



The Corporation of the City of Burli

20 Audit service plan

For the year ending December 31, 2020
To be presented to the Audit Committee
On December 9, 2020

December 2, 2020

Private and confidential

To the Members of the Audit Committee
The Corporation of the City of Burlington
426 Brant St
Burlington ON L7R 3Z6

2020 Audit service plan

Dear Audit Committee Members:

We are pleased to provide you with our audit service plan for the Corporation of the City of Burlington ("the City") for the year ending December 31, 2020. This document describes the key features of our plan including our audit scope and approach, our planned communications with you, and our team.

Our commitment to you is straightforward: we will provide you with outstanding professional services delivered by an experienced and dedicated team of professionals. Our professionals will continue providing you with best practices and insights to face the increasingly complex array of issues and challenges encountered by the City.

Our audit will include the following, as at, and for the year ending December 31, 2020:

- An audit of the City of Burlington's consolidated financial statements, prepared in accordance with Canadian Public Sector Accounting Standards ("PSAS");
- Audits of the financial statements of the following local boards and entities, prepared in accordance with PSAS: Burlington Public Library Board, Burlington Museums Board, Burlington Theatre Board, Burlington Business Improvement Association, Burlington Economic Development Corporation, and Aldershot Village Business Improvement Association; and
- An audit of the Trust Funds of the City of Burlington's financial statements, prepared in accordance with Canadian Accounting Standards for Not-For-Profit Organizations ("ASNPO");

Herein after, collectively referred to as the "Financial Statements".

This report has been provided to the Audit Committee (the "Committee") on a confidential basis. It is intended solely for the use of the Committee and the Board of Directors (the "Board") to assist you in discharging your responsibilities with respect to the audit of the financial statements and is not intended for any other purpose.

We look forward to discussing our audit service plan with you and answering any questions you may have.

Yours truly,



Chartered Professional Accountants
Licensed Public Accountants

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Executive summary

Audit scope and terms of engagement

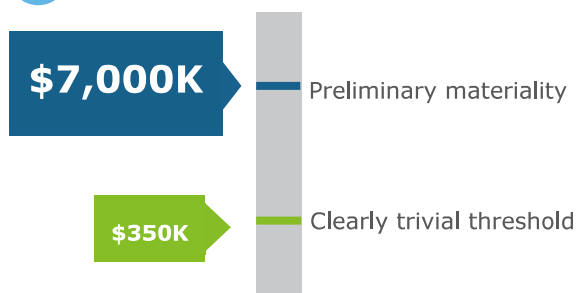
We have been engaged to perform an audit of the financial statements of the City, the Boards, and the Trust Funds (collectively, the "City") prepared in accordance with Canadian public sector accounting standards ("PSAS") as at, and for the year ending December 31, 2020. Our audit will be conducted in accordance with Canadian generally accepted auditing standards ("Canadian GAAS").

The terms and conditions of our engagement are described in the Master Services Agreement for Professional Services dated November 7, 2016 and Confirmation of Changes letters dated October 9, 2018 and December 2, 2020.

Audit risks

- 1 Revenue and deferred revenue amounts
- 2 Tangible capital assets
- 3 Year-end accruals and other estimates
- 4 Management override of controls

Materiality



Our preliminary estimate of materiality for the year ending December 31, 2020 was determined by applying professional judgment and has been set at \$7,000,000 (2019, \$7,400,000) on the basis of total forecasted expenses. This lower materiality may require additional audit procedures on opening balances. We will report to the Committee uncorrected misstatements greater than our current year clearly trivial amount of \$350,000 (2019 – \$370,000).

Fraud risk

We will develop our audit strategy to address the assessed risks of material misstatement due to fraud. Determining this strategy will involve:

1. Enquiry of those involved in the financial reporting process about inappropriate or unusual activity.
2. Testing a sample of journal entries throughout the period as well as adjustments made at the end of the reporting period.
3. Identifying and obtaining an understanding of the business rationale for significant or unusual transactions that are outside the normal course of business.
4. Evaluating whether your accounting policies may be indicative of fraudulent financial reporting resulting from management's effort to manage earnings.
5. Evaluating whether the judgements and decisions related to management estimates indicate a possible bias.
6. Incorporating an element of unpredictability in selecting our audit procedures.

We will also ask the Committee for their views about the risk of fraud, whether they know of any actual or suspected fraud affecting the City and their role in the oversight of management's antifraud programs.

