



City of Greater Sudbury

Audit Planning Report

Presentation to the Audit Committee
January 22, 2019



The City's Financial Statement Audit

- Required pursuant to Section 296(1) of the Municipal Act
- Audit procedures include:
 - Assessing entity-level controls
 - Testing the design and effectiveness of selected internal controls
 - Substantive testing (vouching, analysis)
 - Auditing management estimates
 - Testing for fraud
 - Audit procedures for consolidated entities and other reporting
- Our focus is on the financial statements as a whole
 - Does not consider value-for-money

Audit Planning Report Highlights

- Materiality set at \$12.1 million, based on 2% of prior year's revenues
- Threshold for reporting to the Audit Committee set at \$605,000 (0.1 % of total revenues, 5% of materiality)
- Key risk areas:
 - Revenue recognition;
 - Employment-related liabilities;
 - Assessment appeals; and
 - Capital expenditures.

Adding Value

- Audit procedures that address reputational risk:
 - Compliance with procurement policies
 - Compliance with travel and expense reimbursement policies
- Value-added services:
 - Asset management plan annual update
 - Long-term financial plan annual update
 - LEAN process mapping
 - Cyber-security risk screening
 - Data and analytics
 - Quarterly webinars
 - Annual accounting and tax updates

What's New This Year

- New auditor's report:
 - Re-ordering of report contents
 - Expanded description of roles and responsibilities (management, auditors, those tasked with governance)
 - Disclosure of name of audit partner
- New PSAB standard for restructuring transactions
- Increased use of technology in our audit:
 - Collaboration site
 - Data and analytics
 - Interactive data presentation

The New Auditors' Report

INDEPENDENT AUDITORS' REPORT

To the Members of Council, residents and ratepayers of the City of Greater Sudbury

Opinion

We have audited the consolidated financial statements of The City of Greater Sudbury (The Entity), which comprise:

- The consolidated statement of financial position as at December 31, 2018
- The consolidated statement of operations for the year then ended
- The consolidated statements of changes in net debt for the year then ended
- The consolidated statement of cash flows for the year then ended
- And the notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements")

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2018, and its consolidated results of operations, its consolidated changes in net debt and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibility under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibility of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, internal omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to the events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

What We're Seeing

- Cybersecurity risks, particularly ransomware attacks
- Increased use of whistleblower mechanisms
- Asset management planning and ongoing infrastructure pressures
- Planning for upcoming asset retirement obligation reporting

Timing

- Interim audit procedures November 2018
- Audit planning report to Audit Committee January 2019
- Year-end audit procedures April 2019
- Audit findings report to Audit Committee May/June 2019



kpmg.ca



© 2016 KPMG LLP, a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG International.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.