



The Corporation of the City of Barrie 2021 Audit service plan

For the year ended December 31, 2021
To be presented to the Finance and Corporate Services Committee
On November 16, 2021

October 27, 2021

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

2021 Audit service plan

Dear Finance and Corporate Services 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, 2021. This document describes the key features of our audit plan including our audit scope and approach, our planned communications with you, and our team.

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, 2021 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, 2021 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, 2021 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, 2021 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.

This report has been provided to the Finance and Corporate Services Committee (the "Committee"). It is intended solely for the use of the Committee to assist you in discharging your responsibilities with respect to the various financial statement audits enumerated above 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 at your upcoming meeting on November 16, 2021.

Yours truly,

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants

Table of contents

Executive summary	1
Deloitte’s Next Normal	3
Significant audit risks	4
Appendix 1 – Audit approach	5
Appendix 2 – Communication requirements	7
Appendix 3 – New and Revised Public Sector Accounting Standards	9
Appendix 4 – Deloitte resources a click away	10

Executive summary

Audit scope and terms of engagement

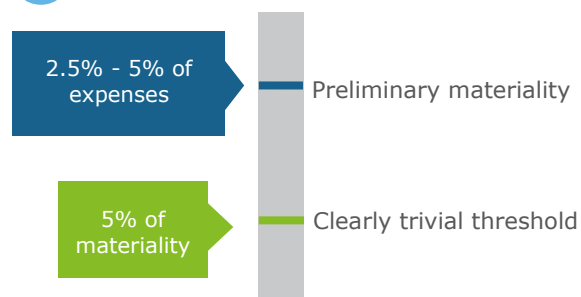
We have been engaged to perform audits of the City's and its related entities' Financial Statements prepared in accordance with Canadian Public Sector Accounting Standards ("PSAS") as at, and for the year ending December 31, 2021. Our audit will be conducted in accordance with Canadian Generally Accepted Auditing Standards ("Canadian GAAS").

The terms and conditions of our engagements are described in the Master Services Agreement for Professional Services dated August 18, 2017 and the Letter of Confirmation of Changes dated February 19, 2019.

Significant audit risks

- 1 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.

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 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 and their independent consultants**

We intend to use the work of the City's engineers and their independent consultants in their determination of the City's landfill closure and post-closure liabilities. 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.

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 tools we have developed to assist with this Next Normal and utilize in performing audits of the financial statements of the City of Barrie and its related entities.

Spotlight

Using Spotlight's data analytics capabilities, we're able to be laser-focused on transactions that are out of the norm. This means less burden on you and your team providing audit support, more relevant and smarter questions, and less time wasted on immaterial issues.



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.

Significant audit risks

The following table sets out the significant audit risks that we identified during our preliminary planning activities, including our proposed response to each audit 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 occurrence, accuracy and cut-off of grant revenue, assumed assets, and utilization of obligatory reserve funds.

We have also identified areas related to these revenue streams as a significant risk 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, particularly in light of the impacts of COVID-19.
- 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.

