

Audit and Budget Committee

Council Chamber 9909 Franklin Avenue, Fort McMurray Tuesday, December 03, 2013 4:30 p.m.

Agenda

Call to Order

Adoption of Agenda

New and Unfinished Business

- 1. 2013 Audit Plan
 - Rachel Gosse, Partner, Deloitte

Break (5:30 p.m. - 6:00 p.m.)

Delegations

2. Fort McMurray Airport Authority re: Request for Funding for Fort McMurray International Air Show

Adjournment



Administrative Briefing Request Form

Administrative Briefing Information:

An Administrative Briefing is an opportunity for Administration to present information to the Mayor and Councillors on matters falling under one of the exceptions to disclosure in the FOIP Act. There will be no debate, decision or direction from the Mayor and Councillors at any Administrative Briefing.

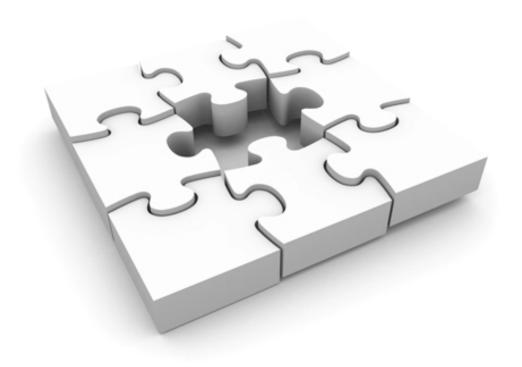
Please note that unless specifically requested, there will be a maximum of 10 minutes for each presentation with an additional 20 minutes allotted for questions from Elected Officials per item.

Department:	Finance Department	
Subject:	2013 Audit Plan	
Objective:	To present the 2013 Audit Plan to Council	
Summary of Issue:	Deloitte, LLP, are the auditors conducting the audit for the year ending December 31, 2013. The audit service plan to be presented by Deloitte, LLP is intended to assist Council in discharging their responsibilities with respect to the Consolidated Financial Statements. It also provides an opportunity to pose questions to the Auditor in a confidential setting.	
Attachments: (to be submitted with this form)	2013 Audit Plan, prepared by Deloitte, LLP.	
Presenters: (name, title and department)	Rachel Gosse, Partner, Deloitte, LLP	
Attendees: (name, title and department)	Elsie Hutton, CFO, Financial Services Division Kola Oladimeji, Director, Finance	
Proposed Administrative Briefing Date: November 19, 2013		
Approvals:		
Kola Oladimeji Director	Elsie Hutton Glen Laubenstein Executive Director Chief Administrative Officer	

Deloitte.

Regional Municipality of Wood Buffalo

2013 Audit Service Plan





Deloitte LLP 2000 Manulife Place 10180 - 101 Street Edmonton AB T5J 4E4 Canada

Tel: 780 421 3611 Fax: 780 421 3782 www.deloitte.ca

November 19, 2013

To the Mayor and members of Council of Regional Municipality of Wood Buffalo

Subject: Audit service plan for the year ending December 31, 2013

We are pleased to present our audit service plan for Regional Municipality of Wood Buffalo and its controlled entities ("RMWB") for the year ending December 31, 2013. This plan describes the Deloitte LLP ("Deloitte") audit plan. It also describes how our team will seek to create value for your organization.

Our engagement will include:

- Audit of RMWB's consolidated financial statements as at and for the year ending December 31, 2013, prepared in accordance with Canadian Public Sector Accounting Standards ("PSAS") and conducted in accordance with Canadian Generally Accepted Auditing Standards ("GAAS");
- Audit of RMWB's Municipal Financial Information Return;
- Audit of RMWB's compliance with requirements set forth in Local Authorities Pension Plan ("LAPP") *Pension e-guide* and instructions received from Alberta Pensions Services Corporation at December 31, 2013;
- Audit of Financial and Community Support Services ("FCSS") Programs;
- Audit of Schedule of Revenues and Eligible Expenditures of Community Plan on Homelessness for the year ending March 31, 2014; and
- Preparation of federal and provincial income tax returns.

Our responsibilities under Canadian GAAS are described in more detail in our audit engagement letter dated September 24, 2013.

We are proud of our relationship with RMWB. Our objective at Deloitte is to set the standard of excellence and our team is committed to providing an efficient, high-quality audit. We recognize and are sensitive to your expectations regarding cost management and quality. We will focus our efforts on higher risk areas and coordinate our activities with management and make every effort to achieve audit efficiencies



November 19, 2013 Page 2

We are providing this audit service plan to Council on a confidential basis. It is intended solely for the use of Council to assist them in discharging their responsibilities with respect to the consolidated financial statements and is not intended for any other purpose. Accordingly, we disclaim any responsibility to any other party who may rely on it.

We look forward to discussing our audit service plan with you and answering any questions you may have.

Yours truly,

Chartered Accountants

Veloite LCP

Rachel Gosse, CA Partner

Table of contents

Executive summary	
The Deloitte risk-based audit approach	
Audit scope	9
The Deloitte Client Service Commitment	13
Highly-talented team	15
2013 Summary audit timeline	16
Deloitte Portal	17
Appendix 1 – Communication requirements	19
Appendix 2 – Deloitte resources a click away	21
Appendix 3 – Financial reporting developments	23
Appendix 4 – Fraud and error questions	25

Executive summary

As your auditor, Deloitte will provide you with more than an opinion on your consolidated financial statements. We will also provide business insights regarding the challenging issues you face, based on our understanding of your organization and industry. We will be diligent about our independence and exercise our professional responsibilities in an efficient and effective manner.

