

# COMMITTEE AGENDA

TO **Audit Committee**

DATE November 14, 2012

LOCATION Council Chambers, Guelph City Hall, 1 Carden Street

TIME 6:00 p.m.

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## DISCLOSURE OF PECUNIARY INTEREST AND GENERAL NATURE THEREOF

**CONFIRMATION OF MINUTES** – October 16, 2012 Open and Closed Minutes

## PRESENTATIONS (Items with no accompanying report)

None

## CONSENT AGENDA

*The following resolutions have been prepared to facilitate the Committee's consideration of the various matters and are suggested for consideration. If the Committee wishes to address a specific report in isolation of the Consent Agenda, please identify the item. The item will be extracted and dealt with separately. The balance of the Audit Committee Consent Agenda will be approved in one resolution.*

ITEM	CITY PRESENTATION	DELEGATIONS	TO BE EXTRACTED
AUD-12 Deloitte Audit Plan – Year Ended December 31, 2012	Evan McDade, Auditor, Deloitte & Touche		√

Resolution to adopt the balance of the Audit Committee Consent Agenda.

## ITEMS EXTRACTED FROM CONSENT AGENDA

Once extracted items are identified, they will be dealt with in the following order:

- 1) delegations (may include presentations)
- 2) staff presentations only
- 3) all others.

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## **CLOSED MEETING**

THAT the Audit Committee now hold a meeting that is closed to the public with respect to:

1. **Deloitte Audit Plan – Year Ended December 31, 2012**  
*(if requested by committee)*  
S. 239 (2) (a) Security of the Property of the Municipality
2. **Status Update – Implementation of the 2011 Audit Recommendations**  
S. 239 (2) (a) Security of the Property of the Municipality

**NEXT MEETING** – To Be Determined

**The Corporation of the City of Guelph  
Audit Committee  
October 16, 2012 at 5:00 p.m.**

A meeting of the Audit Committee was held on Tuesday, October 16, 2012 in the Council Chambers at 5:00 p.m.

Present: Councillors Furfaro, Guthrie, Kovach, Wettstein and Mayor Farbridge

Also Present: Councillors Bell and Van Hellemond

Staff Present: Ms. A. Pappert, Chief Administrative Officer; Mr. A. Horsman, Executive Director, Finance and Enterprise/Chief Financial Officer; Mr. M. Amorosi, Executive Director, Corporate and Human Resources; Mr. D. McCaughan, Executive Director, Operations, Transit and Emergency Services; Ms. L. Alonzo, Internal Auditor; Ms. T. Johnston, Senior Financial Analyst; Mr. B. Labelle, City Clerk; and Ms. D. Black, Council Committee Co-ordinator

There were no disclosures of pecuniary interest.

1. Moved by Mayor Farbridge

Seconded by Councillor Furfaro

THAT the open and closed minutes of the Audit Committee meeting held on June 11, 2012 be confirmed as recorded and without being read.

VOTING IN FAVOUR: Councillors Furfaro, Guthrie, Kovach, Wettstein and Mayor Farbridge (5)

VOTING AGAINST: (0)

Carried

**Consent Agenda**

The following items were extracted from the Consent Agenda to be dealt with separately:

AUD-2012 A.10 Internal Audit Charter

AUD-2012 A.11 Legal Services Review – Final Report

2. Moved by Councillor Kovach

Seconded by Mayor Farbridge

THAT the balance of the Audit Committee of October 16, 2012 Consent Agenda, as identified below, be adopted:

REPORT

a) **2012 Audit Committee Interim Work Plan Status Report**

THAT Report FIN-12-34 dated October 16, 2012, entitled "2012 Audit Committee Interim Work Plan Status Report" be received and reported to Council.

VOTING IN FAVOUR: Councillors Furfaro, Guthrie, Kovach, Wettstein and Mayor Farbridge (5)

VOTING AGAINST: (0)

Carried

**Internal Audit Charter**

Ms. Loretta Alonzo, Internal Auditor, advised that the framework will be rolled out in meetings with managers and applicable staff with an explanation advising how and when it should be used. She said that risk assessments can be requested through management.

REPORT

3. Moved by Mayor Farbridge

Seconded by Councillor Wettstein

THAT the Internal Audit Charter as presented in Appendix "A" appended to the report dated October 16, 2012 entitled "Internal Audit Charter" be approved.

VOTING IN FAVOUR: Councillors Furfaro, Guthrie, Kovach, Wettstein and Mayor Farbridge (5)

VOTING AGAINST: (0)

Carried

**Legal Services Review – Final Report**

Ms. Katherine Gray, Co-ordinator, Service Performance and Development, addressed the purpose, scope and methodology of the legal services review as outlined in her report and presentation provided with the agenda for this meeting. She noted key findings regarding policy and systems, document, budget, performance and staffing. She also outlined the recommendations.

There was discussion regarding implementation, to the method used to interconnect with other departments, the manner in which the review aligns with the IT strategy as well as financial implications associated with past operational practices.



Staff clarified that some of the focus areas had already been actioned and others still need to be considered further. Staff also noted that they will provide subsequent contextual information requested by the Committee.

4. Moved by Mayor Farbridge  
Seconded by Councillor Wettstein

THAT the Audit Committee report CAO-A-1205 Legal Representation Service Review of October 16, 2012 be received.

VOTING IN FAVOUR: Councillors Furfaro, Guthrie, Kovach, Wettstein and Mayor Farbridge (5)

VOTING AGAINST: (0)

Carried

5. Moved by Mayor Farbridge  
Seconded by Councillor Kovach

THAT the Audit Committee now hold a meeting that is closed to the public with respect to:

**External Auditor Performance Review**

S. 239 (2) (a) Security of the Property of the Municipality

S. 239 (2) (b) Personal matters about an identifiable individual

Carried

The meeting recessed into closed session at 6:05 p.m.

1. Moved by Councillor Kovach  
Seconded by Councillor Wettstein

REPORT TO  
COUNCIL IN CLOSED  
MEETING

THAT staff receive the report with respect to security of the property. of the municipality and personal matters about an identifiable individual.

Carried

The meeting reconvened in public session at 6:19 p.m.

6. Moved by Councillor Kovach  
Seconded by Mayor Farbridge

THAT the Audit Committee meeting of October 16, 2012 be adjourned.

Carried

The meeting adjourned at 6:20 p.m.

.....  
Chairperson

**AUDIT COMMITTEE  
CONSENT AGENDA**

**November 14, 2012**

Members of the Audit Committee.

**SUMMARY OF REPORTS:**

The following resolutions have been prepared to facilitate the Committee's consideration of the various matters and are suggested for consideration. If the Committee wishes to address a specific report in isolation of the Consent Agenda, please identify the item. The item will be extracted and dealt with immediately. The balance of the Audit Committee Consent Agenda will be approved in one resolution.

**A Reports from Administrative Staff**

<b>REPORT</b>	<b>DIRECTION</b>
<b>AUD-2012 A.12) DELOITTE AUDIT PLAN – YEAR ENDED DECEMBER 31, 2012</b>  THAT the Audit Service Plan for the Year Ended December 31, 2012 attached in Appendix A to Report FIN-12-47 be received for information.	Receive

attach.

