

October 18, 2024

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

2024 Audit service plan

Dear Committee Members:

We are pleased to provide you with our audit service plan for The Corporation of the City of Barrie (the "City"), for the year ending 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 audits will include:

- An audit of the Corporation of the City of Barrie's consolidated financial statements (the "Financial Statements") for the year ending December 31, 2024 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, 2024 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, 2024 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, 2024 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 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.

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

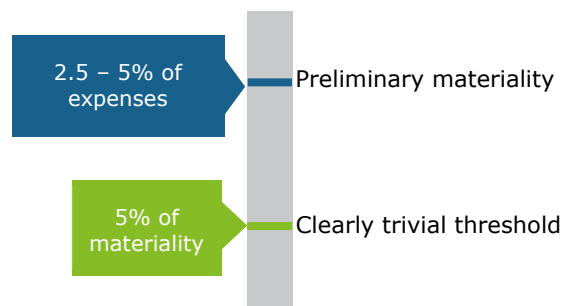
We have been engaged to perform an audit of the City, and its related entities' Financial Statements, as at, and for the year ending, December 31, 2024 (the "Financial Statements") prepared in accordance with Canadian Public Sector Accounting Standards ("PSAS"). Our audit will be conducted in accordance 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.

Audit risks

- 1 Presumed risk of fraud relating to revenue recognition
- 2 Management override of controls
- 3 Implementation of new accounting standards
- 4 Changes to CAS 600 Revised – Group Audit standard

Materiality



We are responsible for providing reasonable assurance that your financial statements as a whole are free from material misstatement.

Our materiality levels are based on professional judgment and will be determined 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, 2023 was \$13,800,000.

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 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 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 the work of specialists

We intend to rely on the work of the following management expert 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 IT specialists to assess the design and implementation of the City's general computer 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.

Audit risks

The following tables set out the 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 |
|--|
| <p>Canadian GAAS include the presumption of a fraud risk involving improper revenue recognition.</p> <p>We have pinpointed this fraud risk to the following revenue streams:</p> <ul style="list-style-type: none"> • User charges (occurrence and accuracy specific to manual entries only, as well as cut-off specific to waste water accrual) • Grant revenue (occurrence, accuracy and cut-off) • Developer contributions and development charges (occurrence and accuracy) • Contributed tangible capital assets (occurrence, accuracy and cut-off) • Other income (occurrence and accuracy specific to manual entries only) <p>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.</p> |

| Our proposed audit response |
|--|
| <ul style="list-style-type: none"> • Certain revenue streams are presumed areas of significant audit risk. We will test the design and implementation of controls in significant revenue streams and perform substantive analytic procedures and/or detailed testing in these areas (including testing of manual journal entries). • 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 |
|--|
| <p>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.</p> <p>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 risk.</p> |

| Our proposed audit response |
|---|
| <ul style="list-style-type: none"> • Our audit tests the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of financial statements • We obtain an understanding of the business rationale for significant transactions that we become aware of that are outside of the normal course of business, or that otherwise appear to be unusual given our understanding of the City and its environment • We review accounting estimates for bias and evaluate whether the circumstances producing the bias, if any, represent a risk of material misstatement • In addition, experienced Deloitte personnel are assigned to the testing and review of journal entries and areas of estimates, and • Professional skepticism will be maintained throughout the audit. |

*Area of Significant risk

Areas of Special Audit Consideration

During our risk assessment, we identified some areas of audit risk that will require special audit consideration. These areas of risk, together with our planned responses, are described below:

Implementation of new 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 of Barrie Public Library Board, Police Services Board, as well as the BIA, are all considered to be components of the City of Barrie group audit. This also extends to the City's equity share in Alectra. This will 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 Alectra, 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.

