



# Port of Johnstown

2024 Audit Service Plan

Report to the Port Management Committee

December 31, 2024

H. James Pollock, CPA, CA, LPA

T: 613.209.8253

E: jamie.pollock@mnp.ca



Wherever business takes you

MNP.ca

# Audit Service Plan Overview

---

We are pleased to present our Audit Service Plan for the Port of Johnstown (the "Organization") which outlines the strategy we will follow to provide the Organization's Port Management Committee with our Independent Auditor's Report on the December 31, 2024 financial statements. We are providing this Audit Service Plan to the Port Management Committee on a confidential basis. It is intended solely for the use of the Port Management Committee and is not intended for any other purpose. Accordingly, we disclaim any responsibility to any other party who may rely on this report.

We confirm to the Port Management Committee that we are independent of the Organization. Our letter to the Port Management Committee discussing our independence will be included at the conclusion of the audit.

## Topics for Discussion

We are committed to providing superior client service by maintaining effective two-way communication. Topics for discussion include, but are not limited to:

- Changes to your business operations and developments in the financial reporting and regulatory environment
- Business plans and strategies
- Any other issues and/or concerns
- Fraud, including how fraud could occur, the risk of fraud and misstatement, and any actual, suspected or alleged fraud
- The management oversight process
- Your specific needs and expectations

# The MNP Audit Approach

---

## Audit Materiality

The scope of our audit work is tailored to reflect the relative size of operations of the Organization and our assessment of the potential for material misstatements in the Organization's financial statements as a whole (and, if applicable, for particular classes of transactions, account balances or disclosures). In determining the scope, we emphasize relative audit risk and materiality, and consider a number of factors, including:

- The size, complexity, and growth of the Organization;
- Changes within the organization, management or accounting systems; and
- Concerns expressed by management.




We propose to use \$500,000 as overall materiality for audit planning purposes.

# Auditor’s Approach to Internal Control

For the December 31, 2024 audit, we are planning to place low reliance on the Organization’s accounting system. This level of reliance is consistent with the prior year end, and will involve mainly substantive tests of details.

## Key Changes and Developments

Based on our knowledge of the Organization and our discussions with management, we have noted the recent developments set out below. Our audit strategy has been developed giving consideration to these factors.

ISSUES AND DEVELOPMENTS		SUMMARY
 ENTITY SPECIFIC		Change from International Financial Reporting Standards ("IFRS") to Public Sector Accounting Standards ("PSAS") based on control influence from the Corporation of the Township of Edwardsburgh/Cardinal.
 NEW REPORTING DEVELOPMENTS		<ul style="list-style-type: none"><li>• Public Private Partnerships (New Section PS 3160)</li><li>• Revenue (New Section PS 3400)</li></ul>
 NEW ASSURANCE DEVELOPMENTS		<ul style="list-style-type: none"><li>• Group Audits (Amendments to CAS 600)</li><li>• Quality Management (New CSQM 1 and Conforming Amendments)</li></ul>

Detailed information on Key Changes and Developments are included as Appendix A.

# Risk Assessment

Our audit process focuses on significant risks identified during the pre-planning and planning and risk assessment stage, ensuring that audit procedures are tailored to your specific circumstances and appropriately address those risks.

Based on the preliminary risk assessment procedures performed, we have identified the following significant and high risks which will be addressed during our audit. We have also outlined the proposed audit response to address those risks. We will update our risk assessment as the audit progresses for additional risks identified and will inform management of any additional significant risks identified.

SIGNIFICANT RISK AREA	PROPOSED AUDIT RESPONSE
Management override of internal controls	To respond to the overall risk of material misstatement due to fraud regarding management's override of controls, we perform the following procedures: 1. Test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements 2. Review accounting estimates for biases and evaluate whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud, if applicable 3. Evaluate the rationale behind significant transactions that are not in the normal course of business and whether they have been entered into to engage in fraudulent financial reporting or to conceal misappropriation of assets
<b>Revenue</b>  There is a presumed risk of fraud in revenue recognition on all audits. We have assessed this risk as relating to the cut-off assertion, whereby revenues could be recorded in the incorrect period.	MNP will test cut-off to gain a high degree of comfort over revenues being recorded in the proper period as well as testing journal entries posted by management with any unusual account combinations affecting revenue.

