

# *City of Fort Saskatchewan*

*Audit plan for the year ending  
December 31, 2016*

*Prepared as of February 8, 2017*



February 8, 2017

We're pleased to present an overview of our audit plan for the 2016 audit of the consolidated financial statements of the City of Fort Saskatchewan (the City) prepared in accordance with Canadian Public Sector Accounting Standards (referred to as the "financial statements").

This overview includes our view on audit risks and the nature, extent and timing of our audit work.

We value your feedback and hope to have a dialogue with you about the identified risks and our audit approach. We look forward to our discussion and obtaining your comments on our audit plan at our upcoming meeting on February 14, 2017.

Yours very truly,

*PricewaterhouseCoopers LLP*

Carlie Persson, CPA, CA  
Partner

1. <i>Understanding your business</i>
2. <i>Focus on key business risks</i>
3. <i>Robust testing approach</i>
4. <i>Insightful recommendations for you</i>

*PwC's audit is based on a foundation of integrating highly skilled people, a robust audit approach and market leading technology. This, together with our four-step audit process, results in an audit that is robust, insightful and relevant.*



People



Approach



Technology



The PwC Audit

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# Communications to City Council

<b>Key matters for discussion</b>	<b>Comments</b>
Client service team	<ul style="list-style-type: none"><li>• Carlie Persson is your engagement leader and Amna Rana is your engagement manager. Their contact information is below:  <b>Carlie Persson</b> PwC   Partner T: +1 780 441 6880 Email: carlie.persson@ca.pwc.com  <b>Amna B. Rana</b> PwC   Manager T: +1 780 441 6854 Email: amna.b.rana@ca.pwc.com</li></ul>
Service deliverables	<ul style="list-style-type: none"><li>• For the year ended December 31, 2016, the services we will provide are auditor's reports on the following:<ul style="list-style-type: none"><li>– Consolidated financial statements of the City of Fort Saskatchewan</li><li>– Financial statements of the Fort Saskatchewan Public Library (FSPL)</li><li>– Financial information return (FIR)</li><li>– Family and Community Social Services Program (FCSS)</li><li>– Local Authorities Pension Plan (LAPP)</li></ul></li></ul>

<b><i>Key matters for discussion</i></b>	<b><i>Comments</i></b>
Audit timeline	<ul style="list-style-type: none"> <li>We worked with management to develop the following project timeline: <ul style="list-style-type: none"> <li>Interim visit: December 5 to December 8, 2016</li> <li>Presentation of Audit Plan to City Council: February 14, 2017</li> <li>Year-end visit: March 13 to March 31, 2017</li> <li>Clearance meeting with management: April 4, 2017</li> <li>Year-end City Council meeting: April 25, 2017</li> </ul> </li> </ul>
Audit approach	<ul style="list-style-type: none"> <li>We use a risk-based audit approach which focuses on the key risk areas of a municipality and is tailored to material accounts in the City's financial statements. We define a significant risk as an inherent risk that, in our judgment, requires special audit consideration, because of: the nature of the risk, the likely magnitude of the potential misstatements and the likelihood of the risk occurring. We identify risks by: <ul style="list-style-type: none"> <li>Understanding your business, leveraging our past experience working with the municipal sector and focusing our efforts on material accounts;</li> <li>Assessing your control environment and placing reliance on controls wherever possible and whenever deemed most efficient;</li> <li>Determining materiality and using a continuous auditing approach to audit significant transactions as they occur, on a "real-time" basis, avoiding last-minute surprises.</li> </ul> </li> <li>Our audit approach is a mixture of tests of internal controls and substantive testing focused on significant risks</li> </ul>

## Significant audit risks and audit approach:

### 1 – Risk of management override of controls

Auditing regulatory authorities require that the risk of management override of controls be considered a key risk of every audit engagement.

#### Audit Approach:

- Incorporate professional skepticism and unpredictability in our approach.
- Test significant estimates reviewing for bias.
- Assess significant transactions and estimates for reasonableness.
- Review significant and unusual journal entries made throughout the year.

