



Corporation of the Town of Pelham
Report to the Town Council
on the 2017 audit

April 30, 2018

Private and confidential

To the Members of Council
Corporation of the Town of Pelham
20 Pelham Town Square
Fonthill ON L0S 1E0

Re: Report on audited annual Financial Statements

Dear Council Members,

We are pleased to submit this report on the status of our audit of the consolidated financial statements of the Corporation of the Town of Pelham (the "Town") for the 2017 fiscal year. This report summarizes the scope of our audit, our findings and reviews certain other matters that we believe to be of interest to you. We are continuing to work with management to complete the outstanding matters summarized on page 2 of this report.

As agreed in our master service agreement dated January 4, 2017, we have performed an audit of the following, in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"):

- Consolidated financial statements of the Town as at, and for the year ended, December 31, 2017; and
- Financial statements of the Corporation of the Town of Pelham Trust Funds (the "Trust Funds") as at, and for the year ended, December 31, 2017.

This report is intended solely for the information and use of the Council, management and others within the Town and is not intended to be, and should not be, used by anyone other than these specified parties.

We would like to express our appreciation for the cooperation we received from employees of the Town with whom we worked to discharge our responsibilities.

We look forward to discussing this report summarizing the outcome of our audit with you and answering any questions you may have.

Yours truly,



Chartered Professional Accountants
Licensed Public Accountants

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Our audit explained

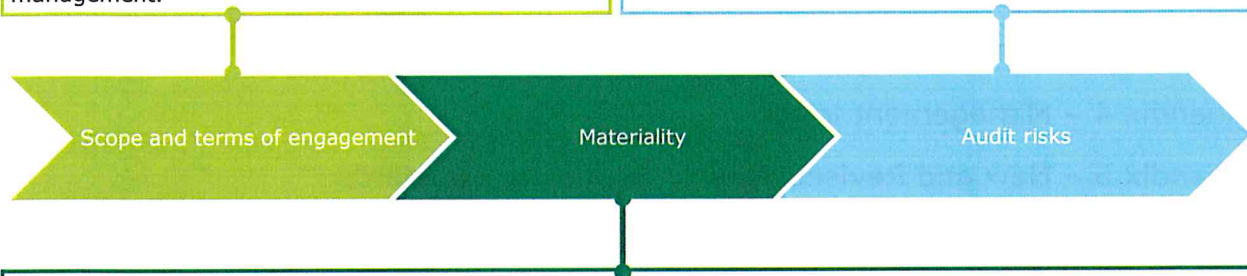
This report summarizes the main findings arising from our audit.

Audit scope and terms of engagement

We have been asked to perform an audit of the Town's financial statements (the "financial statements") in accordance with Canadian public sector accounting standards ("PSAS") as at and for the year ended December 31, 2017. Our audit was conducted in accordance with Canadian Generally Accepted Auditing Standards ("Canadian GAAS"). The terms and conditions of our engagement are described in the master service agreement dated January 4, 2017, which was signed on behalf of management.

Audit risks

Through our risk assessment process, we have identified the audit risks. These risks of material misstatement and related audit responses are discussed in the Audit Risks section of this report.

