

The City of Greater Sudbury

Presentation of the Audit
Plan for the year ending
December 31, 2012

Agenda

1. Your team
2. Scope of services
3. When we will do the audit?
4. How we will do the audit?
5. Where we will do the audit?
6. Fees

1. *Your team*

- Key members of the City of Greater Sudbury engagement team are as follows:

Lead Engagement Partner	Cathy Russell
Supporting Engagement Partner	Michael Hawtin

- In addition, we have assigned specialists in the areas of information technology, employee benefits and taxation to assist with the audit
- We have also assigned a quality review partner, who is independent of the audit team and whose responsibilities include ensuring a quality audit is delivered

2. Scope of our services

- **Primary responsibility** – To form and express an opinion on the consolidated financial statements of the City of Greater Sudbury for the year ending December 31, 2012
- Audit conducted in accordance with Canadian Generally Accepted Auditing Standards
- Will also discuss significant developments in public sector accounting and provide management our views and insights
- Engagement letter as independent auditor of the City of Greater Sudbury (the City) is included in our audit plan

3. When will we do the audit?

Audit planning Audit planning (including developing the audit approach) Presentation of audit plan to the Audit Committee	August / September 2012 September 18, 2012
Audit Interim audit fieldwork - City and related agencies and boards Year-end audit fieldwork – City and related agencies and boards Clearance meetings with management and PwC Finalization of consolidated financial statements and year-end Audit Committee meeting	September – November 2012 March – April 2013 May 2013 June 18, 2013

3. When will we do the audit?

Audit Services Guideline:

- Outlines our commitment to the City, expectations of the City staff and our audit services and what may be considered additional services
- Any additional services will be agreed upfront with management and communicated to the Audit Committee
- A copy of this guideline is included in Appendix B of our audit plan for your reference

4. How we will do the audit?

Our audit approach:

- Starts with updating our understanding of the City
 - Focus on new developments and key issues
 - Considers management's monitoring of controls and business processes
- Considers audit risks
 - Identify significant audit risks, share our perspectives, obtain management feedback and ensure our audit is tailored to these risks
- Uses internal and external specialists
 - Internal pension benefits and information systems specialists, will be integrated into our team to assist in our audit
 - External specialists (i.e. actuaries, environmental specialists) will assist with obtaining sufficient and appropriate audit evidence over certain account balances and transactions

4. How we will do the audit?

Our audit approach: (cont'd)

- Leverages City controls and processes
 - Rely where possible on the City's internal controls, information technology and data systems, internal audit and the auditor general's office
 - In particular, tests of controls within the payroll, purchases/payables/payments and certain other processes
 - In addition, tests of controls over the City's computer systems (security, segregation of duties, operations, programs developments and changes)
 - Our approach will include a combination of key controls reliance and substantive detailed audit testing of significant account balances and transactions

4. *How we will do the audit?*

Our risk analysis:

- **Significant risks** - those risks of material misstatement that, in our judgment, require special audit consideration .
- The following significant audit risks and other risks with a potential audit impact have been identified:

Revenue Recognition Revenue recognized from government transfers is subject to management judgment with respect to the timing of revenue recognition.	<ul style="list-style-type: none">- Significant revenue stream- Can be complex in nature
Significant estimates <ul style="list-style-type: none">- Provisions (property taxes and receivables)- Post employment benefits (pension, other)- Contingent liabilities- Environmental liabilities (costs associated with landfill sites(active and inactive))	<ul style="list-style-type: none">- Subject to management judgment and assumptions- Inherently higher risk
Management override of controls	<ul style="list-style-type: none">- Need to consider risk of fraud

4. How we will do the audit?

Materiality:

- **Materiality**
 - matter of professional judgment
 - considers the needs of the users
 - considered in evaluating the effect of misstatements as a whole on the financial statements and our audit opinion
- Basis for setting materiality is in accordance with the recommendations of the CICA handbook guidelines
- Preliminary consolidated materiality set at \$7.2 million (1.5% of the City's 2012 budget operating expenditures)
- Report to the Audit Committee unadjusted and adjusted items greater than \$360 thousand (5% of materiality)
- Will conduct testing at levels that are below overall materiality taking into account risks

4. How we will do the audit?

Consideration of fraud risk:

- Canadian auditing standards require us to discuss fraud risk annually with the Audit Committee
- Our understanding of the City's oversight processes to mitigate fraud includes:
 - tone at the top
 - a code of conduct
 - AGO department
 - Audit Committee (and other) Charters
- We will perform specific procedures in order to fulfill our responsibilities, which include:
 - incorporating an element of unpredictability
 - testing a sample of manual journal entries
 - reviewing accounting estimates for bias
- Management/AGO confirmed that they are not aware of any significant fraud in 2012

5. Where we will do the audit?

Consolidation:

- PwC performs stand alone audits of many of the City's related entities as outlined in our engagement letter. These audits are conducted at their respective offices.
- For the consolidated audit of the City we will focus on the audits of the significant entities:
 - the City (non-consolidated);
 - Greater Sudbury Utility Inc.; and
 - Sudbury Housing Corporation
- We will rely on the audit work completed by these PwC teams to assist in forming our opinion on the consolidated financial statements of the City

6. *Fees*

- Our fees are in accordance with our response to the Request for Proposal
- Audit fee for the 2012 audit of the consolidated City financial statements - \$87,100

This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PricewaterhouseCoopers LLP, its members, employees and agents do not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.

© 2011 PricewaterhouseCoopers LLP. All rights reserved. In this document, “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.