# COMMITTEE REPORT



TO **Audit Committee**

SERVICE AREA Finance and Enterprise  
DATE November 16, 2012

**SUBJECT Deloitte Audit Plan – Year Ended December 31, 2012**  
REPORT NUMBER FIN-12-47

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## SUMMARY

**Purpose of Report:** To present Audit Committee with Deloitte's audit plan for the City of Guelph's 2012 consolidated financial statements.

**Committee Action:** That the audit service plan as attached in Appendix A to this report be received for information.

## RECOMMENDATION

That the Audit Service Plan for the Year Ended December 31, 2012 attached in Appendix A to Report FIN-12-47 be received for information.

## BACKGROUND

Annually, the Consolidated Financial Statements of the City of Guelph are required to be audited by a 3rd party auditor and the results of this audit are reported back to the Audit Committee. It is the auditor's duty to communicate the planned audit approach as well as any findings that are discovered throughout the audit to the Audit Committee. Deloitte is the external auditor for the term from 2010 through 2014 (as approved by Council by-law (2010)-19094).

## REPORT

Attached in Appendix A is Deloitte's Audit Service Plan for the 2012 Consolidated Financial Statement audit.

The audit fieldwork is scheduled to begin in December 2012 for an interim visit and finish in May 2013 with the final fieldwork visit. The results of the audit will be reported back to this Committee by Deloitte in June 2013. Approval of the final consolidated financial statements by Council is also expected in June 2013 at which point the statements will be available to the public.

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Associate Partner, Evan McDade, from Deloitte will be presenting the attached audit plan to the Committee and will be available for questions about the external audit approach at that time.

### **CORPORATE STRATEGIC PLAN**

2.3 Ensure accountability, transparency and engagement

3.2 Be economically viable, resilient, diverse and attractive for business

### **FINANCIAL IMPLICATIONS**

None noted – the external audit fees were agreed upon in advance through the RFP process and have been budgeted for through the annual operating budget.

### **DEPARTMENTAL CONSULTATION**

None noted.

### **COMMUNICATIONS**

None noted.

### **ATTACHMENTS**

Appendix A: Deloitte 2012 Audit Service Plan

Appendix B: Deloitte Audit Service Plan Presentation Slide Deck

Original Signed by:

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**Prepared By:**

Tara Johnston

Senior Financial Analyst, Financial Reporting

519-822-1260 x2084

tara.johnston@guelph.ca

Original Signed by:

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**Recommended By:**

Al Horsman

Treasurer and Chief Financial Officer

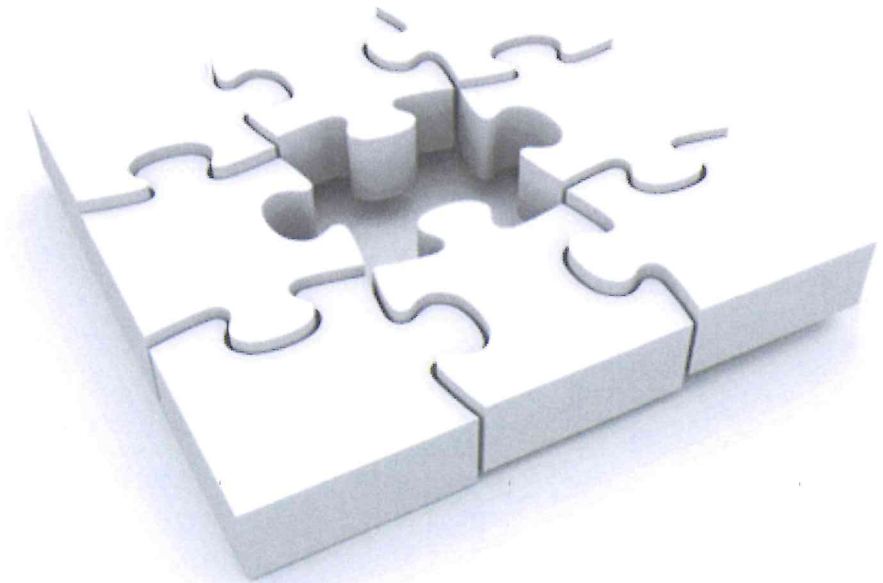
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# City of Guelph

## 2012 Audit service plan



For the year ending December 31, 2012  
Presented to the Audit Committee  
November 14, 2012



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November 14, 2012

**Private and confidential**

To the Chair and members of the Audit Committee of City of Guelph

Dear Audit Committee Members:

**Audit service plan for the year ending December 31, 2012**

We are pleased to present our audit service plan for City of Guelph ("the City") for the year ending December 31, 2012. This plan describes the Deloitte & Touche LLP ("Deloitte") audit approach, our team, our audit scope and our planned communications with you.

Our audit of City of Guelph's consolidated financial statements for the year ending December 31, 2012 prepared in accordance with Canadian public sector accounting standards ("PSAB") will be conducted in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under Canadian GAAS are described in more detail in our audit engagement letter.

We are proud of our relationship with City of Guelph. Our objective at Deloitte is to set the standard of excellence and our team is committed to providing an efficient, high-quality audit. We recognize and are sensitive to your expectations regarding cost management and quality. We will focus our efforts on higher risk areas and co-ordinate our activities with management and make every effort to achieve audit efficiencies.

We are providing this audit service plan to the Audit Committee on a confidential basis. It is intended solely for the use of the Audit Committee and Council to assist them in discharging their responsibilities with respect to the consolidated financial statements and is not intended for any other purpose. We accept no responsibility or obligation to any third party who may rely on this report.

We look forward to discussing our audit service plan with you and answering any questions your Audit Committee may have.

Yours very truly,

*Deloitte & Touche LLP*

Chartered Accountants  
Licensed Public Accountants

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# Executive summary

The Deloitte audit approach adheres to applicable professional auditing standards and, accordingly, is risk-based and tailored to address the risks to financial reporting – the audit risks. Our audit approach involves consideration of the following:

<b>Audit scope</b>	The audit planning and the preliminary risk assessment activities we conduct enable us to set the scope of our audit and to design procedures tailored to that scope.
<b>Materiality</b>	<p>We are responsible for providing reasonable assurance that your consolidated financial statements as a whole are free from material misstatement.</p> <p>Materiality levels are determined on the basis of consolidated revenue. Our preliminary estimate of materiality for the year ending December 31, 2012 is \$6,000,000 (2011, \$6,000,000).</p> <p>We will report to the Audit Committee all uncorrected misstatements greater than a clearly trivial amount of \$300,000 (2011, \$300,000) and any misstatements that are, in our judgment, qualitatively material. In accordance with Canadian GAAS, we will request that misstatements be corrected.</p>
<b>Audit risks</b>	<p>Our audit scope reflects the risks that we have identified at the City and our planned audit response to them.</p> <p>The more significant of the risks that we identified as part of our strategic audit planning activities, together with our planned audit response, are set out in the body of this report.</p>
<b>Fraud risk</b>	<p>In determining our audit strategy to address the assessed risks of material misstatement due to fraud, we will:</p> <ol style="list-style-type: none"><li>1. Assign and supervise personnel, taking into account the knowledge, skill and ability of individuals with significant engagement responsibilities and the auditor's assessment of the risks of material misstatement due to fraud for the engagement.</li><li>2. Evaluate whether the selection and application of accounting policies by your organization, particularly those related to subjective measurements and complex transactions, may be indicative of fraudulent financial reporting resulting from management's effort to manage earnings.</li><li>3. Incorporate an element of unpredictability in the selection of the nature, timing and extent of our audit procedures.</li></ol> <p>We will inquire directly of the Audit Committee regarding its views about the risk of fraud and whether the Audit Committee has knowledge of any actual or suspected fraud affecting the City.</p> <p>If we suspect fraud involving management, we will communicate these suspicions to the Audit Committee and discuss the nature, timing, and extent of audit procedures necessary to complete the audit.</p>
<b>Internal control matters</b>	<p>Our planned reliance on internal control relevant to the audit is described in the body of this report.</p> <p>We will communicate in writing significant deficiencies in internal control identified during the audit to the Audit Committee on a timely basis.</p>