# Audit Team

In order to ensure effective communication between the Port Management Committee and MNP, we outline below the key members of our audit team that will be responsible for the audit of the Port of Johnstown and the role they will play:

RETURNING TEAM MEMBERS	CONTACT INFORMATION
Jamie Pollock, CPA, CA, Partner	E: Jamie.Pollock@mnp.ca

NEW TEAM MEMBERS	CONTACT INFORMATION
Julia Tilley, CPA, CA, Manager	E: Julia.Tilley@mnp.ca
Francesca Giovanniello, CPA, Senior	E: Francesca. Giovanniello@mnp.ca

Our partners and senior management are committed to providing you with the highest level of attention and oversight throughout the terms of this engagement, reflecting MNP's staffing model and client service philosophy. Through consistent attention from leaders, our engagement team will maintain responsibility and authority over all matters of the engagement and will drive service delivery and issue resolution. In addition, the engagement team will be actively involved and have hands-on involvement with service delivery, ensuring engagement objectives will be met.

In order to serve you better and meet our professional responsibilities, we may find it necessary to expand our audit team to include other professionals whose consultation will assist us to evaluate and resolve complex, difficult and/or contentious matters identified during the course of our audit.

Any changes to the audit team will be discussed with you to ensure a seamless process and that all concerned parties' needs are met.

## Timing of the Audit

KEY DELIVERABLE	EXPECTED DATE
Interim audit procedures	December 16, 2024 to December 18, 2024
Year-end fieldwork procedures	February 3, 2025 to February 7, 2025
Draft year-end financial statements to be discussed with management	February 28, 2025
Presentation of December 31, 2024 Audit Findings Report and draft financial statements to the Port Management Committee	March 14, 2025
Presentation of December 31, 2024 Audit Findings Report and draft financial statements to Council of the Corporation of the Township of Edwardsburgh/Cardinal	March 28, 2025
Issuance of Independent Auditor's Report	March 31, 2025

# Fees and Assumptions

DESCRIPTION	2024 ESTIMATE
Base audit fee as per our fee quote	\$ 27,500

If any significant issues arise during the course of our audit work which indicate a possibility of increased procedures or a change in the audit timetable, these will be discussed with management by the engagement partner, so a mutually agreeable solution can be reached.

DESCRIPTION	AMOUNT
Progress billing #1 - at start of planning and interim audit procedures	\$ 10,000
Progress billing #2 - at start of year-end audit procedures	\$ 10,000
Progress billing #3 - upon release of the draft financial statements	\$ 5,000
Final billing - upon release of the Independent Auditor's Report	\$ 2,500
<b>Total</b>	<b>\$ 27,500</b>

We look forward to discussing our Audit Service Plan with you, as well as any other matters of interest to you.

Sincerely,

*MNP LLP*

Chartered Professional Accountants  
Licensed Public Accountants

encls.

# Appendix A – Key Changes and Developments

---

We would like to bring to your attention the following accounting and auditing developments, which may have some impact on your financial reporting.

## Issues and Developments Summary

### New Reporting Developments

#### Public Private Partnerships (New Section PS 3160)

In April 2021, the Public Sector Accounting Board (PSAB) issued Section PS 3160 *Public Private Partnerships*, which contains requirements for recognizing, measuring, and classifying infrastructure procured through a public private partnership. The main features of the new Section include:

- Section PS 3160 applies when public private partnership infrastructure is procured by the public sector entity using a private sector partner that is obligated to:
  - Design, build, acquire or better new or existing infrastructure;
  - Finance the transaction past the point where the infrastructure is ready for use; and
  - Operate and/or maintain the infrastructure.
- Public private partnership infrastructure should be recognized as an asset when the public sector entity acquires control of the infrastructure.
  - An infrastructure asset acquired in an exchange transaction should be initially measured at cost, which should be equal to the infrastructure asset's fair value on the initial measurement date.
  - The cost of the infrastructure asset would be amortized over the useful life of the asset in a rational and systematic manner.
- A liability, which could be in the form of a financial liability, a performance obligation, or a combination of both, should be recognized when the public private partnership recognizes an asset.
  - When a liability exists, it would be measured at the same value as the asset, reduced for any consideration previously transferred.
  - Subsequent measurement of a financial liability should be at amortized cost using the effective interest method.
  - For the subsequent measurement of the performance obligations, the revenues would be recognized, and the liability reduced in accordance with the substance of the public private partnership agreement.

Section PS 3160 is effective for fiscal years beginning on or after April 1, 2023. Earlier application is permitted.

#### Revenue (New Section PS 3400)

In November 2018, Section PS 3400 *Revenue* was included in the CPA Canada Public Sector Accounting Handbook. Section PS 3400 establishes standards on how to account for and report on revenue by distinguishing between revenue arising from transactions that include performance obligations and transactions that do not have performance obligations. The main features of this Section are as follows:

- Performance obligations are enforceable promises to provide specific goods or services to a specific payor.

# Appendix A – Key Changes and Developments (continued from previous page)

---

- Performance obligations can be satisfied at a point in time or over a period of time.
- The new standard outlines five indicators to determine if the revenue would be recognized over a period of time.
- Revenue from a transaction with a performance obligation(s) is recognized when, or as, the entity has satisfied the performance obligation(s).
- Revenue from transactions with no performance obligation is recognized when a public sector entity has the authority to claim or retain an inflow of economic resources and a past event that gives rise to a claim of economic resources has occurred.

Further editorial changes have also been made to other standards as a result of the issuance of PS 3400.

Section PS 3400 is effective for annual financial statements relating to fiscal years beginning on or after April 1, 2023. Early application continues to be permitted.

## New Assurance Developments

### Group Audits (Amendments to CAS 600)

In August 2022, the Auditing and Assurance Standards Board (AASB) issued the revised CAS 600 *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)* to replace the existing CAS 600 and adopt, with appropriate Canadian amendments, the International Standard on Auditing (ISA) 600 (Revised), *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)* and any conforming and consequential amendments.

The revised standard incorporates several key changes to establish more robust requirements and provide detailed guidance for group auditors and component auditors when conducting a group audit, including:

- Introducing a principles-based approach that can be adapted and is scalable for group audits of varying circumstances and complexities;
- Establishing a framework for planning and performing a group audit engagement;
- Emphasizing the importance of professional skepticism;
- Clarifying and providing solutions to overcome restriction issues related to access to people, information, or audit documentation;
- Clarifying how the concepts of materiality and aggregation risk apply in a group audit;
- Specifying the importance of two-way communications between the group auditor and component auditors, including expectations regarding the timing of those communications; and
- Strengthening various aspects of the group auditor's interaction with component auditors.

As a result of issuing the revised CAS 600, requirements for several other standards have been amended to better articulate the auditor's responsibilities regarding audits of group financial statements:

- CAS 300 *Planning an Audit of Financial Statements*
- CAS 320 *Materiality in Planning and Performing an Audit*
- CAS 700 *Forming an Opinion and Reporting on Financial Statements*

The revised CAS 600 and conforming amendments to other standards are effective for audits of financial



# Appendix A – Key Changes and Developments (continued from previous page)

---

statements for periods beginning on or after December 15, 2023. Earlier application is permitted.

## **Quality Management (New CSQM 1 and Conforming Amendments)**

In May 2021, the Auditing and Assurance Standards Board (AASB) issued Canadian Standard on Quality Management (CSQM) 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* which revises and replaces existing Canadian Standard on Quality Control (CSQC) 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements*. The new CSQM aims to strengthen the standards addressing quality control and broadens the requirement for the firm's system of quality management beyond audits, reviews and other assurance services to also include related services engagements that were formerly excluded: compilation engagements, agreed-upon procedures engagements, and engagements to report on supplementary matters arising from an audit or a review engagement.