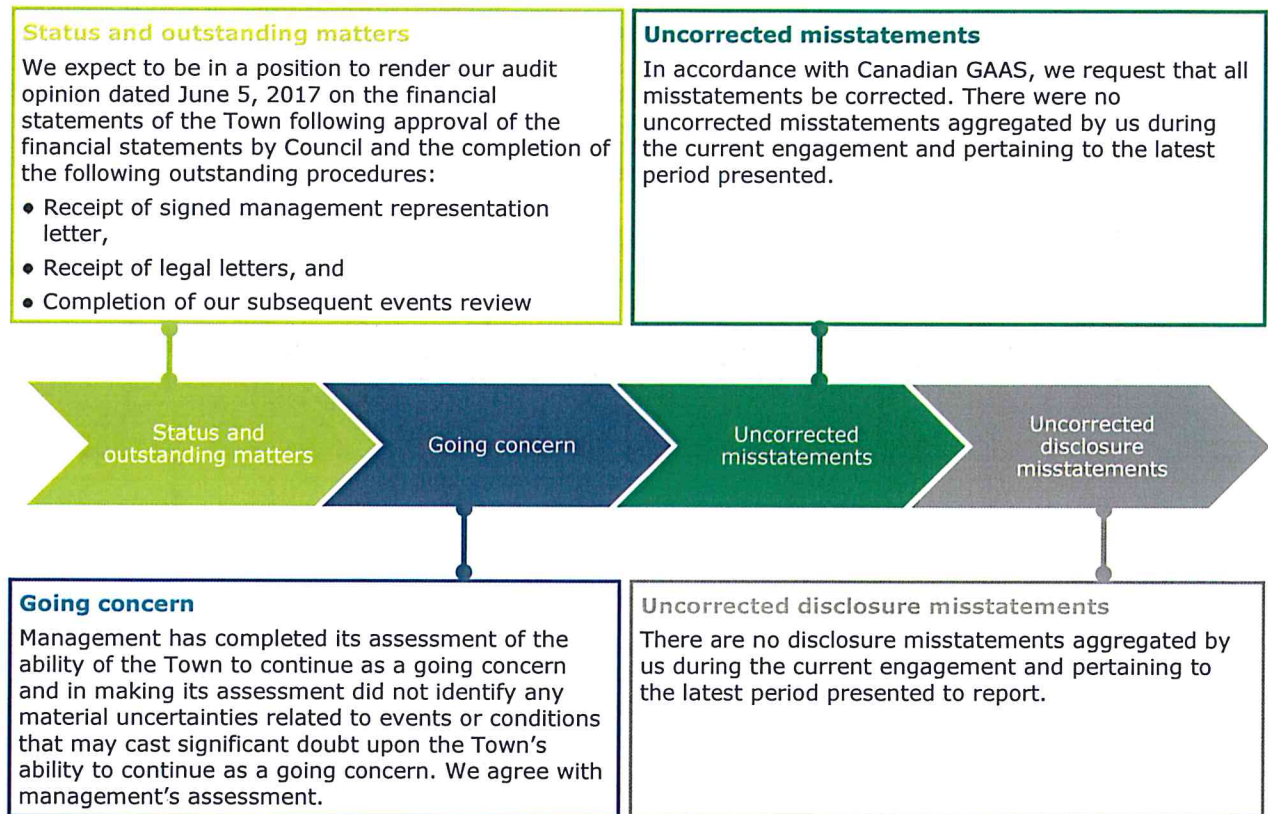


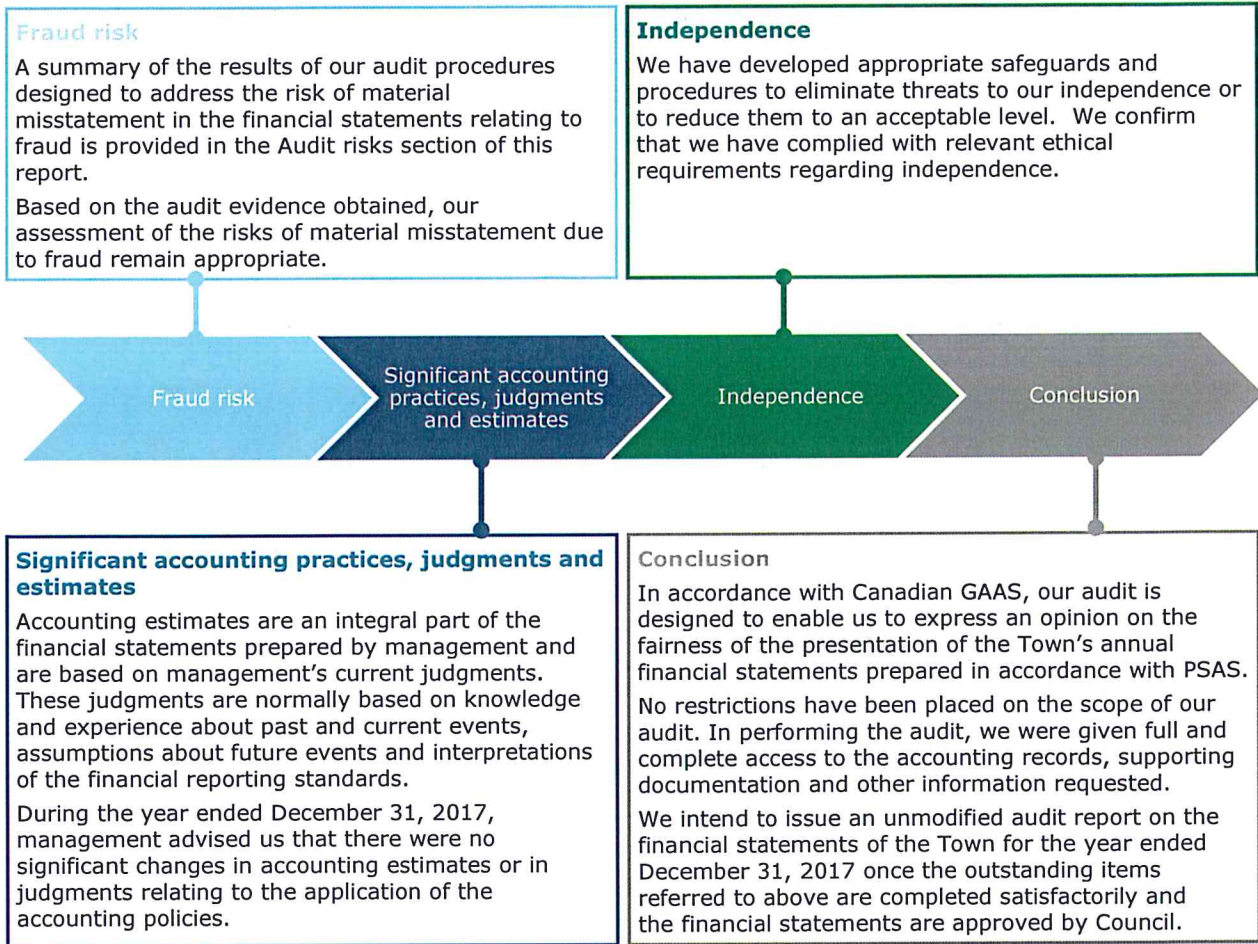
Materiality

We are responsible for providing reasonable assurance that your financial statements as a whole are free from material misstatement.

Materiality levels are determined on the basis of expenses.

We have informed the Council of all uncorrected misstatements greater than a clearly trivial amount of 5% of materiality and any misstatements that are, in our judgment, qualitatively material. In accordance with Canadian GAAS, we asked that any misstatements be corrected. None were noted as part of our 2017 audit.





Audit risks

The audit risks identified as part of our risk assessment, together with our planned responses and conclusions, are described below.

Revenue and deferred revenue amounts*

Audit risk	Our audit response	Audit results
Under Canadian GAAS, we are required to evaluate the risk of fraud in revenue recognition. We have evaluated the revenue transactions, and we have concluded that the significant risk is that revenue may have been recorded in the incorrect period.	<ul style="list-style-type: none"> Substantive testing to determine if restricted contributions (i.e., development charges, gas tax, conditional grants, etc.) have been recognized as revenue in the appropriate period. 	We obtained sufficient audit evidence to conclude that there were no material misstatements.

Year-end cut-off

Audit risk	Our audit response	Audit results
