



The Corporation of the City of Burlington

2024 Audit service plan

For the year ended December 31, 2024
To be presented to the Audit Committee
On December 4, 2024

October 8, 2024

Private and confidential

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

2024 Audit service plan

Dear Audit Committee Members:

We are pleased to provide you with our audit service plan for Corporation of the City of Burlington (“the City”) for the year ended December 31, 2024. This document describes the key features of our plan including our audit scope and approach, our planned communications with you, and our team.

Our audit will include the following, as at, and for the year ending December 31, 2024:

- An audit of the consolidated financial statements of the City, 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 Downtown, Aldershot Village, and Burlington Economic Development Corporation; 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”).

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.

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 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,



Chartered Professional Accountants
Licensed Public Accountants

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Executive summary

Audit scope and terms of engagement

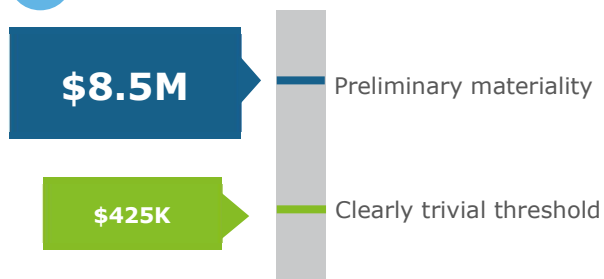
We have been engaged to perform an audit of the City of Burlington’s financial statements (the “Financial Statements”) prepared in accordance with Canadian public sector accounting standards (“PSAS”) as at, and for the year ending December 31, 2024. Our audit will be conducted in accordance with Canadian generally accepted auditing standards (“Canadian GAAS”).

The terms and conditions of our engagement are described in the Annual Engagement Letter for Professional Services dated September 27, 2024.

Audit risks

- 1 Revenue and deferred revenue amounts
- 2 Tangible Capital Assets
- 3 Year-end accruals and other estimates
- 4 Management override of controls
- 5 Adoption of new PSAS accounting standards
- 6 Changes to CAS 600 Revised – Group Audit standard
- 7 Financial reporting system conversion

Materiality



Our preliminary estimate of materiality for the year ending December 31, 2024, was determined by applying professional judgment and has been set at \$8,500,000 (2023 –\$8,500,000). We will report to the Committee uncorrected misstatements greater than our current year clearly trivial amount of \$425,000 (2023 – \$425,000).



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.

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.

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.

City of Burlington

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 2024 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, 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, asset retirement obligations, 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.
-

Adoption of new PSAS accounting standards

Audit risk

The City must adopt several new accounting standards in fiscal 2024, including:

- PS 3160 Public Private Partnerships
- PS 3400 Revenue
- PSG-8 Purchased Intangibles

These standards require preparation by the City, including development of accounting policies, information gathering with various City departments and development of go-forward processes for policy maintenance.

Our proposed audit response

- We will discuss with management their implementation plan for the new standards.
 - Obtain an understanding from management of the approach to implementation, including procedures undertaken to ensure completeness of identification of transactions within scope.
 - Review financial statements disclosures with respect to the first time adoption and new accounting policies.
-

Changes to CAS 600 Revised – Group Audit Standard

Audit risk

Effective for the December 31, 2024, year end audit, revisions to the Group Audit standard will apply to our audit of the City's consolidated financial statements.

These revisions may impact our assessment of the significant components within our audit of the City's consolidated financial statements (considered as a "group" audit). As an example, the City's investment in Burlington Enterprises Corporation ("BEC"), is considered to be a component of the City of Burlington group audit. This may have implications on our audit strategy, scoping, determination of testing to be done at either the group or component level, component materiality, and therefore impact our extent of audit testing and work effort.

Our proposed audit response

- We will perform our assessment on the areas of applicability of CAS 600 Revised and the impact on our current group audit strategy. We will accordingly tailor our audit procedures to properly address all identified and in-scope component and group account balances.
- We will adjust our communications and instruments to any component auditors, most notably, the auditors of BEC, to ensure the proper conduct of procedures to satisfy our group audit requirements. This will include our involvement in direction, supervision and review of component auditors' work, as needed.

