

The City of Ottawa

2018 Financial Statement Audit Plan

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February 25, 2019

Members of the Audit Committee
The City of Ottawa

Dear Members of the Audit Committee,

We look forward to discussing the current year audit plan for the City of Ottawa [the "City"] at your meeting on February 25, 2019. We will outline the scope of our services, identify the EY team scheduled to perform the audit, and present the key considerations that will affect the 2018 audit.

The audit is designed to express an opinion on the 2018 consolidated financial statements. We are currently completing the planning phase of our audit, and have aligned our procedures to consider the City's current and emerging business risks and evaluate those that could materially affect the consolidated financial statements.

We appreciate that the City of Ottawa selected EY to perform its 2018 audit and we are committed to executing an audit that is responsive to your needs and maximizes audit effectiveness, delivering the high quality you expect in the most efficient manner possible.

Very truly yours,

The image shows a handwritten signature in black ink that reads "Ernst & Young LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants
Licensed Public Accountants

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2018 EY services

Services and Deliverables

Audit and audit - related services

- Express an opinion, and report to the Audit Committee on the results of our audit of:
 - The consolidated financial statements of the City of Ottawa and the financial information of the City of Ottawa related entities and programs in accordance with municipal or other requirements.
- Issue a written communication to:
 - Management and the Audit Committee describing significant deficiencies in internal controls identified during our audit, if any
 - Management and the Audit Committee describing other deficiencies in internal controls identified during the audit that in our professional judgment, are of sufficient importance to merit their attention, if any
 - Management and the Audit Committee commenting on the results of the audit and addressing matters that we are required to communicate under our professional standards
- Issue a management letter including recommendations for improvements in controls and procedures, should any matters be noted.

Other Services

- Perform translation of the French consolidated financial statements and financial highlights included in the annual report of the City of Ottawa.

Executive Summary

**Significant
2018
considerations**

Audit timeline

- We will perform our interim procedures during the months of September through January and our year-end procedures during the months of March through May.

Audit strategy

- Our audit strategy, including significant risks identified, for the 2018 audit is outlined in the “Areas of audit emphasis” section of this document.
-

Planning materiality

- At the conclusion of the audit, we formulate our opinion on the consolidated financial statements of the City as to their fair presentation, in all material respects, in accordance with Canadian public sector accounting standards.
- Our estimation of planning materiality requires professional judgment and necessarily takes into account qualitative as well as quantitative considerations.
- Based on the 2018 operating budget, we estimate the materiality for the audit of the 2018 consolidated financial statements to be \$68.8M (\$67.1M in 2017), which represents 2% of budgeted operating expenditures for the year ended December 31, 2018 (actual expenditures for 2017).
- The 2018 preliminary materiality level will be reviewed on an ongoing basis throughout our 2018 audit. Should actual results vary significantly from those budgeted, the materiality level may be adjusted in order to recognize this change in circumstances.

Our Audit Plan

Audit approach

Area	Comments
<hr/> <u>Our planned audit approach</u> <hr/>	
<p>For purposes of the audit of the financial statements, our audit scope is developed after considering the inherent and control risks and the effectiveness of the organization's internal controls. A variety of factors are considered when establishing the audit scope including size, specific risks, the volumes and types of transactions processed, changes in the business environment, and other factors.</p>	<p>Using our cumulative knowledge of the City's business, including the results of audit procedures in prior years and the knowledge gained from the current year procedures completed to-date, we have established a preliminary strategy for placing reliance on controls related to the flows of certain transactions and/or significant processes.</p> <p>Based on our planning, our intention is to test and rely on controls in the following areas, in order to increase overall efficiency of the audit by reducing the nature, timing and/or extent of substantive procedures:</p>
<p>We distinguish between the following strategies:</p> <ul style="list-style-type: none">• Identify and evaluate controls (controls strategy)• Do not identify and evaluate controls (substantive strategy)	<ul style="list-style-type: none">• IT General Controls (ITGCs): We plan to audit the IT general controls of the SAP and Markview systems in support of the financial statement audit of the City of Ottawa. Our procedures will include tests of change management, logical access, and IT operations, as well as procedures over the conversion to SAP HANA.• Accounts payable, expenditures and payroll expense process (conducted on a rotational basis).
	<p>Should the execution of our tests of controls result in exceptions, this may affect our planned reliance on such controls in conducting our year-end procedures. We will communicate to you any changes to our audit approach.</p> <p>For the remaining significant accounts, we will take a substantive approach, as we believe this will result in a more efficient audit of the related accounts based on their nature.</p> <hr/>

