



The Corporation of the City of Barrie 2023 Audit service plan

For the year ended December 31, 2023

To be presented to Finance and Responsible Governance Committee

December 6, 2023

November 22, 2023

To the Members of the Finance and Responsible Governance Committee of
The Corporation of the City of Barrie
70 Collier Street
Barrie ON L4M 4T5

2023 Audit service plan

Dear Finance and Responsible Governance Committee:

We are pleased to provide you with our audit service plan for The Corporation of the City of Barrie (collectively the "City") for the year ending December 31, 2023. This document describes the key features of our plan including our audit scope and approach and our planned communications with you.

Our audit scope includes:

- An audit of the Corporation of the City of Barrie's consolidated financial statements (the "Financial Statements") for the year ending December 31, 2023 prepared in accordance with Canadian Public Sector Accounting Standards ("PSAS");
- An audit of the City of Barrie's Public Library Board's financial statements for the year ending December 31, 2023 prepared in accordance with PSAS;
- An audit of the City of Barrie's Police Services Board's financial statements for the year ending December 31, 2023 prepared in accordance with PSAS; and
- An audit of the City of Barrie's Downtown Barrie Business Improvement Area's financial statements for the year ending December 31, 2023 prepared in accordance with PSAS.

Our commitment to you is straightforward: we will provide you with outstanding professional services delivered by an experienced and dedicated team of specialists. 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.

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

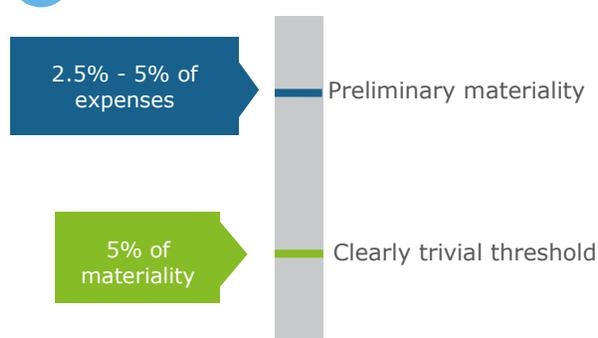
We have been asked to perform audits of the City's and its related entities' financial statements in accordance with Canadian Public Sector Accounting Standards ("PSAS") as at, and for the year ending December 31, 2023. Our audit will be conducted in accordance with Canadian generally accepted auditing standards ("Canadian GAAS").

The terms and conditions of our engagements are described in the Master Services Agreement for Professional Services dated October 1, 2022.

Significant audit risks

- 1 Presumed risk of fraud relating to revenue recognition
- 2 Management override of controls

Materiality



We are responsible for providing reasonable assurance that the Financial Statements, as a whole, are free from material misstatement.

Our materiality levels are determined based on professional judgment and will be assessed using total expenses as a reference point. Materiality levels for the City and the related entities will be within the range of 2.5% - 5% of total expenses. As a point of reference, our materiality for City's consolidated financial statements for the year ended December 31, 2022 was \$12,000,000.

We will inform the Committee of all uncorrected misstatements greater than a clearly trivial amount (5% of materiality) and any misstatements that are, in our judgment, qualitatively material. In accordance with Canadian GAAS, we will ask that any misstatements be corrected.

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 the City's financial results.
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 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 City's anti-fraud programs.

If we suspect fraud involving City 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 the work of specialists

We intend to rely on the work of the following specialists, engaged by the City, during our audit:

- **City's independent actuary**

We intend to use the work of the City's independent actuary in their determination of the City's post-employment benefits. We will review and test data and key assumptions used in the actuarial valuation and related extrapolations, ensure the disclosure in the Financial Statements complies with PSAS requirements and that the actuary is in good standing with the Canadian Institute of Actuaries.

- **City's engineers, subject matter experts and their independent consultants**

We intend to use the work of the City's engineers, subject matter experts and their independent consultants in their determination of the City's asset retirement obligation. We will review and test data and assumptions used and ensure the disclosure in the financial statements complies with PSAS requirements.

- **City's lawyers**

We intend to use the work of the City's lawyers to confirm the status of legal claims and assess their impact on the financial statements.

We also intend to use our own **Deloitte IT specialists** to test the design and implementation of the City's general computer internal controls.

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.

Significant audit risks

The following tables set out the significant audit risks 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 recognition

Significant audit risk

Canadian GAAS include the presumption of a fraud risk involving improper revenue recognition.

