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Presentation from Deloitte

Deloitte.

The Corporation of the City of Burlington

2021 Audit service plan

For the year ending December 31, 2021
To be presented to the Audit Committee
On December 8, 2021

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November 15, 2021

Private and confidential

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

2021 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 December31, 2021.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, 2021:

- Anaudit 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'sfinancialstatements,prepared in accordance with Canadian Accounting Standards for Not-For-Profit Organizations("ASNPO");

Hereinafter,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 Council 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,

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants

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Executive summary

Audit scope and terms of engagement

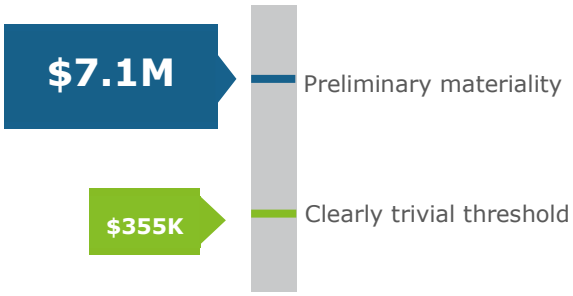
We have been engaged to perform an audit of the financial statements of the City, the Boards, and the Trust Funds (collectively, the "City") prepared in accordance with Canadian public sector accounting standards ("PSAS") as at, and for the year ending December 31, 2021. Our audit will be conducted in 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, 2021 was determined by applying professional judgment and has been set at $7,100,000 (2020, $7,100,000) on the basis of total expenses. We will report to the Committee uncorrected misstatements greater than our current year clearly trivial amount of $355,000 (2020 – $355,000).

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	2021
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.

Deloitte's Next Normal

The Way We Work. The Work We Do. *Reinvented.*

Deloitte's Next Normal is a reimagined, flexible way of working that enables us to create value together with our clients by making purposeful choices about where and how we work and how we will define and measure success. We imagine a world which is neither all-virtual, nor all-face-to-face. It will be a world in which agility, versatility and the ability to create delightful, blended experiences for our people and clients will be a differentiator. We will work with each client to determine the best combination of virtual and in person settings to complete our audits while continuing to deliver value and insights.

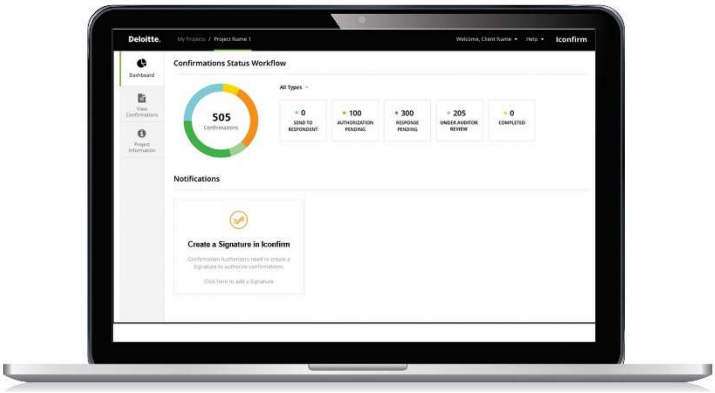
Our Next Normal is...

- **Flexible.** It allows each of us to make intentional choices about where and how we work so we can show up as our best and most productive selves.
- **Iterative.** We will continuously adapt our ways of working as we test and learn with our teams and our clients.
- **Different.** It will require each of us to lean into the challenge of embracing new routines.

Below are some of the resources we have developed to assist with this Next Normal.

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.

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	Our proposed audit response
Under Canadian GAAS, we are required to evaluate the risk of fraud in revenue recognition. This represents a fraud risk for the 2021 audit.	• 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	Our proposed audit response
Appropriate accounting and disclosure of tangible capital assets.	• 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	Our proposed audit response
Estimates require management judgments and assumptions.	• 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	Our proposed audit response
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.	• 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.

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	• Deliver a customized risk assessment, focusing our attention and resources on the audit areas that are most relevant to the City.
Confidential Information	• 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	• 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	• Involve additional resource or consult with technical resources concerning the significant or unusual events.