Determine if cut-off of revenues and expenses are appropriate.	<ul style="list-style-type: none"> Substantive testing on accounts payable, accrued liabilities, deferred revenue and accounts receivable, and Test disbursements subsequent to year-end. 	We obtained sufficient audit evidence to conclude that there were no material misstatements.

Tangible capital assets

Audit risk	Our audit response	Audit results
Appropriate accounting and disclosure.	<ul style="list-style-type: none"> Test assumptions used in determining completeness, valuation, recording and cut-off of 2017 additions and disposals, and Testing of calculations of amortization. 	We obtained sufficient audit evidence to conclude that there were no material misstatements.

*Area of significant risk

Internal controls

Audit risk	Our audit response	Audit results
<p>The role of Treasurer transitioned during the year. Such personnel changes may result in changes to internal controls and processes.</p>	<ul style="list-style-type: none"> • Evaluate the design and determine the implementation of controls in the period prior to and subsequent to the departure of the Treasurer to ensure that controls continue to be in place and properly designed during the transition period of the new Treasurer, • Assess whether any changes occurred in key controls performed by the Treasurer during the transition and any vacancy period, and • Ensure sufficient segregation of duties and appropriate approval processes continue to be in place subsequent to the transition of the Treasurer. 	<p>We obtained sufficient audit evidence to conclude that there were no material misstatements.</p>

Year-end accruals and other estimates (including salaries, employee future benefits, contaminated sites and allowance for doubtful accounts)