The Deloitte audit approach adheres to applicable professional auditing standards and is risk-based and tailored to address the risks to financial reporting – the audit risks. Our audit approach involves consideration of the following:

Audit service plan – Key elements			
Audit scope	The audit planning and the preliminary risk assessment activities we conduct enable us to set the scope of our audit and to design procedures tailored to that scope. The scope of this audit is discussed in our detailed plan.		
Materiality	Materiality is the magnitude of misstatements, including omissions, in the consolidated financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the financial statement users. Judgments about materiality are made in the light of surrounding circumstances, and are affected by our perception of the information needs of the financial statement users, and by the size or nature of a misstatement, or a combination of both. We are responsible for providing reasonable assurance that your consolidated financial statements as a whole are free from material misstatement.		
	Materiality levels are determined on the basis of results of professional judgment and preliminary results of operations. Our preliminary estimate of materiality for the consolidated audit for the year ending December 31, 2013, is \$14,950,000 (2012 - \$5,600,000).		
	The following entities are consolidated in RMWB's financial statements and are considered components of the group. We are engaged to audit these entities:		
	 Regional Municipality of Wood Buffalo Library (the "Library") 		
	 MacDonald Island Park Corporation ("MIPC") 		
	 Wood Buffalo Housing & Development Corporation ("WBH&DC") 		
	We will report to Council all uncorrected misstatements greater than a clearly trivial amount of \$747,500 (2012 – \$280,000) and any misstatements that are, in our judgment, qualitatively material to the consolidated financial statements. In accordance with Canadian GAAS, we will request that misstatements, if any, be corrected.		
Audit risks	Our audit scope reflects the risks that we have identified at RMWB and our planned audit response to them.		
	The more significant of the risks that we identified as part of our strategic audit planning activities, together with our planned audit response, are set out in the body of this report.		
Fraud risk	In determining our audit strategy to address the assessed risks of material misstatement due to fraud, we will:		
	 Assign and supervise personnel, taking into account the knowledge, skill, and ability of individuals with significant engagement responsibilities and our assessment of the risks of material misstatement due to fraud for the engagement. 		
	 Evaluate whether the selection and application of accounting policies by your organization, particularly those related to subjective measurements and complex transactions, may be indicative of fraudulent financial reporting resulting from management's effort to manage earnings. 		

Audit service plan – K	ev elements
The state of the s	3. Incorporate an element of unpredictability in the selection of the nature, timing, and extent
	of our audit procedures.
	We will inquire directly of Council regarding their views about the risk of fraud, whether Council has knowledge of any actual or suspected fraud affecting RMWB, and the role it exercises in the oversight of management's antifraud programs.
	If we suspect fraud involving management, we will communicate these suspicions to Council and discuss the nature, timing, and extent of audit procedures necessary to complete the audit.
Internal control matters	We will obtain an understanding of internal control relevant to the audit. Although most controls relevant to the audit are likely to relate to financial reporting, not all such controls are relevant to the audit. It is a matter of professional judgment whether a control, individually or in combination with others, is relevant to the audit.
	We will communicate to Council in writing on a timely basis significant deficiencies in internal control identified during the audit.
Group audit	When designing our audit strategy, we also considered:
	 The financial significance or relative importance of the Library, WBH&DC, and MIPC to your organization as a whole
	 The complexity and nature of the operations, internal controls, and accounting issues at RMWB
	 The degree of centralization of processes and controls including the extent of relevant enterprise-level controls
	 The extent and nature of internal control deficiencies and financial statement misstatements identified in current and previous periods at RMWB
	Deloitte has been appointed as auditors of all the components in the group.
	In auditing RMWB's consolidated financial statements, we plan to rely upon the work performed during our statutory audit engagements of the controlled entities included in the government reporting entity. We will forward all findings of all material matters in our final communication to Council on the consolidated financial statements.
Use of the work of experts	Our audit engagement partners are supported with online resources as well as practice office and national office experts who assist our audit engagement teams when dealing with more complex technical, accounting, auditing, and reporting issues.
Audit team	The engagement team that will serve RMWB has extensive knowledge and experience with local government organizations. Our team also includes high-quality technical specialists and other professionals with specialized knowledge in the preparation of Canadian income tax returns, valuation experts, and control assurance specialists. We are committed to continuing to serve RMWB with quality and distinction.
Timetable	Our timetable is outlined on page 16 of this report.
Engagement letter	The terms and conditions of our engagement are included in the engagement letters to be signed on behalf of Council.
Complete engagement reporting	Upon the satisfactory completion of the audit, we will provide you with an independent auditor's report on your consolidated financial statements and other controlled entities.
	We will also provide reports to Council to assist them in fulfilling their responsibilities, as required by applicable auditing standards.
Communications	We have summarized our required communications with Council in Appendix 1. We expect to enjoy open and forthright communications with both management and Council, and will be pleased to respond to questions that are within our competencies as your auditor.

Other matters

Audit fees

Our proposed audit fees have been provided to management in our draft engagement letters.

Our fee estimate is consistent with our proposal dated July 26, 2011, and may be adjusted based on the final scope of the audit and our final determination of the audit procedures that we consider necessary to enable us to express an opinion on the consolidated financial statements. Our anticipated level of work and the associated fee estimate do not include the effect of any regulatory or other changes to existing auditing and accounting standards yet to be issued. Our fee estimates does not include estimated fees related to additional work that may be required due to RMWB's adoption of new financial reporting standards PS3410 (Revised) Government transfers and PS 3510, Tax Revenue applicable for the current year. We will provide management an estimate of fees for additional audit work, if any, once management assesses the impact of implementation on the consolidated financial statements.

Fees have been adjusted from 2012 for annual inflation.

Our objective is to conduct an efficient audit in accordance with Canadian GAAS. The time we have estimated for our audit assumes an optimum level of assistance from RMWB's staff and our commitment to fulfill our professional responsibilities and duties in an efficient manner. We have carefully considered all elements included within our audit plan and confirm that, in our judgment, all such procedures are appropriate and in line with Canadian GAAS.

Independence

We have developed important safeguards and procedures to protect our independence and objectivity.

We are independent of RMWB and we will reconfirm our independence in our final report to Council.

Management representations

We will obtain written and oral representations from management to complement our audit procedures. These representations are intended to confirm the information that is provided to us and reduce the possibility of misunderstanding.

New financial reporting standards

Two new financial reporting standards are applicable for the current year:

Public Sector Accounting Standards:

- Section PS 3410 (Revised), Government Transfers
- Section PS 3510, Tax Revenue

We will review management's assessment on the impact these standards may have on the financial reporting for the current year audit.

We have included in Appendix 3 the financial reporting developments which summarize the standards (both finalized and in development) that we believe are particularly relevant to RMWB.

Appendix 3 also provides, for each selected standard, key considerations and insights to assist you with your analysis of the potential impact of these activities on your financial reporting.