Initial Planning

- Understanding your current business and its structure
- Understanding your accounting processes and internal controls
- Understanding your IT systems
- Identifying potential engagement risks and planning control testing and substantive procedures directly related to the risks

Assessing and responding to engagement risk

- Consideration of the risk of fraud
- Inquiring directly of the Committee about fraud risk
- Assessing risks and controls relating to information technology
- Incorporate an element of unpredictability when selecting the nature, timing and extent of our audit procedures

Developing and executing the audit plan

- Evaluating the design and determining the implementation of internal controls relevant to the audit
- Testing the operational effectiveness of the controls we intend to rely on
- Performing substantive audit procedures

Reporting and assessing performance

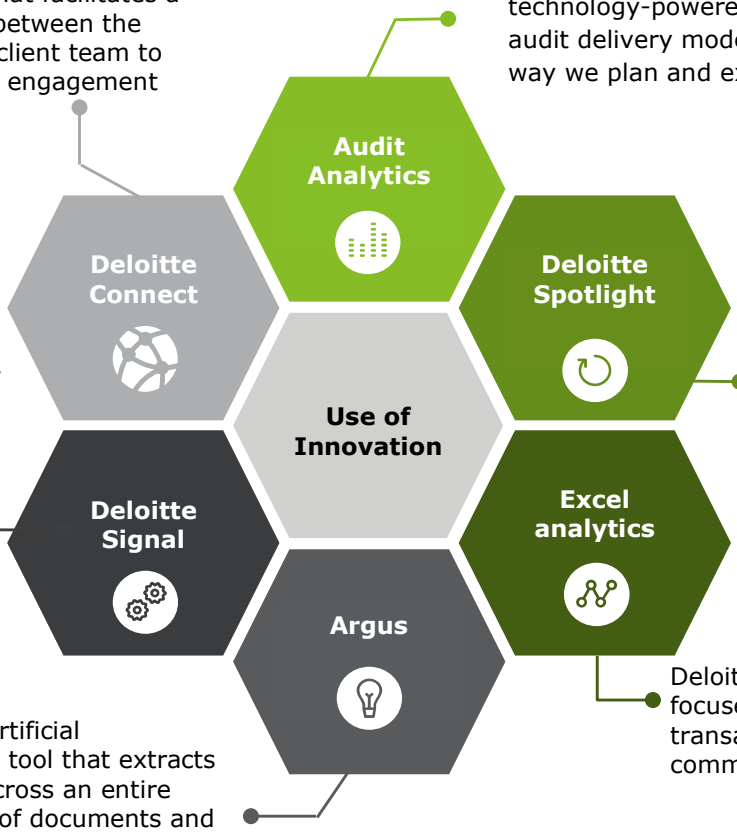
- Prior to rendering our report, we will conclude whether:
  - The scope of the audit was sufficient to support our opinion, and
  - The misstatements identified during the audit do not result in the financial statements being materially misstated.
- Reconfirming our independence

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.

Deloitte's secure, online collaboration site that facilitates a two-way dialogue between the Deloitte team and client team to effectively manage engagement coordination.

We are leveraging specialists and technology-powered solutions in our audit delivery model to transform the way we plan and execute our audits.



Deloitte Signal delivers a comprehensive, customized, and flexible data analysis using trends, metrics, and ratios from coordinated external and internal resources.

Deloitte Spotlight mines journal entry data to test 100 percent of select populations in a matter of minutes, identifies risks and anomalies more quickly, and generates meaningful insights through data visualization.

Deloitte's proprietary tool, focuses testing on high-risk transactions and streamline common audit test procedures.

Deloitte's artificial intelligence tool that extracts analytics across an entire population of documents and highlights variations that can help us identify risks.

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: 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 2023 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 a liability for asset retirement obligations.	Effective April 1, 2022, earlier application is permitted.
Section PS 3450 - Financial instruments	This Section establishes standards on how to account for and report all types of financial instruments including derivatives.	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. The 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.

☐	Canada's Best Managed Companies (www.bestmanagedcompanies.ca) **Target audience** • Directors and CEO/CFO	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.
☐	Centre for financial reporting (https://www.iasplus.com/en-ca/standards) **Target audience** • Directors and CEO/CFO • Controller and Financial reporting team	Web site designed by Deloitte to provide the most comprehensive information on the web about financial reporting frameworks used in Canada.
☐	Deloitte Viewpoints (https://www.iasplus.com/en-ca/tag-types/deloitte-viewpoints) **Target audience** • CFO • Controller and Financial reporting team	Electronic communications that helps you to stay on top of standard-setting initiatives impacting financial reporting in Canada.
☐	CFO's corner (https://www.iasplus.com/en-ca/cfos-corner) **Target audience** • CFO and VP Finance • Controller and Financial reporting team	Editorial providing insights into key trends, developments, issues and challenges executives face, with a Deloitte point of view.
☐	Deloitte Dbriefs (https://www.iasplus.com/en-ca/dbriefs/webcasts) **Targeted audience** • CFO and VP Finance • Controller and Financial reporting team	Learning webcasts offered throughout the year featuring our professionals discussing critical issues that affect your business. **Recent publications (ASPE)** • Revenue (Jan 13, 2020) • Accounting for shares issued in tax planning arrangements (ROMRS) (Dec, 18, 2019) • Agriculture (Dec 18, 2019)