If we suspect fraud involving management, we will immediately inform the Committee of our suspicions and discuss the nature, timing, and extent of audit procedures necessary to complete the audit.



Audit fees

Audit fees	2020
Base audit fee	\$62,000
Total fees	\$62,000

Use of work of specialists

The City employs Nexus Actuarial Consultants Ltd. as the City's actuary in their determination of the City's post employment benefits.

We will review and test any data and assumptions used, ensure the disclosure in the financial statements is adequate, and that the actuary is in good standing with the Canadian Institute of Actuaries.

If our assessment does not provide us with sufficient, appropriate audit evidence, we will need to perform additional audit procedures to address the risks of material misstatements in the financial statements.

COVID-19 Impacts

Other than COVID-19, and the related impacts to revenue, cash management and operations, we are not currently aware of any significant events that would impact the audit of the financial statements for the December 31, 2020 year-end. We have incorporated these COVID-19 considerations in the "Audit risks" section of this document.

Below are some of the Deloitte resources we have developed and have available to assist with the potential impacts COVID-19 may have on the 2020 audit. We will continue to monitor the status of the situation and, if necessary will discuss and finalize an action plan with management as to how to best continue to conduct the audits remotely, if necessary.

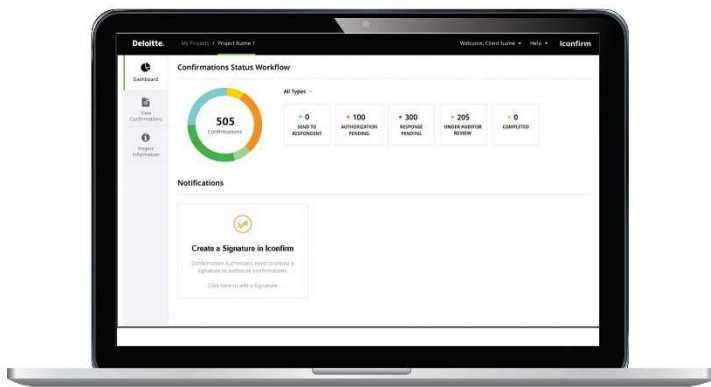
COVID-19 working remotely

What makes Deloitte's audit different going forward is that with our technology platform, we focus efforts on what actually matters rather than taking a "needle in a haystack" random sampling approach. Through consistent processes and capabilities within our global platform, we facilitate a better client experience by focusing on what matters, reducing client burden, and delivering value. How would this look and feel different for you?



Deloitte Connect

One centralized collaboration portal where you can quickly drag and drop files, ask clarifying questions, get reminders. You have visibility into audit and request status on real-time dashboards, whether on your computer or on a mobile app.



iConfirm

A secure web-based application for preparing, sending, receiving and managing confirmations. We're able to automatically create confirmations, have you apply your signature to the entire batch, and send them electronically rather than by mail. This approach also provides much better visibility into the status of all of the confirms with a clear real-time dashboard.

COVID-19 Resources



- [Deloitte public domain on COVID-19](#) (includes links to government grant program details)
- Our [Deloitte COVID-19 Information Centre](#) brings together Deloitte insights to help businesses manage and mitigate the risk.
- [Webcasts for clients](#) (recordings of past webcasts and invitations for upcoming webcasts)
- [Centre for Financial Reporting COVID-19](#) section where clients will find all our external-facing resources
- [POVs and thought leadership](#) – various reading material and toolkits
- Leveraging artificial intelligence - Deloitte has created a [COVID-19 Economic Recovery Dashboard](#) to monitor the health, community/social activity, financial and economic indicators that will signal when the rebound stage has arrived.

Audit risks

During our risk assessment, we identified some areas of audit risks that will require special audit consideration. These areas of risks, together with our planned responses, are described below.

The following tables set out certain areas of audit risk that we identified during our preliminary planning activities, including our proposed response to each risk. Our planned audit response is based on our assessment of the likelihood of a risk's occurrence, the significance should a misstatement occur, our determination of materiality and our prior knowledge of the City.

Revenue and deferred revenue amounts*

Audit risk

Under Canadian GAAS, we are required to evaluate the risk of fraud in revenue recognition.

This represents a fraud risk for the 2020 audit.