Our Audit Plan

Areas of audit emphasis

Our audit procedures emphasize testing areas with the highest risk of misstatement (e.g., those accounts, contracts or transactions where we believe there is the greatest risk of material misstatement to the financial statements, whether due to error or fraud, including disclosure items). We consider the effects of current market risk factors on the City, and emphasis is also placed on those areas requiring difficult, subjective, or complex determinations by management with heightened professional skepticism. Accordingly, our audit procedures are planned to focus on the following areas:

- Revenue recognition
- Contingent liabilities
- Investments and financial instruments
- Employee benefit costs
- Tangible capital assets
- Commitments

Our Audit Plan

Areas of audit emphasis

Area of emphasis	Summary of planned audit procedures
Revenue recognition	
<i>(PS 1200 - Financial Statement Presentation, PS 3100 - Restricted Assets and Revenues, PS 3410 - Government Transfers, PS 3510 - Tax Revenue)</i>	
<ul style="list-style-type: none">• Taxation revenues are recorded in the period to which the assessment relates and reasonable estimates of amounts can be made.• Government transfers are recognized in revenue when they are authorized and when eligibility criteria have been met. Under certain circumstances, agreements may create a liability which is deferred until certain criteria are met.• Development charges must be used for specific purposes and are deferred and recognized in revenue in the period in which the resources are used for the specified purpose(s).• When appropriate, Fees and user charges are deferred and recognized in revenue in the period in which the resources are used for the specified purpose(s).	<ul style="list-style-type: none">• We will review the City's method for recognizing revenue and validate whether it is consistent with the prior year policy, the related accounting standards and industry practice.• We will walk through and update our understanding of the flow of transactions for taxation revenues, government transfer revenues, development charge revenues and fees and user charges revenues.• We will perform data analytics using the EY Helix suite of data analytics tools, which involves an in depth analysis over multiple streams of revenue.• We will perform analytics over taxation revenues based on confirmations obtained from the Municipal Property Assessment Corporation (MPAC) and based on municipal tax rates as approved by City Council.

Our Audit Plan

Areas of audit emphasis

Area of emphasis	Summary of planned audit procedures
<hr/>	
Contingent Liabilities	
<i>(PS 3300 - Contingent Liabilities)</i>	
<ul style="list-style-type: none">• Accruals are recorded for regulatory and legal proceedings that arise in the ordinary course of business when likely and subject to reasonable estimation.• Many factors are considered in making an assessment of a contingency, including history and stage of litigation. Estimates are based upon consultation with legal counsel (in-house and/or external). Legal fees are generally expensed as incurred.	<ul style="list-style-type: none">• We will perform a review of the contingent liabilities and assess management and legal counsel assumptions for each significant contingent liability identified.• We will confirm with both in-house and external legal counsel the completeness of the contingent liabilities reported by management.

Our Audit Plan

Areas of audit emphasis

Area of emphasis	Summary of planned audit procedures
Investments	
<i>(PS 3040 - Portfolio Investments)</i>	
<ul style="list-style-type: none">• The City values investments at amortized cost less amounts written off to reflect a permanent decline in value.• If fair value of investments is less than cost, the City must assess whether the impairment is considered other-than-temporary and, if so, recognize the other-than-temporary impairment in the statement of operations.	<ul style="list-style-type: none">• We will conduct substantive procedures on the amortized cost of the investments and perform confirmation procedures in order to verify the current market value of the investments.• Any significant difference between the market value of the investments and their book value will be assessed for impairment to determine whether the decline in value is other-than-temporary.

Our Audit Plan

Areas of audit emphasis

Area of emphasis	Summary of planned audit procedures
Employee benefit costs <i>(PS 3250 - Retirement Benefits, PS 3255 Post-employment benefits, compensated absences and termination benefits)</i>	<ul style="list-style-type: none"><li data-bbox="813 659 1360 806">• Our procedures include a review of the assumptions used by the specialist as the assumptions are highly sensitive.<li data-bbox="813 831 1398 1205">• We will involve our internal actuaries to perform the assessment of the valuation reports. We will review the 2018 valuation methods and assumptions used by the actuaries and conclude as to whether the methods used are in compliance with Canadian public sector accounting standards and we will assess whether the assumptions used are reasonable.<li data-bbox="813 1230 1398 1528">• We will review the current pension obligation and pension asset for both pension plans and WSIB and we will review the post-employment obligations and assess whether the appropriate amounts have been recorded in accordance with PS 3250 and PS 3255.