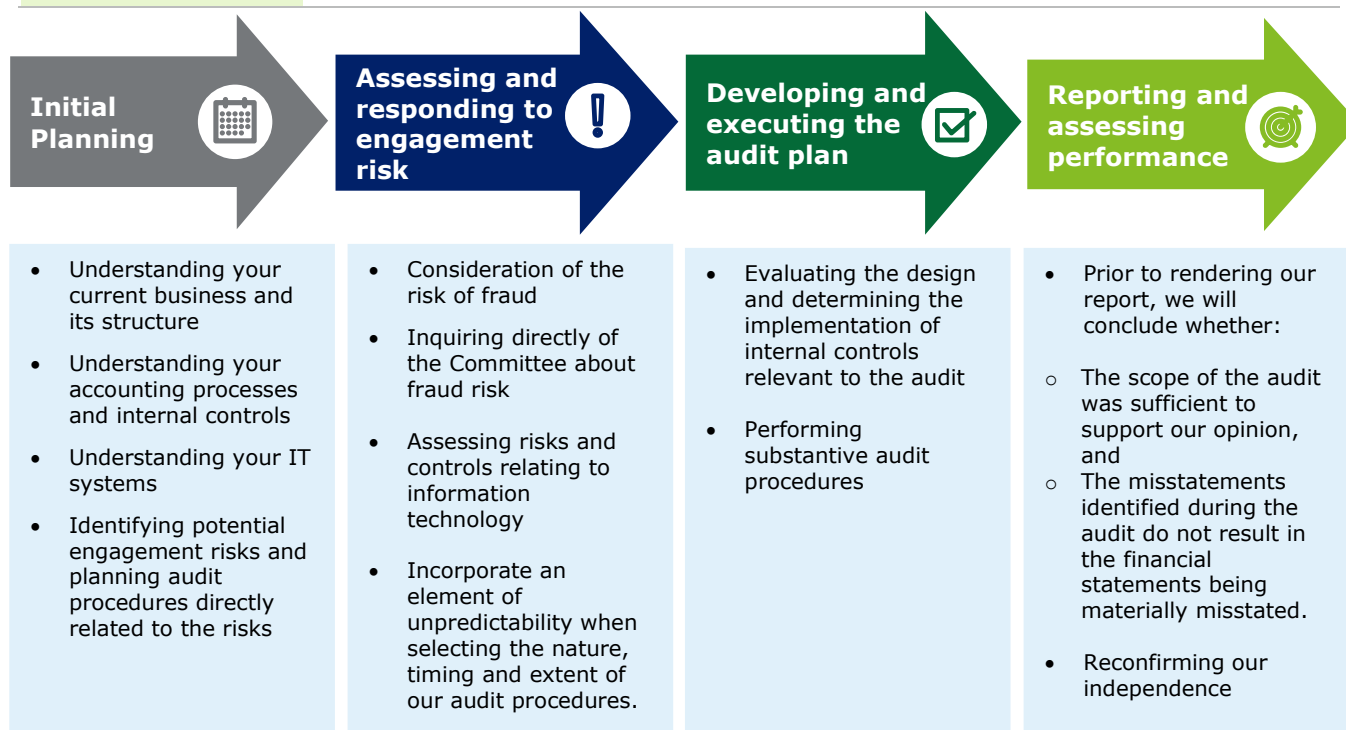
Appendix 1 – Audit approach

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

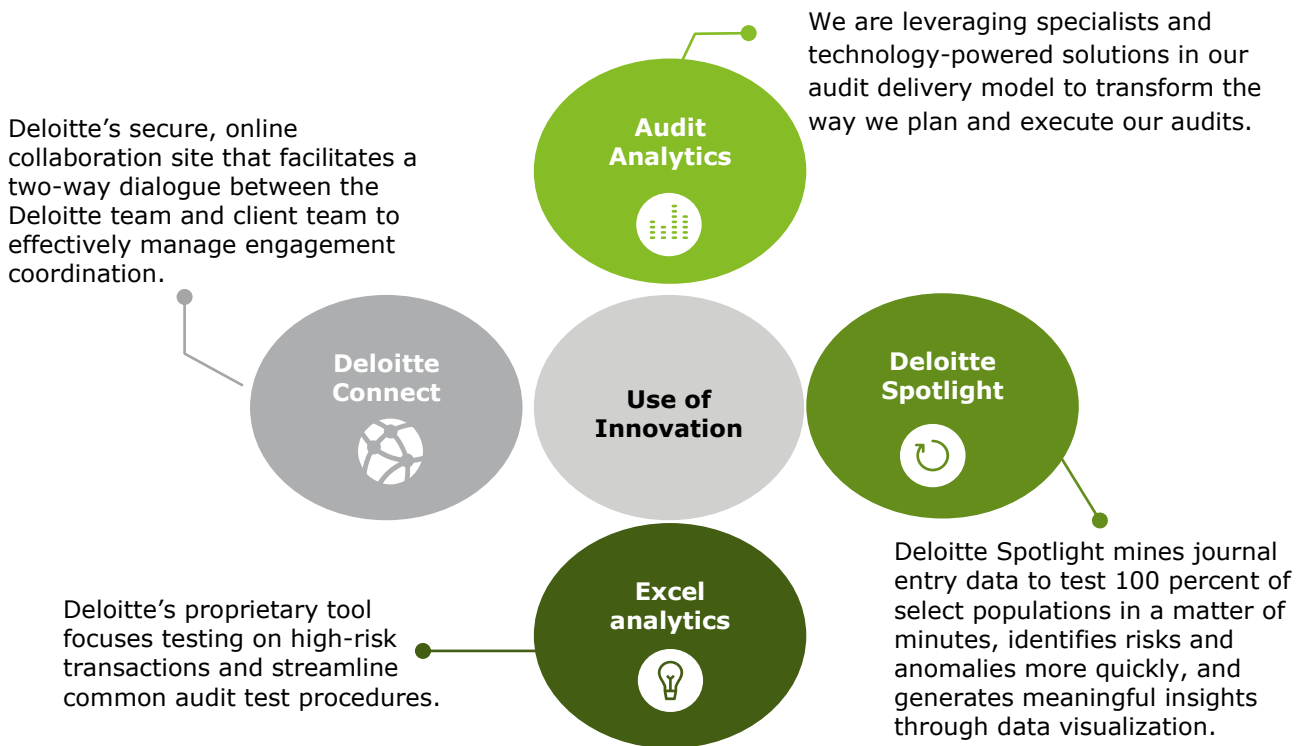
Focus area	
Risk based audit	<ul style="list-style-type: none"> Deliver a customized risk assessment, focusing our attention and resources on the audit areas that are most relevant to the City.
Confidential Information	<ul style="list-style-type: none"> Protecting the privacy and confidentiality of our 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.



@)) **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.
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.



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

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 2022 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.	Due to COVID-19, the effective date of the standard has been deferred by one year from April 1, 2021, to 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.	Due to COVID-19, the effective date of the standard has been deferred by one year from April 1, 2022 to fiscal years beginning on or after April 1, 2023.
Section PS 3450 - Financial Instruments *	This Section establishes standards on how to account for and report all types of financial instruments including derivatives.	The transitional provisions have been amended to extend the effective date for governments by one further year to fiscal years beginning on or after April 1, 2022.

* 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"/> Centre for financial reporting (https://www.iasplus.com/en-ca/standards)	Web site designed by Deloitte to provide the most comprehensive information on the web about financial reporting frameworks used in Canada.
Target audience <ul style="list-style-type: none">• Directors and CEO/CFO• Controller and Financial reporting team	
<input type="checkbox"/> Deloitte Viewpoints (https://www.iasplus.com/en-ca/tag-types/deloitte-viewpoints)	Electronic communications that helps you to stay on top of standard-setting initiatives impacting financial reporting in Canada.
Target audience <ul style="list-style-type: none">• CFO• Controller and Financial reporting team	
<input type="checkbox"/> CFO's corner (https://www.iasplus.com/en-ca/cfos-corner)	Editorial providing insights into key trends, developments, issues and challenges executives face, with a Deloitte point of view.
Target audience <ul style="list-style-type: none">• CFO and VP Finance• Controller and Financial reporting team	
<input type="checkbox"/> Deloitte Dbriefs (https://www.iasplus.com/en-ca/dbriefs/webcasts)	Learning webcasts offered throughout the year featuring our professionals discussing critical issues that affect your business.
Targeted audience <ul style="list-style-type: none">• CFO and VP Finance• Controller and Financial reporting team	



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