risks

Other areas we have identified where we plan to focus our attention are as follows:

Area of risk	Why there is a risk	Planned audit response
Deferred capital contributions	The conditions attached to the contributions determine the appropriate accounting. It is possible that a condition could be missed or misinterpreted, resulting in accounting that is not consistent with Public Sector Accounting Standards ("PSAS").	<ul style="list-style-type: none"> • For significant deferred capital contributions, evaluate whether stipulations exist • Agree significant contributions to agreements/confirmations • Review disclosure of differences between PSAS and the accounting requirements of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia
Investments	Changes in investment values could be incorrectly recorded or the fair values themselves could be determined inappropriately.	<ul style="list-style-type: none"> • Confirm fair value of investments with the investment custodian • Test a sample of fair values for reasonableness
Tangible capital assets and asset retirement obligation	The amount and volume of capital asset purchases increase the risk of a material misstatement occurring. The District adopted PS 3280 <i>Asset retirement obligations</i> in the prior year and the estimate will be need to continue to be assessed for reasonability in 2024 and each year moving forwards.	<ul style="list-style-type: none"> • Detailed testing of the continuity schedule, including testing a sample of capital projects to supporting documentation and GST treatment • Reviewing the classification of additions, including the accounting for any site reclassifications identified from prior years • Discussing capital processes and capital projects with management, including work in progress at year end • Reviewing the accounting for any sales of properties • Testing the reasonableness of amortization • Review applicable lease and funding agreements • Review management's calculation of the asset retirement obligation and the related supporting documents, to ensure assumptions used are still reasonable and any changes to the estimate or settlement of obligations during the year have been appropriately accounted for
Purchases and payables	With there being significant purchasing activity, there is a risk that payables could be understated, omitted or recorded in the incorrect period.	<ul style="list-style-type: none"> • Perform review of controls around the purchasing cycle • Perform analytical review of expense variances • Test of details in relation to operating expense accounts • Perform substantive procedures on cut off testing

Area of risk	Why there is a risk	Planned audit response
Employee compensation	The amount and volume of employee compensation expenses, together with the need to value and accrue certain elements of the expense, increase the risk of a material misstatement occurring.	<ul style="list-style-type: none"> • Review and test controls around maintenance of employee masterfile and related payroll • Perform a test of details on a sample of each type of employee compensation transactions, including a sample of new employees, terminations and rate changes • Reviewing accounting for sick and severance liabilities • Analytical review of compensation expense and related benefits to budget and prior year; and analytical review of salary per month by employee type • Review assumptions used by actuary in valuation of employee future benefits

Other planning matters

The following is a discussion of relevant planning matters we have considered that are specific to School District No. 23 (Central Okanagan).

Use of experts

We intend to use the work of independent third-party specialists for the following:

- Investments – we plan to rely on your investment custodian to accurately report the fair value of the investments in your portfolio
- Future employee benefits – we plan to rely on the report prepared by your actuary to value your employee future benefits

Regulatory matters

The Office of the Auditor General (“OAG”) audits the Summary Financial Statements of the Province of British Columbia which includes the financial information of the District. As part of their audit of the Province’s Summary Financial Statements they require us as the auditors of the District to perform certain audit procedures, provide copies of certain documents, and confirm certain matters to them in November 2024. The OAG has also added the District to their extended sample of School Districts in the province which involves providing additional information on balances including cash, investments and accruals. Consistent with prior years, we will make arrangements with District management in order to ensure that the required reporting is completed within the specified deadlines.

Since the OAG will be relying on the financial statements and those financial statements will have departures from PSAS with respect to the restricted contribution regulation, the OAG will need to be able to determine the amount, if any, by which the financial statements would have been different in relation to non-Provincial contributions had they been prepared in accordance with PSAS. Therefore, the OAG will require additional information such that the impact of any departure from PSAS in the reporting of non-Provincial contributions can be assessed. We will work with management in the compilation of this information and provide it to the OAG in their prescribed format.

As group auditor, the OAG will receive copies of any communications with the District, including our internal control letters. It is our understanding that the OAG is considering publicly reporting any significant weaknesses in internal controls at government departments and organizations. A significant weakness in internal controls is a weakness or combination of weaknesses that are deemed by the auditor to be important enough to be reported to an organization’s audit committee or those charged with governance.