Appendix 1 – Audit approach

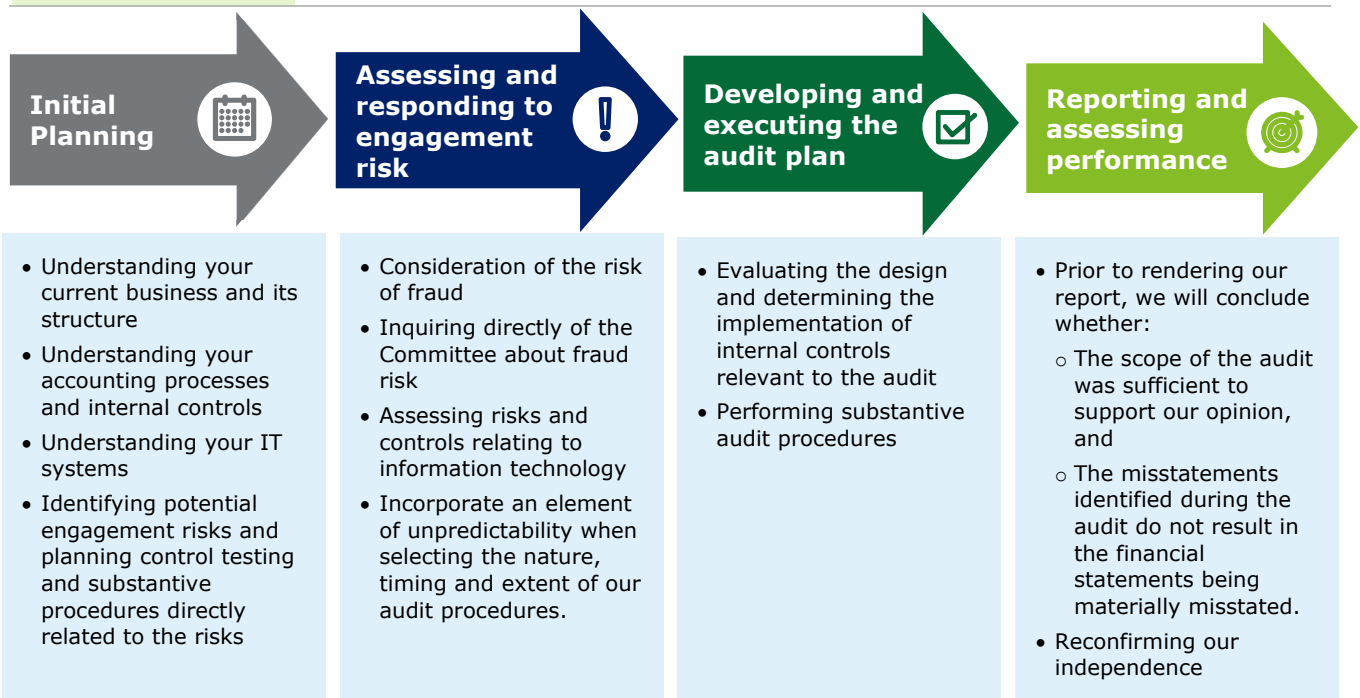
Deloitte’s audit approach is a systematic methodology that enables us to tailor our audit scope and plan to address the unique issues facing the City.



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. |



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: Highly automated environment where substantive procedures alone are insufficient

