

# City of Port Colborne

For the year ended December 31, 2022

Report to the Members of Council  
Audit results

July 18, 2023

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# Executive summary

## Purpose of report and scope

The purpose of this report is to engage in an open dialogue with you regarding our audit of the consolidated financial statements of the City of Port Colborne (the "City") for the year ended December 31, 2022. This communication will assist the Members of Council in understanding the results of audit procedures and includes comments on misstatements, significant accounting policies, sensitive estimates and other matters.

The information in this document is intended solely for the information and use of Council. It is not intended to be distributed or used by anyone other than these specified parties.

We were engaged to provide the following deliverables:

Deliverable	Timing
Report on the December 31, 2022 consolidated financial statements	July 18, 2023
Communication of audit strategy and results	July 18, 2023

## Status of our audit

We have substantially completed our audit of the consolidated financial statements of the City and the results of that audit are included in this report.

We will finalize our report upon resolution of the following items that were outstanding as at July 18, 2023:

- Receipt of signed management representation letter (a draft has been attached in **Appendix B**)
- Approval of the consolidated financial statements by Council
- Procedures regarding subsequent events
- Responses for legal inquiries

We have successfully executed our audit strategy in accordance with the plan presented to the Members of Council on January 11, 2023.

## Independence

We confirm that there have been no changes to our status with respect to independence since we confirmed our independence to you on January 11, 2023.

# Audit risks and results

We highlight our significant findings in respect of significant transactions, accounting practices and other areas of focus.

## Areas of focus

The following is a summary of areas of focus, and the related matters and findings we would like to communicate to the Members of Council.

Area of focus	Matter	Our response and findings
<b>Fraud risk from revenue recognition</b>	<p>There is a presumed risk of fraud in revenue.</p> <ul style="list-style-type: none"><li>The risk primarily relates to revenue recognized under water and sewer and other revenue</li></ul>	<ul style="list-style-type: none"><li>Analytical assessment of revenues based on budgeted expectations</li><li>Monthly water and wastewater analytical based on expectations from prior years</li><li>Other revenue quarterly analytical based on expectations from prior years</li><li>Subsequent receipts testing of receivables as at December 31, 2022 (statistical sample)</li></ul> <p>There were no significant findings as a result of these procedures.</p>
<b>Fraud risk from management override / segregation of duties</b>	<p>This is a presumed fraud risk.</p> <ul style="list-style-type: none"><li>The risk primarily relates to limited segregation of duties, administrative access to accounting system and the senior finance management's ability to post journal entries</li></ul>	<ul style="list-style-type: none"><li>Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements</li><li>Reviewed accounting estimates for biases</li><li>Evaluated the business rationale for significant transactions that are or appear to be outside the normal course of business</li></ul> <p>There were no significant findings as a result of these procedures.</p>

Area of focus	Matter	Our response and findings
<b>Taxation revenue and receivables</b>	<ul style="list-style-type: none"> <li>The taxes receivable balances may be invalid and the allowance for uncollectible taxes understated</li> </ul>	<ul style="list-style-type: none"> <li>Recalculation of the net tax revenues based on verified assessment rolls and approved tax rates</li> <li>Subsequent receipts testing of taxes receivable as at December 31, 2022 (statistical sample)</li> <li>Assessed the adequacy of the allowance for doubtful accounts by testing subsequent receipts, reviewing management estimates and examining support for the value of underlying property</li> </ul> <p>There were no significant findings as a result of these procedures.</p>
<b>Purchases and payables</b>	Payables may be understated or not recorded in the correct period.	<ul style="list-style-type: none"> <li>Analytical assessment of expenses based on budgeted expectations</li> <li>Reviewed supporting documentation and management estimates with respect to the completeness and accuracy of significant year end accruals</li> <li>Performed a search for unrecorded liabilities</li> </ul> <p>There were no significant findings as a result of these procedures.</p>
<b>Provisions for employee benefits</b>	Provision and related expense may be understated.	<ul style="list-style-type: none"> <li>Reviewed actuarial reports, method and assumptions used</li> <li>Tested supporting calculations relating to the various amounts and disclosures</li> </ul> <p>There were no significant findings as a result of these procedures.</p>
<b>Provisions for contaminated sites liability</b>	Provision and related expense may be understated.	<ul style="list-style-type: none"> <li>Reviewed assumptions used by management</li> <li>Tested supporting calculations relating to the various amounts and disclosures</li> </ul> <p>There were no significant findings as a result of these procedures.</p>