Management has determined that they will not early adopt any standards effective in future years.

Client service commitment

Deloitte's client service principles are designed to help us exceed the expectations of RMWB and Council. These principles are our framework for providing guidance to members of our engagement team and identifying our clients' unique preferences regarding the ways they want to work with us. Our client service commitments to serve RMWB have been developed together with management and are presented on pages 13 and 14 of this report.

The Deloitte risk-based audit approach

A consistent approach that supports a dynamic environment

Deloitte's audit approach is a systematic methodology that enables us to tailor our audit scope and plan to address the unique issues facing RMWB. Our risk-based audit approach is:

Partner-led	driven by our partners' experience and their detailed knowledge of your organization, with significant partner input at all stages of the audit
Focused	by identifying and designing appropriate audit procedures that focus on risks to the audit process for significant accounts, transactions, and disclosures as well as material misstatements to the consolidated financial statements
Quality focused	with a commitment to providing an uncompromisingly high level of professional and technical quality
Dynamic	tailored to respond to changing circumstances

There are four key phases within our systematic approach:

- 1 initial planning
- 2 assessing and responding to risk of material misstatement
- 3 developing and executing the audit plan
- 4 reporting and assessing performance

These steps are not necessarily sequential nor are they mutually exclusive. For example, once we have developed our audit plan and the audit is being performed, we may become aware of a risk that was not identified during the planning phase. Based on that new information, we would reassess our planning activities and adjust the audit plan accordingly.

1. Initial planning

The Deloitte audit approach begins with an extensive planning process that includes:

- assessing your current business and operating conditions
- understanding the composition and structure of your business and organization
- understanding your accounting processes and internal controls
- understanding your information technology systems
- identifying potential engagement risks
- planning the scope and timing of internal control and substantive testing that take into account the specific identified engagement risks
- · coordinating our activities with external parties

The Deloitte audit difference

Heightened attention to the effectiveness of our procedures yields improved efficiency of the overall audit.

A better audit planning process features increased partner and manager involvement in risk assessment and the pinpointed identification of the underlying risk of material misstatement for significant account balances and disclosures.

Improved design of control and substantive tests provides:

Tailored procedures

Better linkage between identified risks of material misstatement, controls that respond to the risks, and substantive testing

Focus on risks and the elimination of testing that offers little additional audit assurance.

Development of a sampling methodology that is risk-based and easy to implement enables us to perform appropriate, but not excessive, audit procedures.

Increased on-the-job training enhances our professionals' understanding of the objectives of specific audit tests and their ability to make well-reasoned professional judgments.

Understanding your business and accounting processes

Our understanding of your business and accounting processes will be performed based on interviews with senior management to identify areas of risk, significant transactions, and/or changes in your business. Naturally, our audit will take into account specific items of particular interest raised by management as well as areas of concern that Council identifies.

2. Assessing and responding to engagement risk

Our audit approach combines an ongoing identification of risks with the flexibility to adjust our approach when additional risks are identified. Since these risks may impact our audit objectives, we consider materiality in our planning to focus on those risks that could be significant to your financial reporting.

Risk assessment

The risks that we have identified to date, and which will be addressed when conducting the audit, are summarized in the Audit Scope section beginning on page 9. As we perform our audit, we will update our risk assessment and will inform Council and management of any significant changes to our risk assessment and any additional risks that are identified.

Consideration of the risk of fraud

Fraudulent acts include the deliberate failure to record transactions, the forgery of records and documents, and intentional misrepresentations made to our audit engagement team. Fraud may include intentional acts by management or employees acting on behalf of RMWB, as well as employee fraud if management or employees are involved in actions that defraud RMWB. Deloitte does not assume that management is dishonest nor do we assume unquestioned honesty. Rather, in accordance with Canadian GAAS, we exercise professional scepticism and recognize that the conditions we observe and evidential matter we obtain, including that obtained from prior audit engagements, need to be objectively evaluated to determine whether the consolidated financial statements are presented fairly in all material respects.

Maintaining an attitude of professional scepticism means that we carefully consider the reasonableness of the responses we receive to our inquiries from those charged with governance, and evaluate other information obtained from them in light of the evidence we obtain during the audit. When we identify a misstatement or control deficiency, we consider whether it may be indicative of fraud and what the implications of fraud and significant error are in relation to other aspects of the audit, particularly the reliability of management representations.

Because of the inherent limitations of internal control over financial reporting ("ICFR"), including the possibility of collusion or improper management override of controls, it is possible that material misstatements due to error or fraud may not be prevented or detected on a timely basis. Accordingly, the assurance an auditor provides concerning the lack of misstatements arising from fraud is necessarily lower than the assurance provided concerning those arising from an error.

Benefits of pinpointing risk

Professional standards and our policies require an audit response for each significant account and relevant assertion. Performing our risk identification at this level helps us pinpoint risk and develop a well-tailored, integrated response for both significant and normal risk areas

Client service

Helps us identify opportunities to refine our assessment of risks and controls.

Enables value-added feedback on industry insights, business issues, and risks that could have an impact on your business.

Quality

Focuses our use of the right specialists to address audit areas of specific risk.

Drives an approach that covers both controls and substantive responses.

Facilitates the identification of more effective methods of auditing.

Efficiency

Creates a targeted response for significant risk areas and normal risk areas, aligning audit effort with the risk

Facilitates the identification of more efficient methods of auditing, including opportunities to integrate testing procedures.

Information technology

An important part of our audit planning process involves gaining an understanding of:

- 1. the importance of the computer environment relative to the risks to financial reporting,
- 2. the way in which that environment supports the control procedures we intend to rely on when conducting our audit, and
- 3. the computer-based information that supports our substantive procedures.

The objective of our review of computer controls is to identify potential areas of risk and assess the relevance, reliability, accuracy, and completeness of the data produced by the systems. We also assess the operating effectiveness of the computer environment and determine the reliability of the financial information used to generate the consolidated financial statements. To accomplish this, we gain an up-to-date understanding of your organization's computer processing environment and our understanding of the relevant general computer controls. We then conduct tests to support our conclusion on the operating effectiveness of controls considered relevant to the audit.