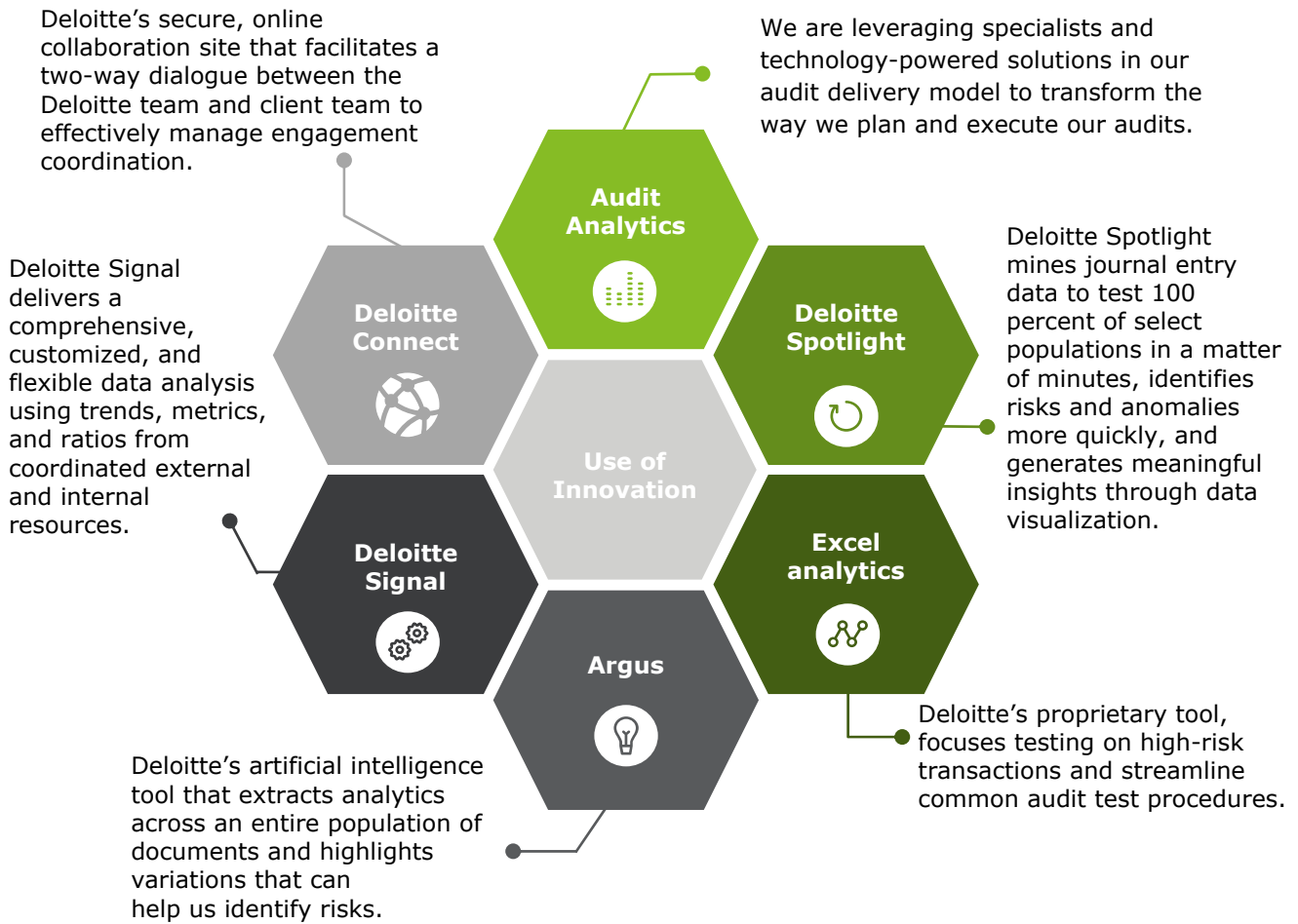
For example, a telecommunications company uses its application system to create a log of the services provided to its customers, to initiate and process its billings for the services, and to automatically record such amounts in the general ledger. It is a highly automated environment and therefore most 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 management 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. • Argus – Use Deloitte’s artificial intelligence tool to analyze the population of contracts or other documents to identify variations, potential risks and hone in on items of interest. |
| Processes | <ul style="list-style-type: none"> • 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 | 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 public sector accounting standards

The following is a summary of certain new or revised Canadian Public Sector Accounting Standards that will become effective in 2024 and beyond.

Public Sector Accounting Standards

| Title | Description | Effective Date |
|--|---|--|
| 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. This Section may be applied retroactively or prospectively. |
| Section PS 3160 – Public Private Partnerships | This Section establishes standards on how to account for public private partnership arrangements. | Effective for fiscal years beginning on or after April 1, 2023. Earlier adoption is permitted. |
| 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. | Effective for fiscal years beginning on or after April 1, 2023. Earlier adoption is permitted. |

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.