Our proposed audit response

- We will evaluate the design and implementation of controls relating to revenue.
- We will perform substantive testing to determine if restricted contributions (i.e., development charges, gas tax, conditional grants, COVID-19 funding, etc.) have been recognized as revenue in the appropriate period.

Tangible capital assets

Audit risk

Appropriate accounting and disclosure of tangible capital assets.

Our proposed audit response

- We will test assumptions used in determining completeness, valuation, recording and cut-off of additions and disposals, and
- We will test the calculations of amortization.

Year-end accruals and other estimates (including salaries, employee future benefits, contaminated sites, and allowance for doubtful accounts)

Audit risk

Estimates require management judgments and assumptions.

Our proposed audit response

- We will obtain documentation on management's controls over accounting estimates.
- We will review and assess the consistency of major assumptions used to develop significant accounting estimates.
- We will compare actual historical experience to models employed in such calculations.
- We will obtain calculations from experts for accruals such as employee future benefit liability, and assess assumptions and data used to prepare the report.
- We will review actual outcomes of prior year estimates.

Management override of controls*

Audit risk

Under Canadian Auditing Standards, it is the responsibility of the management, with the oversight of those charged with governance to place a strong emphasis on fraud prevention and detection. Oversight by those charged with governance includes considering the potential for override of controls or other inappropriate influence over the financial reporting process.

Management override of controls is present in all entities. It is a risk of material misstatement resulting from fraud and therefore is considered as a significant audit risk.

Our proposed audit response

- We will discuss fraud with management.
- We will ask the Committee for their views about the risk of fraud, whether they know of any actual or suspected fraud affecting the City and their role in the oversight of management's antifraud programs.
- We will test a sample of journal entries made throughout the period and adjustments made at the end of the reporting period.
- We will evaluate the business rationale for any significant unusual transactions.
- We will determine whether the judgments and decisions related to management estimates indicate a possible bias, which will include performing retrospective analysis of significant accounting estimates.

*These areas have been identified as areas of significant risk.

We will inform you of any significant changes to the areas of audit risk discussed above and the reasons for those changes as part of our year-end communication, or earlier if deemed necessary.

Revised CAS 540, Auditing Accounting Estimates and Related Disclosures

Drivers for the Revised Standard

- Changes in financial reporting frameworks and standards include a greater focus on complex accounting estimates, which highlights the importance of fostering professional skepticism.
- The revised standard strives to improve communication and transparency between auditors and those charged with governance on complex accounting estimates.
- Our communications and transparency with the Committee previously were already in compliance with this new standard.



What can you expect from your auditor?

Management

- Greater focus in assessing how management understands the nature, extent, risks, and controls associated with accounting estimates.
- Varying audit procedures to drive work efforts based on assessed risk levels including consideration to adopt a control reliance approach to auditing accounting estimates.
- More interaction with management's experts.
- Specific written management representations.

Communication with the Audit Committee

- The Committee can expect to have enhanced dialogue on accounting estimates. This may include the auditor's views and assessment of:
 - significant qualitative aspects of the City's accounting practices relating to accounting estimates and related disclosures;
 - indicators of management bias;
 - appropriateness of management's methods, assumptions and data used; and
 - significant deficiencies in internal controls around accounting estimates.

