



Corporate and Finance Services Committee Meeting Agenda

Monday, February 5, 2024, 9:30 a.m.

Council Chamber

Members of the Committee:

Councillor Giberson, Chair

Councillor Marks, Vice-Chair

Councillor Marimpietri

Councillor McConkey

Councillor Neal

Mayor Carter, Ex Officio

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Pages

Public Meeting

Land Acknowledgement

The City of Oshawa is situated on lands within the traditional and treaty territory of the Michi Saagiig and Chippewa Anishinaabeg and the signatories of the Williams Treaties, which include the Mississaugas of Scugog Island, Curve Lake, Hiawatha and Alderville First Nations, and the Chippewas of Georgina Island, Rama and Beausoleil First Nations.

We are grateful for the Anishinaabeg who have cared for the land and waters within this territory since time immemorial.

We recognize that Oshawa is steeped in rich Indigenous history and is now present day home to many First Nations, Inuit and Métis people. We express gratitude for this diverse group of Indigenous Peoples who continue to care for the land and shape and strengthen our community.

As a municipality, we are committed to understanding the truth of our shared history, acknowledging our role in addressing the negative impacts that colonization

continues to have on Indigenous Peoples, developing reciprocal relationships, and taking meaningful action toward reconciliation.

We are all Treaty people.

Additional Agenda Items

(As may be presented at the meeting)

Declarations of Pecuniary Interest

(As may be presented by Committee Members)

Presentations

None

Delegations

None

Referrals from Council

None

Reports from Advisory Committees

None

Items Requiring Direction

None

Public Consent Agenda

Correspondence with recommendations

None

Staff Reports/Motions with recommendations

CF-24-04 - Asset Retirement Obligation Policy (All Wards)

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Recommendation

That the Corporate and Finance Services Committee recommend to City Council:

That pursuant to Report CF-24-04 dated January 31, 2024, the Asset Retirement Obligation Policy be approved.

CF-24-07 - 2023 External Audit Service Plan (All Wards)

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(Also See Pages C1 to C13 - Closed Pursuant to Section 239 (2)(i) of the Municipal Act.)

Recommendation

That the Corporate and Finance Services Committee recommend to City Council:

That Report CF-24-07 concerning the 2023 External Audit Service Plan, dated January 31, 2024 be received for information.

CF-24-09 - C2024-003 Assessment & Appeal Management Services – Contract Award (All Wards)

Recommendation

That the Corporate and Finance Services Committee recommend to City Council:

Whereas the Purchasing By-law, requires Council approval of Professional and Consulting Services contract awards greater than \$100,000; and,

Whereas Council has approved funding in the annual Taxes Written Off budget for assessment & appeal management services; and,

Whereas Procurement issued a Request for Proposal Assessment & Appeal Management Services for an initial three year term with the option to renew for additional three one-year terms; and,

Whereas one (1) bid was received (publically posted on the City's website at Oshawa's Bids and Tenders) and opened by Procurement on January 23, 2024; and,

Whereas the evaluation team reviewed the bid received by MTAG Paralegal Professional Corp. as comprehensive, thorough, addressed all requirements of the R.F.P, and best satisfied the City's requirements; and,

Whereas the proposal received from MTAG Paralegal Professional Corp. in the amount of *\$216,000 for Assessment & Appeal Management Services for an initial three year term meets the requirements of the proposal;

Therefore be it resolved that pursuant to Item CF-24-09:

1. That in accordance with Item CF-24-09, dated February 5, 2024, that the Manager, Procurement, be authorized to award an initial three year contract to MTAG Paralegal Professional Corp. in the amount of *\$216,000 for Assessment & Appeal Management Services, being the highest ranked proponent received; and
2. That the Manager, Procurement, be authorized to extend this contract for an additional three one-year terms, subject to provision of satisfactory services and pricing.

