



City of Greater Sudbury

# Audit Planning Report

Presentation to the Audit Committee  
November 15<sup>th</sup>, 2016



# Agenda

- I. Introductions
- II. Our Audit Approach
- III. Risk Areas
- IV. Materiality
- V. Questions

## About KPMG

- One of the largest professional services firms in Canada and Northern Ontario
- Our Sudbury office:
  - Employs 70+ individuals
  - Provides auditing and other professional services to some of Northern Ontario's largest public and private sector organizations
  - Has a relationship with the City that dates to 1933
- The City's audit team brings extensive experience with municipal auditing

Team Member	Position	Experience
Oscar Poloni	Engagement Partner	25 years
Derek D'Angelo	Engagement Quality Control Reviewer	24 years
Michael Andrighetti	Senior Manager	8 years
Kevin Kolliniatis	IT Audit Specialist	15 years

# Our Audit Approach

- Fully compliant with KPMG’s Audit Methodology and Canadian Auditing Standards
- Address all financial statement items with additional emphasis on key risk areas
- Involves a combination of audit procedures

Audit Procedures	Description	Examples
Compliance	Testing the design and effectiveness of internal controls	<ul style="list-style-type: none"> <li>• Payroll control testing</li> </ul>
Substantive testing	Agreeing amounts to supporting documentations	<ul style="list-style-type: none"> <li>• Confirmation of debt</li> <li>• Agreeing capital expenditures to invoices</li> </ul>
Substantive analytics	Assessing the reasonableness of amounts based on relationships	<ul style="list-style-type: none"> <li>• Calculating water revenues per customer</li> <li>• Calculating benefits as a percentage of wages</li> </ul>
Management estimates	Reviewing the basis for management estimates	<ul style="list-style-type: none"> <li>• Landfill liabilities</li> <li>• Employee future benefit liabilities</li> </ul>

# Our Audit Approach

## **October/November**

- Initial planning meeting with City staff
- Presentation of audit planning report
- Review of predecessor audit files (first year only)
- Meeting with City IT to discuss D&A requirements

## **November**

- Interim audit
- Meeting with City staff to discuss interim audit results



## **July**

- Debrief with City staff

## **April/May**

- Year-end audit fieldwork

## **June**

- Issue audit opinion and supplementary reports
- Present audit findings report

# Risk Areas

## 1. Financial statement risks

- Management estimates
- Assessment appeals
- Revenue recognition
- Capital additions

## 2. Fraud risks

- Fraudulent revenue recognition
- Management override of controls

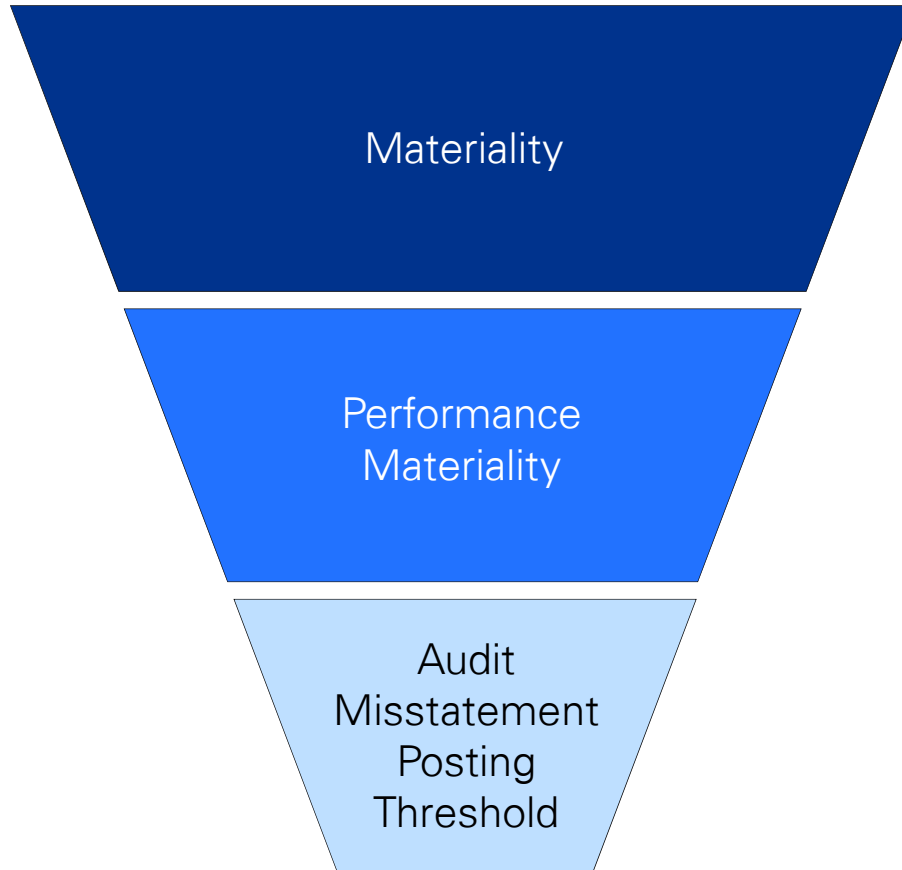
## 3. Reputational risks

- Contravention of procurement policies
- Contravention of travel and expense reimbursement policies
- Internal control weaknesses in immaterial revenue streams

## Data and Analytics

- Provides us with the opportunity to audit 100% of a transaction stream through the use of computerized audit techniques
- Our intention is to utilize data and analytics for:
  - *Payroll* – duplicate addresses, hourly rates that differ from the established pay grid, hours and net pay amounts in excess of defined thresholds
  - *Disbursements* – supplier addresses that are consistent with employee addresses, bid separation to avoid procurement limits, evidence of receipt of goods
  - *User fees* – revenue transactions that differ from user fee bylaw, transactions outside of defined thresholds
  - *Accounts payable and accounts receivable* – matching subsequent events to year-end registers

# Evaluating Audit Findings



- Used to plan and evaluate audit results
- Based on 2% of prior year's revenues
- Set at \$11.0 million

- Used to determine audit procedures
- Based on 75% of materiality
- Set at \$8.3 million

- Used to determine reporting threshold
- Based on 5% of materiality
- Set at \$550,000



# Questions

We would be pleased to answer any questions that Committee members may have



# Contacts

The contacts at KPMG in connection with this report are:

Oscar Poloni, CPA, CA, CBV  
Partner

705.669.2515  
opoloni@kpmg.ca

Michael Andrighetti, CPA, CA  
Senior Manager

705.669.2511  
mandrighetti@kpmg.ca



[kpmg.ca](http://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.