Audit risk	Our audit response	Audit results
<p>Estimates require management judgments and assumptions.</p>	<ul style="list-style-type: none"> • Obtain documentation on management's control over accounting estimates and assess risk • Review and assess the consistency of major assumptions used to develop significant accounting estimates • Compare actual historical experience to models employed in such calculations • Obtain calculations from experts for accruals such as employee future benefit liability and contaminated sites, and assess assumptions and data used to prepare the report, and • Review actual outcome of prior year estimates. 	<p>We obtained sufficient audit evidence to conclude that there were no material misstatements.</p>

Management override of controls*

Audit risk	Our audit response	Audit results
<p>Management is in a unique position to override internal controls, which could allow manipulation of the accounting records that could result in financial statements that are materially misstated.</p> <p>This represents a fraud risk for the 2017 audit.</p>	<ul style="list-style-type: none"> • We discussed fraud with management. • We tested a sample of journal entries made throughout the period, and adjustments made at the end of the reporting period. • We evaluated the business rationale for any significant unusual transactions. • We determined whether the judgements and decisions related to management estimates indicate a possible bias, which included performing retrospective analysis of significant accounting estimates. • We maintained professional skepticism throughout the audit. 	<p>We obtained sufficient audit evidence to conclude that there were no material misstatements.</p>

*Area of significant risk

Other reportable matters

The following summarizes the status and findings of key aspects of our audit. In the appendices to this report, we have provided additional information related to certain matters we committed to report to Council as part of the audit plan.

	Comment
Changes to the audit plan	The audit was conducted in accordance with our audit plan, which was communicated to Council. We confirm that there have been no amendments to the audit scope and approach communicated in the audit plan.
Significant difficulties encountered in performing the audit	We did not encounter any significant difficulties while performing the audit. There were no significant delays in receiving information from management required for the audit nor was there an unnecessarily brief timetable in which to complete the audit.
Disagreements with management	In the course of our audit, we did not encounter any disagreements with management about matters that individually or in the aggregate could be significant to the financial statements.
Consultation with other accountants	Management has not consulted with other accountants about auditing or other accounting matters.
Legal and regulatory compliance	Our limited procedures did not identify any areas of material non-compliance with laws and regulations by the Town.
Post balance sheet events	At the date of finalizing this report, we are not aware of any significant post balance sheet events.

Appendix 1 – Communication requirements

Required communication	Refer to this report or document described below
Audit Service Plan	
1. Our responsibilities under Canadian GAAS, including forming and expressing an opinion on the financial statements	Master service agreement dated January 4, 2017
2. An overview of the overall audit strategy, addressing: <ul style="list-style-type: none"> a. Timing of the audit b. Significant risks, including fraud risks c. Nature and extent of specialized skill or knowledge needed to perform the planned audit procedures related to significant risk d. Names, locations, and planned responsibilities of other independent public accounting firms or others that perform audit procedures in the audit 	Audit plan communicated on January 4, 2017
3. Significant transactions outside of the normal course of business, including related party transactions	None noted.
Year End Communication	
4. Fraud or possible fraud identified through the audit process	None noted.
5. Significant accounting policies, practices, unusual transactions, and our related conclusions	See note 1 to the financial statements for significant accounting policies. No unusual transactions noted
6. Alternative treatments for accounting policies and practices that have been discussed with management during the current audit period	The significant accounting practices and policies selected and applied by management are, in all material respects, acceptable under PSAS and are appropriate to the particular circumstances of the Town
7. Matters related to going concern	None noted.
8. Management judgments and accounting estimates	See page 3 of this report
9. Significant difficulties, if any, encountered during the audit	None.
10. Material written communications between management and us, including management representation letters	Master service agreement dated January 4, 2017. Management representations letter – Appendix 2
11. Other matters that are significant to the oversight of the financial reporting process	None noted.
12. Modifications to our opinion(s)	None.

Required communication	Refer to this report or document described below
13. Our views of significant accounting or auditing matters for which management consulted with other accountants and about which we have concerns	None noted.
14. Significant matters discussed with management	None noted.
15. Illegal or possibly illegal acts that come to our attention	None noted.
16. Significant deficiencies in internal control, if any, identified by us in the conduct of the audit of the financial statements	None noted. Please refer to Appendix 4 for one management letter comment.
17. Uncorrected misstatements and disclosure items	No uncorrected misstatements or disclosure items noted.