We have pinpointed this fraud risk to the following revenue streams:

- Taxation revenue (occurrence, accuracy and cut-off specific to manual journal entries)
- User charges (occurrence and accuracy specific to manual entries only)
- Provincial offences act (occurrence and accuracy specific to manual entries only)
- Grant revenue (occurrence and accuracy)
- Developer contributions and development charges (occurrence, accuracy and cut-off)
- Contributed tangible capital assets (occurrence, accuracy and cut-off)
- Equity share of Alectra earnings (occurrence, completeness and accuracy)
- Licenses and permits revenue (occurrence and accuracy)
- Other income (occurrence and accuracy)

We have also identified areas related to these revenue streams that require accounting estimates and professional judgement, including deferred revenue, grant receivable and the year end water/wastewater accrual.

Our proposed audit response

- Test the design and implementation of key internal controls related to these revenue streams.
- Perform audit testing to determine if restricted contributions (i.e., development charges), and government transfers/grants have been recognized appropriately (revenue vs. deferred revenue) in the proper period.
- Review management's assessments and underlying assumptions for accounting estimates.

Management override of controls

Significant audit risk

Under Canadian GAAS, 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

- Engage in periodic fraud discussions with those involved in the financial reporting process and others, including internal audit.
- Consider the potential for bias in judgments and accounting estimates, including performing retrospective analysis of significant accounting estimates.
- Evaluate the business rationale for any significant unusual transactions.
- Evaluate the City's fraud risk assessment and consider entity-level internal controls and internal controls over the closing and reporting process.
- Test journal entries that exhibit characteristics of possible management override of controls, identified using manual techniques.

As we perform our audit procedures, we will inform you of any significant changes to the aforementioned significant audit risks and the reasons for those changes.

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 and/or transactions.



- 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
- Consideration of the risk of fraud
- Inquiring directly of 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.
- Evaluating the design and determining the implementation of internal controls relevant to the audit
- Performing substantive audit procedures
- 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

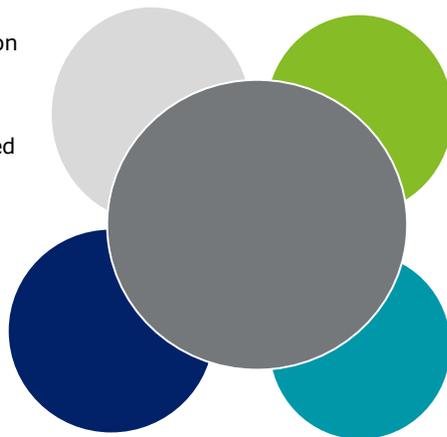
When general IT controls (GITCs) may be relevant?

Factor #1 Data

For example:
 A billing system that performs many functions (such as processing orders, generating invoices, and tracking financial balances) and it processes and houses data. The entity relies on the functionality and the data processed by the system. Additionally, the volume and complexity of transactions processed by system is considered high. Therefore the billing system is relevant to the audit.

Factor #3: System Generated Reports

For example, a system-generated A/R aging report from the financial reporting application is used to determine the allowance for doubtful accounts.



Factor #2 Automated Controls

- For example:
- 3-way match of the purchase order, goods receipt and invoice prior to payment
 - The calculation of depreciation expense
 - Access is restricted to update inventory quantity