<b>Group audit</b>	<p>When designing our audit strategy, we also considered:</p> <ul style="list-style-type: none"> <li>• the financial significance or relative importance of each of the consolidated entities (listed in Appendix A) to your organization as a whole;</li> <li>• the complexity and nature of the operations, internal controls and accounting issues at each of the consolidated entities;</li> <li>• the degree of centralization or decentralization of processes and controls including the extent of relevant enterprise-level controls; and</li> <li>• the extent and nature of internal control deficiencies and financial statement misstatements identified in current and previous periods at each of the consolidated entities.</li> </ul> <p>For City of Guelph, both Guelph Hydro Inc. and The Elliott are audited by KPMG LLP. Referral instructions will be sent to each of these engagement teams outlining items such as risks and materiality. Any issues arising from these audits will be communicated to the Audit Committee in the audit results presentation.</p> <p>We will report any instances where our evaluation of the work of component auditors gives rise to any concerns about component audit work and any limitations on the group audit, where access to information may have been restricted.</p>
<b>Use of the work of experts</b>	Our audit engagement partners are supported with online resources as well as practice office and national office experts who assist our audit engagement teams when dealing with more complex technical, accounting, auditing and reporting issues.
<b>Audit team</b>	The engagement team that will serve City of Guelph provides a balance of continuity of existing members with knowledge of and experience with your organization and new members who will provide fresh perspectives and insights. Our team also includes high-quality technical specialists and other professionals. We are committed to continuing to serve City of Guelph with quality and distinction.
<b>Engagement letter</b>	The terms and conditions of our engagement are included in the engagement letter.
<b>Complete engagement reporting</b>	<p>Upon the satisfactory completion of our audit, we will provide you with an audit report on your consolidated financial statements.</p> <p>We will also provide reports to the Audit Committee to assist it in fulfilling its responsibilities, as required by applicable auditing standards. Appendix C summarizes the required communications between Deloitte and the Audit Committee.</p>
<b>Communications</b>	We have summarized our required communications with the Audit Committee in Appendix C.
<b>Other matters</b>	
<b>Audit fees</b>	<p>We propose audit fees for 2012 in accordance with our response to the 2010 request for proposal.</p> <p>Our objective is to conduct an efficient audit in accordance with Canadian GAAS. The time we have estimated for our audit assumes an optimum level of assistance from City of Guelph staff and our commitment to fulfill our professional responsibilities and duties in an efficient manner. We have carefully considered all elements included within our audit plan and confirm that, in our judgment, all such procedures are appropriate and in line with Canadian GAAS.</p>
<b>Independence</b>	<p>We have developed important safeguards and procedures to protect our independence and objectivity.</p> <p>We are independent of the City and we will reconfirm our independence in our final report to the Audit Committee.</p>
<b>Management representations</b>	We will obtain written and oral representations from management to complement our audit procedures.
<b>New financial reporting standards</b>	<p>We have included, in Appendix D, the Deloitte Standard-setting Activities Digest, which summarizes the standards (both finalized and in development) that we believe are particularly relevant to the City.</p> <p>New public sector accounting standards include:</p> <ul style="list-style-type: none"> <li>• Consequential Amendments Resulting from Section 3450, <i>Financial Instruments</i></li> <li>• Section PS 1201, <i>Financial Statement Presentation</i></li> <li>• Section PS 3410 (Revised), <i>Government Transfers</i></li> <li>• Section PS 3450, <i>Financial Instruments</i></li> <li>• Section PS 3510, <i>Tax Revenue</i></li> <li>• Section PS 4200 – PS 4270, <i>Government Not-for-profit Organizations</i></li> </ul>

# The Deloitte risk-based audit approach

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## A consistent approach that supports a dynamic environment.

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. Our risk-based audit approach is:

<b>Partner-led</b>	driven by our partners' experience and their detailed knowledge of your organization, with significant partner input at all stages of the audit.
<b>Focused</b>	by identifying and designing appropriate audit procedures that focus on risks to the audit process for significant accounts, transactions and disclosures as well as material misstatements to the financial statements.
<b>Quality focused</b>	with a commitment to providing an uncompromisingly high level of professional and technical quality.
<b>Dynamic</b>	tailored to respond to changing circumstances.

There are four key phases within our systematic approach:

1	initial planning
2	assessing and responding to risk of material misstatement
3	developing and executing the audit plan
4	reporting and assessing performance

These steps are not necessarily sequential nor are they mutually exclusive. For example, once we've developed our audit plan and the audit is being performed, we may become aware of a risk that was not identified during the planning phase. Based on that new information, we would reassess our planning activities and adjust the audit plan accordingly.

## 1. Initial planning

### Understanding your business and accounting processes

Our audit will take into account specific items of particular interest raised by the Audit Committee as well as areas of concern identified by the Audit Committee or management.



## 2. Assessing and responding to engagement risk

Our audit approach combines an ongoing identification of risks with the flexibility to adjust our approach when additional risks are identified. Since these risks may impact our audit objectives, we consider materiality in our planning to focus on those risks that could be significant to your financial reporting.

### Risk assessment

The risks that we have identified to date, and which will be addressed when conducting the non-integrated audit, are summarized in the Audit Scope section below. As we perform our audit, we will update our risk assessment and will inform the Audit Committee and management of any significant changes to our risk assessment and any additional risks that are identified.

### Consideration of the risk of fraud

Fraudulent acts include the deliberate failure to record transactions, the forgery of records and documents, and intentional misrepresentations made to our audit engagement team. Fraud may include intentional acts by management or employees acting on behalf of the City, as well as employee fraud if management or employees are involved in actions that defraud the City. Deloitte does not assume that management is dishonest nor do we assume unquestioned honesty. Rather, in accordance with Canadian GAAS, we exercise professional scepticism and recognize that the conditions we observe and evidential matter we obtain, including that obtained from prior audit engagements, need to be objectively evaluated to determine whether the consolidated financial statements are presented fairly in all material respects.

Maintaining an attitude of professional scepticism means that we carefully consider the reasonableness of the responses we receive to our inquiries from those charged with governance, and evaluate other information obtained from them in light of the evidence we obtain during the audit. When we identify a misstatement or control deficiency, we consider whether it may be indicative of fraud and what the implications of fraud and significant error are in relation to other aspects of the audit, particularly the reliability of management representations.