Appendix 1 – Audit approach

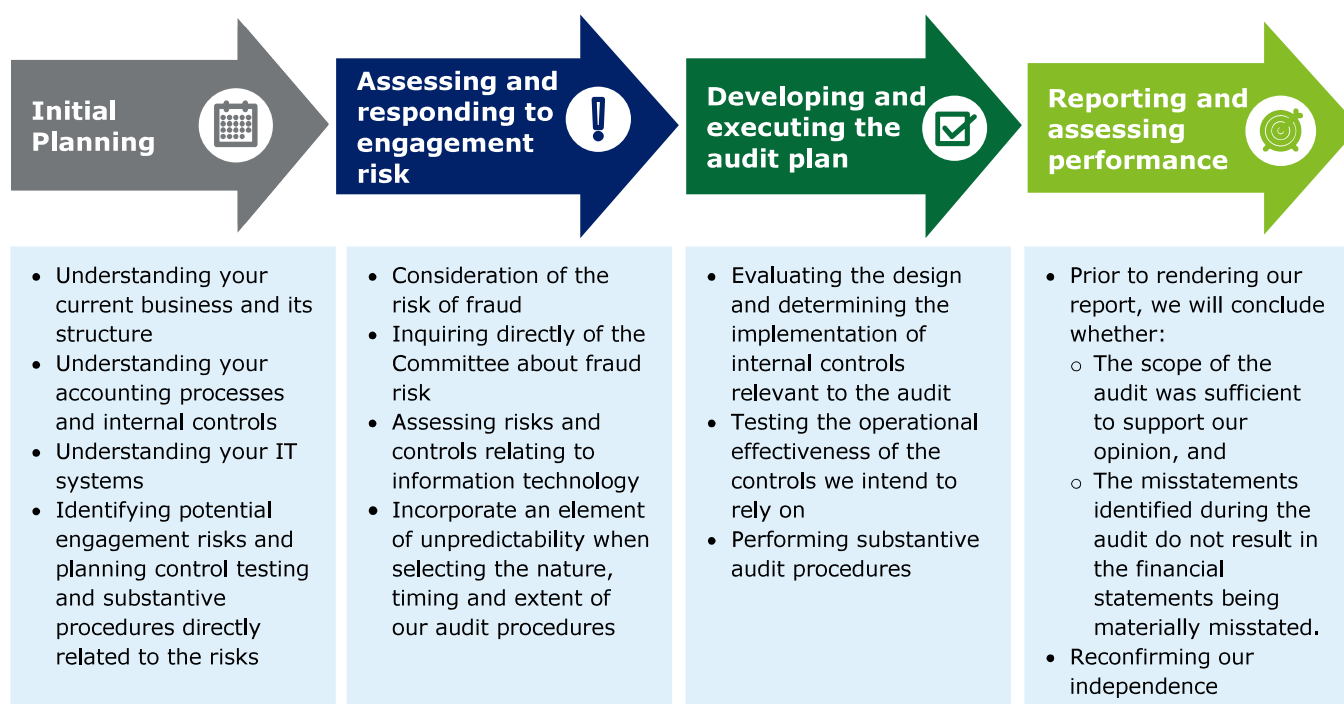
Deloitte’s audit approach is a systematic methodology that enables us to tailor our audit scope and plan to address the unique issues facing the City.



Delivering professional excellence

Focus area

Risk based audit	<ul style="list-style-type: none"> Deliver a customized risk assessment, focusing our attention and resources on the audit areas that are most relevant to the City.
Confidential Information	<ul style="list-style-type: none"> Protecting the privacy and confidentiality of our clients and the firm is a cornerstone of the professional standards every Deloitte partner and practitioner commits to upholding every day. Deloitte employs technical, physical, and procedural safeguards, including our Confidential Information Program, to appropriately safeguard your data before, during, and after the course of the engagement.
Professional skepticism	<ul style="list-style-type: none"> Obtain a thorough understanding of the relevant facts and information, analyze reasonable alternatives, apply a questioning mindset and challenge management’s assumptions. Perform a more rigorous review of potential contradictory evidence.
Consultations	<ul style="list-style-type: none"> Involve additional resource or consult with technical resources concerning the significant or unusual events.