In addition to the above, the OAG has also engaged Grant Thornton to perform certain audit procedures on the District’s March 31, 2024 financial information that is submitted to the Ministry of Education and Child Care. We will be performing these procedures in mid-May in order to assist the OAG in their audit of the Province’s Summary Financial Statements.

Audit fees

Proposed fees

Service	Current year fees	Prior year fees
Annual audit	\$ 34,550	\$ 33,540
Asset retirement obligation	N/A	5,750
CAS 315 implementation	N/A	3,300
New system implementation	TBD	2,750
Auditor General Report	925	900
Total*	\$ 35,475	\$ 46,240

*before administrative costs, disbursements and applicable taxes

Deliverables

Deliverable
Independent Auditor's Report on the June 30, 2024 financial statements
Communication of audit results
Other – Reporting to the OAG

Fee proposal considerations

Upfront and periodic discussions are central to our approach in dealing with fees. Our goal is to avoid surprises by having early and frank communication. We wish to provide you with a competitive price and fair value, while also allowing sufficient audit hours to conduct an effective audit and deliver quality service.

We have established a proposed fee for the audit for the year ended June 30, 2024 that is based on the level of activity and the anticipated complexity of the audit of the District's financial statements. If there are any variances to the above plan, we will discuss them with you and agree on any additional fees before costs are incurred, wherever possible. Any unforeseen work outside the scope of this proposal will be billed separately after discussion with District management and/or the Finance and Audit Committee.

The proposed fee is based on receiving the following from management:

- Draft financial statements including the notes to the financial statements
- All working papers and schedules as outlined in our requirements letter
- Trial balance together with reconciled control accounts
- All books and records when requested
- Use of District staff to help us locate information and provide explanations remotely if applicable

Timing and communications

Timing and communications

We are committed to delivering exceptional client service and executing our audit in the most effective, efficient and timely manner. The planned timing of our audit work and the deliverables we will provide to the Finance and Audit Committee are as follows:

Stage or deliverable	Timing/Status
Discussions and communications regarding planning	May and June 2024
Communication of audit planning	May 15, 2024
Interim procedures	June 10 – 14, 2024
Performance of audit fieldwork	August 6 – August 16, 2024
Preliminary review of reports with management	Early September 2024
Communication of audit results	September 25, 2024
Financial statement approval by the Board	September 25, 2024
Deadline for reporting to the Ministry of Education and Child Care	September 30, 2024
Deadline for reporting to the Auditor General	November 2024

In our communication of audit results, we will report on the following matters:

- Our views on significant accounting practices
- Significant difficulties, if any, encountered during the audit
- Misstatements, other than trivial errors
- Actual or suspected fraud or illegal acts
- Significant deficiencies in internal control
- Other significant audit matters, as applicable

Appendix A – Overview and approach

Our audit is planned with the objective of obtaining reasonable assurance about whether the financial statements as a whole are free from material misstatement, so that we are able to express an opinion on whether the financial statements are prepared, in all material respects, in accordance with Canadian Public Sector Accounting Standards and Section 23.1. The following outlines key concepts that are applicable to the audit, including the responsibilities of parties involved, our general audit approach and other considerations.

Roles and responsibilities

Role of the Finance and Audit Committee and Board of Education

- Help set the tone for the organization by emphasizing honesty, ethical behaviour and fraud prevention
- Oversee management, including ensuring that management establishes and maintains internal controls to provide reasonable assurance regarding reliability of financial reporting
- Recommend the nomination and compensation of external auditors to the board
- Directly oversee the work of the external auditors including reviewing and discussing the audit plan

Role of management

- Prepare financial statements in accordance with Canadian Public Sector Accounting Standards and Section 23.1
- Design, implement and maintain effective internal controls over financial reporting processes, including controls to prevent and detect fraud
- Exercise sound judgment in selecting and applying accounting policies
- Prevent, detect and correct errors, including those caused by fraud
- Provide representations to external auditors
- Assess quantitative and qualitative impact of misstatements discovered during the audit on fair presentation of the financial statements

Role of Grant Thornton LLP

- Provide an audit opinion that the financial statements are in accordance with Canadian Public Sector Accounting Standards and Section 23.1
 - Conduct our audit in accordance with Canadian Generally Accepted Auditing Standards (GAAS)
 - Maintain independence and objectivity
 - Be a resource to management and to those charged with governance
 - Communicate matters of interest to those charged with governance
 - Establish an effective two-way communication with those charged with governance, to report matters of interest to them and obtain their comments on audit risk matters
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Audit approach

Our understanding of the District and its operations drives our audit approach, which is risk based and specifically tailored to School District No. 23 (Central Okanagan).