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**As required by professional auditing standards, we will also make inquiries of the Audit Committee regarding:**

- its views about the risk of fraud;
  - its knowledge of any actual suspected or alleged fraud; and
  - the role it exercises in the oversight of management's antifraud programs.
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Because of the inherent limitations of Internal Control over Financial Reporting, including the possibility of collusion or improper management override of controls, it is possible that material misstatements due to error or fraud may not be prevented or detected on a timely basis. Accordingly, the assurance an auditor provides concerning the lack of misstatements arising from fraud is necessarily lower than the assurance provided concerning those arising from an error.

## Information technology

An important part of our audit planning process involves gaining an understanding of:

1. the importance of the computer environment relative to the risks to financial reporting;
2. the way in which that environment supports the control procedures we intend to rely on when conducting our audit; and
3. the computer-based information that supports our substantive procedures.

The objective of our review of computer controls is to identify potential areas of risk and assess the relevance, reliability, accuracy and completeness of the data produced by the systems. We also assess the operating effectiveness of the computer environment and determine the reliability of the financial information used to generate the consolidated financial statements. To accomplish this, we gain an up-to-date understanding of your organization's computer processing environment and our understanding of the relevant general computer controls. We then conduct tests to support our conclusion on the operating effectiveness of controls considered relevant to the audit.

We will assess the design and effectiveness of general computer controls in the following areas:

1. data centre and network operations;
2. system software acquisition, change and maintenance;
3. program change;
4. access security; and
5. application system acquisition, development, and maintenance.

## 3. Developing and executing the audit plan

The performance of an audit includes evaluating the design and determining the implementation of internal controls relevant to the audit, testing the operational effectiveness of the controls we intend to rely on, and performing substantive audit procedures.

## Audit procedures

The timing of our audit procedures is dependent upon a number of factors including the need to coordinate with management for the provision of supporting analysis and other documentation. Generally, we perform our audit procedures to allow sufficient time to identify significant issues early, thereby allowing more time for analysis and resolution.

For example, we anticipate performing audit procedures on account balances and disclosures involving significant and complex transactions, such as acquisitions, divestitures, or adoption of new accounting pronouncements, as they occur.

## Tests of controls

As part of our audit, we will review and evaluate certain aspects of the systems of Internal Control over Financial Reporting to the extent we consider necessary in accordance with Canadian GAAS. The main objective of our review is to enable us to determine the nature, extent and timing of our audit tests and establish the degree of reliance that we can place on selected controls. An audit of the financial statements is not designed to determine whether internal controls were adequate for management's purposes or to provide assurance on the design or operational effectiveness of internal control over financial reporting.



The extent to which deficiencies in internal control may be identified through an audit of financial statements is influenced by a variety of factors including our assessment of materiality, our preliminary assessment of the risks of material misstatement, our audit approach, and the nature, timing and extent of the auditing procedures that we conduct. Accordingly, we gain only a limited understanding of controls as a result of the procedures that we conduct during an audit of financial statements.

We will inform the Audit Committee and management of any significant deficiencies that are identified in the course of conducting the audit, regardless of whether they were identified by us or management.

### **Substantive audit procedures**

Our substantive audit procedures consist of a tailored combination of analytical procedures and detailed tests of transactions and balances. These procedures take into account the results of our controls testing and are designed to enable us to obtain reasonable assurance that the consolidated financial statements are free from material misstatements. To obtain this assurance, misstatements that we identify while performing substantive auditing procedures will be considered in relation to the consolidated financial statements as a whole. Any misstatements that we identify, other than those that are clearly trivial (the threshold has been set at \$300,000), will be reported to management and the Audit Committee. In accordance with Canadian GAAS, we will request that misstatements be corrected.

### **Audit evidence to be obtained from component auditors**

For City of Guelph, two consolidated entities, Guelph Hydro Inc. and the Elliott are audited by another external audit firm, KPMG LLP. Referral instructions will be sent to each of these engagement teams outlining items such as risks and materiality. Any issues arising from these audits will be communicated to the Audit Committee in the audit results presentation.

### **Use of work of experts**

Our audit engagement team is supported with online resources as well as practice office and national office experts who will assist the team in dealing with more complex technical, accounting, auditing and reporting issues.

## **4. Reporting and assessing performance**

### **Perform post-engagement activities**

We will analyze the results of the audit procedures performed throughout the year and, 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 financial statements being materially misstated.

### **Obtain management representations**

We will obtain written and oral representations from management to complement our audit procedures. These representations are not a substitute for the application of our audit procedures; instead, they are intended to confirm the information provided to us and reduce the possibility of misunderstanding.

## Complete engagement reporting

After the satisfactory completion of appropriate audit procedures, we will provide an audit report on your consolidated financial statements.

We also provide a report to the Audit Committee to assist it in fulfilling its responsibilities as required by applicable auditing standards. Appendix C summarizes the required communications between Deloitte and the Audit Committee.

Deloitte's client service principles include providing management and the Audit Committee with insights into the condition of the business and offering meaningful suggestions for improvement. We will report these insights and suggestions to the appropriate members of management and/or the Audit Committee for their consideration.

To enable us to determine how well we have achieved our client service objectives, including an assessment of the quality of our audit engagement, we actively solicit feedback from our clients. This feedback will be obtained either through meetings with members of the Audit Committee and management or their completion of questionnaires.

Your feedback enhances our understanding of your expectations of us through your evaluation of our performance. The information you provide helps us to refine our client service objectives to ensure that we remain focused, responsive, and proactive in meeting your needs while fulfilling our professional responsibilities.

Deloitte enjoys a solid reputation for our **commitment to quality**. Key factors supporting that reputation include:

- A strong tone at the top;
- A comprehensive ethics and compliance program;
- An uncompromising approach to quality in client service;
- Communication of and adherence to professional standards and client service principles;
- A mature client feedback program;
- A multifaceted approach to monitoring independence;
- A robust technical consultation approach;
- National office consultation regarding areas of high risk or areas that require significant judgment;
- Technical training for our professionals;
- An annual internal inspection process for audit engagements; and
- Continuous improvement based on lessons learned and client feedback.



# Audit scope

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## Designed to obtain reasonable assurance and address the risks of material misstatements.

An audit is designed to search for potential misstatements that, individually or collectively, are material. This is done by determining a specific threshold for each engagement and considering other qualitative factors. The threshold amount is also used to evaluate the significance of uncorrected misstatements ("passed" misstatements and reclassifications).

### Compliance with Canadian Public Sector Accounting Standards

The audit enables us to express an opinion on whether the financial statements are prepared, in all material respects, in accordance with Canadian public sector accounting standards. The audit also includes evaluating the appropriateness of accounting policies and the reasonableness of accounting estimates made by management, and evaluating the overall presentation of the financial statements. Our report on the financial statements and communications required by Canadian GAAS will be in accordance with our findings.

### Materiality

Our overall materiality level is used in our assessment of significant accounts and locations where audit effort is necessary and is based on the consolidated revenue of the City. Our materiality for planning and determining the audit scope for 2012 has been initially set at \$6,000,000 (2011- \$6,000,000). We will design our work so as to consider material items appropriately and to detect potential adjustments that, individually or in combination with others, would be material to the financial statements. In accordance with Canadian GAAS, we will request the correction of any misstatements.

If the amount of uncorrected misstatements detected when conducting our audit exceeds that which we anticipated when we planned the audit, we may need to revise the scope of our audit. Should such a situation arise, we will discuss the matter with management on a timely basis in order to agree upon the appropriate course of action.

