



**SUBJECT: External audit plan for audit for the fiscal year ended
December 31, 2020**

TO: Audit Committee

FROM: Finance Department

Report Number: F-34-20

Wards Affected: not applicable

File Numbers: 430-04

Date to Committee: December 9, 2020

Date to Council: December 14, 2020

Recommendation:

Approve the external audit plan for the fiscal year ended December 31, 2020 as presented by Deloitte LLP at the Audit Committee meeting of December 9, 2020.

PURPOSE:

The purpose of the report is to present the external audit plan for the fiscal year ended December 31, 2020.

Background and Discussion:

Each year an external audit is conducted by the City's external audit firm. As the Audit committee has oversight responsibility for all external audit matters, the external audit plan is presented to committee for approval prior to the audit.

Areas of audit risk that have been identified by the external auditors include:

- Revenue recognition and deferred revenue amounts
- Year end cut-off
- Accounting and disclosure of tangible capital assets
- Estimates including employee future benefits and liability for contaminated sites
- Management override of controls

These identified areas of risk will be a focus of the external audit. The external audit will be managed by a new Senior Manager this year, Erica Vervoort. Trevor Ferguson continues to be the Partner on the account.

Strategy/process

Some of the key elements of the audit service plan are as follows:

- Audit Scope – designed to search for potential misstatements that, individually or collectively, are material.
- Materiality – any misstatements that are in the judgment of the auditors qualitatively material (5% of materiality) will be reported to the audit committee. The auditors will request that misstatements be corrected. Materiality levels have been set at \$7 million (2019 \$7.4 million). The lower materiality may require additional audit procedures on opening balances. Uncorrected misstatements greater than \$350 k will be reported to audit committee.
- Audit risks – the audit scope will reflect the significant risks as identified previously in this report.
- Fraud Risk – the audit strategy includes incorporating an element of unpredictability in the selection of the nature, timing and extent of the audit procedures. Any suspicions of fraud will be communicated to the Audit Committee. The Committee will also be asked for their views about the risk of fraud and whether they have knowledge of actual or suspected fraud.
- Engagement reporting – upon satisfactory completion of the audit, an audit report on the financial statements of the city will be presented to the Audit Committee. Reports to the Audit Committee assist the committee to fulfill its responsibilities as required by applicable auditing standards.

The external audit also involves gaining an understanding of:

- The importance of the computer environment relative to the risks to financial reporting
- The way in which that environment supports the control procedures relied on when conducting the audits
- The computer-based information that supports substantive procedures

Covid-19 Impacts

There have been innovations in the audit approach due to the pandemic with the introduction of audit technology that will ensure the audit can be managed effectively even if conducted remotely. Deloitte Connect is a secure, online collaboration site to effectively manage engagement coordination.

Financial Matters:

Audit fees will be based on the scope of service. The terms and conditions of the 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.

Conclusion:

As the Audit Committee responsibilities include oversight of the external audit function, the external audit plan is presented for approval.

Respectfully submitted,

Sandy O'Reilly

Controller and Manager of Financial Services

X 7648

Report Approval:

All reports are reviewed and/or approved by Department Director, the Chief Financial Officer and the Executive Director of Legal Services & Corporation Council.