Appendix 2 – Draft management representation letter

[Town letterhead]

May 7, 2018

Deloitte LLP
25 Corporate Park Drive
Suite 301
St. Catharines ON L2S 3W2

Dear Sirs:

Subject: Consolidated financial statements of the Corporation of the Town of Pelham for the year ended December 31, 2017

This representation letter is provided in connection with the audit by Deloitte LLP ("Deloitte" or "you") of the consolidated financial statements of the Corporation of the Town of Pelham (the "Town" or "we" or "us") for the year ended December 31, 2017, and a summary of significant accounting policies and other explanatory information (the "Financial Statements") for the purpose of expressing an opinion as to whether the Financial Statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the Town in accordance with Public Sector Accounting Standards ("PSAS").

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial statements

1. We have fulfilled our responsibilities as set out in the terms of the engagement letter between the Town and Deloitte dated January 3, 2017 for the preparation of the Financial Statements in accordance with PSAS. In particular, the Financial Statements are fairly presented, in all material respects, and present the financial position of the Town as at December 31, 2017 and the results of its operations and cash flows for the year then ended in accordance with PSAS.
2. Significant assumptions used in making estimates, including those measured at fair value, are reasonable.

In preparing the Financial Statements in accordance with PSAS, management makes judgments and assumptions about the future and uses estimates. The completeness and appropriateness of the disclosures related to estimates are in accordance with PSAS. The Town has appropriately disclosed in the Financial Statements the nature of measurement uncertainties that are material, 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 Financial Statements.

The measurement methods, including the related assumptions and models, used in determining the estimates, including fair value, were appropriate, reasonable and consistently applied in accordance with PSAS and appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the entity. No events have occurred subsequent to December 31, 2017 that require adjustment to the estimates and disclosures included in the Financial Statements.

There are no changes in management's method of determining significant estimates in the current year.

3. All related party relationships and transactions have been appropriately accounted for and disclosed in the Financial Statements in accordance with the requirements of PSAS.
4. We have determined that the Financial Statements are complete as of the date of this letter as this is the date when there are no changes to the Financial Statements (including disclosures) planned or expected. Financial Statements have been approved in accordance with our process to finalize financial statements.
5. We have completed our review of events after December 31, 2017 and up to the date of this letter. All events subsequent to the date of the Financial Statements and for which PSAS requires adjustment or disclosure have been adjusted or disclosed. Accounting estimates and disclosures included in the Financial Statements that are impacted by subsequent events have been appropriately adjusted.
6. The Financial Statements are free of material errors and omissions.

Information provided

7. We have provided you with:
 - a. Access to all information of which we are aware that is relevant to the preparation of the Financial Statements, such as records, documentation and other matters.
 - b. All relevant information as well as additional information that you have requested from us for the purpose of the audit; and,
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
8. All transactions have been properly recorded in the accounting records and are reflected in the Financial Statements.
9. We have disclosed to you the results of our assessment of the risk that the Financial Statements may be materially misstated as a result of fraud.
10. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - a. Management;
 - b. Employees who have significant roles in internal control; or
 - c. Others where the fraud could have a material effect on the Financial Statements.
11. We have disclosed to you all information in relation to allegations of actual, suspected or alleged fraud, or illegal or suspected illegal acts affecting the Town.
12. We have disclosed to you all communications from regulatory agencies concerning non-compliance with or deficiencies financial reporting practices and all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the Financial Statements.

13. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware, including guarantees, non-monetary transactions and transactions for no consideration.
14. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
15. We have disclosed to you all known, actual or possible litigation and claims, whether or not they have been discussed with our lawyers, whose effects should be considered when preparing the Financial Statements. As appropriate, these items have been disclosed and accounted for in the Financial Statements in accordance with PSAS.

Independence matters

For purposes of the following paragraphs, "Deloitte" shall mean Deloitte LLP and Deloitte Touche Tohmatsu Limited, including related member firms and affiliates.

16. Prior to the Town having any substantive employment conversations with a former or current Deloitte engagement team member, the Town has held discussions with Deloitte and obtained approval from Council.
17. We have ensured that all services performed by Deloitte with respect to this engagement have been pre-approved by the Council in accordance with its established approval policies and procedures.