Our Audit Plan

Areas of audit emphasis

Area of emphasis	Summary of planned audit procedures
Tangible capital assets <i>(PS 3150 - Tangible Capital Assets)</i>	
<ul style="list-style-type: none">• Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development, or betterment of an asset. The costs, less residual value, of the tangible capital assets, excluding land, are amortized on a straight-line basis over their estimated useful lives.	<ul style="list-style-type: none">• We will walk through the tangible capital asset process to update our understanding of the capitalization process, including the accounting for the OLRT project and other significant agreements.• We will perform data analytics using the EY Data analytics tools, which involves an in depth analysis over the additions, transfers, disposals and amortization of tangible capital assets. This will include a review of the timing of when assets were put into or taken out of use, as well as the assumptions used for useful life and depreciation methods.• We will review the write-down analysis performed on the tangible capital assets balance when conditions indicate that a tangible capital asset no longer contributes to the City's ability to provide goods and services, or that the value of future economic benefits associated with the tangible capital asset is less than its net book value.

Our Audit Plan

Areas of audit emphasis

Area of emphasis	Summary of planned audit procedures
Commitments	
<i>(PS 3390 - Contractual Obligations)</i>	
<ul style="list-style-type: none">The City discloses significant contractual obligations in the notes to the financial statements.	<ul style="list-style-type: none">We will continue to monitor the City's activities related to commitments which may require disclosure in the notes to the financial statements. In particular, we will obtain management and legal representations regarding any commitments entered into during the year.

Fraud considerations and risk of management override

We are responsible for planning and performing the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by fraud or error.

Our audit procedures will include: brainstorming, gathering information to facilitate the identification of fraud risks and performing procedures in the areas where fraud risks are identified including performing procedures required by our professional standards, designed to address the risk of management override (including examining journal entries, reviewing accounting estimates and evaluating the business rationale of significant unusual transactions).

We evaluate the risk of management override using the fraud triangle which includes rationalization, opportunity, and incentive and consider the actions management has taken to respond to those risks.

As a result of our audit planning activities, we have not identified any fraud risks aside from the presumed risk of management override. In response to this risk, we intend to leverage the use of EY data analytics tools in examining journal entries.

Inquiries relating to matters relevant to the audit

We perform inquiries related to fraud and other matters to help inform our audit strategy and execution of our audit procedures. We would like to be informed of any matters of which you believe we should be aware, including, but not limited to:

- Your views about the risks of material misstatements due to fraud, including the risks of management override of controls
- Your knowledge of any actual, alleged or suspected fraud
- Your awareness of tips or complaints regarding the City's financial reporting (including those received through the audit committee's own "whistleblower" program, if any) and your response to such tips and complaints
- How you exercise oversight over the City's assessment of fraud risks and the establishment of controls to address these risks
- Your awareness of other matters, you believe, are relevant to the audit including, but not limited to, violations or possible violations of laws or regulations

When we identify a fraud risk, including a fraud risk that arises through or is associated with the risk of management override of controls, we perform audit procedures to address those risks. In addition to any specific responses related to the fraud risk, we also examine journal entries, review accounting estimates where there is significant judgment and complexity for management bias and evaluate the business rationale of significant unusual transactions as required by our professional standards.

Fair and transparent fees

	2018 estimated fees	2017 actual fees
Financial statement audits ⁽¹⁾	\$293,000	\$300,700
Other audit engagements ⁽²⁾	33,800	103,900
Non-audit engagements ⁽³⁾	149,125	6,300
Total	\$475,925	\$410,900

- (1) Includes fees and expenses related to the audit of the consolidated annual financial statements, subsidiaries, and employee benefit plans, notwithstanding when the fees and expenses were billed or when the services were rendered.
- (2) Includes fees and expenses related to other audit engagements, including municipal requirements, notwithstanding when the fees and expenses were billed or when the services were rendered.
- (3) Includes fees and expenses related to the non-audit engagements, notwithstanding when the fees and expenses were billed or when the services were rendered.

