

**CITY OF PETERBOROUGH
2024 AUDIT PLAN**

INDEX

	<u>Page No.</u>
I. AUDIT PLANNING	
Purpose and use of report	2
Key dates	3
Use of client's accounting staff and equipment	4
Accounting services	4
Materiality	4
Tangible capital assets	5
Audit fee budget	5
Staffing	5
Assumptions	6
II. PLANNED AUDIT PROCEDURES	
Systems review	6
Tests of balances	7
Approach to sampling	7
Management letters	7
Quality control procedures	8
Meetings	8
III. OTHER PLANNING CONSIDERATIONS	8

I. AUDIT PLANNING

Purpose and use of report

To enhance the effectiveness of the external audit process and to facilitate our cost-effective approach of working with management to minimize our fees by involving your staff to the greatest extent possible, we are providing you with a written audit plan. This document is for use by both the City and our audit staff in planning the timing and audit emphasis of procedures which we propose to carry out during the audit. A properly developed Audit Plan also meets the following three specific requirements of auditors:

1. Canadian generally accepted auditing standards require that audits be adequately planned and properly executed and a documented audit plan provides the basis for meeting this requirement.
2. It ensures coordination of audit activities with management's activities such as changes in City personnel, modification of financial systems or changes in emphasis of administrative activities.
3. The preparation of an audit plan assists the General Committee in reviewing and making suggestions to the overall scope of the external auditor's activities.

While the purpose of our planned audit activities is directed towards ultimately expressing a professional opinion on the Financial Statements, an important by-product of these services is the ability to provide practical management advice to all levels of personnel at the City. As auditor, we must be cognizant of areas where our knowledge gained, and experience developed, at the City and other organizations can assist in providing useful recommendations and advice. Accordingly, the audit staff is encouraged to make suggestions regarding areas where they believe the City could improve operating results and where work could be completed in a more efficient and timely manner. Any such information will be discussed with management and summarized in our year end letter to management.

The audit plan has been prepared in a flexible manner to accommodate any modifications which may be required as a result of matters discovered during the course of any of our audit activities or as a result of significant operating changes of which we are not yet aware.

CITY OF PETERBOROUGH

2024 Audit Plan

I. AUDIT PLANNING (continued)

Key dates

(a) Meetings

- | | | |
|--|------------------|--|
| (i) General Committee | October 28, 2024 | Review and approve audit plan |
| (ii) CAO, Commissioner of Corporate and Legislative Services and other finance staff | July, 2025 | Review draft management letter |
| (iii) General Committee | August, 2025 | Present management letter and respond to questions |
| (iv) Local Board meetings to present financial statements and respond to questions | as required | Be present at meetings |

(b) Audit field work

- | | |
|--|--|
| (i) Interim audit, disbursements and revenue transactional tests | November, 2024 |
| (ii) Interim audit, payroll | January, 2025 |
| (iii) Year end audit, including audit of tangible capital assets and financial statement consolidation | May 5 – 16, 2025 |
| (iv) Audit of subsequent events to reporting date | Date of approval of financial statements |
| (v) Issue legal letters | Late July, 2025 |

(c) Deliverables

- | | |
|------------------------------|---|
| (i) Draft management letter | Early July, 2025 |
| (ii) Draft auditor's reports | Early July, 2025 |
| (iii) Special reports | |
| - EFIS | TBD (based on availability) |
| - OW admin | TBD (based on availability) |
| - Court House lease | TBD (based on availability) |
| - Other reports as requested | By required deadlines (based on availability) |

CITY OF PETERBOROUGH

2024 Audit Plan

I. **AUDIT PLANNING** (continued)

Use of client's accounting staff and equipment

We would like to use the City's staff and equipment to the greatest extent possible through the performance of many tasks ranging from the retrieval of source documents from City files to the preparation of year end working papers. In this regard, we will provide City staff with a list of information we will require through Info.

Although we have gained efficiencies through the use of client's personnel, the audit staff must be continually alert as to other areas where the use of client staff or alternative audit procedures can result in improved audit effectiveness.

As in the past, please inform us of any staff who will be absent during the audit so that we can plan our audit accordingly.

The audit will be conducted both on-site as well as virtually. We will work with your finance team to determine the appropriate mix to remain as efficient as possible.

Accounting services

If any situation should arise, we would discuss the matter with the Senior Staff and possibly the General Committee (if considered necessary) prior to any additional work being performed. This discussion would include a commitment to a cost amount.

Materiality

At the planning stage of the audit, materiality is considered in determining the nature, extent and timing of audit procedures. The consolidated materiality used in developing our audit procedures is based on total revenues. Currently, we are planning to use a materiality of \$9,900,000. This materiality is only an estimate based on the 2024 operating budget of \$358.5 million. If final year-end figures differ significantly, materiality will be adjusted accordingly.

CITY OF PETERBOROUGH

2024 Audit Plan

I. AUDIT PLANNING (continued)

Tangible capital assets

Additions to tangible capital assets will be audited separately from the purchases/payables stream to ensure that they meet the definition of tangible capital assets or betterment to an existing tangible capital asset and that all major additions have been reviewed. Disposals and amortization will be audited on a sample basis with an overall reasonability of amortization performed.