Note: Dollar amounts with an asterisk (*) are before applicable taxes

Public Discussion Agenda

Matters Excluded from the Consent Agenda

Items Introduced by Council Members

Items Pulled from the Information Package

None

Questions to Staff Concerning the Committee's Outstanding Items List

Closed Consent Agenda

Correspondence with recommendations

None

Staff Reports/Motions with recommendations

CF-24-05 - 2023 Year End Taxation Services Position (All Wards)

Closed Pursuant to Section 239 (2)(b) of the Municipal Act.

(See Pages C15 to C20)

Recommendation

That the Corporate and Finance Services Committee recommend to City Council:

That Report CF-24-05 concerning the 2023 Year End Taxation Services Position, dated January 31, 2024 be received for information.

Closed Discussion Agenda

Matters Excluded from the Consent Agenda

None

Items Requiring Direction

None

Matters Tabled

None

Adjournment

To: Corporate and Finance Services Committee

From: Stephanie Sinnott, Commissioner,
Corporate and Finance Services Department

Report Number: CF-24-04

Date of Report: January 31, 2024

Date of Meeting: February 5, 2024

Subject: Asset Retirement Obligation Policy

Ward: All Wards

File: 03-05

1.0 Purpose

The purpose of this report is to provide the Council with an Asset Retirement Obligation (A.R.O.) Policy for consideration.

2.0 Recommendation

That the Corporate and Finance Services Committee recommend to City Council:

That pursuant to Report CF-24-04 dated January 31, 2024, the Asset Retirement Obligation Policy be approved.

3.0 Executive Summary

The Public Sector Accounting Board (P.S.A.B.) created a new accounting standard, P.S. 3280: Asset Retirement Obligation that will apply to the City's financial reporting, starting with the 2023 financial statements.

This report provides information on the new accounting standard, how it will impact future City financial statements and a project plan that meets the new requirements.

The Asset Retirement Obligation Policy (Attachment 1) provides for the recognition, measurement, disclosure and roles and responsibilities. To ensure the City's compliance with the P.S.A.B. standards on A.R.O., the policy requires Council approval.

4.0 Input From Other Sources

Deloitte LLP (City's external auditors)

5.0 Analysis

The new Public Sector Accounting Board standard P.S. 3280 on Asset Retirement Obligations relates to quantifying and disclosing, on the financial statements all legal obligations associated with the retirement of tangible capital assets. Retirement activities include, but are not limited to:

- Decommissioning or dismantling an asset;
- Removal and remediation of contaminants, such as asbestos and lead within building or construction material;
- Restoration of leased property to its former condition at the end of lease.

According to P.S. 3280, an A.R.O. should be recognized when all of the following criteria are satisfied:

- There is a legal obligation to incur retirement costs associated with the tangible capital asset;
- The past transaction or event given rise to the liability has occurred;
- It is expected that future economic benefits will be given up;
- Reasonable estimate of the amount can be made.

Per the Standard, for the initial measurement, only costs directly associated with the asset retirement activities should be considered. At each subsequent period, the A.R.O. must be reassessed to consider new information and/or any new assumptions used.

P.S. 3280 requires all public sector entities to comply for fiscal years beginning on or after April 1, 2022. As the City has a January 1 to December 31 fiscal year, compliance is required when reporting the City's 2023 financial statements.

Staff began work on the Asset Retirement Obligation project in 2022. The project included research into P.S. 3280, development of a project plan to complete the required work by March 2024, the creation of an A.R.O. policy, as well as the creation of an A.R.O. staff working group. The project is defined by four distinct phases:

- **Planning:** Develop a work plan with tasks required and time lines;
- **Scoping:** Identify items that are within Section P.S. 3280 scope;
- **Measurement:** For each item in scope, determine if they meet the recognition criteria within paragraph P.S. 3280.9;
- **Reporting:** Asset Retirement Obligation will be recognized and presented in financial statements.

The project planning and scoping phase has been completed, with the measurement and reporting phases currently underway.

