



**SUBJECT: External audit plan for the fiscal year ended December 31, 2021**

**TO: Audit Committee**

**FROM: Finance Department**

Report Number: F-40-21

Wards Affected: not applicable

File Numbers: 430-04

Date to Committee: December 8, 2021

Date to Council: December 14, 2021

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### **Recommendation:**

Approve the external audit plan for the fiscal year ended December 31, 2021 as presented by Deloitte LLP at the Audit Committee meeting of December 8, 2021.

### **PURPOSE:**

#### **Vision to Focus Alignment:**

- Deliver customer centric services with a focus on efficiency and technology transformation

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### **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 and deferred revenue amounts
- Accounting and disclosure of tangible capital assets
- Year-end accruals and other estimates
- Management override of controls

These identified areas of risk will be a focus of the external audit. The external audit will continue to be managed by the Senior Manager, 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 preliminary set at \$7.1 million (2020 \$7.1 million). Uncorrected misstatements greater than \$355K 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**

As with the 2020 audit, staff and the external auditors will be utilizing Deloitte's application-based audit technology (Deloitte Connect) to ensure the audit can be managed effectively even if conducted remotely. Deloitte Connect is a secure, online collaboration site to effectively manage engagement coordination.

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## **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.

### **Total Financial Impact**

Total financial impact will be based on services provide as described in the Master Service Agreement.

### **Source of Funding**

Audit fees are funded annually as part of the City's operating budget.

### **Other Resource Impacts**

Not applicable.

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## **Climate Implications**

Not applicable.

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## **Conclusion:**

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

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Respectfully submitted,

Michelle Moore

Controller and Manager of Financial Services

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**Report Approval:**

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