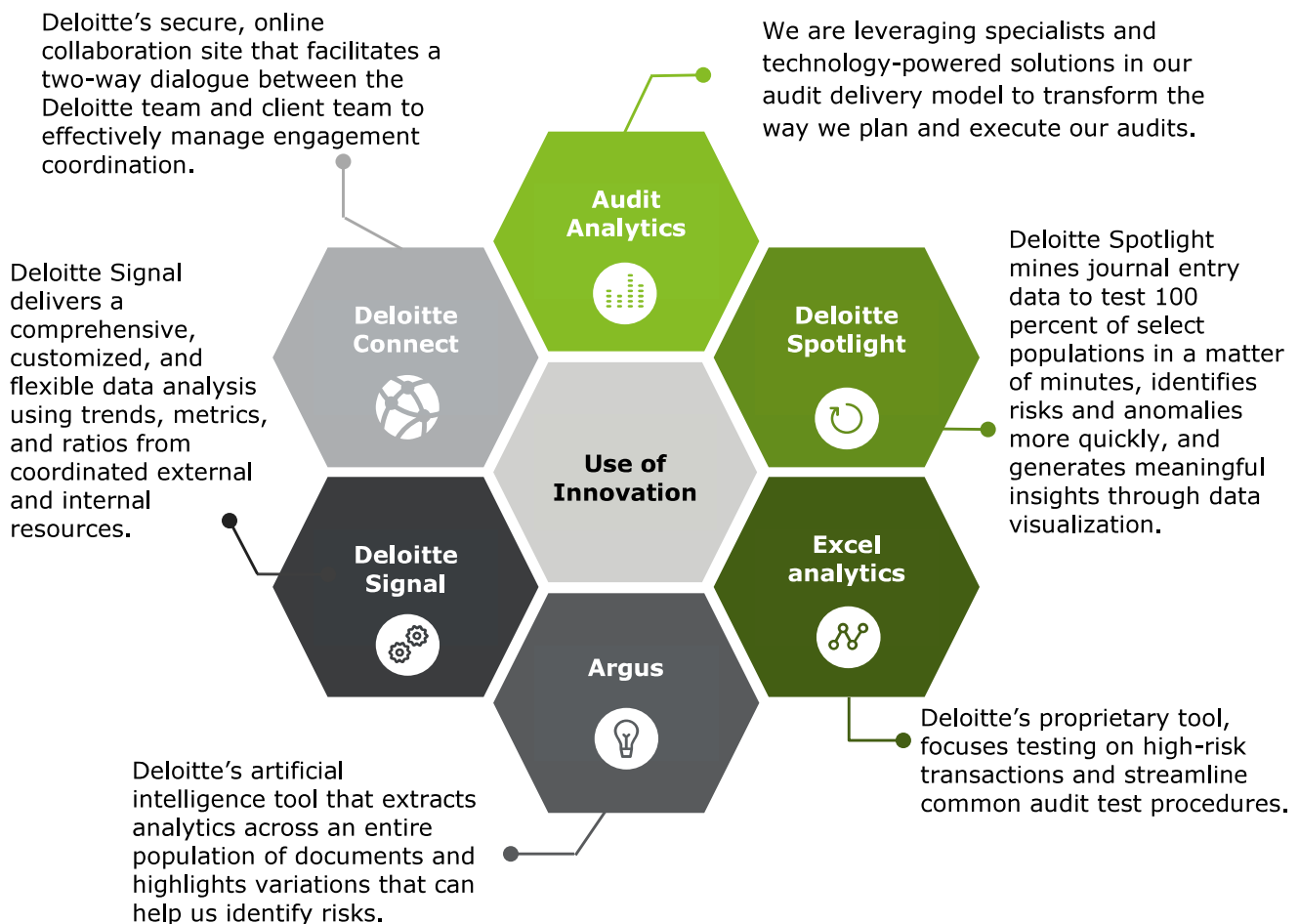


Innovating our audit approach

Focus area

Audit technology

- **Deloitte Connect** – Use Deloitte’s secure, online collaboration site to facilitate a two-way dialogue between the Deloitte team and the City team to effectively manage engagement coordination and provide greater transparency allowing both management and auditor visibility over client request status.
- **Excel analytics** – Excel analytics is a key component in delivering a high quality and efficient audit. It is a Deloitte’s proprietary tool that focuses testing on high-risk transactions and streamline common audit test procedures.



Focus area

Processes

- **Optimizing interim** - Proactively shift work forward from peak periods to our interim visit.
- **Project management** - Enhance project management oversight and effective communications between the audit team and management.

Appendix 2 – Communication requirements

Required communication	Reference
Audit Service Plan	
1. Our responsibilities under Canadian GAAS, including forming and expressing an opinion on the financial statements	CAS ¹ 260.14
2. An overview of the overall audit strategy, addressing: <ul style="list-style-type: none"> a. Timing of the audit b. Significant risks, including fraud risks c. Nature and extent of specialized skill or knowledge needed to perform the planned audit procedures related to significant risk 	CAS 260.15
3. Significant transactions outside of the normal course of business, including related party transactions	CAS 260 App. 2, CAS 550.27
Enquiries of those charged with governance	
4. How those charged with governance exercise oversight over management's process for identifying and responding to the risk of fraud and the internal control that management has established to mitigate these risks	CAS 240.21
5. Any known suspected or alleged fraud affecting the City	CAS 240.22
6. Whether the City is in compliance with laws and regulations	CAS 250.15
Year-end communication	
7. Modification to our audit plan and strategy	CAS 260.A26
8. Fraud or possible fraud identified through the audit process	CAS 240.40-.42
9. Significant accounting policies, practices, unusual transactions, and our related conclusions	CAS 260.16 a.
10. Alternative treatments for accounting policies and practices that have been discussed with management during the current audit period	CAS 260.16 a.
11. Matters related to going concern	CAS 570.25
12. Management judgments and accounting estimates	CAS 260.16 a.
13. Significant difficulties, if any, encountered during the audit	CAS 260.16 b.
14. Material written communications between management and us, including management representation letters	CAS 260.16 c.
15. Circumstances that affect the form and the content of the auditor's report	CAS 260.16d.
16. Modifications to our opinion	CAS 260.A21
17. Our views of significant accounting or auditing matters for which management consulted with other accountants and about which we have concerns	CAS 260.A22
18. Significant matters discussed with management	CAS 260.A.22