# Sensitive accounting estimates and disclosures

Area of focus	Matter	Our response and findings
<b>Sensitive accounting estimates and disclosures</b>	The provision for vested sick leave of approximately \$ 370,500 and retirement benefits of approximately \$ 5,800,300.	<ul style="list-style-type: none"> <li>• Management engaged an actuary to calculate the liabilities for vested sick leave and for employees who have taken early retirement based on the current annual benefits and the number of years until the employees turn 65.</li> <li>• Liabilities have been recognized in the financial statements for vested sick leave and employee retirement benefits. The objective is to recognize a liability in the reporting period in which employees have provided the services that give rise to the benefits. Management's estimate is based on the actuary's valuation report and is reasonable in the context of the consolidated financial statements taken as a whole. The actuary's valuation was performed in accordance with the standards of the Canadian Institute of Actuaries.</li> </ul> <p>Management's estimate is reasonable in the context of the consolidated financial statements taken as a whole.</p>
<b>Sensitive accounting estimates and disclosures</b>	The provision for the Workplace Safety and Insurance Board future benefits of approximately \$ 2,255,500.	<ul style="list-style-type: none"> <li>• The Municipality is a Workplace Safety and Insurance Board ("WSIB") Schedule II employer under the Workplace Safety &amp; Insurance Act and follows a policy of self-insurance for all its employees.</li> <li>• An actuarial estimate of future liabilities has been completed and forms the basis for the estimated liability reported in these financial statements. The Municipality remits payments to the WSIB as required to fund disability payments.</li> </ul> <p>Management's estimate is reasonable in the context of the consolidated financial statements taken as a whole.</p>
<b>Factors affecting disclosure values</b>	The provision for uncollectible taxes of approximately \$ 291,000.	<ul style="list-style-type: none"> <li>• Management reviews previous year's rebates to determine the current years. Management also reviews accounts which are significantly in arrears and determines if it is likely that they will be collected either through the land owner or through tax sale.</li> <li>• For tax revenue amounts billed but may not be collected as of December 31, 2022. For uncollected accounts, management estimates the collectability of these receivables based on their age and their knowledge of the specific properties. As part of our audit, we review the age of the receivables and search for any subsequent receipts or relevant communications to assess whether management's allowance for uncollectable receivables is reasonable.</li> </ul> <p>Management's estimate is reasonable in the context of the consolidated financial statements taken as a whole.</p>

# Adjustments and uncorrected misstatements

## Adjustments

Adjustments made in the consolidated financial statements by the City after the December 31, 2022 trial balance was provided to Grant Thornton are as follows:

Description	[Increase (Decrease) Statement of financial position			Statement of operations
	Assets	Liabilities	Accumulated Surplus	Annual Surplus
To consolidate the Main St and Downtown BIAs into the City	\$ 92,826	\$ 44,195	\$ -	\$ 48,631
To proportionately consolidate the Niagara Central Dorothy Rungeling Airport Commission into the City	44,503	(15,221)	26,700	33,024
To balance opening accumulated surplus and interest income	-	-	(1,110,591)	1,110,591
To record library adjustments	-	6,550	-	(6,550)
To record NSTCA adjustments	-	5,250	-	(5,250)
To correct trust fund entry	-	-	-	6,610 (6,610)
To balance transfers recorded to reserves	-	-	117,402	(117,402)
Total adjusted misstatements	\$ 137,329	\$ 40,774	\$ (966,489)	\$ 1,063,044

## Uncorrected misstatements

We have no non-trivial unadjusted misstatements to report.

## Summary of disclosure matters

Our audit did not identify any unadjusted non-trivial misstatements of disclosure matters.



# Other reportable matters

## Internal control

The audit is designed to express an opinion on the consolidated financial statements. We obtain an understanding of internal control over financial reporting to the extent necessary to plan the audit and to determine the nature, timing and extent of our work. Accordingly, we do not express an opinion on the effectiveness of internal control.

