

**Vision:** *The City of Greater Sudbury is a growing, world-class community bringing talent, technology and a great northern lifestyle together.*



# Agenda

## Audit Committee

meeting to be held

Tuesday, September 18<sup>th</sup>, 2012

**at 4:00 pm**

Tom Davies Square

# AUDIT COMMITTEE AGENDA

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Audit Committee Meeting  
**Tuesday, September 18, 2012**  
Tom Davies Square

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**COUNCILLOR CLAUDE BERTHIAUME, CHAIR**

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**Doug Craig, Vice-Chair**

**4:00 P.M.** AUDIT COMMITTEE MEETING  
COUNCIL CHAMBER

*Council and Committee Meetings are accessible. For more information regarding accessibility, please call 3-1-1 or email [clerks@greatersudbury.ca](mailto:clerks@greatersudbury.ca).*

## **DECLARATIONS OF PECUNIARY INTEREST AND THE GENERAL NATURE THEREOF**

### **PRESENTATIONS**

1. Report dated September 7, 2012 from the Chief Financial Officer/Treasurer regarding 2012 External Audit Planning Report. **4 - 36**  
**(ELECTRONIC PRESENTATION) (RECOMMENDATION PREPARED)**
  - Cathy Russell, Partner, PricewaterhouseCoopers LLP
  - Michael Hawtin, Supporting Engagement Partner, PricewaterhouseCoopers LLP

(The City of Greater Sudbury's Auditors will be presenting the External Audit Planning Report with respect to the 2012 year-end. The purpose of the presentation is to provide information to the Audit Committee relating to the activities of the City External Auditors in discharging their audit responsibilities.)

**Adjournment**

**CAROLINE HALLSWORTH, EXECUTIVE DIRECTOR, ADMINISTRATIVE SERVICES/CITY CLERK**

**LIZ COLLIN, COMMITTEE ASSISTANT**

## Request for Decision

### 2012 External Audit Planning Report

Presented To: Audit Committee

Presented: Tuesday, Sep 18, 2012

Report Date Friday, Sep 07, 2012

Type: Presentations

### Recommendation

THAT the City of Greater Sudbury approve the 2012 External Audit Plan as outlined in the report dated September 5, 2012 from PricewaterhouseCoopers LLP.

### BACKGROUND

In accordance with generally accepted auditing standards, an annual audit plan must be approved by the Audit Committee. The objective of the audit plan is to identify audit areas and systems that will be reviewed during the external audit, explain the audit approach to be used, provide information with respect to the scope and timing of the audit and identify specific issues for the year under review.

Our auditors will be presenting an overview of their External Audit Planning Report with respect to the 2012 year-end to the Audit Committee on September 18, 2012. The full External Audit Planning Report is attached.

Cathy Russell and Michael Hawtin from PricewaterhouseCoopers will be presenting the External Audit Planning Report. The purpose of the presentation is to provide information to the Audit Committee relating to the activities of the City External Auditors in discharging their audit responsibilities.

#### Signed By

**Report Prepared By**

Lorraine Laplante  
Co-ordinator of Accounting  
*Digitally Signed Sep 7, 12*

**Division Review**

Paddy Buchanan  
Manager of Accounting  
*Digitally Signed Sep 7, 12*

**Recommended by the Department**

Lorella Hayes  
Chief Financial Officer/Treasurer  
*Digitally Signed Sep 7, 12*

**Recommended by the C.A.O.**

Doug Nadorozny  
Chief Administrative Officer  
*Digitally Signed Sep 10, 12*

# ***The City of Greater Sudbury***

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

Prepared as at  
September 6, 2012





September 6, 2012

Members of the Audit Committee  
the City of Greater Sudbury  
200 Brady Street  
2<sup>nd</sup> Floor, Tom Davies Square  
Box 5000, Stn A  
Sudbury, ON P3A 5P3

Dear Members of the Audit Committee:

We are pleased to present our audit plan for the 2012 audit of the consolidated financial statements of The City of Greater Sudbury (the City) prepared in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants (Canadian GAAP) (hereafter referred to as the financial statements).

This document summarizes our audit plan including our view on audit risks, the nature, extent and timing of our audit work as well as our proposed fees and the terms of our engagement.

We value your feedback and we hope that this document will facilitate two-way communication with you on the risks identified and our audit approach. We welcome any suggestions and observations you may have and look forward to discussing the contents of this audit plan with you at our upcoming meeting on September 18, 2012.

Yours very truly,

*PricewaterhouseCoopers LLP*

Cathy Russell  
Partner  
Audit and Assurance Group

cc: Ms. Lorella Hayes, Chief Financial Officer & Treasurer

*PricewaterhouseCoopers LLP*  
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2  
T: +1 416 863 1133, F: +1 416 365 8215, [www.pwc.com/ca](http://www.pwc.com/ca)

\*PwC\* refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

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## **Appendices**

*Appendix A: Engagement letters*

*Appendix B: Draft audit service guideline*

The matters raised in this and other reports that will flow from the audit are only those that have come to our attention arising from or relevant to our audit that we believe need to be brought to your attention. They are not a comprehensive record of all the matters arising and, in particular, we cannot be held responsible for reporting all risks in your business or all internal control weaknesses. This report has been prepared solely for your use and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted, as the report has not been prepared for, and is not intended for, any other purpose.

## 1. Executive summary

We have prepared the attached document to provide you with the opportunity to review, comment on and approve our audit plan for the 2012 audit of the financial statements.

This audit plan includes the required communications between an auditor and Audit Committee as required by Canadian generally accepted auditing standards (Canadian GAAS).

Below, we highlight key areas for discussion, including new matters or changes from the prior year's audit plan to facilitate your review. We would be pleased to answer any questions you might have at our upcoming meeting. (All amounts are in thousands of dollars).