Financial reporting system conversion

Audit risk

There is a risk that the systems were not implemented accurately, including, transfer of data, process documentation, and internal control implementation.

Our proposed audit response

- We will obtain an understanding of the scope of the systems implementation, and the impact on key financial reporting cycles and modules.
- We will obtain documentation surrounding the data conversions and system implementation to evaluate the internal controls surrounding the process.
- We will compare data pre- and post-conversion and migration to ensure accuracy and completeness.
- We will test and system related internal controls to evaluate the sufficiency of their design and implementation post-implementation.
- We will review financial processes post-implementation to identify and assess any changes in internal controls and any potential process gaps.

*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	<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.



- | | | | |
|---|--|--|---|
| <ul style="list-style-type: none"> 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 | <ul style="list-style-type: none"> 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 | <ul style="list-style-type: none"> 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 | <ul style="list-style-type: none"> Prior to rendering our report, we will conclude whether: <ul style="list-style-type: none"> 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 |
|---|--|--|---|

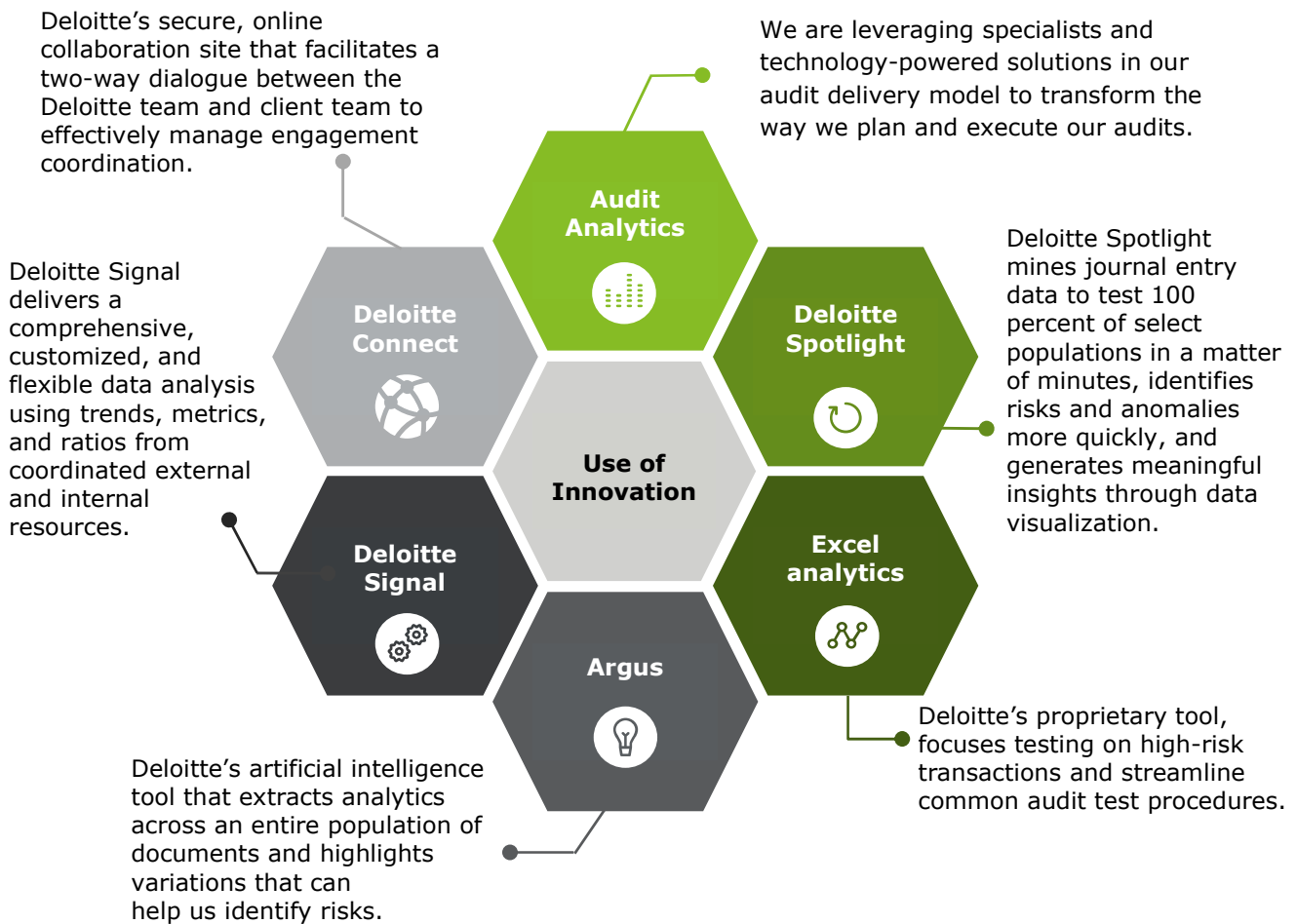


Innovating our audit approach

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.



Focus area

Processes

- **Optimizing interim** - Proactively shift work forward from peak periods to our interim testing.
- **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 2024 and beyond.

Canadian Public Sector Accounting Standards

Title	Description	Effective Date
<p>Section PS 3400 - Revenue</p>	<p>This Section establishes standards on how to account for and report on revenue.</p> <p>Specifically, it differentiates between revenue arising from transactions that include performance obligations and transactions that do not have performance obligations.</p>	<p>Effective for fiscal years beginning on or after April 1, 2023. Earlier adoption is permitted.</p>
<p>Section PS 3160 – Public Private Partnerships</p>	<p>This Section establishes standards on how to account for public private partnership arrangements.</p>	<p>Effective for fiscal years beginning on or after April 1, 2023. Earlier adoption is permitted.</p>