Other matters

18. The Town has satisfactory title to and control over all assets, and there are no liens or encumbrances on such assets. We have disclosed to you and in the Financial Statements all assets that have been pledged as collateral.
19. We have disclosed to you all liabilities, provisions, contingent liabilities and contingent assets, including those associated with guarantees, whether written or oral, and they are appropriately reflected in the Financial Statements.
20. We have disclosed to you, and the Town has complied with all aspects of contractual agreements that could have a material effect on the Financial Statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
21. We have disclosed to you all the documents that we expect to issue that may comprise other information, in the context of CAS 720, *The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements*.

Selection of accounting policies and recording of transactions

22. The Town's accounting policies and their method of application have been applied on a basis consistent with that of the audited consolidated financial statements as at and for the year ended December 31, 2016.

Work of management's experts

23. We agree with the work of management's experts in evaluating the landfill liability and employee future benefits liability, and have adequately considered the competence and capabilities of the experts in determining amounts and disclosures used in the Financial Statements and underlying accounting records. We did not give any, nor cause any, instructions to be given to management's experts with respect to values or amounts derived in an attempt to bias their work, and we are not aware of any matters that have impacted the independence or objectivity of the experts.

Plans or intentions affecting carrying value/classification of assets and liabilities

24. We have disclosed to you all plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the Financial Statements.

Loans and receivables

25. The Town is responsible for determining and maintaining the adequacy of the allowance for doubtful notes, loans, and accounts receivable, as well as estimates used to determine such amounts. Management believes the allowances are adequate to absorb currently estimated bad debts in the account balances.
26. We have identified to you all forgivable loans and loans with concessionary terms and have appropriately reflected these instruments in the financial statements.

Investments

27. With regard to the Town's investments, we have disclosed to you any events that have occurred and facts that have been discovered with respect to such investment that would indicate any other than temporary impairment of the investment's value.

Employee future benefits

28. Employee future benefit costs, assets, and obligations have been properly recorded and adequately disclosed in the Financial Statements including those arising under defined benefit and defined contribution plans as well as termination arrangements. We believe that the actuarial assumptions and methods used to measure defined benefit plan assets, liabilities and costs for financial accounting purposes are appropriate in the circumstances.
29. We have disclosed to you any intentions of terminating any of our pension plans or withdrawing from the multi-employer plan, or taking any other action that could result in an effective termination or reportable event for any of the plans. We have disclosed to you any occurrences that could result in the termination of any of our pension or multi-employer plans to which we contribute.
30. We are unable to determine the possibility of a withdrawal liability in a multi-employer benefit plan.
31. We do not plan to make frequent amendments to our pension or other post-retirement benefit plans.

Liabilities for contaminated sites

32. We have evaluated all of our tangible capital assets that we own or accept responsibility, and have not identified any sites in which contamination exceeds an environmental standard.

Various matters

33. The following have been properly recorded and, when appropriate, adequately disclosed and presented in the Financial Statements:
- a. Economic dependence on another party
 - b. Losses arising from sale and purchase commitments
 - c. Agreements to buy back assets previously sold
 - d. Provisions for future removal and site restoration costs
 - e. Financial instruments with significant individual or group concentration of credit risk, and related maximum credit risk exposure
 - f. Sales with recourse provisions
 - g. Sales incentives, including cash consideration provided to customers and vendor rebates
 - h. Arrangements with financial institutions involving compensating balances or other arrangements involving restriction on cash balances and line-of-credit or similar arrangements
 - i. All impaired loans receivable
 - j. Loans that have been restructured to provide a reduction or deferral of interest or principal payments because of borrower financial difficulties.

Yours truly,

Town of Pelham

Darren Ottaway
CAO

Teresa Quinlin, CPA, CA
Treasurer

Appendix 3 – Independence letter

April 30, 2018

Private and confidential

To the Members of Council
Corporation of the Town of Pelham
20 Pelham Town Square
Fonthill ON L0S 1E0

Dear Council Members,

We have been engaged to audit the consolidated financial statements of Town of Pelham (the "Town") for the year ended December 31, 2017.

You have requested that we communicate in writing with you regarding our compliance with relevant ethical requirements regarding independence as well as all relationships and other matters between the Town, our Firm and network firms that, in our professional judgment, may reasonably be thought to bear on our independence. You have also requested us to communicate the related safeguards that have been applied to eliminate identified threats to independence or reduce them to an acceptable level.

In determining which relationships to report, we have considered relevant rules and related interpretations prescribed by the appropriate provincial regulator/ordre and applicable legislation, covering such matters as:

- a. Holding a financial interest, either directly or indirectly, in a client
- b. Holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client
- c. Personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client
- d. Economic dependence on a client, and
- e. Provision of services in addition to the audit engagement.