Discussion item	Summary	For further reference
Client service team	<ul style="list-style-type: none"> <li>Cathy Russell is your engagement leader. Michael Hawtin is a supporting engagement partner and Landon Roedding is your engagement senior manager.</li> <li>The senior members of our team are consistent with the prior year.</li> </ul>	Page 3
Service deliverables	<ul style="list-style-type: none"> <li>The scope of our services remains consistent with the prior year.</li> </ul>	
Timing	<ul style="list-style-type: none"> <li>Audit planning: August - September 2012</li> <li>Interim visit: November 2012</li> <li>Year-end visit: April - May 2013</li> </ul>	Page 5
Audit approach	<ul style="list-style-type: none"> <li>Our audit approach will include a combination of reliance on selected controls and substantive tests of detail.</li> <li>Consistent with Canadian GAAS, we will also implement a level of unpredictability into our procedures each year.</li> </ul>	Page 7
Materiality	<ul style="list-style-type: none"> <li>We have calculated materiality (based on the 2012 operating budget) and have determined a preliminary materiality of \$7.2 million.</li> <li>Unadjusted and adjusted items over \$360,000 will be reported to the Audit Committee on completion of our audit.</li> </ul>	Page 10
Risk analysis	<ul style="list-style-type: none"> <li>The areas of significant audit focus are consistent with the prior year; mainly: <ul style="list-style-type: none"> <li>Revenue recognition - government transfers;</li> <li>Significant accounting estimates; and</li> <li>Management override of controls</li> </ul> </li> </ul>	Page 8
Fraud risk	<ul style="list-style-type: none"> <li>We are required to discuss fraud risk annually with the Audit Committee.</li> <li>In planning our audit, we have considered the risk of fraud, management's processes for mitigating the risk, and the Audit Committee's oversight processes.</li> </ul>	Page 11
2012 audit fees	<ul style="list-style-type: none"> <li>Our audit fee for the City for the 2012 year, as outlined in our response for proposal Contract CPS11-17 dated October 18, 2011 (the RFP), is \$87,100 (2011: \$85,000).</li> </ul>	Page 13



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## ***2. Our team***

### **Your client service team**

Your client service team comprises the following individuals:

<b>Name</b>	<b>Role</b>	<b>Phone number</b>	<b>Email address</b>
Cathy Russell	Engagement Leader	416 815 5291	<i>cathy.russell@ca.pwc.com</i>
Michael Hawtin	Supporting Engagement Partner	905 949 7317	<i>michael.hawtin@ca.pwc.com</i>
Landon Roedding	Engagement Senior Manager	416 941 8432	<i>landon.roedding@ca.pwc.com</i>
Dib Dhar	Information Technology Specialist	416 815 5043	<i>dibyendu.dhar@ca.pwc.com</i>
Carol Devenny	Quality Review Partner	613 755 4366	<i>carol.devenny@ca.pwc.com</i>

We have assigned a quality review partner, Carol Devenny, who is independent of the audit team and whose responsibilities include ensuring that we deliver a quality product. Carol is the leader of our public sector practice and has over 28 years of experience providing audit services to a wide range of government entities.

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### ***3. Scope of our services***

#### **a. Our audit objectives**

As the City's auditor, our primary responsibility is to form and express an opinion on the City's financial statements as at December 31, 2012 and for the year then ended prepared in accordance with Canadian GAAP. The financial statements are prepared by management with the oversight of those charged with governance (Audit Committee).

An audit of the financial statements does not relieve management or the Audit Committee of its responsibilities. We will conduct our audit in accordance with Canadian GAAS. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

In addition, we are committed to being a trusted advisor to management and to the Audit Committee. Where appropriate, we will discuss significant developments in public sector accounting and provide management our views and insights and also advise management of other services we feel could be helpful-at all times staying within the realms of our independence rules.

#### **b. Engagement terms**

Our engagement letter dated February 8, 2012 and as amended in an addendum dated May 24, 2012 sets out the terms and conditions for our engagement as the independent auditor of the City for the years ended December 31, 2011 through to 2013. An annual addendum to the engagement letter dated September 6, 2012 confirms that the terms and conditions of our engagement letter continue to remain in effect for the year ended December 31, 2012.

Copies of the engagement letter and addendums have been included in Appendix A of our audit plan for your reference.

## 4. When will we do the audit?

### a. Audit timeline

Working with management, we have developed the following project timeline, which is consistent with the City's regulatory and filing requirements.

<b>Audit planning</b>	
Audit planning	August - September 2012
Presentation of audit plan to the Audit Committee	September 18, 2012
<b>Audit</b>	
Interim audit fieldwork - City and related agencies and boards	September - November 2012
Year-end audit fieldwork - City's related agencies and boards	March - April 2013
Year-end audit fieldwork - City	April - May 2013
Clearance meetings with management and PwC	May 2013
Year-end Audit Committee meeting and finalization of the consolidated financial statements <sup>1</sup>	June 18, 2013

<sup>1</sup> At the year-end Audit Committee meeting we will provide to the Audit Committee our draft audit opinion, key findings (particularly, regarding significant estimates, transactions, accounting policies and disclosures), any significant deficiencies identified in internal controls and also provide a confirmation of our independence.

### b. Project management

A well-executed audit requires good project management from both your team and PwC.

Working with management, we have developed the following process to ensure information is flowing and that issues are dealt with on a timely basis:

#### i. Issues meetings

We will hold regular meetings with key management throughout the year to discuss potential issues affecting the City and to develop plans for the resolution of key accounting issues.

We will share elements of our assessment of significant risks with management and the Audit Committee to avoid surprises and obtain your feedback.

We will maintain an ongoing register of matters that require further effort and will regularly monitor progress on these matters.

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**ii. Communications**

We will use the information from the issues meetings, along with our other cumulative knowledge of the City, to develop a detailed list of documents that we will need from the City to complete the audit. This document will list those responsible and the expected delivery dates agreed to by management.

We have asked management to appoint an “Audit Champion” to be our key contact. This person is responsible for managing the flow of information and audit requests to ensure both of our organizations are being as efficient as possible and that the audit is not disruptive.

Lorraine Laplante has been selected by management as the City’s Audit Champion.