If we become aware of a deficiency in your internal control over financial reporting, the auditing standards require us to communicate to the Members of Council those deficiencies we consider significant. However, a financial statement audit is not designed to provide assurance on internal control.

Please refer to **Appendix C** for a detailed explanation of the following internal control observations noted during our audit:

### Information Technology

- Segregation of duties and assignment of administrator rights

### Financial Reporting

- Journal entry controls

## Port Colborne Downtown Development Board Accounting Records

The receipts and disbursements of the Port Colborne Downtown Development Board ("DDB") have greatly increased<sup>4</sup> since taking over the farmers' market and acquiring of several grants. Currently the DDB does not have a formal accounting software package and only records the monthly bank transactions on monthly spreadsheets. This creates a significant amount of additional accounting work to summarize the transactions for audit testing and the preparation of the financial statements, resulting in significant additional fees.

It is strongly recommended that the DDB engage a qualified bookkeeper or accountant, using an appropriate accounting software, to carry out the monthly bookkeeping, bank reconciliations, accounts receivable and account payable reconciliations, as well as filing the HST rebate claims on a timely basis.

# Technical updates – highlights

## Accounting

Accounting standards issued by the Accounting Standards Board that may affect the City in future years include:

- Section PS 3160 Public Private Partnerships
- Section PS 3420 Inter-Entity Transactions

Further details of the changes to accounting standards, including management's preliminary comments on their applicability to the City, are included in **Appendix D**. If you have any questions about these changes we will be pleased to address your concerns.

## Assurance

In addition, assurance standards issued by the AASB that may change the nature, timing and extent of our audit procedures on the City and our communication with the Members of Council include:

- Potential revisions to CAS 500 Audit Evidence

Further details of the changes to assurance standards, including management's preliminary comments on their applicability to the City, are included in **Appendix E**. If you have any questions about these changes we will be pleased to address your concerns.

# **Appendix A – Draft Independent auditor's report**

# Independent auditor's report

## **To the Members of Council, Inhabitants and Taxpayers of the Corporation of the City of Port Colborne**

### **Opinion**

We have audited the consolidated financial statements of the Corporation of the City of Port Colborne ("the Municipality"), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statements of operations, changes in net debt and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly in all material respects, the financial position of the Corporation of the City of Port Colborne as at December 31, 2022, and its results of operations, its changes in its net financial assets, and its 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 responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Municipality in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical 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.

### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 these consolidated 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 risks of material misstatement of the consolidated 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, intentional 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 purpose of expressing an opinion on the effectiveness of the Municipality'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 events or conditions that may cast significant doubt on the Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 auditor's report. However, future events or conditions may cause the Municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Municipality and the organizations it controls to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We 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.

Port Colborne, Canada  
\_\_\_\_\_, 2023

Chartered Professional Accountants  
Licensed Public Accountants

DRAFT

# **Appendix B – Draft Management representation letter**

## **Management Representation Letter**

July 18, 2023

### **Grant Thornton LLP**

Chartered Professional Accountants  
PO Box 336  
Port Colborne, ON  
L3K 5W1

Dear Sirs:

We are providing this letter in connection with your audit of the consolidated financial statements of the Corporation of the City of Port Colborne as of December 31, 2022, and for the year then ended, for the purpose of expressing an opinion as to whether the consolidated financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the Corporation of the City of Port Colborne in accordance with Canadian public sector accounting standards.

We acknowledge that we have fulfilled our responsibilities for the preparation of the consolidated financial statements in accordance with Canadian public sector accounting standards and for the design and implementation of internal controls to prevent and detect fraud and error. We have assessed the risk that the consolidated financial statements may be materially misstated as a result of fraud, and have determined such risk to be low. Further, we acknowledge that your examination was planned and conducted in accordance with Canadian generally accepted auditing standards (GAAS) so as to enable you to express an opinion on the consolidated financial statements. We understand that while your work includes an examination of the accounting system, internal controls and related data to the extent you considered necessary in the circumstances, it is not designed to identify, nor can it necessarily be expected to disclose, fraud, shortages, errors and other irregularities, should any exist.

Certain representations in this letter are described as being limited to matters that are material. An item is considered material, regardless of its monetary value, if it is probable that its omission from or misstatement in the consolidated financial statements would influence the decision of a reasonable person relying on the consolidated financial statements.