Finance continues to collaborate with the various departments within the City to assist with identifying, assessing and estimating A.R.O. within P.S. 3280.

6.0 Financial Implications

There are no financial implications arising from the recommendation of this report.

7.0 Relationship to the Oshawa Strategic Plan

The establishment of financial policies supports the Oshawa Strategic Plan goals of Economic Prosperity & Financial Stewardship and Accountable Leadership by ensuring respect, responsiveness and transparency.



Stephanie Sinnott, Commissioner,
Corporate and Finance Services Department

Policy: ASSET RETIREMENT OBLIGATIONS			
Issued:	Revised:	Page: 1 of 5	Number:
Related Policies	<i>Insert names of related policies</i>		

PURPOSE / BACKGROUND

The objective of this policy is to provide guidance on the accounting treatment for asset retirement obligations (A.R.O.) so that users of the financial statements can discern information about these assets and their end of life obligations. The principal issues in accounting for A.R.O.'s is the recognition and measurement of these obligations.

POLICY STATEMENT

An asset retirement obligation is a legal obligation associated with the retirement of a tangible capital asset. The Public Sector Accounting Board (P.S.A.B.) has instituted a new accounting standard P.S. 3280 which requires all municipal governments to comply. This policy serves to ensure the City of Oshawa is in compliance with the accounting and reporting requirements.

SCOPE / APPLICATION

This policy applies to all departments, branches, boards and agencies falling within the reporting entity of the City of Oshawa that possess asset retirement obligations, including:

- Assets with legal title held by the City
- Assets controlled by the City
- Assets that have not been capitalized or recorded as a tangible capital asset for financial statement purposes

This policy applies to all assets that have an obligation in relation to the retirement of a tangible capital asset. This includes assets in productive use and assets no longer in productive use.

Existing laws and regulations require public sector entities to take specific actions to retire certain tangible capital assets at the end of their useful lives. This includes activities such as removal of asbestos and retirement of landfills. Other obligations to retire tangible capital assets may arise from contracts or court judgments or lease arrangements.

The legal obligation, including obligations created by promises made without formal consideration, associated with retirement of tangible capital assets controlled by the City, will be recognized as liability in the book of the City of Oshawa, in accordance with P.S. 3280 which the City will be adopting on January 1, 2023.

Asset retirement obligations result from acquisition, construction, development or normal use of the asset. These obligations are predictable, likely to occur and unavoidable. Asset retirement obligations are separate and distinct from contaminated site liabilities. The liability for contaminated sites is normally resulting from unexpected contamination exceeding environmental standards. Asset retirement obligations are not necessarily associated with contamination.

DEFINITIONS

Accretion expense is the increase in carrying amount of a liability for asset retirement obligations due to the passage of time.

Asset retirement activities include all activities related to an asset retirement obligation. These may include, but are not limited to:

- Decommissioning or dismantling a tangible capital asset that was acquired, constructed, developed or leased;
- Remediation of contamination of a tangible capital asset created by its normal use;
- Post-retirement activities such as monitoring; and
- Constructing other tangible capital assets to perform post-retirement activities.

Asset retirement cost is a legal obligation associated with the retirement of a tangible capital asset.

Retirement of a tangible capital asset is the permanent removal of a tangible capital asset from service. This term encompasses sale, abandonment or disposal in some other manner but not its temporary idling.

RESPONSIBILITIES

1. Department Managers shall, related to the assets under their responsibility:

- a. Communicate with Finance Services on retirement obligations and any changes in asset condition or retirement timelines
- b. Assist in the preparation of cost estimates for retirement obligations
- c. Inform Finance Services of any legal or contractual obligation at inception of any such obligation

2. Finance Services

- a. Development of and adherence to policies
- b. Reporting asset retirement obligations in the financial statements of the City and other statutory financial documents
- c. Monitoring the application of this policy
- d. Managing processes with the fixed asset and asset management inventory registers
- e. Investigating issues and working with asset owners to resolve issues

3. Council

- a. Reviewing and approving policy
- b. Reviewing and approving any policy updates

PRACTICE / PROCEDURES

A. Recognition

According to P.S. 3280, a liability should for an asset retirement obligation should be recognized when, as at the financial reporting date:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

A liability for an asset retirement obligation cannot be recognized unless all of the criteria above are satisfied.