We will hold periodic meetings with management during the audit to discuss the status of our audit procedures. As part of these meetings, we will provide a detailed list of outstanding items and will highlight any items that require more urgent attention and follow up. We will work closely with management to resolve outstanding audit information requests and issues in a timely manner and obtain agreement with management on additional audit services provided, if any, during the audit.

Once we have completed our audit and have mailed our report, the results and findings of the audit will be discussed at the Audit Committee meeting.

We have developed an Audit Service Guideline which has been discussed with management and outlines our audit services and what may be considered additional services. All additional services will be communicated to both management and the Audit Committee. A copy of this guideline is included in Appendix B of our audit plan for your reference.

**iii. Continuous improvement**

After the audit, we will debrief with management and obtain feedback on how the audit went and what improvements can be made to the process. We will also solicit feedback from the Audit Committee. These improvements will be documented and reflected in next year’s audit plan.

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## ***5. How will we do the audit?***

### **a. Our audit approach**

Our audit approach is designed to allow us to execute a quality and efficient audit. We do this by:

- i. Gaining an understanding of the business by focusing on new developments and key business issues affecting the City as well as management's monitoring of controls and business processes. Our audit procedures will include tests of controls within the payroll, purchases/payables/payments, revenue and receivables, information technology, and certain other processes as well as substantive tests of significant account balances and transactions;
- ii. Identifying significant audit risks, sharing our perspectives, obtaining your feedback and ensuring our audit is tailored to these risks;
- iii. Making use of our network of internal employee benefits and information systems specialists, who will be integrated into our team to assist in our audit;
- iv. Using external specialists to assist with obtaining sufficient and appropriate audit evidence over certain account balances and transactions. Specifically, we will rely on the following specialists:
  - External actuaries to provide actuarial calculations to account for the employee benefits (pension and other);
  - External specialists to provide estimates of future landfill closure and post-closure costs used to estimate the related liability; and
  - Municipal Property Assessment Corporation (MPAC) to provide the assessment of properties used in determining property taxation revenue for the year.
- v. Using well-reasoned professional judgment, especially, in areas that are subjective or require estimates; and
- vi. Leveraging reliance where possible on the City's internal controls, Auditor General's Office and information technology and data systems.

Our understanding of the organization also drives our assessment of materiality and the identification of audit risks. Throughout the audit, we scale our work based on the size of an account balance, its complexity and its impact on the consolidated financial statements.

### **b. Risk analysis**

Significant risks are those risks of material misstatement that, in our judgment, require special audit consideration. We have identified the following significant audit risks and other risks, including operational risks with a potential audit impact, as part of our planning process.

These risks were identified based on discussions with management, our knowledge of the City and current developments in the economy.

They are the most important risks from our perspective. We request your input on the following significant risks and whether there are any other areas of concern that the Audit Committee has identified.

<sup>1</sup> When we rely on others, we are required by our professional standards to perform certain audit procedures (i.e. evaluate their objectivity, professional qualifications and reputation, understand significant assumptions, perform tests over the data used and evaluate the specialists findings) and evaluate the results to determine if the specialists work can provide audit evidence.

<b>Risk area (including key judgments and estimates)</b>	<b>Management's response</b>	<b>Our audit approach</b>
<p><b>Revenue recognition - Government Transfers</b></p> <p>Revenue is recognized from government transfers based on specific contracts and arrangements with governmental organizations and is subject to management judgment with respect to the timing of revenue recognition.</p> <p>There is a risk that revenue is not recorded in the consolidated financial statements accurately and completely and in the correct accounting period.</p>	<p>The City has established revenue recognition accounting policies in accordance with the accounting standards for the Public Sector.</p> <p>In addition, the City has processes, controls and other procedures in place to ensure that revenue is appropriately measured and recognized, including monitoring the activity within deferred revenue accounts and reserve funds during the year.</p>	<p>Update our understanding of management processes and internal controls surrounding revenue recognition and assess the accounting policies adopted by the City for recognizing revenue and ensure that this is in accordance with Canadian GAAP.</p> <p>Perform substantive tests of detail over revenue and deferred revenue accounts including examining reconciliations of deferred revenue accounts (by fund), obtaining confirmation of annual funding with third party sources (i.e. various Ministries) and test other movements in the deferred revenue accounts to supporting documentation (i.e. agree to contracts, vendor invoices, etc.) and to the corresponding entry to the revenue general ledger accounts.</p>

Risk area (including key judgments and estimates)	Management's response	Our audit approach
<p><b>Significant accounting estimates</b></p> <p>The preparation of the City's financial statements requires the use of accounting estimates that are subject to management judgment in the following significant areas:</p> <ul style="list-style-type: none"> <li>• Employee benefits (pension and other);</li> <li>• Environmental liabilities (including closure and post-closure costs for active and inactive landfill sites);</li> <li>• Provisions related to property taxes;</li> <li>• Provisions for uncollectible receivables; and</li> <li>• Contingent liabilities.</li> </ul>	<p>Management has processes and controls in place for formulating these estimates.</p> <p>Where applicable, management has engaged external specialists to assist in the determination of significant accounting estimates.</p> <p>In particular, we understand the City has contracted external specialists to assist with the valuation of certain employee benefits and environmental liabilities.</p>	<p>Meet with non-financial management responsible for establishing these provisions to understand the key assumptions and validate and benchmark these estimates against our own expectations. Test management's calculations, supporting data and assumptions used in these calculations.</p> <p>Incorporate internal specialists into our engagement team to assess the appropriateness of the methodology and accounting estimates applied.</p> <p>Assess the competency and objectivity of specialists engaged by the entity.</p> <p>Review management's assessment of the collectability of receivable balances and examine subsequent receipts after year-end and other evidence of collectability.</p> <p>For employee benefit arrangements, we will assess whether any plan changes as a result of new or amended collective bargaining agreements or agreements with non-unionized employees have been appropriately considered in the actuarial valuations. We will also perform testing over the source data used in the employee benefit calculations.</p>

