



The City of Greater Sudbury

Presentation of the Audit
Plan for the year ended
December 31, 2011

Agenda

1. Our firm and 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
7. What's new? – Accounting and Financial Reporting Update

1. Our firm and team

- Our audit practice in Ontario comprises more than 2,300 staff, including 190 partners.
- Extensive technical experience in a variety of areas including public sector accounting.
- Provide audit and non-audit services to all levels of government (federal, provincial, municipal) in a variety of industries (healthcare, transit, housing, utilities etc.)
- Relevant and recent experience includes the City of Toronto, Toronto Transit Commission, Essex Power Corporation, Enbridge Gas Distribution Inc. & Greater Toronto Airport Authority.

1. *Our firm and team (cont'd)*

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

Lead Engagement Partner	Cathy Russell
Engagement Senior Manager	Michael Hawtin
Quality Review Partner	Carol Devenny

- Both Cathy and Michael are experienced in the oversight and management of large scale projects with multiple deliverables and deadlines and have public sector experience.
- Cathy and Michael are also the partner and senior manager, respectively, on the City of Toronto audit.
- 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.
- In addition, we have assigned specialists in the areas of information technology and employee benefits to assist with the audit.

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 ended December 31, 2011
- Differs from role of an internal auditor
- 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).

3. When will we do the audit?

Audit planning Audit planning (including developing the audit approach) Presentation of audit plan to the Audit Committee	December 2011 – February 2012 February 21, 2012
Audit Interim audit fieldwork - City Year-end audit fieldwork – City’s boards and agencies Year-end audit fieldwork - City Clearance meetings with management and PwC Finalization of consolidated financial statements & year-end Audit Committee meeting	March 2012 March 2012 April 2012 May 2012 June 19, 2012

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, and the auditor general's office
 - In particular, tests of manual controls within the payroll, purchases/payables/payments and certain other processes.
 - In addition, test of controls over the City's computers systems (security, segregation of duties, operations, program development and change)
 - 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	<ul style="list-style-type: none">- Significant revenue streams- Can be complex
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 \$4.7 million (1% of the City's 2011 budget operating expenditures)
- Report to the Audit Committee unadjusted and adjusted items greater than \$235,000 (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 (as set out in the employee handbook)
 - Auditor General Office
- 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 2011

5. *Where we will do the audit?*

Consolidation:

- PwC performs stand alone audits of many of the City's related entities and boards as outlined in our engagement letter
- 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.

6. *Fees*

- Our fees are in accordance with our response to the Request for Proposal
- Audit fee for the 2011 audit of the consolidated City financial statements - \$80,000

7. *What's new? – Accounting and Financial Reporting update*

- Public Sector Accounting Standards
 - clarifies which generally accepted accounting principles to be used for government organization
 - Government business enterprises (GBEs) should adhere to the standards applicable to publicly accountable profit oriented enterprises (meaning the adoption of International Financial Reporting Standards (IFRS))
 - this standard may impact the City's consolidation process and “pick-up” of GBE earnings and will have a significant impact on the reporting of certain of the City's agencies and boards (Sudbury Airport Community Development Corporation in 2011 and Sudbury Utilities Inc. in 2012)

7. *What's new? – Accounting and Financial Reporting update*

- Financial instruments and financial statement presentation
 - provides guidance on the recognition, measurement, presentation and disclosure of financial instruments
 - Certain portfolio investments recorded at cost will now be recorded at fair value and presented in the a new statement of re-measurement gains and losses
- Other new standards
 - Government Transfers
 - Amalgamation and government restructuring
 - Assets
 - Related Party Transactions and Appropriations

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.