### Risk assessment

We compile information from a variety of sources, including discussions with management and the Audit Committee, to identify risks to City's financial reporting process that may require attention. Our preliminary risk assessment took into account:

- Key business developments and transactions (internal and external);
- Current business, regulatory and accounting pronouncements and developments;
- Key management strategies and business plans;
- Prior years' audit results; and
- Areas of significant judgment and risk.

Our audit planning activities and our preliminary identification of audit risks enables us to set the scope of our audit and to design audit procedures tailored to the identified risks to financial reporting. The table below sets out the more significant risks to financial reporting that we have identified, with management's support, during our preliminary planning activities.

The table also includes 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.

Areas of audit risk	Our proposed audit response
<b>Accounts payable and accrued liabilities</b> <b>Description:</b> Accounts payable and accrued liabilities may be understated due to improper cut-off.	<ul style="list-style-type: none"> <li>• Test disbursements subsequent to year-end to determine the reasonableness of accounts payable and accrued liabilities.</li> <li>• Test the supporting assumptions for accruals.</li> <li>• Review the outcome of prior year estimates and accruals.</li> </ul>
<b>Actuarially determined liabilities</b> <b>Description:</b> Actuarial liabilities may be misstated due to improper inputs used in valuation. In addition, the financial statement disclosure may not contain all required items.	<ul style="list-style-type: none"> <li>• Review actuary report, including related assumptions.</li> <li>• Ensure appropriate accounting treatment has been applied.</li> <li>• Review related financial statement note disclosure for accuracy and completeness.</li> <li>• Communicate with actuary on our reliance on their report for audit purposes.</li> </ul>
<b>Contingencies</b> <b>Description:</b> Contingent liabilities are not properly accrued for or disclosed in the financial statements.	<ul style="list-style-type: none"> <li>• We will contact the City of Guelph's external law firms to obtain the status of any outstanding claims and review evaluation of claims to ensure proper recognition.</li> </ul>
<b>Council and senior management expenses</b> <b>Description:</b> Council and Senior management may expense items not in line with City of Guelph's expense policy.	<ul style="list-style-type: none"> <li>• Review of sample of expense reports and VISA statements for validity and proper approval.</li> </ul>
<b>Estimates</b> <b>Description:</b> Management estimates are not calculated in accordance with GAAP or properly supported.	<ul style="list-style-type: none"> <li>• Test the supporting assumptions for estimates.</li> <li>• Review the outcome of prior year estimates and accruals.</li> </ul>
<b>Payroll</b> <b>Description:</b> Payroll expense is not accurately recorded.	<ul style="list-style-type: none"> <li>• Focused detail testing on payroll expenditures and accruals.</li> <li>• Substantive testing on variances.</li> </ul>
<b>Reserves and Reserve Funds</b> <b>Description:</b> Transfers to and from reserves and reserve funds have been completed without council approval.	<ul style="list-style-type: none"> <li>• Substantive testing on the continuity and material transactions to determine if transfers are in accordance with Council approvals and applicable legislative requirements.</li> </ul>
<b>Revenue/deferred revenue</b> <b>Description:</b> Revenue recognition/cut-off issue relating to amounts to be deferred.	<ul style="list-style-type: none"> <li>• Review grants charges, contributions or other monies received during the year and determine if the amount should be recorded as revenue or as deferred revenue.</li> </ul>
<b>Taxation revenue</b> <b>Description:</b> Management's estimate of allowance for doubtful accounts is understated.	<ul style="list-style-type: none"> <li>• Recalculation of assessments based on verified property value and tax rates.</li> <li>• Review and evaluate management's estimate of the allowance for doubtful accounts to ensure it is reasonable and consistent. This will include review of assumptions/supporting documents used to determine estimate, a retrospective review and testing of subsequent receipts.</li> </ul>
<b>Tangible capital asset disposals</b> <b>Description:</b> Assets disposed of by City of Guelph have not been recorded.	<ul style="list-style-type: none"> <li>• Review disposal schedule prepared by management for reasonability and test selected transactions.</li> </ul>



In addition to the areas of audit risk noted above, we will also examine transactions associated with the shared services with the County of Wellington. We will examine reconciliations provided by the City and confirm amounts with the County.

## Group audit considerations

An audit is designed to search for potential misstatements that, individually or collectively, are material. Some of the factors we consider in determining the audit scope at the consolidated entities include:

- the existence of significant risks at the consolidated entities;
- a consideration of significant accounts and disclosures using materiality levels that are appropriate to support our audit opinion on your organization's consolidated financial statements;
- the complexity and nature of the operations, internal controls and accounting issues at the consolidated entities;
- the degree of centralization or decentralization of processes and controls, including the extent of relevant enterprise-level controls; and
- the extent and nature of internal control deficiencies and financial statement misstatements identified in current and previous periods at the consolidated entities.

Based on our analysis of these risks, we have determined the scope of work we consider necessary to provide an appropriate basis for our audit opinions on the consolidated financial statements.

**Full-scope audits** will be performed using the materiality level specified for the individual entities that are individually significant to the consolidated financial statements.

## Audit scope uncertainty

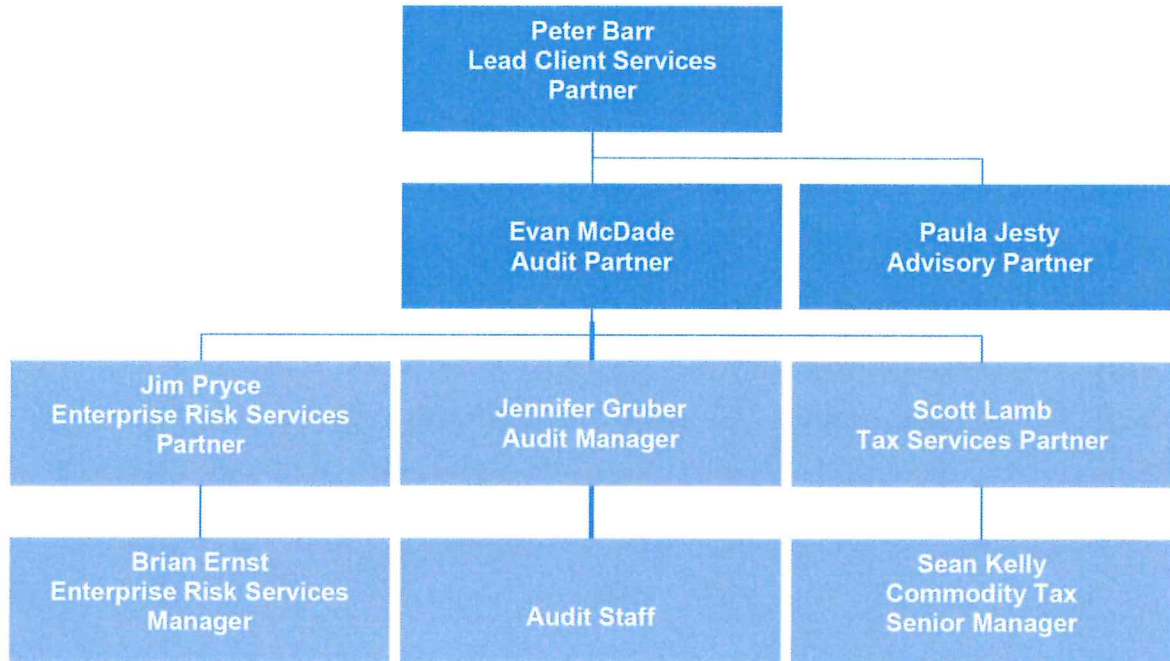
Our audit service plan is based on several assumptions. Circumstances may arise during the engagement that could significantly affect the scope and the extent and timing of our audit procedures. These circumstances may include, but are not limited to, the following:

- The quality of the City's accounting records deteriorates during the current year engagement compared to the prior-year engagement;
- Significant deficiencies are identified in the City's internal control that result in the expansion of our audit procedures; and
- A significant level of proposed audit adjustments is identified during our audit.
- Significant new issues or changes arise, such as:
  - New accounting issues;
  - Changes in accounting policies or practices from those used in prior years;
  - Events or transactions not contemplated in our budgets;
  - Changes in the City's financial reporting process or IT systems;
  - Changes in the City's accounting personnel, their responsibilities, or their availability;
  - Changes in auditing standards; and
  - Changes in the City's use of experts or the specialists and / or their work product does not meet the qualifications that Canadian GAAS require for us to be able to use their work.
- Changes in the audit scope caused by events that are beyond our control.

If any of these or similar such circumstances arise during the course of our audit we will discuss them on a timely basis with management and provide the Audit Committee with a report regarding the impact on our audit at its next scheduled meeting. Matters that we consider to be significant and that may be sensitive from a reporting timing perspective will be communicated immediately to the Chair of the Audit Committee.

# Audit Service team

The roles and responsibilities of the individuals who lead our audit team are:



# Appendix A – Sources of audit evidence in a group audit

This section indicates where will perform full-scope audits.

Business unit	Location and notes
Full-scope audits	
City of Guelph	Guelph, City Hall - Deloitte
Wellington-Dufferin-Guelph Public Health	Fergus – Deloitte
Guelph Downtown Business Improvement Association	Guelph – Deloitte
Guelph Junction Railway	Guelph, City Hall - Deloitte
Guelph Hydro Inc.	Guelph - KPMG LLP
The Elliott	Guelph - KPMG LLP



# Appendix B – Communication calendar

This calendar indicates the planned interactions that will support the efficient and effective execution of our audit as well as those that provide value-added content to the City. We will finalize the Calendar with input from you.

	September	October	November	December	January	February	March	April	May	June	July	August
<b>Audit execution – meetings with Audit Committee</b>												
Audit Committee meeting to present Audit Service Plan			•									
Interim Fieldwork				•								
Final Fieldwork								•	•			
Final Audit Committee meeting										•		
Annual year-end issues meetings										•		
<b>Client feedback</b>												
Audit continuous improvement meetings				•						•		
Annual client feedback process												•

# Appendix C – Communication requirements

Required communication	Timing of communication
1. Our responsibilities under Canadian GAAS.	November 2012
2. Our audit strategy and scope, including our approach to auditing financial information of components of the group audit and our planned involvement in work performed by component auditors.	November 2012
3. Management judgments and accounting estimates.	June 2013
4. Financial statement adjustments.	June 2013
5. Uncorrected misstatements.	June 2013
6. Significant accounting policies.	June 2013
7. Alternative treatments for accounting policies and practices that have been discussed with management during the current audit period.	June 2013
8. Our views about significant qualitative aspects of City of Guelph's accounting practices, including accounting policies, accounting estimates and financial statement disclosures.	June 2013
9. Our responsibility for other information in documents containing audited consolidated financial statements (e.g., Annual Report), any procedures performed, and the results.	As available
10. Disagreements with management.	June 2013
11. Our views about significant matters that were the subject of consultation with other accountants.	June 2013
12. Major issues discussed with management prior to our retention.	June 2013
13. Significant difficulties, if any, encountered during the audit.	June 2013
14. Material written communications between management and us.	June 2013
15. All relationships between City of Guelph and us that, in our professional judgment, may reasonably be thought to bear on independence.	June 2013
16. A statement that, in our judgment, the engagement team and others in our firm and, when applicable, network firms have complied with relevant ethical requirements regarding independence.	June 2013
17. Illegal or possibly illegal acts.	June 2013
18. Fraud or possible fraud identified through the audit process.	June 2013
19. Significant transactions inconsistent with ordinary business, including related party transactions.	June 2013
20. Non-compliance with laws and regulations that come to our attention.	June 2013
21. Communication in writing to the City Council regarding any areas we became aware of where the oversight of City of Guelph's external financial reporting and internal control over financial reporting by City of Guelph's Audit Committee may be ineffective.	June 2013
22. Limitations placed on our scope.	June 2013
23. Written representations we are requesting.	June 2013



# Appendix D – Standard-setting update

## Public sector accounting standards

Final standards	Effective date
<p><b>Amendments to the Transition Provisions of Section PS 2601, Foreign Currency Translation, and Section PS 3450, Financial Instruments</b></p> <p>At their meeting on March 21-23, 2012, the PSAB approved amendments to the transition provisions of Section PS 2601, <i>Foreign Currency Translation</i>, and Section PS 3450, <i>Financial Instruments</i>. In addition to approving the proposed amendments of the ED, which were supported by commentators, an additional amendment was made by the PSAB to clarify that the measurement provisions of the new Sections are to be applied prospectively.</p>	<p>Fiscal years beginning on or after April 1, 2012 for government organizations, and April 1, 2015 for governments.</p>
<p><b>Consequential Amendments Resulting from the Issue of Section PS 3450, Financial Instruments, including a new Section PS 3041, Portfolio Investments</b></p> <p>At their meeting on December 15-16, 2011, the PSAB approved these amendments to the PSA Handbook, including a new Section PS 3041, <i>Portfolio Investments</i>, and the withdrawal of Section PS 3030, <i>Temporary Investments</i>, and Section PS 3040, <i>Portfolio Investments</i>. In response to respondents' feedback, some clarifications to the amendments were made in finalizing the changes.</p> <p>On April 3, 2012, the PSAB issued a Background Information and Basis for Conclusions document in respect of the new Section PS 3041.</p> <p>At their meeting on June 26-27, 2012, the PSAB approved an ED proposing amendments to certain paragraphs in Section PS 3450, <i>Financial Instruments</i>. The amendments ensure that the reporting of income on externally restricted assets that are financial instruments aligns with the requirements in Section PS 3100, <i>Restricted Assets and Revenues</i>. The proposed amendments also address transitional issues that can arise when Section PS 3450 is adopted.</p>	<p>Fiscal years beginning on or after April 1, 2012 for government organizations, and April 1, 2015 for governments.</p>
<p><b>Handbook Improvements</b></p> <p>At their meeting on December 15-16, 2011, the PSAB approved a series of final "Handbook Improvement" changes clarifying various Sections of the Public Sector Accounting Handbook as a result of (i) the issue of new Section PS 3450, <i>Financial Instruments</i>, and (ii) recent changes to Canadian assurance standards that warrant more specific guidance on what constitutes the date of completion of financial statements.</p>	<p>Fiscal years beginning on or after April 1, 2012 for government organizations, and April 1, 2015 for governments.</p>
<p><b>Introduction to Public Sector Accounting Standards - Government Not-for-Profit Organizations</b></p> <p>The Introduction to Public Sector Accounting Standards was amended to require that, for purposes of their financial reporting, government not-for-profit organizations should adhere to the standards for not-for-profit organizations in the CICA Public Sector Accounting (PSA) Handbook or the standards in the CICA PSA Handbook without Sections PS 4200 to PS 4270.</p>	<p>January 1, 2012</p>

