



## **The Corporation of the Town of Whitby** Report on the results of the 2023 audit

To be presented on August 12, 2024

July 29, 2024

## Private and confidential

To the Members of the Audit Committee of the Corporation of the Town of Whitby  
575 Rossland Road  
Whitby ON L1N 2M8

## Report on audited annual consolidated financial statements

We are pleased to submit this report on the status of our audit of the consolidated financial statements (the “financial statements”) of the Corporation of the Town of Whitby (the “Town”) for the fiscal year ended December 31, 2023. This report summarizes the scope of our audit, our findings and reviews certain other matters that we believe to be of interest to you.

As agreed in our Engagement Letter dated January 4, 2024, we have performed an audit of the financial statements of the Town as at, and for the year ended December 31, 2023, in accordance with Canadian generally accepted auditing standards (“Canadian GAAS”) and expect to issue our Independent Auditor’s Report thereon upon completion of outstanding matters highlighted in this report, and upon approval of the financial statements by yourself.

This report is intended solely for the information and use of 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. Accordingly, we disclaim any responsibility to any other party who may rely on it.

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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# Executive summary



## Audit scope and terms of engagement

We have been engaged to perform an audit of the Town’s consolidated financial statements (the “financial statements”) prepared in accordance with Canadian Public Sector Accounting Standards as at and for the year ended December 31, 2023. 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 Engagement Letter dated January 4, 2024.

We have developed appropriate safeguards and procedures to eliminate threats to our independence or to reduce them to an acceptable level.

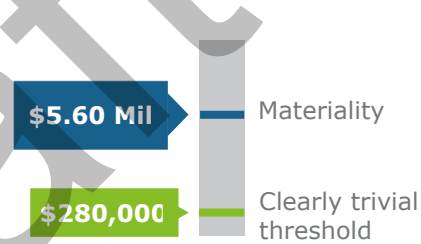


## Significant audit risks

- 1 Revenue recognition
- 2 Management override of controls



## Uncorrected misstatements



Materiality levels are determined on the basis of total expenses. Our materiality for the year ended December 31, 2023 was \$5,600,000 (2022 - \$5,170,000). Uncorrected misstatements identified were nil.



## Outstanding matters & next steps

<b>Completion</b> of certain audit procedures and documentation	<b>Receipt</b> of signed management representations letter
<b>Receipt</b> of legal letters	<b>Completion</b> of our subsequent events procedures



## Highlights

<b>No changes</b> in the significant risks identified.	<b>Engaged</b> with the Town on various accounting matters, including assistance with preparation of financial statements
<b>Communicated</b> with management throughout the fiscal year.	



### Going concern

Management has completed its assessment of the ability of the Town to continue as a going concern and in making its assessment did not identify any material uncertainties related to events or conditions that may cast significant doubt upon the Town's ability to continue as a going concern. We agree with management's assessment.



### Results

We intend to issue an unmodified audit report on the financial statements of The Corporation of the Town of Whitby for the year ended December 31, 2023 once the outstanding items referred to above are completed satisfactorily and the financial statements are approved by the Town.

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# Significant audit risks and events

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

## Significant audit risks

### Management override of controls

Analysis of risk	Audit response and results
<p>Assurance standards include the presumption of a significant risk of management override of controls. Management is in a unique position to perpetrate fraud because of management’s ability to directly or indirectly manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>Management override of controls is present in all entities. It is a risk of material misstatement resulting from fraud and therefore is considered as a significant risk.</p>	<ul style="list-style-type: none"> <li>• We engaged in periodic fraud discussions with certain members of senior management, and others</li> <li>• We considered the potential for bias in judgments and estimates, including performing retrospective analysis of significant accounting estimates</li> <li>• We evaluated the business rationale for any significant unusual transactions</li> <li>• We evaluated the Town’s fraud risk assessment and consider entity-level internal controls and internal controls over the closing and reporting process</li> <li>• We tested journal entries that exhibit characteristics of possible management override of controls, identified using manual techniques</li> </ul>

### Revenue recognition

Analysis of risk	Audit response and results
<p>Assurance standards include the presumption of a fraud risk involving improper revenue recognition. (Grants, restricted funds earned, income for government business enterprise, donations and contributions from developers and related deferred amounts).</p>	<ul style="list-style-type: none"> <li>• We tested the design and implementation of controls in these revenue streams and perform substantive analytic procedures and detailed testing in these areas</li> <li>• We performed substantive testing to determine if restricted grants/contributions (i.e., development charges, gas tax, etc.) and government transfers have been recognized as revenue in the appropriate period</li> </ul>