<b>Risk area (including key judgments and estimates)</b>	<b>Management's response</b>	<b>Our audit approach</b>
<p><b>Management override of controls</b></p> <p>Canadian auditing standards require auditors to plan and perform the audit to obtain reasonable assurance that the consolidated financial statements are free of material misstatements, whether caused by error or fraud.</p> <p>The likelihood of not detecting a material misstatement resulting from fraud is higher than the likelihood of not detecting a material misstatement resulting from error, because fraud may involve collusion as well as sophisticated and carefully organized schemes designed to conceal it.</p>	<p>Appropriate segregation of duties has been established in order to mitigate the risk of management override of controls.</p> <p>Controls over the review and approval of manual journal entries are in place.</p> <p>In addition, the City has policies and procedures in place to prevent and deter fraud.</p>	<p>Assess the control environment and segregation of duties and access parameters established in PeopleSoft mitigating this risk.</p> <ul style="list-style-type: none"> <li>• Test significant and non-standard manual journal entries made during the year.</li> <li>• Introduce an element of unpredictability into our audit through our sample selections for audit testing.</li> </ul>

### c. Materiality

Misstatements, including omissions, are considered to be material if they (individually or in aggregate with other misstatements) could reasonably be expected to influence the economic decisions of users, taken on the basis of the financial statements.

Judgments about materiality are made in light of surrounding circumstances and are affected by the size or nature of a misstatement, or a combination of both.

We have set our preliminary materiality for the audit as follows:

	<b>Basis</b>	<b>Amount</b>
Overall materiality <sup>2</sup> :	1.5% of operating expenditures (budget) for the full year	\$7.2 million
Unadjusted and adjusted items in excess of this amount will be reported to the Audit Committee	5% of overall materiality	\$360,000

<sup>2</sup> Our materiality calculation is based on 2012 operating budget; should there be a significant change in actual results, we will communicate changes to the Audit Committee at year-end



## d. Discussion on fraud risk

Canadian GAAS require us to discuss fraud risk annually with the Audit Committee. We understand that part of your governance role is also to consider the fraud risks facing the City and the responses to those risks.

Question 1:

Required discussion	<p>Through our planning process (and prior years' audit), we have developed an understanding of your oversight processes including:</p> <ul style="list-style-type: none"> <li>◦ Code of conduct (as set out in the employee handbook);</li> <li>◦ Audit Committee (and other) charters;</li> <li>◦ Discussion at Audit Committee meetings and our attendance at those meetings;</li> <li>◦ Presentations by management;</li> <li>◦ Review of related party transactions;</li> <li>◦ Consideration of tone at the top; and</li> <li>◦ Auditor General's Office.</li> </ul> <p>• Are there any new processes or changes to the above that we should be aware of?</p>
Notes	

Question 2:

Required discussion	<p>We are not aware of any fraud at the current time.</p> <p>We would like to ask whether you are aware of instances of actual, suspected or alleged fraud affecting the entity.</p>
Notes	

### An auditor's responsibilities for detecting fraud

We are responsible for planning and performing the audit to obtain reasonable assurance that the consolidated financial statements are free of material misstatements, whether caused by error or fraud.

The likelihood of not detecting a material misstatement resulting from fraud is higher than the likelihood of not detecting a material misstatement resulting from error, because fraud may involve collusion as well as sophisticated and carefully organized schemes designed to conceal it.

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During our audit, we will perform the following procedures in order to fulfill our responsibilities:

- Inquiries of management, the Audit Committee and others related to any knowledge of fraud or suspected fraud;
- Perform disaggregated analytical procedures, primarily over revenue and consider unusual or unexpected relationships identified in planning the audit;
- Incorporate an element of unpredictability in the selection of the nature, timing and extent of our audit procedures;
- Perform additional required procedures to address the risk of management's override of controls, including:
  - Testing internal controls designed to prevent and detect fraud;
  - Examine journal entries and other adjustments for evidence of the possibility of material misstatement due to fraud;
  - Review accounting estimates for biases that could result in material misstatement due to fraud, (including a retrospective review of significant prior years' estimates); and
  - Evaluate the business rationale of significant unusual transactions.

We would be pleased to discuss any other procedures or suggestions the Audit Committee may have.

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## ***6. Where will we do the audit?***

The audit of the consolidated financial statements of the City of Greater Sudbury will be based out of the offices located at 200 Brady St.. As PwC has been engaged to perform separate stand-alone audits of the City's agencies and boards (such as the Greater Sudbury Utility Inc. and the Sudbury Housing Corporation) we will also be performing separate audits at their respective offices.

Since the consolidated financial statements of the City includes the agencies, boards and commissions that are controlled by the City, we will rely on the audit work completed by these PwC teams to assist in forming our opinion of the consolidated financial statements of the City.

We have taken the following steps to ensure the overall quality of the audit engagement:

- a. issued formal instructions to the local agencies and boards audit teams leveraging the work of the individual audits;
- b. arranged for continuous communication throughout our engagement team between the City and agencies and boards audit teams;
- c. arranged for debriefing conference calls with management and respective local audit teams to review results and findings of work performed; and
- a. d. planned adherence to engagement timelines in order to meet your reporting objectives.

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## ***7. Fees***

In accordance with the RFP covering the five year contract period for the years ended December 31, 2011 through to 2013; our fees for the 2012 audit of the consolidated financial statements of the City are \$87,100.

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## ***Appendix A: Engagement letters***



**DRAFT**

September 6, 2012

Ms. Lorella Hayes  
Chief Financial Officer and Treasurer  
The City of Greater Sudbury  
200 Brady Street  
2<sup>nd</sup> Floor, Tom Davies Square  
Box 5000, Stn A  
Sudbury, ON P3A 5P3

Dear Ms. Hayes:

We wish to confirm that the terms and conditions of our engagement letter dated February 8, 2012 and addendum dated May 24, 2012 relating to the audit of the consolidated financial statements of the City of Greater Sudbury for the years ending December 31, 2011, 2012 and 2013, continue to remain in effect for the year ended December 31, 2012.