See links below 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"/> 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</p> <ul style="list-style-type: none"> • ESG (November 2022) • Proposed PS 3251 – Employee benefits (September 2021) • PSAB's government NPO strategy (April 2021) |
| <input type="checkbox"/> Centre for Financial Reporting - PSAS https://www.iasplus.com/en-ca/standards/psas/public-sector-accounting-standards Target audience <ul style="list-style-type: none"> • CFO and VP Finance • 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> <p>Summaries of each standard that forms part of the Public Sector Accounting Standards can be found on our Deloitte Centre for Financial Reporting.</p> |

Appendix 5 – Assurance services

At Deloitte, we offer a variety of services to assist our clients. We have included below some assurance services that we offer to our public sector clients for your consideration.

Complex Accounting Advisory

As accounting standards and the regulatory interpretations of these standards are ever evolving, we often see our clients asking what are the best practices for their business. Below are some common areas where technical accounting support is often needed as clients prepare to implement, implement and subsequently monitor.

1. Adoption of New Accounting Standards

Deloitte often supports a business through its adoption of new accounting standards, including **accounting memo review, advisory services on best practices related to accounting policy implementation and financial statement preparation**. Topics often advised on include but are not limited to asset retirement obligations, financial instruments, purchased intangibles, and public private partnerships.

2. On-Call Advisory

Many of our clients require technical accounting insights on an on-going basis, to ensure their accounting policies and treatments to new transactions reflect the industry best practices. Deloitte can **discuss key considerations with management on the best treatments, provide relevant accounting guidance**.

3. Training on new or amended accounting standards

To ensure their organizations are up to date on their technical accounting knowledge and/or their professionals meet their certified professional development hour (CPD) requirement, Deloitte regularly hosts training for our clients. These **trainings can include new accounting standards/amendments, regulatory exposure draft findings and upcoming standards** to name a few.

4. Sustainability and ESG Compliance

There is growing pressure for public sector entities to recognize and mitigate their environmental and social impact, and provide credible, transparent information to their stakeholders. The complexity only grows as changes in government policies and enforcement shift. Deloitte can assist an organization in creating **strategies and practices to address the extensive oversight, disclosure, and reporting requirements** in a context of evolving regulatory environment and stakeholder expectations.

Accounting Operational Advisory

As the business needs of our clients are ever evolving, we are often asked how their systems and operational functions can be optimized. Below are common areas where accounting operational advisory services have been rendered, resulting in increased operational capacity, enhanced financial insights or optimized system functionality.

| Finance Diagnostic | |
|---|--|
| <ul style="list-style-type: none"> • Do you have new business processes? • Are there new regulatory requirements? • Has the business completed an acquisition or restructuring? • Does your process have a history of control failures? | <p>Deloitte can assess the finance functions, evaluating whether the process has any weaknesses or inefficiencies that can be remediated.</p> <p>Deloitte can advise management through the development or integration of new business processes, ensuring they reflect the industry best practices.</p> |
| Data Analytics | |
| <ul style="list-style-type: none"> • Do you have a limited use of data to complete your analysis? • Are you looking to understand the leading data tools and the benefits you can provide your business? | <p>Deloitte can review current data limitations and provide a road map for improved data transformation.</p> <p>Deloitte can assist in leveraging enabling technologies to centralize and harmonize various information to enhance reporting, analysis, and decision-making.</p> |
| System Optimization & Selection | |
| <ul style="list-style-type: none"> • Does your process have inefficiencies or excessive manual elements? • Does your system meet all your business needs? • Do your systems integrate effectively? | <p>Deloitte can assess your current processes and recommend adjustments to improve inefficiencies or reduce manual tasks.</p> <p>Deloitte can evaluate your existing systems and advise on optimal transformation and integration.</p> |
| KPIs & Benchmarking | |
| <ul style="list-style-type: none"> • Do you know how your competitors are benchmarking their performance? • Do your KPIs align with your long-term strategic objectives and those of the market? | <p>Deloitte can advise on the most appropriate benchmarking metrics based on the industry.</p> <p>Deloitte can assess your alignment of KPIs with your strategic goals, evaluate potential gaps and recommend changes to promote better alignment.</p> |

Appendix 6 – 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 than 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 need 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 Assessment

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.