**Adoption of new PSAS accounting standards**

**Asset retirement obligations and financial instruments**

Analysis of risk	Audit response and results
<p>In fiscal 2023, two new accounting standards, PS 3280 Asset retirement obligations ("ARO") and PS 3450 Financial instruments, came into effect. The Town has worked on preparing for the adoption of both standards, including development of accounting policies, gathering information from various Town departments, and developing go-forward processes for policy maintenance.</p>	<ul style="list-style-type: none"> <li>• We discussed with management the implementation plan for the new standards, as well as the reasonability of judgments and estimates made.</li> <li>• We ensured processes and judgements made were properly documented and substantiated.</li> <li>• We reviewed the disclosure of the first-time adoption in the financial statements, including introduction of new accounting policy notes and financial statement presentation.</li> <li>• We performed audit procedures to test completeness, accuracy and existence of ARO liabilities by testing a sample of inputs and assumptions made by management and cross-referencing ARO liabilities to fixed asset registers.</li> </ul>

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# Significant accounting policies, judgments, and estimates

## Accounting policies

In the current year, the Town did not change any significant accounting policies, or adopt any new accounting standards.

In our judgment, 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.

## Accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. These judgments are normally based on knowledge and experience about past and current events, assumptions about future events and interpretations of the financial reporting standards.

During the year ended December 31, 2023, management advised us that there were no significant changes in accounting estimates or in judgments relating to the application of the accounting policies, except for the adoption of PS 3280 Asset Retirement Obligations, PS 3450 Financial Instruments, PS 1201 Financial Statement Presentation, PS 2601 Foreign Currency Translation, and PS 3041 Portfolio Investments in the current year (as disclosed in FS Note 2).



# Appendix 1 – Communication requirements and other reportable matters

Required communication	Refer to this report or document described below
<b>Audit service plan</b>	
1. Our responsibilities under Canadian GAAS, including forming and expressing an opinion on the financial statements	Engagement letter dated January 4, 2024.
2. An overview of the overall audit strategy, addressing: <ul style="list-style-type: none"> <li>a. Timing of the audit</li> <li>b. Significant risks, including fraud risks</li> <li>c. Names, locations, and planned responsibilities of other independent public accounting firms or others that perform audit procedures in the audit</li> </ul>	Audit service plan.
3. Significant transactions outside of the normal course of business, including related party transactions	None noted.
<b>Year end communication</b>	
4. Fraud or possible fraud identified through the audit process	None noted.
5. Significant accounting policies, practices, unusual transactions, and our related conclusions	Significant accounting practices, judgements and estimates section.
6. Alternative treatments for accounting policies and practices that have been discussed with management during the current audit period	None noted.
7. Matters related to going concern	None noted – refer to Executive summary.
8. Consultation with other accountants	Management has informed us that the Town has not consulted with other accountants about auditing or accounting matters.
9. Management judgments and accounting estimates	Significant accounting practices, judgements and estimates section.
10. Significant difficulties, if any, encountered during the audit	None.
11. Material written communications between management and us, including management representation letters	Engagement letter dated January 4, 2024, Management representation letter – Appendix 3.
12. Circumstances that affect the form and the content of the auditor’s report	Engagement letter dated January 4, 2024.

Required communication	Refer to this report or document described below
13. Other matters that are significant to the oversight of the financial reporting process	No other matters to report.
14. Modifications to our opinion	None.
15. Other significant matters discussed with management	None.
16. Matters involving non-compliance with laws and regulations that come to our attention, unless prohibited by law or regulation, including Illegal or possibly illegal acts that come to our attention	None.
17. Litigation	Existing litigation matters have been adequately disclosed in the financial statements.
18. Significant deficiencies in internal control, if any, identified by us in the conduct of the audit of the financial statements	No deficiencies to report.
19. Uncorrected misstatements and disclosure items	In accordance with Canadian GAAS, we request that all misstatements be corrected. There were no uncorrected misstatements or uncorrected disclosure misstatements.
20. Changes to the audit plan	The audit was conducted in accordance with our audit plan. We confirm that there have been no significant amendments to the audit scope and approach in the audit plan.
21. Concerns regarding management competence and integrity	We have not determined any concerns regarding management competence and integrity.
22. 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.
23. Post-balance sheet events	At the date of finalizing this report, we are not aware of any significant post-balance sheet events.
24. Reliance on service organizations	None noted.
25. Other significant matters arising from the audit	None noted.