### 2 – Contributed Tangible Capital Assets

In the current year, the City has had significant additions to the contributed capital asset balance. There is a risk that items that should be capitalized are missed or items are capitalized at the incorrect amounts.

#### Audit Approach:

- Perform detailed testing of significant movements in the tangible capital asset balance during the year.
- Agree significant contributed asset additions to supporting documents.
- Examine the valuation method and assumptions made for contributed tangible capital assets.
- Perform analytical procedures over amortization expense.

## Significant audit risks and audit approach:

### 3 – Risk of Fraud in Revenue Recognition

Auditing standards require auditors to address the risk of fraud related to revenue recognition on all audits. Based on our understanding of the City's revenues, we have concluded that occurrence is the key assertion for which the risk is relevant.

#### Audit Approach:

- Assess the appropriateness of revenue recognition policies and compliance with those policies.
- Understand, evaluate, and test if appropriate, controls are in place relating to the recording of revenue and deferred revenue.
- Examine supporting agreements and examine the appropriateness of revenues recognized subject to external restrictions.
- Examine supporting agreements and models to access the accuracy of amounts and reasonableness of estimates used in determining revenue.

## Required Communications

Materiality	<ul style="list-style-type: none"> <li>Materiality is a concept that relates to the importance of a transaction or balance in the context of the financial statements. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. <ul style="list-style-type: none"> <li>We have set a preliminary materiality of \$2,000,000 for the City.</li> <li>We will report unadjusted and adjusted items over \$100,000 to the City Council on completion of the audit.</li> </ul> </li> <li>We may update our materiality if actual amounts differ significantly from the estimates or circumstances suggest particular balances, results or disclosures may impact users' decisions.</li> </ul>
Fraud risk	<ul style="list-style-type: none"> <li>Professional standards require us to discuss fraud risk annually with City Council and obtain your views on the risk of fraud. We make similar inquiries to management as part of our audit.</li> </ul>
2016 audit fees	<ul style="list-style-type: none"> <li>We base our fees on the time we expect it will take to complete the audit. Our fee have been agreed with management.</li> <li>Our engagement letter sets out the objectives of the audit and our and management's responsibilities in completing the audit.</li> </ul>
Annual independence	<ul style="list-style-type: none"> <li>We are independent of the City and have completed our conflict check process to confirm this.</li> </ul>

## *Quality Controls*

### Our commitment to audit quality

Quality control standards, established by The Chartered Professional Accountants of Canada (CPA Canada) require public accounting firms to have a system of quality control over their accounting and auditing practices. PwC's quality control system complies with those standards. Those standards and our quality control system address the following elements:

- Leadership responsibilities for quality within the firm (the tone at the top);
- Ethical requirements (including independence, integrity and objectivity);
- Acceptance and continuance of client relationships and specific engagements;
- Human resources (including personnel management and learning and education);
- Engagement performance; and
- Monitoring results.



## Current Developments in Accounting Standards

Introduction to Public Sector Accounting Standards	Fiscal years beginning on or after January 1, 2017. Earlier adoption is permitted.
<i>PS 2200 Related Party Disclosures</i>	Fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.
<i>PS 3210 Assets</i>	Fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.
<i>PS 3320 Contingent Assets</i>	Fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.
<i>PS 3380 Contractual Rights</i>	Fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.
<i>PS3420 Inter-entity Transactions</i>	Fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.
<i>PS 3430 Restructuring Transactions</i>	Fiscal years beginning on or after April 1, 2018. Earlier adoption is permitted.
<i>PS 3450 Financial Instruments</i>	For fiscal years beginning on or after April 1, 2019. Earlier adoption is permitted. Must be adopted along with Sections PS 1201 <i>Financial Statement Presentation</i> and PS 2601 <i>Foreign Currency Translation</i> .

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. It was not prepared or intended for any other purpose. No other person or entity shall place any reliance upon the accuracy or completeness of statements made herein. PwC does not assume responsibility to any third party, and, in no event, shall PwC have any liability for damages, costs or losses suffered by reason of any reliance upon the contents of this report by any person or entity other than you.

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