We confirm to you that the engagement team and others in the firm as appropriate, the firm and, when applicable, network firms have complied with relevant ethical requirements regarding independence.

We have prepared the following comments to facilitate our discussion with you regarding independence matters arising since our appointment as your auditors.

We are not aware of any relationships between the Deloitte entities (defined as the Member Firms of Deloitte Touche Tohmatsu Limited and their respective affiliates) and the Town, its affiliates, or persons in financial reporting oversight roles at the Town and its affiliates, that, in our professional judgment, may reasonably be thought to bear on independence, that have occurred from May 30, 2017 to April 30, 2018.

We hereby confirm that we are independent with respect to the Town in accordance with the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario as of April 20, 2018.

This letter is intended solely for the use of the Council, management, and others within the Town.

Yours truly,



Chartered Professional Accountants
Licensed Public Accountants

Appendix 4 – Management letter



Deloitte LLP
25 Corporate Park Drive
St. Catharines ON L2S 3W2
Canada

Tel: 905-323-6000
Fax: 905-323-6001
www.deloitte.ca

April 30, 2018

Private and confidential

Ms. Teresa Quinlin, MBA, CPA, CA
Treasurer and Director Corporate Services
Town of Pelham
20 Pelham Town Square
P.O. Box 400
Fontill ON L0S 1E0

Dear Ms. Quinlin:

We have substantially completed our examination of the consolidated financial statements of the Town of Pelham (the "Town") for the year ended December 31, 2017. We would like to provide the attached management comment for your consideration.

As part of our examination, we reviewed the Town's systems and internal controls to the extent we considered necessary to make an evaluation of such systems and procedures in accordance with Canadian generally accepted auditing standards. Under these standards, the fundamental purpose of the evaluation is to assess audit risk and to establish a basis for reliance on the internal controls in determining the nature, extent and timing of other auditing procedures, which are necessary for the expression of an opinion on the financial statements; it is not to determine whether internal controls are adequate for management's purposes.

While the audit did not include an in-depth evaluation of all systems or all aspects of any individual system, we undertake to report any internal control matters which come to our attention during the audit. Our comments and recommendations are set out in the attached report.

We would be pleased to discuss our recommendations and provide any assistance you may wish in their implementation.

Yours very truly,

A handwritten signature in black ink that reads "Deloitte LLP".

Chartered Professional Accountants
Licensed Public Accountants

Enclosure

c: Members of Council

Time entry input error

Observation

During our audit, we noted that an employee was able to enter an incorrect number of hours into the time entry system, which resulted in an overpayment of their paycheck. This was due to: 1) the time entry system not having restrictions on number of hours that can be entered in a day; and 2) the input error was not detected through either the approval or payroll review processes.

Recommendation

We recommend that the Town implement stronger time entry system controls to mitigate this type of input error from occurring in the future (for example, by restricting the daily hour input to a maximum number of hours). We also recommended that management conduct payroll reasonability reviews using the support of exception reports generated from their time entry system.

Management response

At the time of writing this response, we are of the understanding that our time entry system is not capable of having a maximum number of hours for entry, but we have contacted the software provider again to determine whether a solution is available. While we do have a payroll reasonability review process in place, we added an additional report summarizing hours for part-time staff which will be reviewed and approved prior to payroll processing. We will also implement a monthly review process summarizing hours and dollars paid to each employee, which will be signed off by the director of each department and returned to Corporate Services for review.

Appendix 5 – New and Revised Auditor Reporting Standards

On April 11, 2017, the Canadian Auditing and Assurance Standards Board (AASB) approved new and revised Canadian Auditing Standards (CASs) on auditor reporting which will be effective for audits of financial statements for periods ending on or after December 15, 2018 with earlier application permitted.

While a number of CASs were impacted, the most significant changes made relate to the following four standards:

- Revised CAS 700, Forming an Opinion and Reporting on Financial Statements
- New CAS 701, Communicating Key Audit Matters in the Independent Auditor's Report
- Revised CAS 720, The Auditor's Responsibilities Relating to Other Information
- Revised CAS 570, Going Concern

These CASs are based on the International Auditing and Assurance Standards Board's (IAASB) new and revised International Standards on Auditing (ISAs) that were effective for periods ending on or after December 15, 2016 however there are two significant differences:

1. Deferral of the effective date for application by one year, and
2. Amending the scope of reporting Key Audit Matters so that such matters are communicated in the auditor's report only when required by law or regulation or the auditor decides to do so.