The estimate of the liability would be based on requirements in existing agreements, contracts, legislation or legally enforceable obligations, and technology expected to be used in asset retirement activities.

The estimate of a liability should include costs directly attributable to asset retirement activities. Costs would include post-retirement operation, maintenance and monitoring that are an integral part of the retirement of the tangible capital asset.

Directly attributable costs would include, but are not limited to, payroll and benefits, equipment and facilities, materials, legal and other professional fees, and overhead costs directly attributable to the asset retirement activity.

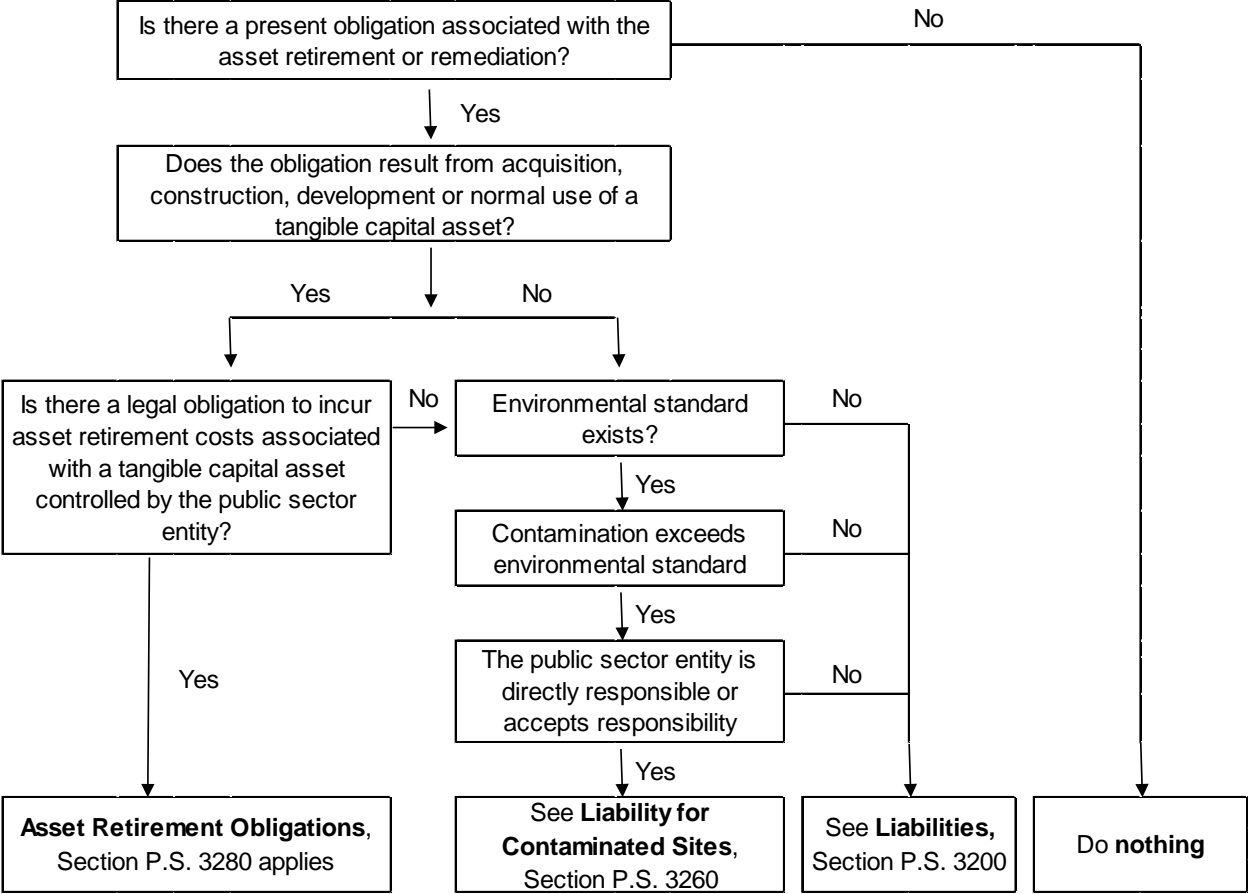
When measuring an A.R.O. liability, the best estimate of the cost to retire the tangible capital asset should be used. This estimate is based on the available information at the financial statement date. To determine the best estimate, professional judgement is required. Professional judgement can include internal expertise, external consultants or third party quotes.