We will assess the design and effectiveness of general computer controls in the following areas:

- 1. data centre and network operations
- 2. system software acquisition, change, and maintenance
- 3. program change
- 4. access security
- 5. application system acquisition, development, and maintenance

3. Developing and executing the audit plan

The performance of an audit includes evaluating the design and determining the implementation of internal controls relevant to the audit, testing the operational effectiveness of the controls we intend to rely on, and performing substantive audit procedures.

Audit procedures

The timing of our audit procedures is dependent upon a number of factors including the need to coordinate with management for the provision of supporting analysis and other documentation. Generally, we perform our audit procedures to allow sufficient time to identify significant issues early, thereby allowing more time for analysis and resolution.

For example, we anticipate performing focused audit procedures on account balances and disclosures involving significant and complex transactions, such as revenue recognition, accounts payable cut-off and tangible capital assets recording.

Tests of controls

As part of our audit, we will review and evaluate certain aspects of the systems of ICFR to the extent we consider necessary in accordance with Canadian GAAS. The main objective of our review is to enable us to determine the nature, extent, and timing of our audit tests and establish the degree of reliance that we can place on selected controls. An audit of financial statements is not designed to determine whether internal controls were adequate for management's purposes or to provide assurance on the design or operational effectiveness of ICFR.

The extent to which deficiencies in internal control may be identified through an audit of financial statements is influenced by a variety of factors including our assessment of materiality, our preliminary assessment of the risks of material misstatement, our audit approach, and the nature, timing, and extent of the auditing procedures that we conduct. Accordingly, we gain only a limited understanding of controls as a result of the procedures that we conduct during an audit of consolidated financial statements.

We will inform Council and management of any significant deficiencies that are identified in the course of conducting the audit, regardless of whether they were identified by us or management.

Substantive audit procedures

Our substantive audit procedures consist of a tailored combination of analytical procedures and detailed tests of transactions and balances. These procedures take into account the results of our controls testing and are designed to enable us to obtain reasonable assurance that the consolidated financial statements are free from material misstatements. To obtain this assurance, misstatements that we identify while performing substantive auditing procedures will be considered in relation to the consolidated financial statements as a whole. Any misstatements that we identify, other than those that are clearly trivial (the threshold has been set at \$747,500), will be reported to management and Council. In accordance with Canadian GAAS, we will request that misstatements be corrected.

Use of work of experts

Our audit engagement team is supported with online resources as well as practice office and national office experts who will assist the team in dealing with more complex technical, accounting, auditing, and reporting issues.

4. Reporting and assessing performance

Perform post-engagement activities

We will analyze the results of the audit procedures performed throughout the year and, prior to rendering our report, we will conclude whether:

- the scope of the audit was sufficient to support our opinion
- the misstatements identified during the audit do not result in consolidated financial statements being materially misstated

Material adjustments and control deficiencies

Our audit plan allows for constructive, timely feedback to management regarding matters deserving their attention, including information about material adjustments to the consolidated financial statements or disclosures and deficiencies in internal control noted in the conduct of the audit. Page 16 outlines our timing for the 2013 audit.

As discussed, our audit procedures focus on the risks of material misstatement. If there are additional areas of concern or interest to Council or management, we will adjust our audit plan to include those areas.

Obtain management representations

We will obtain written and oral representations from management to complement our audit procedures. These representations are not a substitute for the application of our audit procedures; instead, they are intended to confirm the information provided to us and reduce the possibility of misunderstanding.

Complete engagement reporting

After the satisfactory completion of appropriate audit procedures, we will provide an audit report on your consolidated financial statements.

We also provide reports to Council to assist them in fulfilling their responsibilities as required by applicable auditing standards. Appendix 1 summarizes the required communications between Deloitte and Council.

Deloitte's client service principles include providing management and Council with insights into the condition of the business and offering meaningful suggestions for improvement. We will report these insights and suggestions to the appropriate members of management and/or Council for their consideration.

To enable us to determine how well we have achieved our client service objectives, including an assessment of the quality of our audit engagement, we actively solicit feedback from our clients. This feedback will be obtained either through meetings with members of Council and management or their completion of questionnaires.

Your feedback enhances our understanding of your expectations of us through your evaluation of our performance. The information you provide helps us to refine our client service objectives to ensure that we remain focused, responsive, and proactive in meeting your needs while fulfilling our professional responsibilities.

Deloitte enjoys a solid reputation for our **commitment to quality**. Key factors supporting that reputation include:

- A strong tone at the top
- A comprehensive ethics and compliance program
- An uncompromising approach to quality in client service
- Communication of and adherence to professional standards and client service principles
- A mature client feedback program
- A multifaceted approach to monitoring independence
- A robust technical consultation approach
- National office consultation regarding areas of high risk or areas that require significant judgment
- Technical training for our professionals
- An annual internal inspection process for audit engagements
- Continuous improvement based on lessons learned and client feedback

Audit scope

Designed to obtain reasonable assurance and address the risks of material misstatements.

An audit is designed to search for potential misstatements that, individually or collectively, are material. This is done by determining a specific threshold for each engagement and considering other qualitative factors. The threshold amount is also used to evaluate the significance of uncorrected misstatements ("passes" misstatements and reclassifications).

Materiality

Our overall materiality level is used in our assessment of significant accounts and locations where audit effort is necessary and is based on the results of operations for RMWB. Our materiality for planning and determining the audit scope for 2013 has been initially set at \$14,950,000. We will design our work so as to consider material items appropriately and to detect potential adjustments that, individually or in combination with others, would be material to the consolidated financial statements. In accordance with Canadian GAAS, we will request the correction of any misstatements.

If the amount of uncorrected misstatements detected when conducting our audit exceeds that which we anticipated when we planned the audit, we may need to revise the scope of our audit. Should such a situation arise, we will discuss the matter with management on a timely basis in order to agree upon the appropriate course of action.

Risk assessment

We compile information from a variety of sources, including discussions with management and Council, to identify risks to RMWB's financial reporting process that may require attention. Our preliminary risk assessment took into account:

- key business developments and transactions (internal and external)
- current business, regulatory, and accounting pronouncements and developments
- · key management strategies and business plans
- prior years' audit results
- · areas of significant judgment and risk

The results of our audit planning and risk assessment drive the scope and timing of the auditing procedures.