Thought leadership

EY is invested heavily in developing Thought Leadership to support our clients and their governance committees in achieving their goals. Articles developed by EY on topics of relevance to audit committees and boards can be found at the following links:

- <http://www.ey.com/gl/en/issues/governance-and-reporting/center-for-board-matters>
- <https://betterworkingworld.ey.com/>
- <https://www.ey.com/ca/en/industries/government---public-sector#Leadership>

The Audit Committee may find EY's Thought Leadership on resilient cities of interest. These articles discuss how cities are building urban resilience thinking into their infrastructure programs to address the challenges of unprecedented growth and change. The complete articles can be found at:

- https://www.ey.com/en_gl/government-public-sector/why-it-s-time-for-cities-to-get-real-about-resilience
- https://www.ey.com/en_gl/growth/can-resilient-thinking-help-us-future-proof-our-cities

The EY Centre for Board Matters also publishes a number of articles about cybersecurity and its related risks. The following article provides perspectives from the EY Cybersecurity Board Summit and may be of interest to you:

- <https://www.ey.com/gl/en/issues/governance-and-reporting/center-for-board-matters/ey-understanding-the-cybersecurity-threat>

The Audit Committee may also find EY's Thought Leadership on the Top Priorities for Boards in 2018 of particular interest. This article highlights the priorities EY anticipates will be top-of-mind for board members in 2018 and then further elaborates on each of the priorities and includes questions the audit committee and board might want to consider when providing oversight on new risks and opportunities. The top priorities for 2018 include:

- Understanding technology's impact on strategy, business models and cybersecurity
- Anticipating and planning for geopolitical and regulatory changes
- Aligning risk management with strategy and operating performance

- Balancing short- and long-term capital allocation pressures
- Overseeing culture and talent in a time of innovation and transformation
- Engaging with stakeholders on long-term governance and environmental/social issues
- Accelerating board effectiveness through composition, structure and assessments

For reference, the complete article can be found at:

- <https://www.ey.com/us/en/issues/governance-and-reporting/ey-top-priorities-for-us-boards-in-2018>

In Appendix A, we have also included a summary of the changes to the auditor's report previously approved by the Auditing and Assurance Standards Board (AASB) in Canada. The change in the format of the auditor's report is effective for all audits for periods ending on or after December 15, 2018; as such, the changes will take effect for the City of Ottawa for the year ending December 31, 2018.

We sincerely hope that you find the information of use in exercising your oversight role at the City of Ottawa.

Appendix A – Important Update Regarding Auditor Reporting Model

The Auditing and Assurance Standards Board (AASB) in Canada approved a package of standards, effective in 2018, dealing with auditor reporting, and reporting and responsibilities relating to other information.

What are the changes?

- In April 2017, the AASB adopted International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board (IAASB) as Canadian Auditing Standards (CASs) dealing with:
 - Auditor reporting;
 - Changes to performance standards with respect to going concern;
 - Changes to address the audit of financial statement disclosures; and
 - Reporting and other responsibilities relating to other information included in an entity's annual report
- The aim of the standards is to provide auditor's reports that increase the public's confidence in both the audit process itself and the financial statements of companies. Enhancing auditor reporting will improve communications between the auditor and investors, as well as between auditors and those charged with governance.
- The following are the enhancements made to the auditor's report:
 - The format of the report has changed, with the opinion disclosed in the beginning of the report, followed by the basis for opinion
 - The new auditor's report contains an affirmative statement of independence and fulfillment of relevant ethical responsibilities
 - A description of management and auditor responsibilities relating to going concern is required and a separate dedicated section related to material uncertainty is required when a material uncertainty exists
 - The auditor's report discloses identification of those charged with governance (TCWG) within the management responsibilities section
 - There is an expanded description of auditor responsibilities, including key features of an audit
 - For all entities with "other information", we are required to read the other information included in an entity's annual report and, in doing so, consider whether the other information is materially inconsistent with the audited financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated

- In the auditor's report, we identify the other information obtained prior to the date of the auditor's report
- For other information that has been obtained prior to the date of the auditor's report, we are required to include a statement the auditor has nothing to report or that describes any uncorrected material misstatement of the other information
- Despite these changes, the pass/fail auditor opinion stays the same
- A draft of our auditor's report for the year ended December 31, 2018 has been provided on the following page.

When is the standard effective?

- The new auditor's report will be effective for all audits for periods ending on or after 15 December 2018, with earlier adoption permitted.

DRAFT OF OUR AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Members of Council

Opinion

Opinion first. The auditor's opinion - the "pass/fail" statement that users have said they continue to value - is required to be positioned at the beginning of the report, followed by the Basis for Opinion.

We have audited the financial statements of the City of Ottawa (the "City"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of operations and accumulated surplus, the consolidated statement of changes in net debt and the consolidated statement of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the financial position of the City as at December 31, 2018, and its financial performance and its cash flows for the years then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

Basis for Opinion section is required. Currently only required when the auditor's report was modified.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the City in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

New affirmative statement about the auditor's fulfilment of independence and other relevant ethical responsibilities requirements.

