

May 25, 2016

Ms. Sandra Clancy, Director of Corporate Services
City of Peterborough
500 George Street North,
Peterborough, Ontario K9H 3R9

Dear Ms. Clancy:

Re: Audit of December 31, 2015 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, 2015, 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.

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. As well there is adequate supervision of employee work including formalized approval and authorization procedures in place.

Accounts Receivable

Our audit objective with respect to accounts receivable is to ensure that the receivables exist and that collectability is likely. As part of our previous management letters, we noted that there were a number of receivables that had been outstanding for many years. We recommended that management review the existing receivables and develop a collection/write off process for older accounts and set up an appropriate allowance for doubtful accounts for those accounts determined to be unlikely to be collected. The bulk of the old uncollectible accounts were written off in 2013 and 2014. Based on our most recent audit we noted that the receivables in excess of 180 days are less than 2% of the total receivables indicating that the process put in place in 2013 to manage receivables is still working as intended. City staff should continue to review receivable balances to ensure that there is an appropriate allowance for potentially uncollectible amounts.

Management's Response:

Acknowledged.

Tangible Capital Assets

In past years, the completion of the Tangible Capital Assets audit work has been delayed due to the timing of information provided to the Financial Services department as well as turnover of staff. For 2015, the responsibilities of staff in the Financial Services department was re-aligned and planning discussions with other departments took place in order to overcome these delays. Financial Services staff started the process of reconciling capital projects earlier and the process of accounting for asset disposals was streamlined. As a result of these proactive and positive changes, Tangible Capital Assets working papers were completed in a timelier manner than in the past which allows us more time to complete the audit of this section.

Management's Response:

Acknowledged.

Contaminated Sites

The City was required to adopt Section 3260 of the PSA handbook – Contaminated Sites for the year ended December 31, 2015. This section requires management to review potential liabilities related to contamination for all property owned by the City or which the City has taken responsibility. The process for accumulating this information took quite a bit of work and was still being completed well after much of the year end audit work. We recommend that an annual process be put in place to update this information beginning before the year end. The information being available ahead of time will allow time for Financial Services staff to assess its impact, if any, on financial statement reporting and incorporate any required changes to the financial statements.

Management's Response:

Acknowledged. Staff will take a proactive approach to gather this information for future years, and now that the bulk of the information has been compiled, do not expect this delay in the future.

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,

Collins Barrow Kawarthas LLP

Joanna Park, CPA, CA
Partner