We confirm, to the best of our knowledge and belief, as of July 18, 2023, the following representations made to you during your audit.

### **Financial statements**

- 1 The consolidated financial statements referred to above present fairly, in all material respects, the financial position of the municipality as at December 31, 2022 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards, as agreed to in the terms of the audit engagement.



**Completeness of information**

- 2 We have made available to you all financial records and related data and all minutes of the meetings of Council and committees of Council, as agreed in the terms of the audit engagement. Summaries of actions of recent meetings for which minutes have not yet been prepared have been provided to you. All significant Council and committee actions are included in the summaries.
- 3 We have provided you with unrestricted access to persons within the municipality from whom you determined it necessary to obtain audit evidence.
- 4 There are no material transactions that have not been properly recorded in the accounting records underlying the consolidated financial statements. The adjusting journal entries which have been proposed by you are approved by us and will be recorded on the books of the municipality.
- 5 The restatements made to correct material misstatements in the prior period consolidated financial statements have been properly recorded, are approved by us, and will be recorded on the books of the entity.
- 6 We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements.
- 7 We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the consolidated financial statements or as the basis of recording a contingent loss.
- 8 We have disclosed to you all known deficiencies in the design or operation of internal control over financial reporting of which we are aware.
- 9 We have identified to you all known related parties and related party transactions, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements guarantees, non-monetary transactions and transactions for no consideration.
- 10 You provided a non-attest service by assisting us with drafting the consolidated financial statements and related notes. In connection with this non-attest service, we confirm that we have made all management decisions and performed all management functions, have the knowledge to evaluate the accuracy and completeness of the consolidated financial statements, and accept responsibility for such consolidated financial statements.

**Fraud and error**

- 11 We have no knowledge of fraud or suspected fraud affecting the municipality involving management; employees who have significant roles in internal control; or others, where the fraud could have a non-trivial effect on the consolidated financial statements.
- 12 We have no knowledge of any allegations of fraud or suspected fraud affecting the municipality's financial statements communicated by employees, former employees, analysts, regulators or others.

- 13 We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

**Recognition, measurement and disclosure**

- 14 We believe that the significant assumptions used by us in making accounting estimates, including those used in arriving at the fair values of financial instruments as measured and disclosed in the consolidated financial statements, are reasonable and appropriate in the circumstances.
- 15 We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities, both financial and non-financial, reflected in the consolidated financial statements.
- 16 All related party transactions have been appropriately measured and disclosed in the consolidated financial statements.
- 17 The nature of all material measurement uncertainties has been appropriately disclosed in the consolidated financial statements, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the consolidated financial statements.
- 18 All outstanding and possible claims, whether or not they have been discussed with legal counsel, have been disclosed to you and are appropriately reflected in the consolidated financial statements.
- 19 All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated financial statements.
- 20 With respect to environmental matters:
- a) at year end, there were no liabilities or contingencies that have not already been disclosed to you;
  - b) liabilities or contingencies have been recognized, measured and disclosed, as appropriate, in the consolidated financial statements; and
  - c) commitments have been measured and disclosed, as appropriate, in the consolidated financial statements.
- 21 The municipality has satisfactory title to (or lease interest in) all assets, and there are no liens or encumbrances on the municipality's assets nor has any been pledged as collateral.
- 22 We have disclosed to you, and the municipality has complied with, all aspects of contractual agreements that could have a material effect on the consolidated financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
- 23 The Harmonized Sales Tax (HST) transactions recorded by the municipality are in accordance with the federal and provincial regulations. The HST liability/receivable amounts recorded by the municipality are considered complete.

- 24 Employee future benefit costs, assets, and obligations have been determined, accounted for and disclosed in accordance with the requirements of Section 3250 *Retirement Benefits* and Section 3255 *Post-Employment Benefits, Compensated Absences and Terminations Benefits* of the Canadian Institute of Chartered Accountants (CICA) Public Sector – Accounting.
- 25 Events subsequent to the statement of financial position date up to the date hereof have been recognized or disclosed in the financial statements. Further, there have been no events subsequent to the date of the comparative financial statements that would require adjustment of those financial statements and related notes.