Our audit planning activities and our preliminary identification of audit risks enables us to set the scope of our audit and to design audit procedures tailored to the identified risks to financial reporting. The table below sets out the more significant risks to financial reporting that we have identified, with management's support, during our preliminary planning activities. The table also includes our proposed response to each risk. Our planned audit response is based on our assessment of the likelihood of a risk's occurrence, the significance should a misstatement occur, our determination of materiality, and our prior knowledge of RMWB.

Significant areas of audit risk	Our proposed audit response
Completeness, accuracy, and timing of revenue recognition	 We will review the revenue recognition policy for compliance with PSAS.
	 We will review a sample of revenue transactions and revenue generating agreements to ensure the revenue is recognized in accordance with the policy and PSAS.
Completeness and accuracy of grants and contributions and timing of revenue recognition	 We will review grant agreements to ensure funds are used for their intended purpose and that revenue is recognized in the appropriate period.
	 We will test expenditures and ensure related deferred revenues have been recognized.
	 We will specifically review provincial and municipal contributions received during the year and ensure the amounts are appropriately recorded.
Completeness, accuracy, recording and valuation of tangible capital assets	 We will review RMWB's tangible capital asset policies for compliance with PSAS and consistency of application year over year.
	 We will review RMWB's current year transactions, adjustments, and related disclosure. Our testing will include, on a sample basis, reviewing amounts capitalized in the current year to ensure only amounts that meet the requirements for capitalization are included. We will also review a sample of items recorded as repairs and maintenance to ensure these amounts are appropriately expensed.
	 We will review the amortization rates and useful lives determined by management for reasonableness.
	We will review for indicators of impairment.
	 We will review general and administrative costs capitalized during the year to assess compliance with PSAS.
	 We will test a sample of capital additions recorded as betterments to confirm they are appropriately treated as capital rather than expense in nature.
	 We will test construction in progress and transfers made to completed tangible capital assets and will confirm they are appropriately treated and complete.
Completeness of and recording of tangible capital asset disposals and write-downs	 We will review a sample of recorded asset disposals and write- downs to ensure gains, losses, and proceeds are correctly recorded. In addition, we will review Council minutes to identify approved asset disposals as well as hold discussions with asset managers to identify potentially unrecorded disposals.
Valuation and completeness of contributed assets	 We will review RMWB's process to ensure completeness of developer assets recorded. We will test a sample of Final Acceptance Certificate ("FAC") issued around year-end to ensure assets are recorded in the appropriate period.
	 We will review RMWB's methodology to determine the fair value of contributed assets and test the assumptions in the valuation models.

Significant areas of audit risk	Our proposed audit response
Consolidation of controlled entities	 We will review RMWB's accounting policies related to recording the results of operations of its controlled entities.
	 We will verify that the controlled entities have been accounted for and disclosed in accordance with the RMWB's accounting policies and PSAS.
	 We will review RMWB's assessment of the impact of the change in accounting framework of the controlled entities on the consolidated financial statements.
Completeness, accuracy, and presentation of controlled entities	 We will review management's process to identify and account for controlled entities.
	 We will review minutes to determine any potential controlled entities.
Completeness of accounts payable and accrued liabilities	 Risk of misstatement is significant due to system conversion issues identified in prior year.
	We will test disbursements made subsequent to year-end.
	 We will confirm year-end accounts payable balances with significant suppliers.
	 We will review management's process to reconcile and record manual EFTs, transactions, accounts payable, and purchase order transactions recorded through "holding" accounts.
Accuracy and recording of payroll related accruals	 We will review collective agreements to test management's identification of potential liabilities. We will review system rate tables for accuracy of rate changes made in the year.
Completeness of accruals and contractual obligations disclosed	 Contracting is decentralized within RMWB and the ability to enter into contracts resides within several departments.
	 We will review RMWB's process to ensure the completeness of contracts entered into.
	 We will review information independent of finance to identify contractual agreements.

Group audit considerations

An audit is designed to search for potential misstatements that, individually or collectively, are material. Some of the factors we consider in determining the audit scope at RMWB include:

- the existence of significant risks
- a consideration of significant accounts and disclosures using materiality levels that are appropriate to support our audit opinion on your organization's consolidated financial statements
- the complexity and nature of the operations, internal controls, and accounting issues at the controlled entities
- the degree of centralization or decentralization of processes and controls, including the extent of relevant enterprise-level controls
- the extent and nature of internal control deficiencies and financial statement misstatements identified in current and previous periods at controlled entities

Based on our analysis of these risks, we have determined the scope of work we consider necessary to provide an appropriate basis for our audit opinion on the consolidated financial statements.

Audit scope uncertainty

Our audit service plan is based on several assumptions. Circumstances may arise during the engagement that could significantly affect the scope, extent, and timing of our audit procedures. These circumstances may include, but are not limited to, the following:

- the quality of RMWB's accounting records deteriorates during the current year engagement compared to the prior year engagement
- significant deficiencies are identified in RMWB's internal control that result in the expansion of our audit procedures
- · a significant level of proposed audit adjustments is identified during our audit
- significant new issues or changes arise, such as:
 - new accounting issues
 - changes in accounting policies or practices from those used in prior years
 - events or transactions not contemplated in our budgets
 - changes in RMWB's financial reporting process or IT systems
 - changes in RMWB's accounting personnel, their responsibilities, or their availability
 - changes in auditing standards
 - changes in RMWB's use of experts or the specialists and/or their work product does not meet the qualifications that Canadian GAAS requires for us to be able to use their work
- changes in the audit scope caused by events that are beyond our control.

If any of these or similar such circumstances arise during the course of our audit, we will discuss them on a timely basis with management and provide Council with a report regarding the impact on our audit at its next scheduled meeting. Matters that we consider to be significant and that may be sensitive from a reporting timing perspective will be communicated immediately to the Mayor and Council.

The Deloitte Client Service Commitment

Seamless and effective delivery focused on your specific needs

RMWB is important to Deloitte. Your organization is unique and it deserves a customized approach to the services we provide. Our service plan is built on a tailored set of service commitments that quide the delivery of every aspect of our audit services. Our client service assessment, which is central to our philosophy, emphasizes the importance of listening to your expectations, reassessing your needs based on the feedback you provide to us in the assessment process, and responding with actions and results. We strive to continually raise the bar by improving processes and adding value while delivering an effective and efficient audit.

