



City of
Peterborough

To: Members of the General Committee

From: Richard Freymond, Commissioner, Finance & Corporate Support Services

Meeting Date: August 6, 2024

Report: Audit of the 2023 Consolidated Financial Statements of the City of Peterborough – Acknowledgement Letter, Report FCSFS24-018

Subject

A report to recommend that the Audit of the 2023 Consolidated Financial Statements of the City of Peterborough, Acknowledgement Letter, prepared by Baker Tilly KDN LLP, be received.

Recommendation

That Council approve the recommendation outlined in Report FCSFS24-018, dated August 6, 2024 of the Commissioner of Finance and Corporate Support Services as follows:

That the Acknowledgement Letter for the Audit of the 2023 Consolidated Financial Statements of the City of Peterborough be received.

Background

Each year the City's auditors, Baker Tilly KDN LLP, communicate aspects of the audit through the form of an acknowledgement letter addressed to members of the General Committee.

As part of the audit, Baker Tilly KDN LLP requests that management prepare a letter to re-affirm various representations that have been provided to them and that they have relied upon. A copy of this letter is attached in Appendix A.

Strategic Plan

Strategic Pillar: Governance & Fiscal Sustainability

Strategic Initiative: Pursue service excellence in governance to support long-term fiscal sustainability of the City while respecting the impact of decisions on taxpayers.

The annual financial audit is a key process in ensuring accountable, transparent and responsible financial management. The findings of the auditor as presented with this report provide accountability to Council and the citizens of Peterborough.

Budget and Financial Implications

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

Attachment

Appendix A: Acknowledgement Letter by Baker Tilly KDN LLP addressed to Members of the General Committee

Submitted by,

Richard Freymond
Commissioner, Finance and Corporate Support Services

Contact Name:

Yvette Peplinskie
Director, Financial Services
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Appendix A

August 6, 2024

Members of Council
City of Peterborough
500 George Street North
Peterborough, Ontario
K9H 3R9

Re: Audit of the Consolidated Financial Statements of the City of Peterborough

Dear Members of Council:

We have been engaged to express an audit opinion on the consolidated financial statements of the City of Peterborough ("the City") for the year ended December 31, 2023. We have substantially completed our audit and are pleased to report on the following items.

The purpose of this report is to summarize certain aspects of the audit that we believe to be of interest to Council. This report should be read in conjunction with the draft consolidated financial statements and our report thereon, as well as our Audit Planning letter previously forwarded to you.

Auditor Independence

Canadian Auditing Standards ("CAS") require that we communicate at least annually with Council regarding all relationships between us and the City that, in our professional judgement, may reasonably be thought to bear on our independence.

As communicated previously in a separate letter to Council, we are not aware of any relationship between the City and us that, in our professional judgement, may reasonably be thought to bear on our independence.

Accordingly, we hereby re-confirm that our engagement team, our Firm and the other Baker Tilly Canada offices are independent with respect to the City within the meaning of the Code of Professional Conduct Rule 204 of the Chartered Professional Accountants of Ontario.

Independent Auditor's Report

We anticipate that our Independent Auditor's Report will be issued without modification.

Our Independent Auditor's Report will be dated no earlier than the date on which we have obtained sufficient appropriate audit evidence on which to base our audit opinion on the consolidated financial statements, including evidence that all the statements and disclosures that comprise the consolidated financial statements have been prepared and Council has approved the consolidated financial statements.

Evaluation of Internal Controls

Audits include a review and evaluation of the system of internal controls to assist in determining the level of reliance that may or should be placed on the system in assessing the nature and extent of audit procedures to be undertaken.

There are no internal control matters that we wish to bring to your attention.

Illegal Acts, Fraud, Intentional Misstatements and Errors

Our auditing procedures, including tests of your accounting records, were limited to those considered necessary in the circumstances and will not necessarily disclose all illegal acts should any exist. Under CAS, we consider the City's control environment, governance structure, circumstances encountered during the audit and the potential likelihood of fraud and illegal acts occurring.

These procedures are not designed to test for fraudulent or illegal acts, nor will they necessarily detect such acts or recognize them as such, even if the effect on the consolidated financial statements is material. However, should we become aware that an illegal or possibly illegal act or act of fraud may have occurred, other than one considered clearly inconsequential, we will communicate directly to Council.

It is our responsibility to maintain professional skepticism throughout the audit. This recognizes the possibility that a material misstatement due to fraud could exist, notwithstanding our past experience of the honesty and integrity of the City's management and the audit committee.

It is management's responsibility to detect and prevent illegal action. If such acts are discovered or Council members become aware of circumstances under which the City may have been involved in fraudulent, illegal or regulatory non-compliance situations, such circumstances must be disclosed to us.

Testing during our audit did not reveal any illegal, improper or questionable payments or acts, nor any acts committed with the intent to deceive, involving either misappropriation of assets or misrepresentation of assets or misrepresentation of financial information.