<p>Guidelines PSG 8 – Purchased Intangibles</p>	<p>This new Guideline explains the scope of the intangibles now allowed to be recognized in financial statements given the removal of the recognition prohibition relating to purchased intangibles in Section PS 1000.</p>	<p>Effective for fiscal years beginning on or after April 1, 2023. Earlier adoption is permitted.</p>

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)

Appendix 5 – Proactively Managing Cyber Risks

The sophistication of Cyber threat actors continues to evolve and the municipal sector has been the victim of many Cyber attacks with various degrees of impact. Municipalities are less prepared that they might think to address existing and new risks. Below is a sample of proactive actions that should be considered.

Cyber Maturity Assessment

Using industry standard frameworks, assess the current state maturity of cybersecurity infrastructure and determine what the roadmap initiatives needs to be to ensure Cyber maturity is closer aligned to industry standard.

Value: Provide visibility on confirmed vulnerabilities that can be exploited by external threat actors, and actionable remediation guidance to mitigate risks.

Digital Footprint

Identify, assess and report potential online information risks across open and Dark Web sources using proprietary accelerators.

Value: Proactively maintain dedicated defense against cyber attacks.

Penetration Testing

Perform simulated cyber attacks against Internet facing assets and resources, leveraging the tactics, techniques and procedures (TTPs) of real world threat actors.

Value: Provide visibility on confirmed vulnerabilities that can be exploited by external threat actors, and actionable remediation guidance to mitigate risks.

Table top Exercise

Conduct Cyber Tabletop exercise to assess the effectiveness of Client's existing security controls against known/unknown threats.

Value: Provide a deeper understanding of the effectiveness of current incident management controls, procedures and processes and critical areas of improvement.

Ransomware Readiness Assessment

Conduct a ransomware preparedness workshop to drive awareness of the transformation nature of the threat, share findings, discuss options for mitigating the risks, and develop a roadmap to guide the organization beyond the engagement.

Value: Ransomware Preparedness accelerates insights into your organization's level of exposure.