We will also perform audit services for the following entities/programs in 2012:

- Financial Statement Audits:
  - City of Greater Sudbury Trust Funds;
  - City of Greater Sudbury Community Development Corp;
- Program Audits:
  - Walden Elderly Persons Centre;
  - Ontario Economic Outlook Funding Project;
  - Northern Training Partnership Fund; and
  - Homelessness Partnership Strategy.

Our engagements will be conducted in accordance with the Canadian Generally Accepted Auditing Standards.

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*PricewaterhouseCoopers LLP*  
*PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2*  
*T: +1 416 863 1133, F: +1 416 365 8215, [www.pwc.com/ca](http://www.pwc.com/ca)*

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership, which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.



**DRAFT**

Our fees for the above audit services are as follows:

	<b>Fee</b>
Financial Statement Audits:	
City of Greater Sudbury Trust Funds	\$3,100
The City of Greater Sudbury Community Development Corp.	\$2,100
Program Audits:	
Walden Elderly Persons Centre	\$2,100
Ontario Economic Outlook Funding Project	\$5,200
Northern Training Partnership Fund	\$3,600
Homelessness Partnership Strategy	\$2,100

Once we complete our audits we will provide you with our auditor's report on the work referred to above. For the Program Audits, the form and content of our auditor's report will be in accordance with the requirements of Canadian Auditing Standards 805, Special Considerations - Audit of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement. For the Financial Statement Audits, the form and content of our auditor's report will be in accordance with the requirements of Canadian Auditing Standards 700, forming an Opinion and Reporting on Financial Statements.

Yours very truly,

**Chartered Accountants**

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The terms as set forth in this letter are agreed to.

**The City of Greater Sudbury**

By:

\_\_\_\_\_  
Ms. Lorella Hayes, Chief Financial Officer/Treasurer

\_\_\_\_\_  
Date



February 8, 2012

Ms. Lorella Hayes  
Chief Financial Officer / Treasurer  
The City of Greater Sudbury  
200 Brady Street  
2<sup>nd</sup> Floor, Tom Davis Square  
Box 5000, Stn A  
Sudbury, Ontario P3A 5P3

Dear Ms. Hayes

PricewaterhouseCoopers LLP (we, us or our), a limited liability partnership organized under the laws of the Province of Ontario, is pleased to provide services to The City of Greater Sudbury (the City) for the years ending December 31, 2011, 2012 and 2013. Cathy Russell will be responsible for the services we perform. This engagement letter confirms our mutual understanding of the specific terms of our engagement, which are supplemented by the standard terms of business attached to this engagement letter. Our fee estimate is outlined in Schedule A. If there is any difference between our standard terms of business and the specific terms included in this letter, specific terms shall apply.

### ***Services and Related Report***

We will provide the following services (the services):

**Annual  
Financial  
Statement  
Audit**

We will audit the City's consolidated financial statements as at December 31, 2011, 2012, 2013 and for the years then ending (the audit).

These financial statements will be prepared in accordance with the requirements of Canadian Public Sector Accounting Standards (the financial statements).

These financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose. These financial statements have been prepared by management.

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*PricewaterhouseCoopers LLP, Chartered Accountants  
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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership, which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.



**Auditor's  
Report**

Once we complete our annual audit, we will provide you with our auditor's report on the work referred to above. The form and content of our auditor's report will be in accordance with Canadian Auditing Standard 700, Forming an Opinion and Reporting on Financial. There may be circumstances where our audit report may differ from the expected form and content. If, for any reasons caused by or relating to the affairs of you or you, we are unable to complete our audit, we may decline to issue our auditor's report.

***Our Responsibilities*****Annual  
Financial  
Statement  
Audit**

The purpose of a financial statement audit is to express an opinion on the financial statements. We will be responsible for performing the audit in accordance with Canadian generally accepted auditing standards. These standards require that we comply with ethical standards, which include independence and professional competence, and plan and perform the audits to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by you, as well as evaluating the overall presentation of the financial statements.

**Consistency of  
accounting  
principles**

It is our responsibility to assess whether the accounting principles used to prepare the financial statements have been applied on a basis consistent with that of the preceding year and to report on that matter in the auditor's report under "Report on other legal and regulatory requirements".

**Risk  
Assessment**

In making our risk assessments, we will consider internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of your internal control. But, we will let you and the Audit Committee know, as appropriate, in writing about any significant deficiencies in internal control relevant to the audit of the financial statements that we have identified during the audit.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Canadian generally accepted auditing standards.



**Informing the Audit Committee**

We also are responsible for ensuring that the Audit Committee is informed about certain other matters related to the performance of our audits, including but not limited to:

- (i) our views about significant qualitative aspects of your accounting practices, including accounting policies, accounting estimates and financial statement disclosures. In certain circumstances we may be required to explain to the Audit Committee why we consider a significant accounting practice, that is acceptable under the applicable financial reporting framework, not to be most appropriate to your particular circumstances;
- (ii) significant difficulties, if any, encountered during our audits;
- (iii) where the Audit Committee is not involved in managing the entity we are also required to communicate:
  - significant matters, if any, arising from our audits that were discussed, or subject to correspondence with management; and
  - written representations we are requesting; and
- (iv) other matters, if any, arising from our audits that, in our professional judgment, are significant to the oversight of the financial reporting process.

**Reliance by Third Parties**

The services will not be planned or conducted in contemplation of reliance by any specific third party or with respect to any specific transaction. Therefore, items of possible interest to a third party will not be specifically addressed and matters may exist that would be assessed differently by a third party, possibly, in connection with a specific transaction.

***Your Responsibilities***

**Responsibility for Financial Statements and Internal Control**

You are responsible for the preparation and the fair presentation of the financial statements and information referred to above. You are also responsible for establishing and maintaining an effective system of internal control over financial reporting to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In this regard, you are responsible for establishing policies and procedures that ensure financial statements are prepared in accordance with the requirements of Canadian Public Sector Accounting Standards.