Final standards	Effective date
<p><b>Section PS 1201, Financial Statement Presentation</b></p> <p>The new Section PS 1201 replaces existing Section PS 1200, <i>Financial Statement Presentation</i>, and includes a new statement of remeasurement gains and losses. The new statement will report:</p> <ul style="list-style-type: none"> <li>• unrealized gains and losses associated with financial instruments in the fair value category;</li> <li>• exchange gains and losses associated with monetary assets and monetary liabilities denominated in a foreign currency that have not been settled;</li> <li>• amounts reclassified to the statement of operations upon derecognition or settlement; and other comprehensive income reported when a public sector entity includes the results of its government business enterprises and government business partnerships in the summary financial statements.</li> </ul>	<p>Government organizations:</p> <ul style="list-style-type: none"> <li>• April 1, 2012</li> </ul> <p>Governments:</p> <ul style="list-style-type: none"> <li>• April 1, 2015</li> </ul>
<p><b>Section PS 2601, Foreign Currency Translation</b></p> <p>The new Section PS 2601 replaces existing Section PS 2600, Foreign Currency Translation. Major changes from Section PS 2600 include:</p> <ul style="list-style-type: none"> <li>• elimination of deferral and amortization of unrealized gains and losses arising from foreign currency translation before settlement;</li> <li>• withdrawal of hedge accounting as it is unnecessary under the new treatment of unrealized gains and losses; and</li> <li>• separating realized and unrealized foreign exchange gains and losses and reporting them in different statements.</li> </ul>	<p>Government organizations:</p> <ul style="list-style-type: none"> <li>• April 1, 2012</li> </ul> <p>Governments:</p> <ul style="list-style-type: none"> <li>• April 1, 2015</li> </ul>
<p><b>Section PS 3260, Liability for Contaminated Sites</b></p> <p>This new Section establishes recognition, measurement and disclosure standards for liabilities relating to contaminated sites of governments and those organizations applying the CICA Public Sector Accounting Handbook.</p>	<p>April 1, 2014</p>
<p><b>Section PS 3410 (Revised), Government Transfers</b></p> <p>PSAB approved a final standard to replace existing Section PS 3410, which establishes standards on how governments should account for and report government transfers to individuals, organizations and other governments from both a transferring government and a recipient government perspective.</p>	<p>April 1, 2012</p>
<p><b>Section PS 3450, Financial Instruments</b></p> <p>This new accounting standard Section PS 3450 provides comprehensive guidance on the recognition, measurement, presentation and disclosure of financial instruments, including derivatives, by government organizations.</p>	<p>Government organizations:</p> <ul style="list-style-type: none"> <li>• April 1, 2012</li> </ul> <p>Governments:</p> <ul style="list-style-type: none"> <li>• April 1, 2015</li> </ul>
<p><b>Section PS 4200 – PS 4270, Government Not-for-profit Organizations</b></p> <p>The PSAB approved the inclusion of the PS 4200 to PS 4270 series of standards into the PSA Handbook for use by government organizations applying the standards for not-for-profit organizations.</p>	<p>January 1, 2012</p>

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**Deloitte.**

## City of Guelph 2012 Audit Service Plan



For the year ending December 31, 2012  
Presented to the Audit Committee  
November 14, 2012

### Agenda

- Audit service plan
- Audit scope
- Your audit team
- Group audit
- Communication calendar
- Communication requirements

## Audit service plan – key elements

- **Audit scope**

The audit planning and the preliminary risk assessment activities we conduct enable us to set the scope of our audit and to design procedures tailored to that scope.

## Audit service plan – key elements

- **Materiality**

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

Materiality levels are determined on the basis of consolidated revenue. Our preliminary estimate of materiality for the year ending December 31, 2012 is \$6,000,000 (2011, \$6,000,000).

We will report to the Audit Committee all uncorrected misstatements greater than a clearly trivial amount of \$300,000 (2011, \$300,000) and any misstatements that are, in our judgment, qualitatively material. In accordance with Canadian GAAS, we will request that misstatements be corrected.

## Audit service plan – key elements

### • Audit risks

Our audit scope reflects the risks that we have identified at the City and our planned audit response to them.

The more significant of the risks that we identified as part of our strategic audit planning activities, together with our planned audit response, are set out in the body of this report.

## Audit service plan – key elements

### • Fraud risk

In determining our audit strategy to address the assessed risks of material misstatement due to fraud, we will:

1. Assign and supervise personnel, taking into account the knowledge, skill and ability of individuals with significant engagement responsibilities and the auditor's assessment of the risks of material misstatement due to fraud for the engagement.
2. Evaluate whether the selection and application of accounting policies by your organization, particularly those related to subjective measurements and complex transactions, may be indicative of fraudulent financial reporting resulting from management's effort to manage earnings.
3. Incorporate an element of unpredictability in the selection of the nature, timing and extent of our audit procedures.

We will inquire directly of the Audit Committee regarding its views about the risk of fraud and whether the Audit Committee has knowledge of any actual or suspected fraud affecting the City.

If we suspect fraud involving management, we will communicate these suspicions to the Audit Committee and discuss the nature, timing, and extent of audit procedures necessary to complete the audit.

## Audit service plan – key elements

### • Internal control matters

Our planned reliance on internal control relevant to the audit is described in the body of this report.

We will communicate in writing significant deficiencies in internal control identified during the audit to the Audit Committee on a timely basis.

## Audit service plan – key elements

### • Group audit

When designing our audit strategy, we also considered:

- the financial significance or relative importance of each of the consolidated entities (listed in Appendix A) to your organization as a whole;
- the complexity and nature of the operations, internal controls and accounting issues at each of the consolidated entities;
- the degree of centralization or decentralization of processes and controls including the extent of relevant enterprise-level controls; and
- the extent and nature of internal control deficiencies and financial statement misstatements identified in current and previous periods at each of the consolidated entities.

For City of Guelph, both Guelph Hydro Inc. and The Elliott are audited by KPMG LLP. Referral instructions will be sent to each of these engagement teams outlining items such as risks and materiality. Any issues arising from these audits will be communicated to the Audit Committee in the audit results presentation.

We will report any instances where our evaluation of the work of component auditors gives rise to any concerns about component audit work and any limitations on the group audit, where access to information may have been restricted.

## Audit service plan – key elements

- **Use of the work of experts**

Our audit engagement partners are supported with online resources as well as practice office and national office experts who assist our audit engagement teams when dealing with more complex technical, accounting, auditing and reporting issues.

- **Audit team**

The engagement team that will serve City of Guelph provides a balance of continuity of existing members with knowledge of and experience with your organization and new members who will provide fresh perspectives and insights. Our team also includes high-quality technical specialists and other professionals. We are committed to continuing to serve City of Guelph with quality and distinction.

- **Engagement letter**

The terms and conditions of our engagement are included in the engagement letter.

## Audit service plan – key elements

- **Complete engagement reporting**

Upon the satisfactory completion of our audit, we will provide you with an audit report on your consolidated financial statements.