¹ CAS: Canadian Auditing Standards – CAS are issued by the Auditing and Assurance Standards Board of CPA Canada

Required communication	Reference
19. Matters involving non-compliance with laws and regulations that come to our attention, unless prohibited by law or regulation, including illegal or possibly illegal acts that come to our attention	CAS 250.23
20. Significant deficiencies in internal control, if any, identified by us in the conduct of the audit of the financial statements	CAS 265
21. Uncorrected misstatements and disclosure items	CAS 450.12-13,
22. Any significant matters arising during the audit in connection with the City's related parties	CAS 550.27

Appendix 3 – New and revised Canadian Public Sector Accounting Standards

The following is a summary of certain new or revised accounting standards that will become effective in fiscal 2022 and beyond.

Canadian Public Sector Accounting Standards

Title	Description	Effective Date
Section PS 3280 - Asset retirement obligations	This Section establishes standards on how to account for and report on the legal obligations associated with the retirement of tangible capital assets.	Effective April 1, 2022. Earlier adoption is permitted.
Section PS 3400 - Revenue	This Section establishes standards on how to account for and report on revenue. Specifically, it differentiates between revenue arising from transactions that include performance obligations and transactions that do not have performance obligations.	Effective for fiscal years beginning on or after April 1, 2023. Earlier adoption is permitted. This Section may be applied retroactively or prospectively.

Appendix 4 – Deloitte resources a click away

At Deloitte, we are devoted to excellence in the provision of professional services and advice, always focused on client service. We have developed a series of resources, which contain relevant and timely information.

Register [here](#) to receive practical insights, invitations to Deloitte events/webcasts, and newsletters via email and other electronic channels. You will be able to select business topics and industries that align with your interests.

<input type="checkbox"/> Canada's Best Managed Companies www.bestmanagedcompanies.ca Target audience <ul style="list-style-type: none"> • Directors and CEO/CFO 	<p>The Canada's Best Managed Companies designation symbolizes Canadian corporate success: companies focused on their core vision, creating stakeholder value and excelling in the global economy.</p>
<input type="checkbox"/> Centre for financial reporting https://www.iasplus.com/en-ca/standards Target audience <ul style="list-style-type: none"> • Directors and CEO/CFO • Controller and Financial reporting team 	<p>Web site designed by Deloitte to provide the most comprehensive information on the web about financial reporting frameworks used in Canada.</p>
<input type="checkbox"/> Deloitte Viewpoints https://www.iasplus.com/en-ca/tag-types/deloitte-viewpoints Target audience <ul style="list-style-type: none"> • CFO • Controller and Financial reporting team 	<p>Electronic communications that helps you to stay on top of standard-setting initiatives impacting financial reporting in Canada.</p>
<input type="checkbox"/> CFO's corner https://www.iasplus.com/en-ca/cfos-corner Target audience <ul style="list-style-type: none"> • CFO and VP Finance • Controller and Financial reporting team 	<p>Editorial providing insights into key trends, developments, issues and challenges executives face, with a Deloitte point of view.</p>
<input type="checkbox"/> Deloitte Dbriefs https://www.iasplus.com/en-ca/dbriefs/webcasts Targeted audience <ul style="list-style-type: none"> • CFO and VP Finance • Controller and Financial reporting team 	<p>Learning webcasts offered throughout the year featuring our professionals discussing critical issues that affect your business.</p> <p>Recent publications (ASPE)</p> <ul style="list-style-type: none"> • Revenue (Jan 13, 2020) • Accounting for shares issued in tax planning arrangements (ROMRS) (Dec, 18, 2019) • Agriculture (Dec 18, 2019)