The following sets out the enhancements made to the new Independent Auditor's Report

Changes to the Auditor's Report and new reporting requirements

For all audits

Auditor's opinion	• auditor's opinion moved from the end of the auditor's report to the very beginning
Auditor's independence and ethics	• an explicit statement of the auditor's independence in accordance with relevant ethical requirements and the auditor's fulfillment of other ethical responsibilities
Going concern	• a separate section under the heading "Material Uncertainty Related to Going Concern", when a material uncertainty exists related to an entity's ability to continue as a going concern and is adequately disclosed in the financial statements
Other information	• a separate section under the heading "Other Information", when an entity prepares other information (e.g., an annual report) containing or accompanying the entity's financial statements and auditor's report thereon, to explain management's and the auditor's responsibilities for the other information and the auditor's conclusion from reading and considering the other information
Roles and Responsibilities	<ul style="list-style-type: none">• an enhanced description of management's responsibilities for assessing the entity's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate• identification of those charged with governance (when applicable) and their responsibility for the oversight of the financial reporting process

	<ul style="list-style-type: none"> • an enhanced description of the auditor's responsibilities to conclude on the appropriateness of management's use of the going concern basis of accounting • an enhanced description of the auditor's responsibilities in an audit of group financial statements
For audits of entities where the auditor decides or law or regulation requires reporting of key audit matters	
Key audit matters	<ul style="list-style-type: none"> • a separate section under the heading "Key Audit Matters", when law or regulation requires the auditor, or the auditor decides, to communicate key audit matters in the auditor's report to those charged with governance that, in the auditor's judgment, were of most significance to the audit

We will work to provide Regional Municipality of Niagara and the Audit Committee with guidance on the implications of the new and revised auditor reporting standards.

Benefits

- **Transparency** into the audit and discussions between the auditor, those charged with governance, and management
- **More robust** discussions between auditors and those charged with governance
- **Enhanced** communications between all stakeholders including regulators
- **Relevant** auditor's reports and insights into the complexities of the entity
- **Comparability** across industries and audit firms
- **Improved** audit and financial reporting quality

Highlights of Changes to Performance Requirements with respect to Going Concern

Auditors are now required to evaluate the adequacy of management's disclosure in the financial statements for "close calls" related to going concern (i.e., when events or conditions were identified that may cast significant doubt of an entity's ability to continue as a going concern but due to management's plans, the auditor concluded that no material uncertainty exists).

The following are some considerations for those charged with governance to start discussing with their auditor.

Implementation considerations for those charged with governance

- **KAMs:** If applicable, this commentary in the audit report will have a significant impact on the timing of:
 - Meetings between the auditor and the Audit Committee to discuss risks, which will form the basis of KAMs
 - Meetings with the auditor to identify, discuss and challenge KAMs as early as possible, and
 - Review of the auditor's report as the process will likely be more rigorous.
- **Going Concern:** Increased auditor focus may heighten your scrutiny of management's process for assessing the entity's ability to continue as a going concern and the relevance and completeness of related disclosures in the financial statements, particularly for "close calls".
- **Other information:** Discuss with the auditor which documents will be within the scope of "other information", evaluate timeframes for drafting and finalizing these documents, and assess documents for consistency with financial statements to ensure factually correct and reasonable.

Resources

The AASB is currently working with CPA Canada and other groups to drive the effective implementation of the new standards through a broad range of communications, tools and guidance materials for stakeholders. CPA Canada has issued a number of [Audit and Assurance alerts](#) in June 2017 discussing key features of the changes and will be releasing a web portal devoted exclusively to the topic of implementing auditor reporting. Webinars and other publications will be issued throughout the remainder of the year, including an update expected in December incorporating the changes to the new auditor's report into a revised reporting guide, "[Reporting Implications of New Auditing and Accounting Standards](#)."

- Keep abreast of the Canadian project at www.cfr.deloitte.ca.
- Information relating to the new and revised CASs and conforming amendments to other CASs can be found on the [AASB website](#).

We encourage you to engage your engagement partner or any other member of the Deloitte Team with any questions or enquiries related to the new and revised auditor reporting standards.



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