We will also provide reports to the Audit Committee to assist it in fulfilling its responsibilities, as required by applicable auditing standards. Appendix C summarizes the required communications between Deloitte and the Audit Committee.

- **Communications**

We have summarized our required communications with the Audit Committee in Appendix C.



## Audit service plan – key elements

- **Other matters**

- **Audit fees**

We propose audit fees for 2012 in accordance with our response to the 2010 request for proposal.

Our objective is to conduct an efficient audit in accordance with Canadian GAAS. The time we have estimated for our audit assumes an optimum level of assistance from City of Guelph staff and our commitment to fulfill our professional responsibilities and duties in an efficient manner. We have carefully considered all elements included within our audit plan and confirm that, in our judgment, all such procedures are appropriate and in line with Canadian GAAS.

- **Independence**

We have developed important safeguards and procedures to protect our independence and objectivity.

We are independent of the City and we will reconfirm our independence in our final report to the Audit Committee.

## Audit service plan – key elements

- **Other matters (continued)**

- **Management representations**

We will obtain written and oral representations from management to complement our audit procedures.

- **New financial reporting standards**

We have included, in Appendix D, the Deloitte Standard-setting Activities Digest, which summarizes the standards (both finalized and in development) that we believe are particularly relevant to the City.

- New public sector accounting standards include:
  - Consequential Amendments Resulting from Section 3450, *Financial Instruments*
  - Section PS 1201, *Financial Statement Presentation*
  - Section PS 3410 (Revised), *Government Transfers*
  - Section PS 3450, *Financial Instruments*
  - Section PS 3510, *Tax Revenue* (Early adopted in 2011 by the City)
  - Section PS 4200 – PS 4270, *Government Not-for-profit Organizations*

## Audit scope

Areas of audit risk	Our proposed audit response
<b>Accounts payable and accrued liabilities</b> <b>Description:</b> Accounts payable and accrued liabilities may be understated due to improper cut-off.	<ul style="list-style-type: none"> <li>• Test disbursements subsequent to year-end to determine the reasonableness of accounts payable and accrued liabilities.</li> <li>• Test the supporting assumptions for accruals.</li> <li>• Review the outcome of prior year estimates and accruals.</li> </ul>
<b>Actuarially determined liabilities</b> <b>Description:</b> Actuarial liabilities may be misstated due to improper inputs used in valuation. In addition, the financial statement disclosure may not contain all required items.	<ul style="list-style-type: none"> <li>• Review actuary report, including related assumptions.</li> <li>• Ensure appropriate accounting treatment has been applied.</li> <li>• Review related financial statement note disclosure for accuracy and completeness.</li> <li>• Communicate with actuary on our reliance on their report for audit purposes.</li> </ul>

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## Audit scope

Areas of audit risk	Our proposed audit response
<b>Contingencies</b> <b>Description:</b> Contingent liabilities are not properly accrued for or disclosed in the financial statements.	<ul style="list-style-type: none"> <li>• We will contact the City of Guelph's external law firms to obtain the status of any outstanding claims and review evaluation of claims to ensure proper recognition.</li> </ul>
<b>Council and senior management expenses</b> <b>Description:</b> Council and Senior management may expense items not in line with City of Guelph's expense policy.	<ul style="list-style-type: none"> <li>• Review of sample of expense reports and VISA statements for validity and proper approval.</li> </ul>
<b>Estimates</b> <b>Description:</b> Management estimates are not calculated in accordance with GAAP or properly supported.	<ul style="list-style-type: none"> <li>• Test the supporting assumptions for estimates.</li> <li>• Review the outcome of prior year estimates and accruals.</li> </ul>

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## Audit scope

Areas of audit risk	Our proposed audit response
<b>Payroll</b> <b>Description:</b> Payroll expense is not accurately recorded.	<ul style="list-style-type: none"> <li>• Focused detail testing on payroll expenditures and accruals.</li> <li>• Substantive testing on variances.</li> </ul>
<b>Reserves and Reserve Funds</b> <b>Description:</b> Transfers to and from reserves and reserve funds have been completed without council approval.	<ul style="list-style-type: none"> <li>• Substantive testing on the continuity and material transactions to determine if transfers are in accordance with Council approvals and applicable legislative requirements.</li> </ul>

## Audit scope

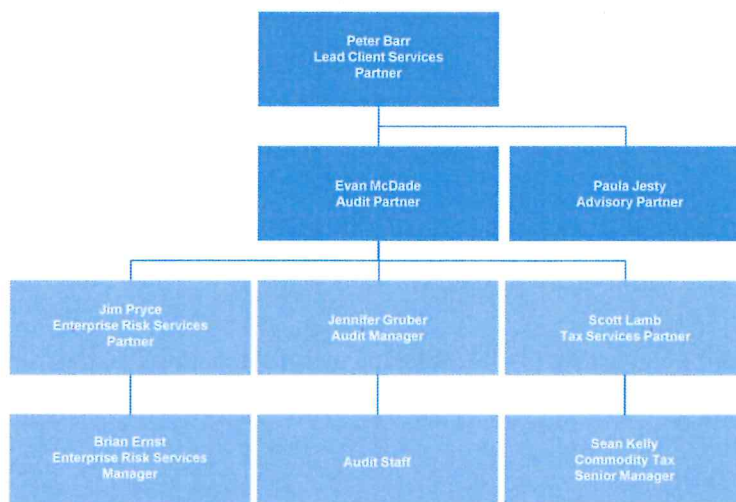
Areas of audit risk	Our proposed audit response
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## Audit scope

Areas of audit risk	Our proposed audit response
<b>Tangible capital asset disposals</b> <b>Description:</b> Assets disposed of by City of Guelph have not been recorded.	<ul style="list-style-type: none"> <li>Review disposal schedule prepared by management for reasonability and test selected transactions.</li> </ul>

## Your audit team



## Group audit

Entity	Location and notes
<b>Full-scope audits</b>	
City of Guelph	Guelph, City Hall – Deloitte
Wellington-Dufferin-Guelph Public Health	Fergus – Deloitte
Guelph Downtown Business Improvement Association	Guelph – Deloitte
Guelph Junction Railway	Guelph, City Hall – Deloitte
Guelph Hydro Inc.	Guelph – KPMG LLP
The Elliott	Guelph – KPMG LLP

## Communication calendar

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Audit Committee meeting to present Audit Service Plan			•									
Interim Fieldwork				•								
Final Fieldwork								•	•			
Final Audit Committee meeting										•		
Annual year-end issues meetings										•		
<b>Client feedback</b>												
Audit continuous improvement meetings				•						•		
Annual client feedback process												•

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Required communication	Timing of communication
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7. Alternative treatments for accounting policies and practices that have been discussed with management during the current audit period.	June 2013
8. Our views about significant qualitative aspects of City of Guelph's accounting practices, including accounting policies, accounting estimates and financial statement disclosures.	June 2013
9. Our responsibility for other information in documents containing audited consolidated financial statements (e.g., Annual Report), any procedures performed, and the results.	As available
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## Communication requirements

Required communication	Timing of communication
13. Significant difficulties, if any, encountered during the audit.	June 2013
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16. A statement that, in our judgment, the engagement team and others in our firm and, when applicable, network firms have complied with relevant ethical requirements regarding independence.	June 2013
17. Illegal or possibly illegal acts.	June 2013
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