



OAKVILLE

## REPORT

ADMINISTRATIVE SERVICES COMMITTEE

MEETING DATE: DECEMBER 11, 2018

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**FROM:** Finance Department

**DATE:** November 9, 2018

**SUBJECT:** Audit Planning Report

**LOCATION:**

**WARD:** Town wide

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### RECOMMENDATION:

That the Audit Planning Report prepared by KPMG for the 2018 fiscal year be received.

### KEY FACTS:

The following are key points for consideration with respect to this report:

- The town must appoint an external auditor;
- The audit plan, received annually from the auditors, sets out the work plan for the current year's audit;
- Professional audit standards require the auditor to discuss the views of fraud risk with those charged with governance. By bringing the audit plan forward to an ASC meeting, KPMG are complying with that requirement;
- Financial operations staff prepare the annual financial statements and supporting financial schedules and KPMG audits them for completeness and accuracy;
- There are a number of new accounting standards for the 2018 audit; however, the impact on the Town's financial statements is expected to be minor;

### BACKGROUND:

The *Municipal Act*, under section 296. (1), requires a municipality to appoint an auditor licensed under the *Public Accounting Act*. The auditor is responsible for:

- (a) Annually auditing the accounts and transactions of the municipality and its local boards and expressing an opinion on the financial statements of these bodies based on the audit.

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In order to prepare for the audit of the town and its local boards KPMG has developed its Audit Planning Report, which is attached as Appendix A to this report.

The audit plan also sets out the nature and the extent of the work to be completed by KPMG. The Audit Planning Report identifies:

- Materiality for the town's consolidated financial statements;
- A summary of the audit approach, identifying key areas of focus. This includes any changes in accounting standards or any unusual transactions for the 2018 fiscal year.
- The KPMG audit team, their qualifications, and the role they provide;
- The audit cycle and applicable timelines for the 2017 deliverables
- Appendices to the Audit Planning Report:
  - Audit quality and risk management
  - KPMG's audit approach and methodology
  - Required communications
  - Data & analytics in audit
  - New auditor reporting
  - Current developments, including the upcoming Financial Instruments and Asset Retirement Obligations standards

While the audit plan is specifically for the consolidated audit of the town, the audit plan also provides for the audit of the financial statements of the Library Board, the three Business Improvement Areas, Oakville Galleries, and the Town of Oakville Trust funds.

The Town's consolidated statements also include the town's investment in Oakville Enterprises Corporation (Hydro) and Oakville Municipal Development Corporation (MDC); however, any audits performed on these entities are independent of the town.

**COMMENT/OPTIONS:**

Town staff have reviewed the 2018 Audit Planning Report and concur with the audit work outlined. Consistent with prior years, we are developing our own plan for closing the 2018 fiscal year, with the target of closing all operations by early February 2019. This plan will be communicated to all departments in order to ensure a clean year end process.

Once the 2018 records are closed, staff prepare the consolidated financial statements and accompanying notes for the town, the local boards, Oakville Galleries, and the trust funds, along with any required supporting documentation.

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The audit field work for the local boards is scheduled for February so that the final results can be consolidated into the town's statements in time for the town's audit field work, which begins in mid-March. This timeline should allow staff the opportunity to take the audited consolidated financial statements, along with an Audit Findings Report from KPMG, to ASC in May. Once the financial statements are approved, they are included within the Annual Report and any required provincial reporting is completed.

Related Party Disclosures Standard:

As discussed with ASC in 2017, effective for the town's 2018 fiscal year, there is a new accounting standard that the town must disclose all transactions with related parties provided the transactions have, or could have, a material impact on the financial statements and have occurred at a value different from fair market value.

Related parties include key management personnel such as directors and members of senior management, as well as close family members.

While it is finance's expectation that the town will not have any transactions that meet the required criteria, we are required to identify related party transactions in order to make this determination. To assist us in this, councillors and members of SMT will be asked to complete a short questionnaire early in January.

**CONSIDERATIONS:**

**(A) PUBLIC**  
N/A

**(B) FINANCIAL**  
The cost of the audit for the 2018 fiscal year for the Town and its various entities were detailed within the Town's engagement letter and those fees have been provided for in the 2018 annual budget of each entity. Fees have not been included within the KPMG Audit Plan for confidentiality reasons. Fees are in accordance with the RFP process completed in October 2017.

**(C) IMPACT ON OTHER DEPARTMENTS & USERS**  
N/A

**(D) CORPORATE AND/OR DEPARTMENT STRATEGIC GOALS**  
This report addresses the corporate strategic goal to:

- be accountable in everything we do
- be fiscally sustainable

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**(E) COMMUNITY SUSTAINABILITY**

N/A

**APPENDICES:**

Appendix A - Town of Oakville Audit Planning Report FY18

Prepared by:  
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Submitted by:  
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Commissioner, Corporate Services &  
Treasurer