Related Party Transactions

During our audit, we conduct various tests and procedures to identify transactions considered to involve related parties. Related parties exist when one party has the ability to exercise, directly or indirectly, control, joint control or significant influence over the other. Two or more parties are related when they are subject to common control, joint control or common significant influence. Related parties also include management, members of Council and their immediate family members and companies with which these individual have an economic interest.

All related party transactions that were identified during the audit have been represented by management to have been disclosed in the notes to financial statements, recorded in accordance with Canadian Public Sector Accounting Standards, and have been reviewed with you.

Management has advised that no other related party transactions have occurred that have not been disclosed to us. Council is required to advise us if it is aware of or suspects any other related party transactions have occurred, which have not been disclosed in the financial statements.

Significant Accounting Principles and Policies

Management is responsible for the appropriate selection and application of accounting policies. Our role is to review the appropriateness and application as part of our audit. The significant accounting principles and policies are disclosed in the notes to the consolidated financial statements.

Council has a responsibility to review the accounting policies adopted by the City, and where alternative policies are available, make determinations as to the most appropriate policies to be adopted in the circumstances. If members of Council believe that the adoption or change in accounting policy may produce an inappropriate or misleading result in financial reporting or disclosure, this concern must be discussed with management and us.

As described in the notes to the consolidated financial statements, the City has adopted the following:

PSA sections which are now effective under the PSA Handbook: 1201 Financial Statement Presentation, 2601 Foreign Currency Translation, 3041 Portfolio Investments, 3450 Financial Instruments and 3280 Asset Retirement Obligations.

The impact of the adoption of these standards on the City's consolidated financial statements is disclosed in notes to the financial statements.

Accounting Estimates

Management is responsible for the accounting estimates included in the consolidated financial statements. Estimates and the related judgements and assumptions are based on management's knowledge of the business and past experience about current and future events.

Our responsibility as auditors is to obtain sufficient appropriate evidence to provide reasonable assurance that management's accounting estimates are reasonable within the context of the consolidated financial statements as a whole. An audit includes performing appropriate procedures to verify the:

- Calculation of accounting estimates;
- Analyzing of key factors such as underlying management assumptions;
- Materiality of estimates individually and in the aggregate in relation to the financial statements as a whole;
- Estimate's sensitivity to variation and deviation from historical patterns;
- Estimate's consistency with the entity's business plans; and
- Other audit evidence.

Certain accounting estimates are particularly sensitive because they involve a significant degree of judgement and may have a range of possible outcomes. The most sensitive accounting estimates in order of significance are as follows:

- Useful lives of capital assets and amortization;
- Asset retirement obligations;
- Employee future benefits;
- Allowance for uncollectible taxes; and
- Accounts payable and other accrued liabilities.

Significant Matters Discussed With Management

There were no significant matters arising from the audit discussed with management.

Written Representations Requested From Management

As part of our audit, we request that management prepare a letter to us to re-affirm various representations that they have provided to us and we have relied upon. A copy of this letter is attached for your convenience.

Significant Misstatements

In the course of our audit, we have not found any material misstatements or unadjusted items that, in aggregate, exceed materiality thresholds established for the audit, nor have we found significant misstatements that would likely cause future financial statements to be materially misstated.

Uncorrected Misstatements

In the course of our audit, we have aggregated uncorrected financial statement misstatements which are summarized in the accompanying schedule. Management has deemed the effects of these misstatements to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. To date, management has decided not to correct these misstatements. Under CAS, we are required to request that Council approve the correction of these misstatements or that Council approve the decision of management.

Significant Unusual Transactions

We are not aware of any significant transactions entered into by the City that you should be informed about.

Disagreements with Management

We are required to communicate any disagreements with management, whether or not resolved, about matters that are individually or in aggregate significant to the City's financial statements or auditor's report. Disagreements may arise over:

- Selection or application of accounting principles;
- Assumptions and related judgements for accounting estimates;
- Financial statement disclosures;
- Scope of the audit: or
- Wording of the auditor's report.

In the course of our audit, we did not have any significant disagreements with management, nor were we under any significant time pressures or poor working conditions. We are not aware of any cause for concern as to management's attitude, competence or credibility with respect to matters affecting the financial statements.

Difficulties Encountered During the Audit

We encountered no significant difficulties during our audit that should be brought to the attention of Council.

Management Letter

We have submitted to management a letter on internal controls and any other matters that we feel should be brought to the attention of management.

Conclusion

We wish to express our appreciation for the co-operation we received during the audit from the City's management.

Should any member of Council wish to discuss or review any matter addressed in this letter or any other matters related to financial reporting, please do not hesitate to contact us at any time.