**Other**

- 26 We have considered whether or not events have occurred or conditions exist which may cast significant doubt on the municipality's ability to continue as a going concern and have concluded that no such events or conditions are evident.

Yours very truly,

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**Scott Luey**  
**Chief Administrative Officer**

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**Bryan Boles**  
**Director of Corporate Services/Treasurer**

# Appendix C – Internal control letter

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**Grant Thornton LLP**

Suite B  
222 Catharine Street, PO Box 336  
Port Colborne, ON  
L3K 5W1

T +1 905 834 3651  
F +1 905 834 5095

July 18, 2023

**City of Port Colborne**  
66 Charlotte Street  
Port Colborne, ON  
L3K 3C8

Dear Members of Management:

In connection with our audit of the City of Port Colborne consolidated financial statements as of December 31, 2022 and for the year then ended, the Canadian Auditing Standards require that we advise management and Council (hereinafter referred to as “those charged with governance”) of the following internal control matters identified during our audit.

### **Our responsibilities**

Our responsibility, as prescribed by the Canadian Auditing Standards, is to plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. An audit includes consideration of internal control over financial reporting (hereinafter referred to as “internal control”) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of identifying deficiencies in internal control or expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we express no such opinion on internal control effectiveness.

### **Identified deficiencies in internal control**

We identified the following internal control matters as of the date of this letter that are of sufficient importance to merit your attention.

### **Significant deficiencies**

Our consideration of internal control would not necessarily identify all deficiencies in internal control that, individually or in combination, may be material weaknesses or significant deficiencies.

A deficiency in internal control (“control deficiency”) exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the City’s annual or interim financial statements will not be prevented or detected on a timely basis. A significant deficiency is a deficiency, or a

combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of the City's financial reporting (also referred to as those charged with governance).

We consider the following identified control deficiencies to be significant deficiencies.

## **Information Technology**

### **Segregation of duties and assignment of administrator rights**

The following weaknesses have been identified in the information technology system, specifically relating to the assignment of responsibilities and network administrator rights:

The Director of Corporate Services and the Manager, Financial Services have been assigned administrator rights in the financial reporting application. This allows them unrestricted access to all modules of the system, and results in a lack of segregation of duties as they are responsible for the City's financial reporting. Although our audit procedures did not identify any unauthorized or unusual transactions recorded in the financial application by these individuals, the potential exists for unauthorized transactions to be recorded by the administrators and go undetected.

#### Management response

*For the duration of 2022, the Director, Corporate Services did not have administrator rights. That said, the Manager, Financial Services continued to have the rights given the size of the City's Finance department. Other administrators of the financial reporting system include the Manager, Information Technology, and the IT System Business Analyst. A working group consisting of the Director, Corporate Services, the Manager, Financial Services, the Supervisor, Financial Reporting, and the Manager, Information Technology Services, has been formed and meets on trimesterly basis to review both system access rights and journal entry approvals. This mitigating control was in place for all of 2022.*

## **Financial Reporting**

### **Journal entry controls**

The Director of Corporate Services and the Manager, Financial Services have the ability to post journal entries into the financial reporting application. Duties of senior financial reporting personnel should not include the ability to make journal entries as it is important to have an appropriate level of review and authorization over journal entries. Staff members who have responsibility for authorization and approval of journal entries should not have the ability to post entries into the system.

### Management response

*Given the size of the City's Finance department it is not unreasonable for management to have the ability to create journal entries in the event that staff are not available. Management agrees that staff, regardless of position, should not have the ability to both create and approve their own entries. A working group consisting of the Director, Corporate Services, the Manager, Financial Services, the Supervisor, Financial Reporting, and the Manager, Information Technology Services, has been formed and has met to review both system access rights and journal entry approvals. This group meets on a trimesterly basis. This mitigating control was in place for all of 2022.*

### **Management responses**

The Management's written responses to the internal control matters identified herein have not been subjected to our audit procedures and accordingly, we express no opinion on them.

\* \* \*

This communication is intended solely for the information and use of management, those charged with governance, and others within the City and is not intended to be and should not be used by anyone other than these specified parties.

