



**SUBJECT: External audit plan for the fiscal year ended December 31, 2024**

**TO: Audit Committee**

**FROM: Finance Department**

Report Number: F-21-24

Wards Affected: not applicable

Date to Committee: December 4, 2024

Date to Council: December 10, 2024

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### **Recommendation:**

Approve the external audit plan for the fiscal year ended December 31, 2024, attached as appendix A to finance department report F-21-24 and as presented by Deloitte LLP at the Audit Committee meeting of December 4, 2024.

### **PURPOSE:**

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

- Designing and delivering complete communities
- Providing the best services and experiences
- Protecting and improving the natural environment and taking action on climate change
- Driving organizational performance

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### **Executive Summary:**

Each year, the City undergoes an external audit conducted by an independent audit firm, with oversight provided by the Audit Committee. Prior to the commencement of the audit, the external audit plan is presented to the Committee for approval. This plan outlines the key areas of audit risk and the strategies to address these risks.

## Background and Discussion:

**Identified Areas of Audit Risk:** The external auditors have identified several areas of potential risk that will be the primary focus during the 2024 audit. These areas include:

- Revenue and deferred revenue amounts
- Tangible Capital Assets
- Year-end accruals and other estimates (including salaries, employee future benefits and liability for contaminated sites and allowance for doubtful accounts)
- Management override of controls
- Adoption of new Public Sector Accounting Standards (PSAS)
- Changes to CAS 600 Revised – Group Audit Standard
- Financial reporting system conversion

These areas of risk will be thoroughly examined during the audit, with particular attention to ensuring compliance, identifying any potential misstatements, and assessing the overall financial reporting process.

**Audit Team and Leadership:** The external audit will be conducted by Deloitte LLP and led by **Heather LaPlante**, who served as the Manager for the 2023 year-end audit. **Trevor Ferguson** will continue to serve as the Partner overseeing the engagement.

## Strategy/process/risk

**Audit Strategy and Risk Management:** The audit plan includes the following key elements:

- **Audit Scope:** The audit will be designed to detect any potential material misstatements, whether individual or collective.
- **Materiality:** Misstatements above a threshold of \$425,000 (5% of the materiality level set at \$8.5 million) will be reported to the Audit Committee. Any uncorrected misstatements above this threshold will also be communicated.
- **Audit Risks:** The audit scope will be tailored to address the significant risks identified, including those listed above.
- **Fraud Risk:** The auditors will apply an element of unpredictability in selecting audit procedures. Any suspicion of fraud will be promptly communicated to the Audit

Committee, who will also be consulted regarding any knowledge of actual or suspected fraud.

- **Engagement Reporting:** Upon completion, an audit report will be provided to the Audit Committee, detailing the findings and conclusions regarding the City's financial statements.

### **Technology and Efficiency**

To enhance efficiency and ensure effective audit management, the audit team will continue to utilize Deloitte Connect, an innovative, secure, online collaboration platform. This tool facilitates streamlined engagement coordination, allowing both City staff and external auditors to collaborate seamlessly.

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### **Financial Matters:**

Audit fees will be determined based on the scope of services provided. The terms and conditions of the engagement are outlined in the Master Services Agreement for Professional Services, dated November 7, 2016, as well as in the Confirmation of Changes letters dated October 9, 2018, December 2, 2020, November 2, 2022, and October 23, 2023.

### **Total Financial Impact**

The fees for the 2024 audit are expected to increase due to the implementation of the City's new financial system, which introduces an additional level of risk to the audit scope. This anticipated increase has been incorporated into the City's operating budget.

### **Source of Funding**

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

### **Other Resource Impacts**

Not applicable.

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### **Conclusion:**

This audit plan aims to provide a comprehensive and thorough evaluation of the City's financial practices, ensuring transparency, accountability, and adherence to relevant standards and regulations. The Audit Committee's review and approval of this plan will ensure that the audit process aligns with the City's objectives for sound financial management.

Respectfully submitted,

Michelle Moore

Controller & Manager, Financial Services

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**Appendices:**

- A. Appendix-A: 2024 Audit service plan

**Report Approval:**

All reports are reviewed and/or approved by Department Director, the Chief Financial Officer and the Commissioner Legal and Legislative Services/City Solicitor.