If you engage us to translate the financial statements or other documents referred to above from one language to another, you are responsible for the translated documents.

**Correction of Errors**

You are responsible for adjusting the financial statements to correct material misstatements and for confirming to us that the total of all uncorrected misstatements identified by us during our audit are immaterial, both individually and in total, to the financial statements taken as a whole. In addition, we expect you will correct all known non-trivial errors.





**Prevention and Detection of Fraud**

You are also responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us:

- (i) of the risk that the financial statements may be materially misstated as a result of fraud;
- (ii) about all known or suspected fraud affecting you involving (a) management, (b) employees who have significant roles in internal control over financial reporting and (c) others where the fraud could have a non-trivial effect on the financial statements; and
- (iii) of your knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, investors or others.

**Related Party**

You are responsible for disclosing to us the identity of the related party as defined in Canadian Auditing Standard 550 – Related Parties and all the related party relationships and transactions of which you are aware and, for providing to us any updates that occur during the course of this engagement.

**Subsequent Events**

You are responsible for informing us of subsequent events that may affect the financial statements of which you may become aware during the period subsequent to the balance sheet date to the date the financial statements are issued.

**Laws and Regulations**

You are responsible for identifying and ensuring that you comply with the laws and regulations applicable to your activities, including those pertaining to the services. You will make available to us information relating to any illegal or possibly, illegal acts, and all facts related thereto and will provide information to us relating to any known or probable instances of non-compliance with legislative or regulatory requirements, including financial reporting requirements.

**Providing Information on a Timely Basis**

You are responsible for making available to us, on a timely basis, all of your original accounting records and related information relevant to the preparation of the financial statements, additional information that we may request from you for the purposes of our audit and unrestricted access to your personnel who we may determine necessary to obtain evidence necessary to support our audits of the financial statements.

**Management Representation Letter  
Previous Auditors**

You will provide us with written representations concerning representations made to us during the audits covering the financial statements.

To assist us in planning our audits, you will authorize your previous auditors, Collins Barrow, Freelandt, Caldwell and Reilly and KPMG LLP, to allow us to review its working papers and to respond fully to our inquiries.



As part of our process of assessing the quality of our services, you may receive questionnaires from us and visits from senior partners not directly involved in providing services to you. We appreciate the attention given to these questionnaires and visits and value your feedback.

If the services outlined herein are in accordance with your requirements and, if the above terms are acceptable, please have one copy of this letter executed in the spaces provided below and return it to us.

Yours very truly,

*PricewaterhouseCoopers LLP*

**Chartered Accountants**

The services and terms as set forth in this letter, including the provisions of the attached schedule and our standard terms of business, are agreed to.

**The City of Greater Sudbury**

By:

A handwritten signature in black ink, appearing to read "Lorella Hayes", written over a horizontal line.

Ms. Lorella Hayes, Chief Financial Officer / Treasurer

*March 20/2012*

Date

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## ***Schedule A***

### ***Fees and Billing Schedule***

#### **Our Fee Estimate**

Our fees for the services as outlined in the RFP, Section 7.1 Summary of Audit Fees and in Appendix E – Mandatory Forms – Bid Forms (2011, 2012 and 2013) will be \$80,000 in 2011, \$82,000 in 2012 and \$84,000 in 2013. Our fees exclude HST.

#### **Conditions Impacting our Time and Fee Estimates**

Our time and fee estimates take into account the agreed level of preparation and assistance from you. We will let you know promptly when and if for any reason the schedules, information and assistance provided as outlined in this engagement letter, are not sufficient for our services. We will provide you with a separate listing of required schedules, information requests and the dates such items are needed. We will also discuss with you and the Audit Committee any other issues that will require extra time and effort to resolve in order to revise the fee estimate to reflect additional services, if any, required for us to complete our work.

The conditions impacting our time and fee estimates include, but are not limited to, the following:

- 1 Changes to the timing of the engagement at your request may result in the services being performed by staff at a higher rate than initially planned, or difficulty in reassigning individuals to other engagements, either of which may result in our incurring significant unanticipated costs.
- 2 All schedules are not (a) provided by you on the date requested, (b) completed in a format acceptable to us, (c) mathematically correct or (d) in agreement with your accounting records (e.g. general ledger accounts).
- 3 Your personnel are not readily available or there is a significant delay in providing adequate responses to our requests for information, such as reconciling variances or providing requested supporting documentation (e.g. invoices, contracts and other documents).
- 4 Significant number of adjustments posted by you after we start our work that result in our having to update previously completed work.
- 5 The financial statements are received late or there are a significant number of drafts or a significant number of changes identified as a result of our review.



# Terms of business

1	Introduction
2	PwC firms and subcontractors
3	Your responsibilities
4	Confidentiality
5	Professional and Regulatory Oversight
6	Personal information
7	Working papers
8	Liability
9	Termination
10	Governing Law
11	General

## 1 Introduction

- 1.1 **Interpretation** - In this agreement the following words and expressions have the meaning given to them below:  
**services** – the services set out in the engagement letter  
**the agreement** – these terms and the engagement letter to which they relate (including any schedules)  
**we, us or our** – refers to PricewaterhouseCoopers LLP, a limited liability partnership organized under the laws of the Province of Ontario  
**you, your** – the party or parties, including their management, to the agreement
- 1.2 **Changes** – Either we or you may request a change to the services or this agreement. Any change will be effective only when agreed in writing.

## 2 PwC firms and subcontractors

- 2.1 **Our relationship with you** – We are a member of the global network of PricewaterhouseCoopers firms ("PwC Firms"), each of which is a separate and distinct legal entity.
- 2.2 **Subcontractors** – We may use other PwC Firms or subcontractors to provide the services. We remain solely responsible for the services.
- 2.3 **Restriction on claims** – You agree not to bring any claim or action against another PwC Firm (or its partners, members, directors or employees) or our subcontractors in respect of any liability relating to the services or the agreement.
- 2.4 **Group members** – You will ensure that no subsidiary, affiliate, parent, associated entity or holding company (unless a party to the agreement), both while they are a group member and thereafter, brings any claim or action against any PwC Firm (or its partners, members, directors or employees) or our subcontractors in respect of any liability relating to the services or the agreement.