Upon initial recognition of a liability for an asset retirement obligation, the City will recognize an asset retirement cost by increasing the carrying amount of the related tangible capital asset (or a component thereof) and recognize a corresponding liability. Where the obligation relates to an asset which is no longer in service, and not providing economic benefit, or to an item not recorded by the City as an asset, the obligation is expensed upon recognition.

The capitalization thresholds applicable to the different asset categories will also be applied to the asset retirement obligations to be recognized within each of those asset categories.

A decision tree, to be used to determine the scope of applicability, is presented below:

Decision Tree - Scope of Applicability



B. Subsequent Measurement

The asset retirement costs will be allocated to accretion expense in a rational and systemic manner (straight-line method) over the useful life of the tangible capital asset or a component of the asset.

On an annual basis, the existing asset retirement obligations will be assessed for any changes in expected cost, term to retirement, or any other changes that may impact the estimated obligation. In addition, any new obligations identified will also be assessed.

C. Transitional Provisions

There are three options for transitional provisions when implementing P.S. 3280; prospective, retrospective and modified retrospective. The City will disclose and present the transition provision within its 2023 Financial Statements.

D. Presentation and Disclosure

The liability for asset retirement obligations will be disclosed in the 2023 City's Annual Financial Statements.

E. Integration with Other Processes

The requirements as defined within P.S. 3280 will be integrated with the various processes already established at the City. Specifically, A.R.O. will be tracked and recorded within the City's Asset Inventory. It will also be included in a departmental year end checklist to ensure the financial statement reporting is accurate and complete.

REFERENCES

Public Sector Accounting Board, Public Sector Handbook, Section P.S. 3280 Asset Retirement Obligations

APPROVED

Authority Stephanie Sinnott, Commissioner, Corporate and Finance Services	Date Date approved	Signature Branch head signature
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To: Corporate and Finance Services Committee

From: Stephanie Sinnott, Commissioner,
Corporate and Finance Services Department

Report Number: CF-24-07

Date of Report: January 31, 2024

Date of Meeting: February 5, 2024

Subject: 2023 External Audit Service Plan

Ward: All Wards

File: 03-05

1.0 Purpose

The purpose of this report is to provide Council with the External Auditor's Audit Service Plan for the 2023 audit of the City's Consolidated Financial Statements.

2.0 Recommendation

That the Corporate and Finance Services Committee recommend to City Council:

That Report CF-24-07 concerning the 2023 External Audit Service Plan, dated January 31, 2024 be received for information.

3.0 Executive Summary

As a requirement of the Municipal Act, 2001 (section 296 (1)), municipalities shall appoint an Auditor licensed under the Public Accounting Act 2004. The Auditor is responsible for annually auditing the accounts and transactions of the municipality and its local boards and expressing an opinion on the financial statements of these bodies based on the audit. The City's current External Auditor is Deloitte LLP (Deloitte).

In preparation for the 2023 audit, Deloitte has provided the City with an Audit Service Plan, which outlines their planned scope of work, areas of audit focus and other relevant details related to the audit.

Attached to this report is the Audit Service Plan as Confidential Attachment 1.