# Appendix 2 – Independence letter

# Deloitte.

Deloitte LLP  
Bay Adelaide East  
8 Adelaide Street West  
Suite 200  
Toronto ON M5H 0A9  
Canada

July 29, 2024

Tel: 416-601-6150  
Fax: 416-601-6151  
www.deloitte.ca

## Private and confidential

The Members of the Audit Committee  
The Corporation of the Town of Whitby  
575 Rossland Road East  
Whitby ON L1N 2M8

Dear Members:

We have been engaged to audit the consolidated financial statements of the Corporation of the Town of Whitby (the “Town”) for the year ended December 31, 2023.

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.

We have considered relevant rules and related interpretations prescribed by the appropriate provincial institute/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 November 21, 2023, the date of our last letter.

We are not aware of any relationships between the Deloitte Entities and the Town and 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 November 21, 2023 to July 29, 2024

We hereby confirm that we are independent with respect to the Town in accordance with the Rules of Professional Conduct of Chartered Professional Accountants of Ontario as of July 29, 2024

This letter is intended solely for the information and use of the audit committee, Council, management, and others within the Town and is not intended to be and should not be used for any other purposes.

We look forward to discussing with you the matters addressed in this letter at our upcoming meeting on August 12, 2024

Yours truly,

Chartered Professional Accountants  
Licensed Public Accountants

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# Appendix 3 – Draft management representations letter

[Company Letterhead]

August xx, 2024

Deloitte LLP  
8 Adelaide Street West  
Suite 200  
Toronto ON M5H 0A9

**Subject: Consolidated financial statements of the Town of Whitby, financial statements of the Town of Whitby Groveside Cemetery Board, the financial statements of the Corporation of the Town of Whitby Trust Funds for the year ended December 31, 2023**

Dear Mr. Steve Stewart:

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 Whitby, the financial statements of the Town of Whitby Groveside Cemetery Board, and the financial statements of the Corporation of the Town of Whitby Trust Funds (the “Town” or “we” or “us”) as of and for the year ended December 31, 2023, the notes to the consolidated financial statements and a summary of significant accounting policies (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 Canadian public sector accounting standards as it relates to the Consolidated financial statements of the Town, and in accordance with Canadian accounting standards for not-for-profit organizations (hereinafter referred to as the “applicable framework”)

Certain representations in this letter are described as being limited to matters that are material. Items are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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 4, 2024 for the preparation of the Financial Statements in accordance with the applicable framework. In particular, the Financial Statements are fairly presented, in all material respects, and present the financial position of the Town as at December 31, 2023 and the results of its operations and cash flows for the year then ended in accordance with the applicable framework.

2. Significant assumptions used in making estimates, including those measured at fair value, are reasonable.

In preparing the Financial Statements in accordance with the applicable framework, 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 the applicable framework. 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 the applicable framework 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, 2023 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. 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. The Financial Statements have been approved in accordance with our process to finalize financial statements.
4. We have completed our review of events after December 31, 2023 and up to the date of this letter.
5. The Financial Statements are free of material errors and omissions.

### Internal controls

6. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
7. We have disclosed to you all known deficiencies in the design or operation of internal control over financial reporting identified as part of our evaluation, including separately disclosing to you all such deficiencies that we believe to be significant deficiencies in internal control over financial reporting.

### Information provided

8. 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;
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence; and,
  - d. All minutes of the meetings of council and committees of council, or summaries of actions of recent meetings for which minutes have not yet been prepared. All significant council and committee actions are included in the summaries.
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. There have been no communications with regulatory agencies concerning actual or potential noncompliance with or deficiencies in financial reporting practices which have been provided to you. There are also no known or possible instances of non-compliance with the requirements of regulatory or governmental authorities.
13. We have disclosed to you the identities 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.

### Independence matters

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

14. 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.
15. We have ensured that all services performed by Deloitte with respect to this engagement have been pre-approved by Council in accordance with its established approval policies and procedures.

### Other matters

Except where otherwise stated below, immaterial matters less than \$280,000 as it relates to the consolidated financial statements of the Town, \$1,150 as it relates to the financial statements of the Groveside Cemetery Board, and \$2,450 as it relates to the Corporation of the Town of Whitby Trust Funds collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to or disclosure in the Financial Statements.

16. All transactions have been properly recorded in the accounting records and are reflected in the Financial Statements.
17. The Town has identified all related parties in accordance with Section PS 2200, Related Party Disclosures ("PS 2200"). Management has determined that such disclosure is not necessary because the transactions have not occurred at a value different from that which would have been arrived at if the parties were unrelated and do not or could not have a material effect on the financial statements. This assessment is based on all relevant factors, including those listed in paragraph 16 of PS 2200.
18. There are no instances of identified or suspected noncompliance with laws and regulations.