## 3 Your responsibilities

- 3.1 **Your obligations** – The performance of our services depends on you performing your obligations under the agreement. We are not responsible for any consequences arising from you not fulfilling your obligations.
- 3.2 **Solicitation and hiring of PwC personnel** - Our auditor independence related to assurance engagements may be impaired if you solicit or hire certain PwC personnel. This may either delay the provision of the services or cause us to resign from the engagement. You agree not to offer or permit your related parties to offer employment to or hire the lead engagement partner, the quality review partner or any other PwC partner and/or employee who has provided more than ten (10) hours of audit or review services until a period of twelve (12) months has passed from the date the applicable financial statements were filed with the relevant securities regulator or stock exchange.
- 3.3 **Oral advice and draft deliverables** – You may rely on our final written deliverables, but should not rely on oral advice or draft deliverables provided during the term of this agreement. If you wish to rely on something we have said to you, please let us know and if possible, we will prepare a written deliverable on which you may rely.

## 4 Confidentiality

- 4.1 **Confidential information** – We and you agree to use the other party's confidential information only in relation to the services, and not to disclose it, except where required by law, regulation or professional obligation. However, we may give confidential information to other PwC Firms or our subcontractors as long as they are bound by reasonable confidentiality obligations given the sensitivity of the information provided.

## 5 Professional and Regulatory Oversight

- 5.1 **Reviews of us** – We are required to meet certain professional standards in the performance of our services. As such, we are regulated or overseen by various professional and regulatory bodies both in Canada and abroad (which bodies will depend on the nature of the services performed under this agreement). These professional and regulatory bodies have the right to inspect our files, including working papers and other work product(s) relating to these services or the services provided in prior years to determine whether professional standards have been met. We may, from time to time, receive requests or orders from such bodies to provide them with information and copies of such working





papers. We intend to provide such information and working papers in response to such requests.

- 5.2 **Reviews of you** - Certain regulatory bodies may also have the right to conduct investigations of you, including the services provided by us. To the extent practicable, we will advise you of any such investigation request or order prior to providing our working papers, except where we are prohibited by law from doing so.

- 5.3 **Privileged information** - Except where providing working papers is required by the laws of any jurisdiction that you or we are governed by, we will use all reasonable efforts to refuse access to any document over which you have expressly informed us that you assert privilege. You must mark any document over which you assert privilege as "PRIVILEGED".

- 5.4 **Reimbursement of costs incurred** - You agree to reimburse us for our professional time and expenses, as well as the fees and expenses of our legal counsel, incurred by us in responding to any investigation that is requested or authorized by you or of you required by government regulation, subpoena or other legal process.

## 6 Personal information

- 6.1 **Personal information** - We may collect, use, transfer, store or otherwise process information disclosed by you of a personal nature (personal information). We may process such personal information in various jurisdictions in which we or applicable PwC Firms operate. Such personal information will be at all times processed in accordance with the applicable laws and professional regulation. In addition, we will require any service providers that process personal information on our behalf to adhere to such requirements. You confirm that you have the authority to provide the personal information to us in connection with the performance of services and that the personal information provided to us has been disclosed in accordance with applicable law.

## 7 Working papers

- 7.1 **Ownership** - Any documents prepared by us or for us in connection with this agreement belong to us.

## 8 Liability

- 8.1 **Misrepresentation by you** - You agree to release and indemnify us and our agents, partners and employees, and hold us and them harmless from all claims, liabilities, losses and costs arising in circumstances where there has been a misrepresentation by a member of your management or board of directors, regardless of whether such person was acting in your interest. This release indemnification does not apply where we reasonably should have uncovered the misrepresentations through other procedures performed but did not due to the negligence, wilful

misconduct or dishonesty of our partners and/or employees.

- 8.2 **No claims against individuals** - You agree claims or actions relating to the delivery of services shall be brought against us alone, and not against any individual. Where our individuals are described as partners, they are acting as one of our members.

## 9 Termination

- 9.1 **30 days' notice** - In the event either party fails to fulfil their responsibilities, the other may end the agreement on 30 days written notice.
- 9.2 **10 days' notice** - Upon completion of the services, either we or you may end the agreement on 10 days' written notice.
- 9.3 **Fees payable on termination** - You agree to pay us for all services we perform up to the date of termination, including services performed, work-in-progress and expenses incurred.

## 10 Governing Law

- 10.1 **Law and jurisdiction** - The agreement and any dispute arising from it, whether contractual or non-contractual, will be governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein and is subject to the exclusive jurisdiction of the courts of the Province of Ontario.

## 11 General

- 11.1 **Matters beyond reasonable control** - No party will be liable (other than payment obligations) to the other if it fails to meet its obligations due to matters beyond its reasonable control.
- 11.2 **Entire agreement** - The agreement, once executed by both parties, forms the entire agreement between the parties in relation to the services. It replaces any earlier agreements, representations or discussions.
- 11.3 **Your actions** - Where you consist of more than one party, an act or omission of one party will be regarded as an act or omission of all.
- 11.4 **Assignment** - Without written consent, neither of us may assign any of our rights, obligations or claims under this agreement.
- 11.5 **Survival** - Any clause that is meant to continue to apply after termination of this agreement will do so.
- 11.6 **Severability** - If a court or regulator with proper jurisdiction determines that a provision of this agreement is invalid, then that provision will be interpreted in a way that is valid under applicable law or regulation. If any provision is invalid, the rest of this agreement will remain effective.