Our approach to client service excellence

At Deloitte, our objective is to execute our audit in a way that meets our professional standards and also creates a positive client experience.

Our client service principles provide the framework for guiding and coaching members of our engagement team, and identifying our clients' unique preferences regarding the ways they want to work with us. These principles enable our engagement teams to focus on client service excellence.

Our client service principles

We will:

- make and meet our commitments to you by...
 - working with you to clearly define your expectations
 - delivering what is agreed upon
 - being easily accessible to you
 - providing valuable responses to all your inquiries
 - ensuring timeliness and accuracy in our billings
- understand your business and what is important to you by...
 - anticipating your needs
 - understanding the unique characteristics of your business industry and operating circumstances
- provide value and build trust through technical competence and consistent results by...
 - instilling confidence and trust in the quality of our work
 - providing you with up-to-date professional expertise
 - providing value to your enterprise
 - providing insights into the condition of the business and meaningful suggestions for improvement

- demonstrate professionalism through effective interaction and communications by...
 - keeping you informed of project status
 - performing as a well organized team
 - working collaboratively with you
- provide a no surprises experience by...
 - · proactively addressing issues
 - providing timely communication of changes to fees
 - effectively managing changes to the service team

At the conclusion of our audit, or at any time during the engagement, we invite you to assess our performance against these principles through our client feedback process.

Highly-talented team

The roles and responsibilities of the individuals who lead our audit team are:

Rachel Gosse

Lead Engagement Partner Phone Number: 780 421 3682 Email address: rgosse@deloitte.ca

Rachel is responsible for coordinating our audit team to ensure we provide high quality, efficient audit services to RMWB. She has served a number of audit clients in the municipal and public sector and has extensive knowledge of PSAS.

Peter-John (PJ) Barclay

Audit Manager

Phone Number: 780 421 3777 Email address: pjbarclay@deloitte.ca

PJ is experienced with accounting and financial reporting in accordance with the recommendations of the PSAS. He has managed several audit clients in the Municipal and Public Sector in Alberta and South Africa.

Assad Khan

Engagement Assistant Manager Phone Number: 780 421 3606 Email address: assakhan@deloitte.ca

Assad is responsible for executing a high-quality audit. He is experienced with accounting and financial reporting in accordance with the recommendations of PSAS. Assad has served several public sector clients and has detailed knowledge of RMWB's audit. He is responsible for daily engagement management.

Bob Boyne

Audit Senior

Phone Number: 780 421 3886 Email address: bboyne@deloitte.ca

Bob supervises the audit team in the field and deals with the day-to-day issues that arise. He has two years' experience with the Municipality and experience with other clients in the public sector.

Sanjeev Rajani

Audit Senior

Phone Number: 780 421 3724 Email address: srajani@deloitte.ca

Sanjeev supervises the audit team in the field and deals with the day-to-day issues that arise. He has two years' experience with the Municipality and experience with other clients in the public sector.

2013 Summary audit timeline

This calendar indicates our various procedures and meetings as planned throughout the year:

Activity	Date
Engagement letter is submitted to management to sign on behalf of the Mayor and Council	September 24, 2013
Planning meeting, as required, to discuss year-end audit and to finalize 2013 audit plans	October 9, 2013
Presentation of audit plan to RMWB Council	November 19, 2013
Interim audit procedures to perform testing of the design and implementation of internal controls, substantive procedures, and the preparation of confirmations	November 18-29, 2013
Interim audit findings discussed with management	Early January 2014
Commence year-end field work – consolidated financial statements, Municipal Financial Information Return, LAPP, and FCSS	March 10, 2014
Provision of draft independent auditor's report and recommendations to management	April 4, 2014
Administrative briefing to Council	April 15, 2014
Presentation of final consolidated financial statements by management, audit findings, and independent auditor's report to the Mayor and Council	April 22, 2014
Anticipated independent auditor's report date	April 28, 2014
Issuance of 2013 management letter	By May 31, 2014
Preparation of the federal and provincial income tax returns	By June 13, 2014

Deloitte Portal

We strive to exceed your expectations and to leverage Deloitte resources to help you achieve your objectives.

The Deloitte Portal provides our clients and others with fast, direct access to Deloitte knowledge, tools, specialized sites, e-newsletters, webcasts and other external resources in four main areas:

- financial information
- corporate governance
- learning resources
- periodicals

We have noted that management takes its financial reporting responsibilities seriously. Efficient audits result when clients "get it right" in the first instance. Our audit plan takes into account management's role in effectively monitoring changes in the business, changes in accounting and financial statement requirements, and other needs as they arise.

Access to the tools available through the Deloitte Portal, such as the financial reporting disclosure checklists and the accounting standards setting activities digests, facilitates the efficient and accurate preparation of consolidated financial statements. This helps avoid the need for costly, disruptive corrections resulting from audit findings and enables our audit professionals to focus on the required testing. Through the Deloitte Portal, you will also receive timely communication of needed information and quick access to a wide variety of resources to help your organization accomplish a variety of other tasks in addition to those related to your financial reporting.

Appendix 2 presents an illustrative list of the Deloitte Portal materials most frequently accessed. The top sites visited include those shown below:



Deloitte Learning Academy helps you keep up to date with the financial reporting knowledge and tools you



Deloitte Updates are informative, interactive webcasts conducted by Deloitte professionals to provide executives with new information and discussions about financial reporting and regulatory developments.



Deloitte's **Directors' Series** events are live satellite broadcasts to locations across the country to help Canadian corporate directors keep up with their learning requirements in a time of frequent change and new demands.



Centre for Corporate Governance is a web site specifically designed to help directors with their responsibilities.

Access to the Deloitte Portal is literally "a click away" using the following link www.deloitte.com/ca/portal.

Appendix 1 – Communication requirements

The table below summarizes our communication requirements under Canadian GAAS and other communications that we believe would help us achieve an effective audit.

