



City of  
**Peterborough**

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**To:** **Members of the Finance Committee**

**From:** **Richard Freymond**  
**Commissioner of Corporate and Legislative Services**

**Meeting Date:** **June 10, 2019**

**Subject:** **Report CLSFS19-026**  
**Management Letter and Verbal Audit Findings Report for the**  
**year ended December 31, 2018**

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## **Purpose**

A report to recommend the audit of the December 31, 2018 Financial Statements Letter (Management Letter) and Verbal Audit Findings Report prepared and presented by the City's auditor, Baker Tilly KDN Kawarthas LLP, be received as information.

## **Recommendation**

That Council approve the recommendation outlined in report CLSFS19-026 dated June 10, 2019, of the Commissioner of Corporate and Legislative Services as follows:

That the audit of the December 31, 2018 Financial Statements Letter (Management Letter) appended to report CLSFS19-026 and the Verbal Audit Findings Report presented by Baker Tilly KDN Kawarthas LLP for the year ended December 31, 2018 be received as information.

## **Budget and Financial Implications**

There are no budget and financial implications to receiving this report.

Any actions by staff that would have a financial implication as a result of management's response to issues raised in the Management Letter will be considered during future budget deliberations.

## Background

Each year as part of the City's audit process, the External Auditors, Baker Tilly KDN Kawartha LLP, draft a Management Letter (attached) for the use of the Finance Committee to assist in the review of the financial statements and to raise issues for management's consideration and potential action. The matters raised in the letter arise from information obtained during the audit and are matters that Baker Tilly KDN believes need to be brought to the Finance Committee's attention.

Joanna Park, of Baker Tilly KDN Kawartha LLP, will present a Verbal Audit Findings Report during discussion of this item.

Submitted by,

Richard Freymond  
Commissioner of Corporate and Legislative Services

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Attachments:

Appendix A - Audit of December 31, 2018 Financial Statements Letter (Management Letter)



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Mr. Richard Freymond, Commissioner of Corporate and Legislative Services  
City of Peterborough  
500 George Street North,  
Peterborough, Ontario  
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Dear Mr. Freymond;

**Re: Audit of December 31, 2018 Financial Statements**

The objective of our audit was to obtain reasonable assurance that the financial statements were free of material misstatement; our audit was not designed for the purpose of identifying matters to communicate. Accordingly, our audit would not usually identify all such matters that may be of interest to management and Council and it is inappropriate to conclude that no such matters exist.

During the course of our audit of the City of Peterborough ("the City") for the year ended December 31, 2018 we did not identify any of the following matters: misstatements, other than trivial errors; fraud; misstatements that may cause future financial statements to be materially misstated; illegal or possibly illegal acts or significant weaknesses in internal control.

During our interim audit, with a follow-up done at year-end, we reviewed the payroll, purchases/payables/payments, and revenue/receivables/receipts systems. Our review of these accounting systems is done to ensure that appropriate and sufficient internal controls are in place. As part of our reporting process and where necessary, we indicate areas where the internal controls could be strengthened.

It is important to note that Council, through management, is responsible for ensuring that the City has adequate internal controls and uses sound business practices. These form part of management's overall responsibility for the ongoing activities. The City's policies and procedures are present to safeguard its assets and provide reasonable assurance that errors, irregularities or illegal acts are promptly identified.

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Further, these policies and procedures should be properly monitored to ensure that all staff complies with the guidelines provided. Our recommendations should assist you in this regard.

This letter is intended solely for the use of Council and management, and should not be used for any other purpose, including distribution to third parties. The comments and concerns expressed herein did not have a material effect on the City's financial statements and, as such, our opinion thereon was without a reservation. However, in order for the City to ensure the safeguarding of assets and the accuracy of its records, we believe our comments and concerns should be taken into consideration by management. Our comments are not intended to reflect on the honesty or competence of the City's employees.

### **Internal Controls**

We are pleased to report that management is maintaining a strong system of internal control. We found that balancing and reconciliation procedures continue to be performed on a timely basis which serves as a good internal control element to detect errors or discrepancies that require investigation. There is also adequate supervision of employee work including formalized approval and authorization procedures in place.

### **Employee Future Benefits**

During our 2017 audit we noted that the three year actuarial valuations expired at the end of 2017. As such, new valuations should be obtained for the 2018 financial statements. We are pleased to report that a new actuarial report has been obtained for the years 2018 to 2020.

### **Landfill Closure and Post-Closure Costs**

An important portion of the landfill closure and post-closure cost estimate calculation is the estimated costs to close the site and the annual monitoring costs. These estimates are at least eight years old now and with new technologies and processes, the cost estimates could have changed significantly in that time. We recommend that management consider having these cost estimates updated at a minimum every 5 years.

### **Management Response**

Management agrees with this comment and began the process of updating the landfill closure and post-closure cost estimate calculations for the 2019 fiscal year-end.

**Journal Entries**

During our testing, we noted that not all journal entries have supporting documentation attached for filing. It is important to maintain supporting documentation for journal entries so that those reviewing and approving the entries have the documentation to explain the need for the entries and for future reference. We recommend that all journal entries have supporting documentation attached and filed.

**Management Response**

Management agrees with this comment. Staff do maintain supporting documentation for journal entries, however it is not always attached and filed. Staff will attach or ensure supporting documentation is available as support for journal entries.

**Conclusion**

In closing, we would like to thank everyone at the City for their co-operation and assistance during our audit visits. If you have any questions, please do not hesitate to contact us. It is a pleasure for us to be of service and we look forward to many more years of association with you and the City.

Yours truly,

**Baker Tilly KDN LLP**



Joanna Park, CPA, CA  
Partner