The five key phases of our audit approach



Phase	Our approach
1. Planning	<ul style="list-style-type: none"> We obtain and update our understanding of your operations, internal controls and information systems We plan the audit timetable together
2. Assessing risk	<ul style="list-style-type: none"> We use our knowledge gained from the planning phase to assess financial reporting risks We customize our audit approach to focus our efforts on key areas
3. Evaluating internal controls	<ul style="list-style-type: none"> We evaluate the design of controls you have implemented over financial reporting risks We identify areas where our audit could be more effective or efficient by taking an approach that includes testing the controls We provide you with information about the areas where you could potentially improve your controls
4. Testing accounts and transactions	<ul style="list-style-type: none"> We perform tests of balances and transactions We use technology and tools, including data interrogation tools, to perform this process in a way that enhances effectiveness and efficiency
5. Concluding and reporting	<ul style="list-style-type: none"> We conclude on the sufficiency and appropriateness of our testing We finalize our report and provide you with our observations and recommendations

Our tailored audit approach results in procedures designed to respond to an identified risk. The greater the risk of material misstatement associated with the account, class of transactions or balance, the greater the audit emphasis placed on it in terms of audit verification and analysis.

Throughout the execution of our audit approach, we will maintain our professional skepticism, recognizing the possibility that a material misstatement due to fraud could exist notwithstanding our past experiences with the District and our beliefs about management’s honesty and integrity.

Internal control

Our audit will include gaining an understanding of the District's internal control over financial reporting. Our understanding will focus on processes associated with the identified risk areas, as described in this report. We use this understanding to determine the nature, extent and timing of our audit procedures.

Our understanding may also result in valuable internal control findings for your consideration. Note that the auditor's objectives with regards to internal control are different from those of management and those charged with governance. For example, we primarily target controls that relate to financial reporting and not those that relate to the District's operations or compliance which may also be relevant to its objectives. Therefore, management and those charged with governance cannot solely rely on our findings to discharge their responsibilities in this area.

Quality control

We have a robust quality control program that forms a core part of our client service. We combine internationally developed audit methodology, advanced audit technology, rigorous review procedures, mandatory professional development requirements, and the use of specialists to deliver high quality audit services to our clients. In addition to our internal processes, we are subject to inspection and oversight by standard setting and regulatory bodies. We are proud of our firm's approach to quality control and would be pleased to discuss any aspect with you at your convenience.

Data Analysis Software

We apply our audit methodology using advanced software tools. Grant Thornton continues to invest in developing industry-leading advanced audit data analytics tools.

IDEA

IDEA Data Analysis Software is a powerful analysis tool that allows audit teams to read, display, analyze, manipulate, sample and extract data from almost any electronic source. The tool has the advantages of enabling the audit team to perform data analytics on very large data sets in a very short space of time, while providing the checks, balances and audit trail necessary to ensure that the data is not corrupted and that the work can be easily reviewed. SmartAnalyzer, an add-on to IDEA, further improves the efficiency and effectiveness of the audit by providing automated routines for certain common analytical tasks, such as identifying unusual and potentially fraudulent journal entries.

MindBridge

Advances in artificial intelligence and machine learning have changed the face of the accounting profession. Grant Thornton has access to MindBridge's advanced data analytics platform. When used on appropriate engagements, MindBridge gives audit teams the capability to analyse 100% of the transactions included in the general ledger and, based on an assessment of each transaction against criteria based on traditional business rules, statistical methods and machine learning, the software assigns each transaction a risk score. This, in combination with the many powerful and customisable visual representations available in the software, enables audit teams to identify patterns and connections between transactions and across sub-ledgers and accounts. In appropriate circumstances, use of MindBridge may provide new insights and identify risks much more effectively and efficiently than was possible using traditional audit techniques, which facilitates a higher quality, more insightful and increasingly efficient audit.