Required communication		Timing of communication	
		Each period the event occurs	Annually
1.	Our responsibilities under Canadian GAAS		•
2.	Our audit service plan, including our approach to auditing financial information of components of the group audit and our planned involvement in work performed by component auditors		•
3.	Management judgments and accounting estimates		•
4.	Financial statement adjustments		•
5.	Uncorrected misstatements		•
6.	Significant accounting policies		•
7.	Alternative treatments for accounting policies and practices that have been discussed with management during the current audit period	•	•
8.	Our views about significant qualitative aspects of RMWB's accounting practices, including accounting policies, accounting estimates, and financial statement disclosures	•	•
9.	Disagreements with management	•	•
10.	Our views about significant matters that were the subject of consultation with other accountants	•	
11.	Major issues discussed with management prior to our retention	•	•
12.	Significant difficulties, if any, encountered during the audit		•
13.	Significant deficiencies in internal control, if any, identified by us during the interim period in the conduct of the audit of the consolidated financial statements	•	•
14.	Material written communications between management and us		•
15.	Illegal or possibly illegal acts	•	

Required communication	Timing of communication	
	Each period the event occurs	Annually
16. Fraud or possible fraud identified through the audit process	•	
 Significant transactions inconsistent with ordinary business, including controlled entities 	•	
Non-compliance with laws and regulations that come to our attention	•	
19. Communication in writing to Council regarding any areas we became aware of where the oversight of RMWB's external financial reporting and ICFR by RMWB's Council may be ineffective		•
20. Limitations placed on our scope		•
21. Written representations we are requesting		•

Appendix 2 – Deloitte resources a click away

At Deloitte we are devoted to excellence in the provision of professional services and advice and to focusing on client service. To this end, we have developed numerous resources, which contain relevant and timely information accessible by our clients. Provided below is an overview of these resources, which are available through the Deloitte Portal.

Canadian resources	Audience	Description and frequency
Centre for Corporate Governance www.corpgov.deloitte.ca	Audit Committee membersBoard membersCEO/CFOInternal auditorsLegal counsel	Web site specifically designed to help board members with their responsibilities.
DeloitteLINK www.deloitte.com/ca/DeloitteLINK	CFOV-P FinanceControllerFinancial reporting team	 Weekly e-newsletter that helps the finance team to stay on top of standard-setting initiatives.
Deloitte Update www.deloitte.com/ca/update	CFOV-P FinanceControllerFinancial reporting team	 Learning webcasts offered throughout the year featuring Deloitte professionals discussing critical issues that affect your business.
Directors' Series www.deloitte.com/ca/DirectorsSeries	 Audit Committee members Board members CEO/CFO Internal auditors Legal counsel 	 A program that enables Canadian corporate directors to keep up with their learning requirements in a time of frequent change and new demands. Directors are provided with ready-to-use information and tools to help them discharge their responsibilities.
On the Agenda	Audit Committee membersCEO/CFOInternal auditorsLegal counsel	Bi-monthly e-newsletter for directors that focuses on recent developments affecting their responsibilities, including the points of view of Deloitte professionals.
Standard-Setting Activities Digest www.deloitte.com/ca/standards	CFOV-P FinanceControllerFinancial reporting team	Monthly online updates on recent developments in standard-setting from a comprehensive list of standard-setting organizations.

Private enterprise resources	Audience	Description and frequency
Privately Speaking	CFOControllerFinancial reporting teamOther accounting professionals	 Important news and relevant commentary for owners and managers of privately owned companies.
Not-for-profit organization resources	Audience	Description and frequency
A state of change	CFOControllerFinancial reporting teamOther accounting professionals	 Bi-monthly newsletter that helps readers understand the impact of changes in accounting standards, rules and regulations on their organizations.
Government resources	Audience	Description and frequency
Public Sector Financial Management Series	CFOControllerFinancial reporting teamOther accounting professionals	 Seminar series to share thoughts and experiences that you and your finance team can use to navigate the current financial environment.

Appendix 3 – Financial reporting developments

Public sector accounting standards

Fin	al Standards	Effective Date	
	ction PS 1201, Financial Statement sentation	Fiscal years beginning on or after for:	
120 new	new Section PS 1201 replaces existing Section PS 0, Financial Statement Presentation, and includes a statement of remeasurement gains and losses. The statement will report:	Government organizations: - April 1, 2012	
i)	Unrealized gains and losses associated with financial instruments in the fair value category;	Governments: - April 1, 2015	
ii)	Exchange gains and losses associated with monetary assets and monetary liabilities denominated in a foreign currency that have not been settled;		
iii)	Amounts reclassified to the statement of operations upon derecognition or settlement; and		
iv)	Other comprehensive income reported when a public sector entity includes the results of its government business enterprises and government business partnerships in the summary financial statements.		
Sec	ction PS 2601, Foreign Currency Translation	Fiscal years beginning on or after for: Government organizations: - April 1, 2012 Governments: - April 1, 2015	
	new Section PS 2601 replaces existing Section PS 0, Foreign Currency Translation.		
Majo	or changes from Section PS 2600 include:		
i)	Elimination of deferral and amortization of unrealized gains and losses arising from foreign currency translation before settlement;		
ii)	Withdrawal of hedge accounting as it is unnecessary under the new treatment of unrealized gains and losses; and		
iii)	Separating realized and unrealized foreign exchange gains and losses and reporting them in different statements.		
Sec	ction PS 3260, Liability for Contaminated Sites	Fiscal years beginning on or after April 1, 2014	
mea rela	new Section PS 3260 establishes recognition, surement and disclosure standards for liabilities ting to contaminated sites of governments and those anizations applying the PSA Handbook.	7.pm 1, 2017	

Public sector accounting standards

Final Standards	Effective Date
Section PS 3410 (Revised), Government Transfers	Fiscal years beginning on or after April 1, 2012
In December 2010, the PSAB approved a final standard to replace existing Section PS 3410, which establishes standards on how governments should account for and report government transfers to individuals, organizations and other governments from both a transferring government and a recipient government perspective.	
Section PS 3450, Financial Instruments This new accounting standard Section PS 3450 provides comprehensive guidance on the recognition, measurement, presentation and disclosure of financial instruments, including derivatives.	Fiscal years beginning on or after for: Government organizations: - April 1, 2012 Governments:
	- April 1, 2015
Section PS 3510, Tax Revenue This new Section PS 3510 establishes recognition, measurement, presentation and disclosure standards relating to tax revenue reported in financial statements.	Fiscal years beginning on or after April 1, 2012

Appendix 4 – Fraud and error questions

Dear Council:

Audit procedures related to fraud and error

Under Canadian Institute of Chartered Accountants Handbook Canadian Auditing Standard 240, The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements, we are required to engage in direct communication with Council with respect to fraud and error.

