

CITY OF PETERBOROUGH

2014 AUDIT PLAN

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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 Audit Committee in reviewing, and making suggestions to the overall scope of the external auditors' activities.

While the purpose of our planned audit activities is directed towards ultimately expressing a professional opinion on the Financial Report, an important by-product of these services is the ability to provide practical management advice to all levels of personnel at the City. As auditors, 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

2014 Audit Plan

I. AUDIT PLANNING (continued)

Key dates

(a) Meetings

- | | | | |
|-------|---|--------------------|--|
| (i) | Director of Corporate Services and other financial staff | August 28, 2014 | Review draft audit plan |
| (iii) | Audit Committee | September 22, 2014 | Review and approve audit plan |
| (iv) | CAO, Director of Corporate Services and other financial staff | May 21, 2015 | Review draft management letter |
| (v) | Audit Committee | June 22, 2015 | Present management letter and respond to questions |
| (vi) | Local Board meetings to present financial statements and respond to questions | as required | Be present at meetings |

(b) Audit field work

- | | | | |
|-------|--|--|--|
| (i) | Interim audit and systems documentation | December 1 to 5, 2014 | |
| (ii) | Year end audit including review to accompany Education Finance Information System (EFIS) | April 7 to 17, 2015 | |
| (iii) | Audit of the tangible capital assets | May 4 to May 8, 2015 | |
| (iv) | Audit of financial statement consolidation | May 19 to May 22, 2015 | |
| (v) | Museum report | June 2015 | |
| (vi) | Audit of subsequent events to reporting date | Date of approval of financial statements | |

(c) Deliverables

- | | | | |
|-------|---|---|--|
| (i) | Draft auditors' reports | June 15, 2015 | |
| (ii) | Management letter draft | May 19, 2015 | |
| (iii) | Social Services reports
- EFIS
- Other reports as requested | Ministry of Education deadline – June 2015
By required deadlines | |

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I. AUDIT PLANNING (continued)

Key dates (continued)

(d) Statutory filing deadlines

(i) Audited financial statements	When available
(ii) Review report to accompany EFIS	Ministry of Education deadline – June 2015
(iii) Peterborough Centennial Museum statement required for community museum operating grant	June 30, 2015
(iv) Review report for Ontario Works Reconciliation Report (OWRR) segmented information	June 30, 2015

Use of client's accounting staff

We would like to use the City's staff 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.

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.

Audit fee budget

Estimated fees are based on an increase of 2% of 2013 fees.

	<u>Total Fee</u>
City of Peterborough (including Reserves and Trust Funds)	\$ 72,830
Peterborough Utilities Group (based on initial requirements)	65,025
Peterborough Housing Corporation	20,300
Peterborough County City Health Unit	15,600
Fairhaven	10,500
Greater Peterborough Regional DNA Cluster	6,120
The Greater Peterborough Area Economic Development Corporation	4,385
The Art Gallery of Peterborough	3,570
The Peterborough Downtown Business Improvement Area	2,850
The Village Business Improvement Area	815
The Peterborough Public Library	3,265
Review reports for EFIS and OWRR (estimate)	<u>5,000</u>

\$ 210,260

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I. AUDIT PLANNING (continued)

Accounting services

If any situation should arise, we would discuss the matter with the Senior Staff and possibly the Audit 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 \$5,600,000. This materiality is only an estimate based on the 2014 budget. If final year-end figures differ significantly, materiality will be adjusted accordingly.

Tangible Capital Assets

Additions to capital assets will be audited as part of the purchases/payables stream to ensure that they do meet the definition of tangible capital assets or betterment to an existing tangible capital asset. Disposals and amortization will be audited on a sample basis with an overall reasonability of amortization performed.

Staffing

The engagement team will be as follows:

Joanna Park CPA, CA, Engagement Partner
Richard Steinginga CPA, CA, Concurring Partner
Duane Potter, CPA, CA, Senior Manager
Gloria Raybone CPA, CA, Audit Manager
Chris Talbot, Senior Accountant
Brian Atkins, Senior Accountant
Alyssa Lafleur, Junior Accountant
Sarah Famme, Junior Accountant

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2014 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

Interim Audit - 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 our interim audit we not only 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 to the Memorial Centre and the Sport and Wellness Centre).

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.

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II. PLANNED AUDIT PROCEDURES (continued)

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

Year End Audit

Our year end visit emphasizes detailed examination of transactions and balances reported on your financial statements. Much of the testing of transactions processed through your accounting systems will have been sampled and tested during the interim audit. We then update these tests for a sample of items processed since our interim visit. Our risk based audit approach will focus our audit efforts on significant items in the year end. 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 Director of Corporate Services.

II. PLANNED AUDIT PROCEDURES (continued)

Quality Control Procedures

We strive to deliver service of the highest quality to all of our clients at all times. Collins Barrow Kawartha LLP will meet this objective in two ways. First, we focus on quality during our field work by placing senior people in the field 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 Audit 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 Audit Committee is ready to be presented to the Audit Committee for approval.

Financial Statement Accessibility

We will work with City staff to ensure the 2014 Independent Auditors' Report meets the requirements in the City's Guide to Accessible Documents.