Yours truly,

Baker Tilly KDN LLP

per: Joanna Park, CPA, CA
Partner

Schedule of Uncorrected Misstatements

Description of Misstatement	Proposed Adjustments Dr (Cr)				
	Statement of Income		Balance Sheet		
	Identified Misstatements	Likely Aggregate Misstatements	Assets	Liabilities	Opening Equity
Amortization not factored in for contributed capital asset value statement	1,506,954	1,506,954	(1,506,954)	-	-
Prior year duplicate receivable	(1,948,007)	(1,948,007)	-	-	1,948,007
Prior year TCA capitalized expensed in 2023	(976,633)	(1,177,400)	-	-	1,177,400
a) Totals		(1,618,453)	(1,506,954)	-	3,125,407
b) Misstatements corrected by management		-	-	-	-
c) Likely aggregate misstatements net of corrections (a - b)		(1,618,453)	(1,506,954)	-	3,125,407
d) Effect of unadjusted misstatements from previous year's errors		-	-	-	-
e) Aggregate likely misstatements (c + d)		(1,618,453)	(1,506,954)	-	3,125,407
f) Final overall materiality		9,400,000	9,400,000	9,400,000	9,400,000
g) Amount remaining for further possible misstatement (f - e)		7,781,547	7,893,046	9,400,000	6,274,593

City of Peterborough
500 George Street North
Peterborough, Ontario
K9H 3R9

August 12, 2024

Baker Tilly KDN LLP
272 Charlotte St.
Peterborough, Ontario
K9J 2V4
Canada

Attention: Joanna Park, CPA, CA

Dear Sirs and Mesdames:

This representation letter is provided in connection with your audit of the consolidated financial statements of the City of Peterborough (the "City") for the year ended December 31, 2023 for the purpose of expressing an opinion as to whether the consolidated financial statements are presented fairly, in all material respects, in accordance with Canadian Public Sector Accounting Standards.

We confirm that:

Financial statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated September 11, 2023 for the preparation of the consolidated financial statements in accordance with Canadian Public Sector Accounting Standards; in particular, the consolidated financial statements are fairly presented in accordance therewith.
2. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
3. We have assessed that the City is able to continue as a going concern and the consolidated financial statements have been prepared on a going concern basis.
4. The methods, the data, and the significant assumptions used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.
5. Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Canadian Public Sector Accounting Standards.

Appendix A

6. All events subsequent to the date of the financial statements and for which Canadian Public Sector Accounting Standards require adjustment or disclosure have been adjusted or disclosed.
7. The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter.
8. The accounting policies selected and the application thereof is appropriate, including those for complex areas of accounting and areas involving management's judgement and estimates, for example, revenue recognition, fair value measurements, transfers of receivables, hedging relationships and consolidation of variable interest entities.
9. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the consolidated financial statements.
10. We are aware of the environmental laws and regulations that impact on our City and we are in compliance. There are no known environmental liabilities, including liabilities under sections PS3260 - Liability for Contaminated Sites and PS3280 - Asset Retirement Obligations that have not been accrued for or disclosed in the consolidated financial statements.
11. We are aware of the environmental laws and regulations that impact on our City and we are in compliance. There are no known environmental liabilities that have not been accrued for or disclosed in the consolidated financial statements.
12. The nature of all material measurement uncertainties has been appropriately disclosed in the consolidated financial statements, 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 consolidated financial statements.
13. We have informed you of all outstanding and possible claims, whether or not they have been discussed with legal counsel.
14. We have disclosed to you details of all derivative or off-balance sheet financial instruments held at year end and proper note disclosure has been made in the consolidated financial statements of these instruments.
15. We have made the appropriate determination, accounting and disclosure in the consolidated financial statements of the costs, assets and obligations associated with employee future benefits.
16. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated financial statements.

17. The City has satisfactory title to all assets, and there are no liens or encumbrances on the City's assets.

Information provided

18. We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the consolidated financial statements such as records, documentation and other matters;
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the City from whom you determined it necessary to obtain audit evidence.

19. All transactions have been recorded in the accounting records and are reflected in the consolidated financial statements.

20. We have disclosed to you the results of our assessment of the risk that the consolidated financial statements may be materially misstated as a result of fraud.

21. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the City and involves:

- Management;
- Employees who have significant roles in internal control; or
- Others where the fraud could have a material effect on the financial statements.

22. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the City's financial statements communicated by employees, former employees, analysts, regulators or others.

23. We have disclosed to you, and the City has complied with, all aspects of contractual agreements that could have a material effect on the consolidated financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debts.

24. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

25. We have disclosed to you the identity of the City's related parties and all the related-party relationships and transactions of which we are aware.

26. The minute books of the City are a complete record of all meetings and resolutions of the City throughout the year and to the present date.

Journal entry approval

27. We approve of and acknowledge responsibility for the journal entries summarized in the accompanying schedule.

Yours very truly,

Yvette Peplinskie
Director, Financial Services

Darren Hancock
Chief Accountant

Schedule of Uncorrected Misstatements

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