Audit fee budget

Estimated fees based on year 2 of proposal

	<u>Total Fee</u>
City of Peterborough (including Reserves and Trust Funds)	\$ 103,000
Peterborough Utilities Group	102,511
Peterborough Housing Corporation	30,900
Peterborough Public Health	21,630
Fairhaven	20,600
The Greater Peterborough Area Economic Development Corporation (o/a Peterborough & the Kawarthas Economic Development)	10,300
The Art Gallery of Peterborough	8,755
The Peterborough Downtown Business Improvement Area	7,210
The Village Business Improvement Area	1,802
The Peterborough Public Library	8,755
	<u>\$ 315,463</u>

Staffing

The engagement team will be as follows:

Joanna Park CPA, CA, Engagement Partner
Richard Steiginga CPA, CA, Concurring Partner
Duane Potter, CPA, CA, Senior Manager
Matthew Birney CPA, Supervisor

CITY OF PETERBOROUGH

2024 Audit Plan

I. AUDIT PLANNING (continued)

Assumptions

Since our prime responsibility will be to express an opinion on the financial statements of the City of Peterborough, our audit approach will be based upon the following assumptions:

- i) That the accounting transactions and monthly reconciliations are completed, reviewed and accurate.
- ii) That your Finance staff will prepare such schedules, analyses, and other information for the City and its internal departments and local boards as requested during the audit. The Finance staff will also prepare the financial statements and the Financial Information Return.
- iii) That effective systems of internal controls continue to be adhered to as have been described to us.

Based on these assumptions being met, we can meet our professional standards and provide high quality professional service to you on a cost-efficient basis.

II. PLANNED AUDIT PROCEDURES

Systems review, internal control evaluation, testing and recommendations

In order to meet our professional standards, we review the accounting systems and related systems of internal control. Internal controls within the accounting system that we intend to rely upon for audit purposes are tested to ensure that they have operated effectively throughout the year. This reliance allows us to attain audit evidence in a cost-effective manner, and the effectiveness of the internal control structure guides us in determining the extent of our substantive audit testing.

During this portion of our audit, we review the systems of internal controls at City Hall. We also review the systems of the following divisions: POA, Transit, Solid Waste, Building, Parking, Social Services and Recreation (including visits, either in person or virtual as necessary for any of the offsite locations we have selected for testing).

Should we determine that there are weaknesses in the system of internal controls, they will be reported to you. Where weaknesses are identified, we will suggest alternatives to allow improvements, where possible. Also included in our report are areas where improvements can be made to maximize revenue and minimize expenditures. With our significant experience in the municipal realm, you benefit from our knowledge of working with many different systems and knowing what "works best" in various circumstances.

II. PLANNED AUDIT PROCEDURES (continued)

Our reports will be drafted at the end of the audit and presented to your Commissioner of Corporate and Legislative Services for discussion. The letters will then be finalized incorporating comments for the final version to be included in the Commissioner of Corporate and Legislative Services' report to Council.

Tests of balances

The remaining audit time emphasizes detailed examination of transactions and balances reported on your financial statements. Our risk-based audit approach will focus our audit efforts on significant items. This approach ensures the audit process is efficient as possible for us and the City. We will co-ordinate our efforts to complete our field work according to the prearranged deadlines, as set out in the key date section of this plan.

In addition to the above, Canadian Auditing Standards require that we perform subsequent events review up to and including the date of Council approval of the financial statements.

Approach to sampling

The extent of testing is based on our professional judgement, incorporating our risk assessment, the effectiveness of controls over the business processes and dollar value significance of the transaction. Non-routine and complex transactions are singled out for detailed scrutiny.

Management letters

We have provided constructive advice to streamline the operations of our clients. We place a high priority on meaningful and timely management letters designed to enhance internal controls and communicate regulatory matters of importance and identify opportunities to enhance operational performance.

Should we discover any information or situation which would otherwise lead to the inclusion of a qualified opinion with respect to the City's financial statements, we will immediately inform and fully discuss such matters with the Commissioner of Corporate and Legislative Services.

CITY OF PETERBOROUGH

2024 Audit Plan

II. PLANNED AUDIT PROCEDURES (continued)

Quality control procedures

We strive to deliver service of the highest quality to all our clients at all times. Baker Tilly KDN LLP will meet this objective in two ways. First, we focus on quality during our field work by incorporating senior audit staff on the job who are regularly in contact with full audit team for project management. This gives us flexibility to fine tune our field work to adapt to ongoing changes in your operations.

Second, our service and technical review policies provide a double check to ensure we meet our clients' needs and maintain a high level of technical excellence. The quality control procedures will include:

- **File review.** The quality of the service will be enhanced by a requirement that all work be reviewed by a team member more senior than the person performing the work. This will include the review of working papers by partners and managers.
- **Concurring audit review.** We have another partner with relevant experience review the financial statements and management letters and participate in the discussion and resolution of significant accounting and reporting matters.

Meetings

We will attend such meetings as are called to discuss our work and reports and shall provide such information as requested to enhance the understanding of the members of Council concerning matters pertaining to the annual financial statements. In addition to reviewing draft financial statements with staff, we would attend the General Committee and/or Council to present our comments as a result of our audit.

III. OTHER PLANNING CONSIDERATIONS

Planning letter

The planning letter for the General Committee is ready to be presented to the General Committee for approval.

New Standards in effect for 2024

Both sections PS 3160 - Public Private Partnerships and PS 3400 - Revenue as well as PSG-8 - Purchased Intangibles applies to fiscal years beginning on or after April 1, 2023. These sections may require additional work for City staff. City staff should be proactive in reviewing these requirements well in advance of the year end so there are no surprises when they are getting ready for the year-end.