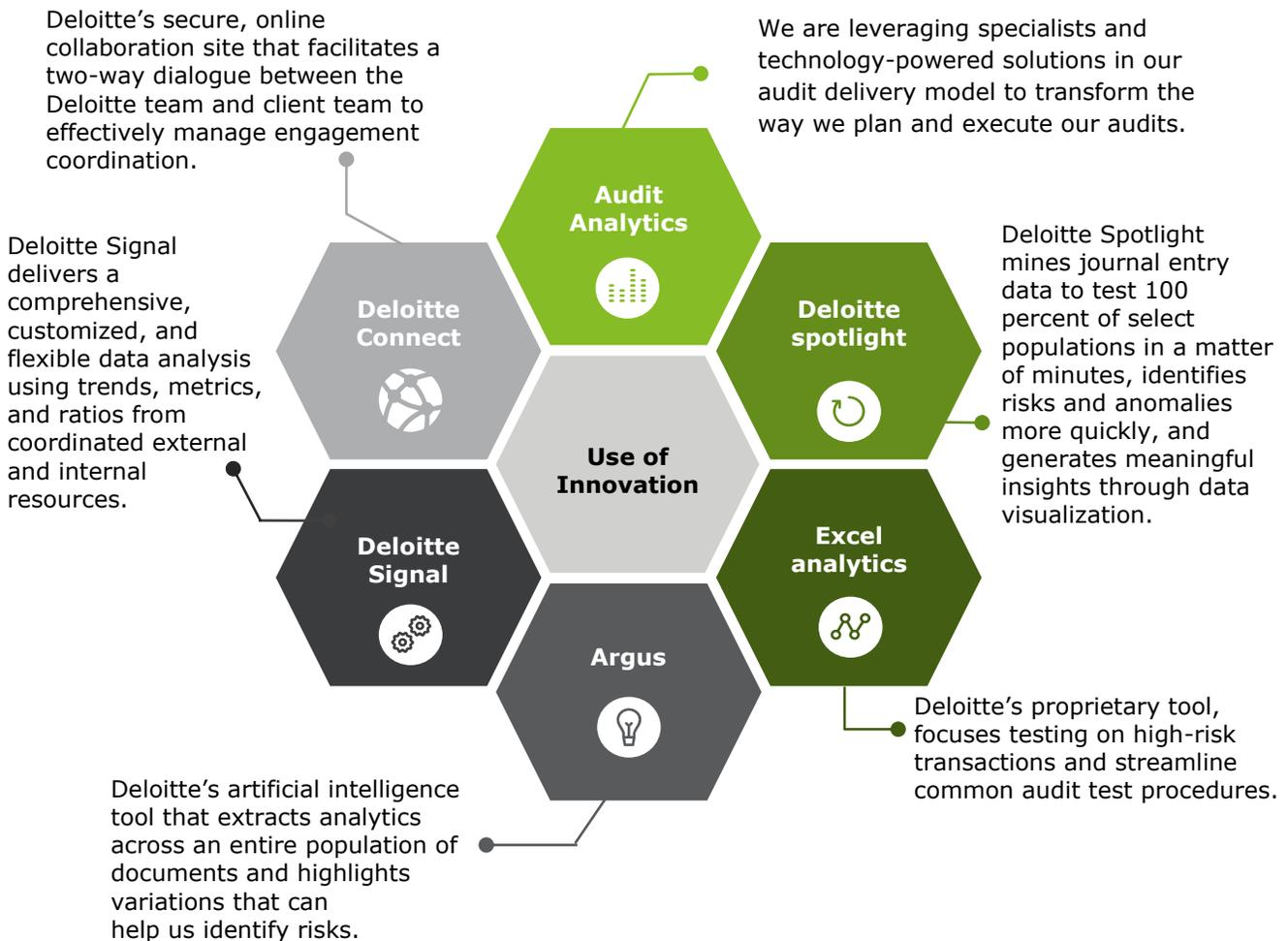
Factor #4: Substantive Procedures

For example, a telecommunications company uses its application system to create a log of the services provided to its customers, to initiate and process its billings for the services, and to automatically record such amounts in the general ledger. It is a highly automated environment and therefore most of the audit evidence is maintained in the application system itself. The team has concluded that substantive procedures alone would not be sufficient to address certain risks of material misstatements. Therefore, the application system is relevant for the audit.

Innovating our audit approach

Focus area

Audit technology	<ul style="list-style-type: none"> • 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 City and auditor visibility over client request status. • Deloitte Spotlight - Gather data and test journal entries, identify risks and anomalies more quickly, and generate meaningful insights through data visualization.
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Focus area

Processes	<ul style="list-style-type: none">• Optimizing interim - Proactively shift work forward from peak periods.• Project management - Enhance project management oversight and effective communications between the audit team and management.
Work Plan	<ul style="list-style-type: none">• Interim audit work – October 23 – 27, 2023• Year end audit work – March 18 – 29, 2024 and April 15 – 19, 2024• Audit results presentation – May 2024 (date to be finalized)

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 	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(s)	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
23. Other Information	CAS 720

Appendix 3 – New and revised public sector accounting standards

The following is a summary of certain new or revised Canadian Public Sector 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 on the legal obligations associated with the retirement of tangible capital assets.	Fiscal years beginning on or after April 1, 2022.
Section PS 3450 - Financial Instruments *	This Section establishes standards on how to account for and report all types of financial instruments including derivatives.	Fiscal years beginning on or after April 1, 2022.
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.	Fiscal years beginning on or after April 1, 2023.
Section PS 3160 – Public Private Partnerships	This Section establishes standards on how to account for public private partnership arrangements.	Fiscal years beginning on or after April 1, 2023.
Guidelines PSG 8 – Purchased Intangibles	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.	Fiscal years beginning on or after April 1, 2023.

- At the time of adoption of PS 3450, the following related standards will also be adopted: PS 2601 (Foreign Currency Translation), PS 1201 (Financial Statement Presentation) and PS 3041 (Portfolio Investments).

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	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.
<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	Web site designed by Deloitte to provide the most comprehensive information on the web about financial reporting frameworks used in Canada.
<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	Electronic communications that helps you to stay on top of standard-setting initiatives impacting financial reporting in Canada.
<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	Editorial providing insights into key trends, developments, issues and challenges executives face, with a Deloitte point of view.
<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	Learning webcasts offered throughout the year featuring our professionals discussing critical issues that affect your business.