19. 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 the applicable framework.
20. All events subsequent to the date of the Financial Statements and for which the applicable framework 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.
21. 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.
22. 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.
23. 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.

### 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.

### Notes, loans and receivables

25. The Town is responsible for determining the appropriate carrying amount of notes, loans, and accounts receivable, as well as estimates used to determine such amounts. Management believes that the carrying amounts recorded and disclosed are appropriate.

### Environmental liabilities/contingencies

26. We have considered the effect of environmental matters on the Town and have disclosed to you all liabilities, provisions or contingencies arising from environmental matters. All liabilities, provisions, contingencies and commitments arising from environmental matters, and the effect of environmental matters on the carrying values of the relevant assets are recognized, measured and disclosed, as appropriate, in the Financial Statements.

### Employee future benefits

27. Employees future benefit costs, assets, and obligations, as applicable, 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, obligations and costs for financial statement purposes are appropriate in the circumstances
28. 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.



29. If applicable the following have been properly recorded and adequately disclosed and presented in the Financial Statements:
- a. losses arising from sale and purchase commitments
  - b. agreements to buy back assets previously sold
  - c. financial instruments with significant individual or group concentration of credit risk, and related maximum credit risk exposure
  - d. arrangements with financial institutions involving compensating balances or other arrangements involving restriction on cash balances and line-of-credit or similar arrangements
  - e. loans that have been restructured to provide a reduction or deferral of interest or principal payments because of borrower financial difficulties.
  - f. provisions for future removal and site restoration costs
  - g. all impaired loans receivable
30. We have reviewed and approved the year-end adjusting entries, including all related supporting schedules, and the financial statements and acknowledge our responsibility for their accuracy. While discharging our responsibility we may have requested your assistance or input in certain areas such as:
- a. Recording of transactions for which we have determined or approved the appropriate account classification
  - b. Posting transactions to the general ledger
  - c. Preparing financial statements
  - d. Posting journal entries to the trial balance
  - e. Performing non-custodial payroll services, and
  - f. Preparing taxation returns.

We acknowledge our responsibility for the above listed items and confirm that we have authorized, reviewed and approved all of the above items.

### Investments

31. The Town does not hold any investments in Master Asset Vehicle notes (which replaced third party non-bank asset backed commercial paper).

### Asset retirement obligations

32. The Town has made the accounting policy choice to apply CPA Canada Public Sector Accounting Handbook Section PS 3280, Asset Retirement Obligations using prospective application in accordance with paragraphs PS 3280.72-73. We have applied Section PS 3280 on a prospective basis with no restatement of prior year comparative amounts.

### Financial instruments

33. The Town has properly classified all financial instruments in accordance with CPA Canada Public Sector Accounting Handbook Section PS 3450, Financial Instruments (“Section PS 3450”). Specifically, all financial instruments are classified as fair value, cost or amortized cost.

34. The Town has properly identified all financial contracts that meet the definition of a derivative in Section PS3450. The Region has also properly identified all embedded derivatives included in other non-derivative contracts and determined whether these embedded derivatives need to be separately accounted for as described in Section PS 3450.

Yours truly,

**The Corporation of the Town of Whitby**

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Brittany Gray – Interim Senior Manager, Treasury Services

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Fuwing Wong – Commissioner, Financial Services & Treasurer

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# Appendix 4 – New and revised canadian public sector accounting standards

The following is a summary of certain new or revised accounting standards that will become effective in fiscal 2024 and beyond.

## Canadian Public Sector Accounting Standards

Topic	Description	Effective Date
<b>Section PS 3160 – Public Private Partnerships</b>	This Section establishes standards on how to account for public private partnership arrangements.	Effective for fiscal years beginning on or after April 1, 2023.
<b>Section PS 3400 - Revenue</b>	This Section establishes standards on how to account for and report on revenue. Specifically, it differentiates between revenue arising from transactions that include performance obligations and transactions that do not have performance obligations.	Effective for fiscal years beginning on or after April 1, 2023.
<b>Guidelines PSG 8 – Purchased Intangibles</b>	This new Guideline explains the scope of the intangibles now allowed to be recognized in financial statements given the removal of the recognition prohibition relating to purchased intangibles in Section PS 1000.	Effective for fiscal years beginning on or after April 1, 2023.