Other information included in the City's 2018 Annual Report

A separate section relating to other information is required under the revised CAS 720 *The Auditor's Responsibilities Relating to Other Information* is required in certain instances.

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion & Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

New description of management's responsibilities relating to going concern. Intended to reflect the requirements of the applicable financial reporting framework.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Identification of TCWG is required when a separate body exists that is responsible for oversight of the financial reporting process (in many cases, the audit committee). When individuals responsible for such oversight are also responsible for the preparation of the financial statements, no reference to oversight responsibilities is required.

In preparing the consolidated financial statements, management is responsible for assessing the City's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the City or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the City's financial reporting process.

Expanded description of the auditor's responsibilities, including key features of the audit. The auditor's responsibility section is intended to explain more fully the concept of a risk-based audit, as well as to clarify the meaning of certain audit-technical terms. This approach results in a more lengthy description of the auditor's responsibilities in relation to specific matters, including fraud; internal control, accounting policies and estimates, evaluating the overall presentation, structure and content of the financial statements and disclosures, group audits and communications with TCWG.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to

New descriptions of responsibilities relating to going concern. Reflects responsibilities under CAS 570, which are required regardless of the applicable financial reporting framework.

those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the City's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the City to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

[Signature of the name of the audit firm, the personal name of the auditor, or both, as appropriate for the province]

[Auditor address]

[Date]

Appendix B - Timing of required communications with audit committees

	Communicate when event occurs	Communicate on a timely basis, at least annually
Our responsibility under Canadian GAAS, including discussion of the type of opinion we are issuing		X
Overview of planned scope and timing		X
Other information in documents containing audited financial statements		X
Major issues discussed with management in connection with initial or recurring retention	X	
Significant audit adjustments, including significant disclosure differences that merit the attention of those charged with governance		X
Uncorrected misstatements, including significant disclosure differences that merit the attention of those charged with governance, considered by management to be immaterial		X
Critical accounting policies and practices		X
Our judgments about the quality of the City's accounting principles		X
The adoption of, or a change in, an accounting policy	X	
Methods of accounting for significant unusual transactions and for controversial or emerging areas	X	
Sensitive accounting estimates		X
All material alternative accounting treatments discussed with management		X
Disagreements with management	X	
Consultations with other accountants	X	
Serious difficulties encountered in dealing with management when performing the audit	X	

Timing of required communications with audit committees (cont'd)

	Communicate when event occurs	Communicate on a timely basis, at least annually
Fraud and illegal acts involving senior management and fraud and illegal acts that cause a material misstatement of the financial statements	X	
Other material written communications with, and representations sought from management		X
Communication of independence matters		X
Fees and related disclosures		X
Other findings or issues regarding the oversight of the financial reporting process	X	
Subsequent events		X
Related-party transactions		X
Other related matters as applicable		X

Appendix C – Accounting and auditing developments

This summary of decisions of the Public Sector Accounting Board [“PSAB”] has been prepared for information purposes only. Decisions reported are tentative and reflect only the current status of discussions on projects, which might change after further deliberations by PSAB. Decisions to publish exposure draft and Handbook material are final only after a formal ballot process.

Accounting and auditing developments	Summary	Effect on the City of Ottawa consolidated financial statements
Financial Reporting Developments:		
<p>Related Party Disclosures (PS 2200) and Inter-entity Transactions (PS 3420)</p>	<p>In 2015, PSAB approved two new Handbook Sections - <i>Related Party Disclosures and Inter-entity Transactions</i>. The new standards are applicable to fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.</p> <p>The new Related Party Disclosures standard requires disclosure of information about related party transactions and the relationship underlying them when they have occurred at a value different from that which would have been arrived at if the parties were unrelated, and they have, or could have, a material financial effect on the financial statements.</p> <p>The new Inter-entity Transactions section establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.</p>	<p>The new accounting standards need to be implemented in the City's financial statements in the fiscal year ending December 31, 2018. The City has performed an assessment and determined that there is limited impact of the changes on the City's financial statements. We will review the City's position as part of our audit procedures.</p>