Appendix B – PSAS Accounting developments

Public Sector Accounting Standards	Effective date
<p>2022-2023 Annual Improvements to PSAS</p> <p>The Public Sector Accounting Board (PSAB) has adopted an annual improvements process to make minor improvements to standards which include clarifying guidance or wording within the standards or correcting relatively minor unintended consequences, conflicts or oversights.</p> <p>The following standards were amended in the 2022-2023 process:</p> <ul style="list-style-type: none">• Section PS 3160 <i>Public Private Partnerships</i> The amendment updated the transitional provisions to explicitly state that early adoption is permitted.• Section PS 3420 <i>Inter-Entity Transactions</i> The amendment clarifies that PSG-8 <i>Purchased Intangibles</i> applies to inter-entity transactions.	<p>Effective April 1, 2023 (immediately)</p>
<p>Section PS 1202 <i>Financial Statement Presentation</i></p> <p>New Section PS 1202 <i>Financial Statement Presentation</i> replaces Section PS 1201 <i>Financial Statement Presentation</i>.</p> <p>The main features of the new Section include:</p> <ul style="list-style-type: none">• Changes to the statement of financial position to present financial assets, non-financial assets, total assets, financial liabilities, non-financial liabilities total liabilities and net assets/net liabilities• Separate statement of changes in net assets or net liabilities (formerly known as accumulated surplus) by required categories• The addition of a statement of net financial assets or net financial liabilities that presents a revised net financial assets or net financial liabilities (formerly known as “net debt”) calculation• The option to present the change in net financial assets or net financial liabilities on the statement of net financial assets or net financial liabilities• Ability to present an amended budget when there is an election or the majority of the governing body of a government organization is newly elected or appointed• The requirement to provide a subtotal prior to financing activities in the statement of cash flow• Guidance on assessing the going concern assumption <p>As a result of the issuance of the new Section, various Sections and Guidelines of the Handbook have been amended to include references to the Section. The impacted Sections and Guidelines include:</p>	<p>Fiscal years beginning on or after April 1, 2026.</p> <p>Earlier adoption is permitted <i>only if</i> the Conceptual Framework is also adopted at the same time.</p> <p>Prior period amounts would need to be restated to conform to the presentation requirements for comparative financial information in Section PS 1202.</p>

**Section PS 1202 Financial Statement Presentation
(continued)**

- PS 1300 *Government Reporting Entity*
- PS 2120 *Accounting Changes*
- PS 2500 *Basic Principles of Consolidation*
- PS 2510 *Additional Areas of Consolidation*
- PS 2601 *Foreign Currency Translation*
- PS 3041 *Portfolio Investments*
- PS 3060 *Interest in Partnerships*
- PS 3070 *Investments in Government Business Enterprises*
- PS 3100 *Restricted Assets and Revenues*
- PS 3160 *Public Private Partnerships*
- PS 3230 *Long-Term Debt*
- PS 3250 *Retirement Benefits*
- PS 3255 *Post-Employment Benefits, Compensated Absences and Termination Benefits*
- PS 3260 *Liability for Contaminated Sites*
- PS 3280 *Asset Retirement Obligations*
- PS 3300 *Contingent Liabilities*
- PS 3310 *Loan Guarantees*
- PS 3400 *Revenue*
- PS 3410 *Government Transfers*
- PS 3430 *Restructuring Transactions*
- PS 3450 *Financial Instruments*
- PS 4200 *Financial Statement Presentation by Not-for-Profit Organizations*
- PSG-2 *Leased Tangible Capital Assets*
- PSG-4 *Funds and Reserves*
- PSG-5 *Sale-Leaseback Transactions*

Conceptual Framework for Financial Reporting in the Public Sector

PSAB's Conceptual Framework for Financial Reporting in the Public Sector replaces Sections PS 1000 *Financial Statement Concepts* and PS 1100 *Financial Statement Objectives*.

The new Conceptual Framework includes:

- Characteristics of public sector entities
- Objectives of financial reporting
- Primary users of financial reporting and their expectations
- Role of financial statements
- Foundations and objectives of financial statements
- Qualitative characteristics of information in financial statements
- Qualitative characteristics of information in financial statements and related considerations
- Definitions of elements
- Criteria of general recognition and derecognition; and,
- Concepts of general measurement and presentation

As a result of the issuance of the Conceptual Framework, various Sections and Guidelines of the Handbook have been amended to include references to the new Conceptual Framework, add/clarify key definitions that are consistent with the Conceptual Framework, and/or remove references to qualitative characteristics that are no longer qualitative characteristics in the new Conceptual Framework. These Sections include:

- Introduction to the Public Sector Accounting Handbook (formerly the Introduction to the Public Sector Accounting Standards)
- PS 1150 *Generally accepted Accounting Principles*
- PS 1201 *Financial Statement Presentation*
- PS 1300 *Government Reporting Entity*
- PS 2100 *Disclosure of Accounting Policies*
- PS 2120 *Accounting Changes*
- PS 2130 *Measurement Uncertainty*
- PS 2200 *Related Party Transactions*
- PS 3150 *Tangible Capital Assets*
- PS 3200 *Liabilities*
- PS 3210 *Assets*
- PS 3400 *Revenue*
- PS 3430 *Restructuring Transactions*
- PS 3450 *Financial Instruments; and*
- PS 4230 *Capital Assets Held by Not-for-Profit Organizations*

The Conceptual Framework will be applied prospectively.

Fiscal years beginning on or after April 1, 2026.

Earlier adoption is permitted.

Section PS 3160 *Public Private Partnerships*

New Section PS 3160 *Public Private Partnerships* establishes standards on how to account for public private partnerships between public and private sector entities where infrastructure is procured by a public sector entity using a private sector partner that is obligated to design, build, acquire or better infrastructure; finance the infrastructure past the point where the infrastructure is ready for use and operate and/or maintain the infrastructure. Infrastructure typically includes items such as tangible capital assets (i.e., complex network systems), but may also include items that are intangible in nature. The main features of the new Section are:

- The infrastructure is recognized as an asset when the public sector entity acquires control of the infrastructure. A liability is also recognized when the public sector entity recognizes an asset
- The infrastructure asset and corresponding liability are initially measured at the cost of the infrastructure asset
- Subsequent measurement of the infrastructure asset is based on the asset cost amortized in a rational and systematic manner over the useful life of the asset
- Subsequent measurement of the financial liability is at amortized cost using the effective interest method. When all or a portion of the liability represents a performance obligation, revenue is recognized, and the liability reduced in accordance with the substance of the public private partnership agreement (as performance is achieved)

Retrospective or prospective application is permitted.

Fiscal years beginning on or after April 1, 2023.

Earlier adoption is permitted.

Section PS 1000 *Financial statement concepts*, Section 1201 *Financial Statement Presentation*, and PSG-8 *Purchased intangibles*

Section PS 1000 has been amended to remove the prohibition of recognition of purchased intangibles in public sector financial statements. Consequentially, Section PS 1201 has also been amended to remove disclosure requirements for unrecognized purchased intangibles since entities can now recognize purchased intangibles in their financial statements. Entities still reporting in accordance with Section PS 1200 *Financial Statement Presentation* can also adopt the amendments and recognize purchased intangible assets. New Public Sector Guideline, PSG-8 *Purchased intangibles*, has been issued to explain the scope of the intangibles that are allowed to be recognized in the financial statements given this amendment to Section PS 1000. However, it is important to note that no further recognition, measurement, disclosure and presentation guidance has been provided.

The main features of PSG-8 include:

- A definition of purchased intangibles (which does not include those received through a government transfer, contribution or inter-entity transaction)
- Examples of items that are not purchased intangibles
- References to other guidance in the Handbook on intangibles
- Reference to the asset definition, general recognition criteria and the GAAP hierarchy for accounting for purchased intangibles

Retrospective or prospective application is permitted.

Fiscal years beginning on or after April 1, 2023.

Earlier adoption is permitted.

Section PS 3400 *Revenues*

New Section PS 3400 *Revenue* establishes standards on how to account for and report on revenue. It does not apply to revenues for which specific standards already exist, such as government transfers, tax revenue or restricted revenues. The Section distinguishes between revenue that arises from transactions that include performance obligations (i.e., exchange transactions) and transactions that do not have performance obligations (i.e., non-exchange transactions). The main features of the new Section are:

- Performance obligations are defined as enforceable promises to provide specific goods or services to a specific payer
- Revenue from transactions with performance obligations will be recognized when (or as) the performance obligation is satisfied by providing the promised goods or services to the payer
- Revenue from transactions with no performance obligations will be recognized when a public sector entity has the authority to claim or retain the revenue and identifies a past transaction or event that gives rise to an asset

Fiscal years beginning on or after April 1, 2023.

Earlier adoption is permitted.