4.0 Input From Other Sources

Deloitte LLP

5.0 Analysis

The purpose of an audit is to provide reasonable assurance that the financial statements are free from material misstatements. The City's annual audit typically occurs in late March/early April.

The 2023 external audit for the City of Oshawa, the City's Trust Funds and an examination of the books and records for the Oshawa Public Library Board will commence on April 8, 2024 and requires approximately 2 weeks of fieldwork performed by Deloitte staff.

The 2023 year end audit will take place both on-site and remotely. Deloitte's audit technology includes various technology based tools utilized by the auditors and a secure, online portal that allows City staff to upload documents and feedback in response to auditor's requests. This has resulted in an efficient and effective transfer of electronic files and a more streamlined audit process.

5.1 Audit Scope

The audit will include the examination of the consolidated financial statements for the City of Oshawa, the City's Trust Funds, and an examination of the books and records for the Oshawa Public Library Board.

The Audit Service Plan considers several factors including risk assessment, internal control matters and the use of the work of experts.

An audit involves the examination of books and records to provide reasonable assurance that they are free from material misstatements. The estimated materiality threshold for the City's consolidated financial statements is \$6.0 million. Some of the factors Deloitte considers in determining the audit scope include:

- The existence of significant risks;
- A consideration of significant accounts and disclosures using materiality levels that are appropriate to support an audit opinion of the Financial Statements;
- The complexity and nature of the operations, internal controls and accounting issues;
- The degree of centralization or decentralization of processes and controls, including the extent of relevant enterprise-level controls, and
- The extent and nature of internal control deficiencies and financial statement misstatements identified in current and previous periods.

5.2 Risk Assessment

The initial risk assessment performed by Deloitte to complete the Audit Service Plan takes into account key business developments and transactions, current business, regulatory and accounting pronouncements and developments, key management strategies and business plans, prior years' audit results, results of procedures relating to internal control, and areas of significant judgement and risk.

Deloitte identified risks that require specific audit consideration, as outlined in the next section of this report. Audit planning activities and preliminary identification of audit risks enables Auditors to set the scope of the audit and to design audit procedures tailored to the identified risks in the financial report.

5.3 Audit Risk/Focus for 2023

The identified areas of significant risk that require special audit consideration are as follows:

- Revenue recognition – a significant risk of fraud can be directly linked to improper revenue recognition (both earned and deferred revenue). Significant revenue sources that will be reviewed include property tax, user charges, licenses and permits, assumed assets, restricted contributions (i.e. development charges, Canada Community-Building Fund, conditional grants, etc.) and Tribute Communities Centre revenues. Deloitte will test the design and implementation of controls in these revenue streams and perform substantive analytic procedures and/or detailed testing to ensure revenue has been recognized in the appropriate fiscal period.
- 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. Deloitte will engage in periodic fraud discussions with certain members of senior management to evaluate the City’s’ fraud risk assessment, evaluate the business rationale for any significant unusual transactions and consider entity-level internal controls and internal controls over the closing and reporting process.

5.4 Engagement Report

After the satisfactory completion of appropriate audit procedures, Deloitte will provide an audit report for the City’s Financial Statements to the Corporate and Finance Committee as required by applicable auditing standards.

Deloitte’s client service principles include providing management and the Committee with insights into the condition of the business and offering meaningful suggestions for improvement. These insights and suggestions will be reported to the appropriate members

5.5 Audit Service Plan

As the Audit Service Plan provided by Deloitte contains external third party proprietary confidential information, the full Audit Service Plan document received from Deloitte attached to this report is confidential.

6.0 Financial Implications

There are no financial implications arising from the recommendation of this report.

7.0 Relationship to the Oshawa Strategic Plan

This report supports the Oshawa Strategic Plan goals of Economic Prosperity & Financial Stewardship and Accountable Leadership.



Stephanie Sinnott, Commissioner,
Corporate and Finance Services Department