May 24, 2012

Ms. Lorella Hayes  
Chief Financial Officer/Treasurer  
The City of Greater Sudbury  
200 Brady Street, 2<sup>nd</sup> Floor, Tom Davis Square  
Box 500, Stn A  
Sudbury, Ontario, P3A 5P3

Dear Ms. Hayes:

As an addendum to our engagement letter dated February 8, 2012 relating to the audit of the consolidated financial statements of the City of Greater Sudbury (the City) for the years ending December 31, 2011, 2012 and 2013, we will also perform audit services for the following entities / programs:

- City of Greater Sudbury Trust Funds;
- City of Greater Sudbury Community Development Corp;
- Walden Elderly Persons Centre;
- Ontario Economic Outlook Funding Project;
- Northern Training Partnership Fund; and
- Homelessness Partnership Strategy.

Our engagements will be conducted in accordance with the Canadian Generally Accepted Auditing Standards.

Our fees for the above audit services are as follows:

	Fee
<b>Financial Statement Audits:</b>	
City of Greater Sudbury Trust Funds	\$ 3,000
The City of Greater Sudbury Community Development Corp.	\$ 2,000
<b>Program Audits:</b>	
Walden Elderly Persons Centre	\$ 2,000
Ontario Economic Outlook Funding Project	\$ 5,000
Northern Training Partnership Fund	\$ 3,500
Homelessness Partnership Strategy	\$ 2,000

*PricewaterhouseCoopers LLP, Chartered Accountants*  
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2  
T: +1 416 863 1133, F: +1 416 365 8215, [www.pwc.com/ca](http://www.pwc.com/ca)

\*PwC\* refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership, which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.





Once we complete our audits we will provide you with our auditor's report on the work referred to above. For the Program Audits, the form and content of our auditor's report will be in accordance with the requirements of Canadian Auditing Standards 805, Special Considerations – Audit of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement. For the Financial Statement Audits, the form and content of our auditor's report will be in accordance with the requirements of Canadian Auditing Standards 700, Forming an Opinion and Reporting on Financial Statements.

In addition, our fees for the audit of the consolidated financial statements of the City of Greater Sudbury, as outlined in Appendix A of our engagement letter dated February 8, 2012, have been updated to include the fees associated with the consolidation and additional audit procedures related to tangible capital assets for the Greater Sudbury Housing Corporation. This fee amount is outlined in the RFP, Section 7.1 Summary of Audit Fees and in Appendix E – Mandatory Forms – Bid Forms (2011, 2012 and 2013). Including this additional fee amount, the total audit fees for the consolidated financial statements of the City of Greater Sudbury will be \$85,000 in 2011, \$87,100 in 2012 and \$89,200 in 2013. Our fees exclude HST.

All other terms and conditions of our engagement letter dated February 8, 2012 with the City remain in effect.

Yours very truly,

*PricewaterhouseCoopers LLP*

**Chartered Accountants**

\*\*\* \*\*

The terms as set forth in this letter are agreed to.

**The City of Greater Sudbury**

By:

  
Ms. Lorella Hayes, Chief Financial Officer/Treasurer

*May 30/2012*  
Date

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## ***Appendix B: Draft audit service guideline***



## Audit Service Guideline

**DRAFT**

	Our commitment to you and expectations of the City	Additional audit services
<b>Audit readiness and monitoring of audit progress</b>	<ul style="list-style-type: none"> <li>We will provide a detailed listing of audit information requests and agree with management upfront the required dates to provide the requested information.</li> <li>We will agree with you the start dates of our interim and year-end audit fieldwork. A completed trial balance that includes all management year-end closing entries will be provided at a date agreed to upfront with management.</li> <li>We will hold periodic meetings with management (dates and times to be agreed upfront) to discuss the status of the audit. As part of these meetings, we will provide a detailed list of outstanding items and will highlight any items that require more urgent attention and follow up.</li> </ul>	<ul style="list-style-type: none"> <li>Delays in receiving requested information that results in idle staff time or staffing changes or any changes to the trial balance subsequent to the agreed upon date that results in additional audit testing will be billed separately.</li> </ul>
<b>Significant accounting and reporting matters</b>	<ul style="list-style-type: none"> <li>We will hold meetings with key staff at the City as part of the audit planning process to understand significant developments and changes for the current year and share with you our views on the accounting and audit implications.</li> <li>For significant new developments that have an accounting, reporting and/or auditing impact, management will prepare a position paper, in a format as outlined in our summary of audit information requests, summarizing the issue, the technical analysis/research supporting management's position and the impact to the City.</li> </ul>	<ul style="list-style-type: none"> <li>Time incurred to review management's position paper and resolve significant accounting matters will be billed separately.</li> <li>In addition, time incurred to quantify and perform additional audit procedures, as necessary, to validate adjustments will be billed separately.</li> </ul>
<b>Financial statement review</b>	<ul style="list-style-type: none"> <li>Year-end financial statements and note disclosures will be prepared and reviewed by management and provided to us for our review in accordance with the timelines as outlined in our audit information request listing.</li> <li>We will review two versions of the financial statements. We will provide our comments, including any suggestions for change to management, on the first version and will review a second version of the financial statements for any changes made as a result of our initial review.</li> </ul>	<ul style="list-style-type: none"> <li>Significant revisions to the financial statements (i.e. re-writing of note disclosures or pervasive mathematical errors and/or internal inconsistencies) and reviewing multiple versions of the financial statements (i.e. more than two versions) will be billed separately.</li> </ul>
<b>Audit Committee/ Board meetings</b>	<ul style="list-style-type: none"> <li>We will attend one Audit Committee meeting at year-end to present our year-end audit report (summarizing our key audit findings). In addition, we will attend one Audit Committee meeting in the interim to present our Audit Plan (summarizing our audit approach, materiality and perspectives on key risks).</li> <li>Prior to the mailing deadlines for these meetings, we will provide management with a draft of our reports and hold a pre-meeting to discuss any comments or revisions suggested by management.</li> </ul>	<ul style="list-style-type: none"> <li>Additional meetings with the Audit Committee and additional drafting sessions or clearance meetings with management will be billed separately.</li> </ul>