CSQM 1 requires the firm to apply a risk-based approach in the design, implementation, and operation of the system of quality management while taking into account the nature and circumstances of both the firm and the engagements the firm performs. It also sets out requirements relating to:

- The system of quality management;
- The firm's risk assessment process;
- Governance and leadership;
- Relevant ethical requirements;
- Acceptance and continuance of client relationships and specific engagements;
- Engagement performance;
- Resources;
- Information and communication;
- Specified responses;
- The monitoring and remediation process;
- Network requirements or network services;
- Evaluating the system of quality management; and
- Documentation.

As a result of issuing CSQM 1, amendments have been made to CAS 620 *Using the Work of an Auditor's Expert* and other editorial changes have been made to other standards.

CSQM 1 is effective as follows:

- Firms are required to design and implement their system of quality management for audits or reviews of financial statements or other assurance engagements by December 15, 2022. They are required to evaluate their system within one year following this date.
- Firms are required to design and implement their system of quality management for related services engagements by December 15, 2023. They are required to evaluate their system within one year following this date.

In May 2022, the Auditing and Assurance Standards Board (AASB) issued conforming amendments to appropriately reflect the requirements of the recently approved suite of Canadian quality management standards at the

# Appendix A – Key Changes and Developments (continued from previous page)

---

engagement level in all Other Canadian Standards in order to achieve the benefits of adopting a new approach to managing and achieving quality on engagements. The conforming amendments to Other Canadian Standards include adding requirements and application material dealing with quality management to standards that were previously not subject to the Canadian Standard of Quality Control (CSQC) 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements*, but are now within the scope of:

- Canadian Standard on Quality Management (CSQM) 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*; and
- CSQM 2 *Engagement Quality Reviews*.

These conforming amendments for Other Canadian Standards are made to the standards in the following areas:

- Canadian Standards on Review Engagements (CSREs);
- Canadian Standards on Assurance Engagements (CSAEs);
- Canadian Standards on Related Services (CSRSs) and standards for specialized areas and other related services,
- Canadian Standard on Association (CSOA) 5000; and
- Assurance and Related Services Guidelines (AuGs).

Different effective dates apply based on the nature of the engagement to make transition easier:

- Conforming amendments to assurance standards are effective for periods or engagements, as appropriate, beginning on or after December 15, 2022.
- The effective dates of the conforming amendments to related services standards that are performed in conjunction with an audit or a review engagement are for periods beginning on or after December 15, 2022.
- For other related services engagements that are not performed in conjunction with an assurance engagement, including compilation engagements and agreed-upon procedures engagements, the effective date for the conforming amendments is for periods or engagements beginning on or after December 15, 2023, respectively.
- Under CSOA 5000, the practitioner's consent may be provided in conjunction with an audit, review, other assurance or related service engagement. Therefore, the effective date of conforming amendments will be determined based on the effective date of the related engagement.

# MADE <sup>IN</sup> CANADA

And proud of it!

At MNP we're proud to be the national accounting, consulting and tax firm that is 100% Made in Canada.

Our history defines who we are and our approach to business. Being a Canadian firm has helped shape our values, our collaborative approach, and the way we work with our clients, engaging them every step of the way.

We have a unique perspective. Our decisions are made here – decisions that drive Canadian business and help us all achieve success — and we know the impact that our choices have on the cities and towns we call home.

Throughout our six decades of work, we've seen our communities are more than just a place we do business in. They're a place where our families live, play, and thrive, and we work to make them the best places they can be.

Being 100% Canadian is something we wear proudly. This country provides us with great opportunities, and we're here to help our clients seize the opportunities so we can create a brighter future for the generations to come.



Wherever business takes you

MNP.ca



Wherever business takes you

[MNP.ca](http://MNP.ca)