As part of our audit work on Regional Municipality of Wood Buffalo ("RMWB") consolidated financial statements, we would request your response, in your capacity as members of Council, to the following questions:

- 1. Does Council have knowledge of any actual, suspected of alleged fraud or error affecting RMWB?
- 2. What is the role that Council exercises in oversight of:
 - a) Management's processes for identifying and responding to the risks of fraud and error in RMWB;
 - b) The internal controls that management has established to mitigate those risks?
- 3. What is Council's understanding of the risks of fraud in RMWB, including any specific fraud risks identified or account balances or classes of transactions for which a risk of fraud may be likely to exist?

We would appreciate a response to the above by December 16, 2013. Responses can be in the format of your preference. Please direct your responses to rgosse@deloitte.ca or to the address noted below:

Deloitte LLP 2000 Manulife Place 10180 – 101 Street Edmonton AB T5J 4E4

Attention: Rachel Gosse

Thank you for your co-operation and patience in assisting us to comply with these audit standards.

www.deloitte.ca Deloitte, one of Canada's leading professional services firms, provides audit, tax, consulting, and financial advisory services. Deloitte LLP, an Ontario limited liability partnership, is the Canadian member firm of Deloitte Touche Tohmatsu Limited. Deloitte operates in Quebec as Deloitte s.e.n.c.r.l., a Quebec limited liability partnership. Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms. © Deloitte LLP and affiliated entities.



Dear Mayor Blake,

Fort McMurray will celebrate the Grand Opening of its new *State of the Art International Airport* from May 31st to June 1st 2014.

We are unveiling this World Class Facility with one of the greatest Aerial Shows ever seen in Alberta combined with an evening Gala that will showcase the new Terminal and its facilities.

Canada's fastest growing airport will introduce itself to the world and will attract National media attention, with an estimated audience of 50,000 people in attendance.

This will be a spectacular community event, with all net proceeds (a minimum of \$100,000) going to local charities. This will be a one time event remembered for years to come.

Craig Bussey

Chair Fund Raising Committee

Please review the attached package. We will be contacting you in the coming days about this unique opportunity that you can play a key role in. We sincerely hope you will support this historic event that will change air travel forever in the Wood Buffalo Region.

Best Regards,

Scott Clements President & CEO

Fort McMurray Airport



Air Show Sponsorship Package

May 31 & June 1 2014 • Fort McMurray, Alberta



AIR SHOW SPONSORSHIP OPPORTUNITIES

Our sponsorship package offers an excellent opportunity to gain exposure as an outstanding member and supporter of the Fort McMurray community. Please consider the Presenting sponsor package below.

SPONSORSHIP PLACEMENT	PRESENTER \$250K
Available Opportunities	1
Premium Air Show seats	Corporate Chalet (150 passes/day)
Presented by in all event references	→
Corporate Logo on all event signage	+
Employee ticket discount program	+
Aerobatic Flight with a civilian Air Show Performer	2
Corporate Logo in media advertising	+
Corporate Logo on souvenir poster	→
20 second commercial played during Air Show	1/hour
On-Site Exhibit Space	→
'Thank-you' banner in new YMM Terminal	→
On-Site Corporate Banner Advertising	20
VIP Parking Passes during Air Show	75/day
Advertising space in souvenir program	back cover & full page
Tickets to Performer Reception	30
Logo on 'Thank you' ad in the July Issue of YMM Magazine	>
Mention in Public Addresses during Air Show	→
Corporate Logo on sponsor page in program	+
Live link on the Air Show & Fort McMurray Airport websites 'Sponsor' page	>

PRESENTING SPONSOR

Investment: \$250,000

Opportunities Available: 1



This will be a co-sponsorship with the Fort McMurray Airport. VIP treatment with a Corporate Chalet, flights at great heights and employee ticket discounts.

- Corporate Chalets are fully catered so you and your one hundred fifty friends will never miss any of the action.
- The only sponsor that gets a corporation reference every time the Air Show is mentioned. "The Fort McMurray International Air Show presented by [your corporation] and the Fort McMurray Airport".
- > Your Corporate Logo will appear on all event signage.
- This will be the premiere event of the 2014 Spring/ Summer in Wood Buffalo. Give your employees a 25% discount on any general admission tickets.
- Two (2) Familiarization Flights with a civilian Air Show Performer. May 29 or 30, 2014 (based on availability and weather).
- Corporate Logo or name in all media advertising promoting the event.
- Corporate Logo on the souvenir Air Show poster.
- Public Announcement and commentary will be made during the Air Show. Your corporation will be able to supply a 0:20 second commercial that will be played once per hour every hour of the Air Show.
- An area will be set aside for trade show displays and exhibits. Your corporation will have space available for an on-site exhibit.
- Once the new YMM Terminal opens on June 9, 2014 a banner thanking the major sponsors of the Air Show will hang in the main entrance for 30 days. Your corporation will be singled out as the co-presenter with the Fort McMurray Airport.

- Reserved banner advertising space for twenty of your own corporate banners on Air Show grounds.
- Parking made easy with 75 VIP parking passes per day.
- The souvenir Air Show program will be what every person attending takes home with them. Your corporation will have the back cover and the first page of the program for your own advertising.
- The performers reception on the Friday night before the Air Show starts—May 30, 2014—will be an exclusive event. Your corporation will have 30 tickets to the event.
- Your Corporate Logo will be singled out as the co-presenting sponsor in the 'Thank-you' ad that will appear in YMM Magazine after the Air Show.
- Your corporation will be mentioned during Public Addresses during the Air Show
- Your Corporate Logo will appear as the co-presenting sponsor on the sponsor page of the souvenir program with the Fort McMurray Airport.
- A live link on the sponsor page of the Fort McMurray Airport website and the Air Show website. http://fortmacairshow.ca/