Yours sincerely,

**Grant Thornton LLP**



James D. Brennan, CPA, CA  
Principal

JDB/jf

# Appendix D – PSAS

## Accounting developments

Public Sector Accounting Standards [updated March 31, 2023]	Effective date
<p><b>2022-2023 Annual Improvements to PSAS</b></p> <p>The Public Sector Accounting Board (PSAB) has adopted an annual improvements process to make minor improvements to standards which include clarifying guidance or wording within the standards or correcting relatively minor unintended consequences, conflicts or oversights.</p> <p>The following standards were amended in the 2022-2023 process:</p> <ul style="list-style-type: none"><li>• Section PS 3160 <i>Public Private Partnerships</i> The amendment updated the transitional provisions to explicitly state that early adoption is permitted.</li><li>• Section PS 3420 <i>Inter-Entity Transactions</i> The amendment clarifies that PSG-8 <i>Purchased Intangibles</i> applies to inter-entity transactions</li></ul>	<p>Effective April 1, 2023 (Immediately)</p>



## Strategic plan for not-for-profit organizations in the public sector

Since 2012, government not-for-profit organizations (GNPOs) have been required to adopt PSAS but were given the option of applying the specific GNPO accounting standards (PS 4200 series) in PSAS. Some GNPOs have utilized those standards, while others have not. The PSAB recognized that a “one-size-fits-all” approach may not be appropriate for all stakeholders. In March 2022, having deliberated feedback from two Consultation Papers, the PSAB decided to incorporate the PS 4200 series, with potential customizations, into PSAS as its strategy for GNPOs. This solution was defined as reviewing and amending, as appropriate, the PS 4200 series guidance and incorporating it within the PSA Handbook available for all public sector entities to apply, if appropriate. That is, the existing standards in the PS 4200 series will be reviewed to determine if they should be retained and added to PSAS. This may involve amending standards to update them and ensuring consistency with PSAB’s conceptual framework. The PSAB believes this strategy will likely:

- improve the comparability and understandability of financial statements, as all public sector entities would be applying a common reporting model;
- provide the PSAB with a tool and some flexibility to address matters warranting a different presentation or accounting treatment for GNPOs when appropriate; and
- make some of the guidance currently found only in the PS 4200 series available to all public sector entities with similar transactions, improving comparability and consistent application of accounting standards.

The implementation plan for this strategy was approved at its June 2022 meeting, and an overview of the implementation plan was presented at its December 2022 meeting. The current ordering of standard level projects will start with tangible capital assets as well as contributions (including endowments), then controlled and related entities, finishing with the reporting model. The capital asset project will focus on proposing amendments to Section PS 3150 *Tangible Capital Assets*, as a result of reviewing Section PS 4230 *Capital Assets Held by Not-for-Profit Organizations* and Section PS 4240 *Collections Held by Not-for-Profit Organizations*. PSAB plans to consult stakeholders throughout the implementation phase and issue an Exposure Draft in the Fall of 2023.

# Appendix E – Auditing developments

Canadian Exposure Drafts issued by the AASB	Effective date
<p><b>Potential revisions to CAS 500 <i>Audit Evidence</i></b></p> <p>The current audit evidence standard was issued many years ago. Since then, developments in technology have affected how entities operate and process information and how audits are performed. In December 2020, the IAASB initiated a project to revise the current standard to respond to changes in the business environment. The Exposure Draft proposes several key changes:</p> <ul style="list-style-type: none"><li>• To respond to changes in the information auditors use, including the nature and source of the information, a set of attributes has been developed to enhance the auditor's principle-based judgments related to audit evidence in a wide variety of circumstances. Enhancements and clarifications have also been made regarding the auditor's role when using information prepared by management's expert</li><li>• To modernise the standard and support a principles-based approach that recognises the evolution in technology, new application material has been added, including explanations of how automated tools may affect auditor bias and examples that recognise the use of technology by the entity or the auditor</li><li>• To foster professional skepticism when making judgments about information to be used as audit evidence and sufficient appropriate audit evidence, language has been added to emphasise the importance of maintaining professional skepticism at various stages, such as when attempting to ensure that audit procedures are being designed and performed in an unbiased manner.</li></ul>	<p>The comment period for the Exposure Draft ended on March 15, 2023. It is expected that the effective date for the revised standard will be for periods beginning in 2025, but the exact effective date has not yet been established.</p>