Accounting and auditing developments	Summary	Effect on the City of Ottawa consolidated financial statements
Assets (PS 3210), Contingent Assets (PS 3320), and Contractual Rights (PS 3380)	<p>In 2015, PSAS approved three new Handbook Sections - <i>Assets, Contingent Assets, and Contractual Rights</i>. The new standards are applicable to fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.</p> <p>The new standards provide the following updated disclosure requirements:</p> <ul style="list-style-type: none"> • Disclosure of information about the major categories of assets that are not recognized is required. When an asset is not recognized because a reasonable estimate of the amount involved cannot be made, the reason(s) for this should be disclosed. • Disclosure of information about contingent assets is required when the occurrence of the confirming future event is likely. • Disclosure of information about contractual rights is required including description about their nature and extent and the timing. 	<p>The new accounting standards need to be implemented in the City's financial statements in the fiscal year ending December 31, 2018. The City has performed an assessment and determined that there is limited impact of the changes on the City's financial statements. We will review the City's position as part of our audit procedures.</p>
Restructuring Transactions (PS 3430)	<p>In 2015, PSAB approved a new Handbook Section applicable to fiscal years beginning on or after April 1, 2018. Earlier adoption is permitted.</p> <p>This new Section defines a restructuring transaction and establishes standards for recognizing and measuring assets and liabilities transferred in a restructuring transaction including the value at</p>	<p>The City will need to assess the impact of this new standard on its consolidated financial statements if and when it enters into a transaction that meets the definition of a restructuring transaction in the</p>

Accounting and auditing developments	Summary	Effect on the City of Ottawa consolidated financial statements
	<p>which both the transferor and transferee should record the impact of the transaction.</p>	<p>standard. The City will need to consider the standard for any restructuring transactions it enters into after April 1, 2018.</p>
<p>Financial Instruments (PS 3450), Foreign Currency Translation (PS 2601), Portfolio Investments (PS 3041) and Financial Statement Presentation (PS 1201)</p>	<p>In March 2018, PSAB approved an extension of the effective date of Sections PS 3450, <i>Financial Instruments</i>, and PS 2601, <i>Foreign Currency Translation</i>, to fiscal years beginning on or after April 1, 2021. Narrow-scope amendments will be proposed for Section PS 3450 to address certain non-hedge accounting issues raised during consultations.</p> <p>An Exposure Draft on the narrow-scope amendments proposed for Section PS 3450, <i>Financial Instruments</i>, is expected to be released early in 2019.</p>	<p>The City will need to assess the impact of these new standards on its consolidated financial statements. The new accounting standards need to be implemented in the City of Ottawa's financial statements in the fiscal year ending December 31, 2022, or earlier if deemed appropriate.</p>
<p>Asset Retirement Obligations</p>	<p>On March 9, 2017, PSAB proposed to issue a new Section on asset retirement obligations and withdraw <i>Solid Waste Landfill and Post-Closure Liability</i>, Section PS 3270.</p> <p>The new section will require entities to record asset retirement obligations. An asset retirement obligation is a legal obligation associated with the retirement of a tangible capital asset. Asset retirement costs associated with a tangible capital asset controlled by the entity increase the carrying amount of the related tangible capital</p>	<p>The City will need to assess the impact of this new standard on its consolidated financial statements. The new accounting standards need to be implemented in the City of Ottawa's financial statements in the fiscal year ending December 31, 2022, or earlier. Once received, we</p>

Accounting and auditing developments	Summary	Effect on the City of Ottawa consolidated financial statements
	<p>asset and are expensed in a rational and systematic manner. Asset retirement costs associated with an asset no longer in productive use are expensed. Subsequent measurement of the liability can result in either a change in the carrying amount of the related tangible capital asset, or an expense, depending on the nature of the re-measurement and whether the asset remains in productive use. This new Section will be effective for fiscal years beginning on or after April 1, 2021. Earlier adoption is permitted.</p>	<p>will review the City's assessment.</p>
<p>Revenue (PS 3400)</p>	<p>PSAB recently issued a new Section on revenue (PS 3400) proposing a framework which includes two categories of revenue - exchange transactions or unilateral transactions. Revenue from an exchange transaction is recognized when the public sector entity has satisfied the performance obligation(s). If no performance obligation is present, it would be unilateral revenues. Unilateral revenues are recognized when a public sector entity has the authority to claim or retain an inflow of economic resources and a past event gives rise to a claim on economic resources. This new Section will be effective for fiscal years beginning on or after April 1, 2022. Earlier adoption is permitted.</p>	<p>The City will need to assess the impact of these new standards on its financial statements. The new accounting standards need to be implemented in the City's financial statements in the fiscal year ending December 31, 2023, or earlier if deemed appropriate. Once received, we will review the City's assessment.</p>

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