

May 23, 2013

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Mr. Brian Horton, CAO
City of Peterborough
500 George Street North,
Peterborough, Ontario
K9H 3R9

Dear Mr. Horton:

Re: Audit of December 31, 2012 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, 2012 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 management letters for 2009, 2010 and 2011 we noted that there are a number of receivables that have been outstanding for many years. At that time, we recommended a review of the existing receivables be completed, a collection process begin for old amounts and an appropriate allowance for doubtful accounts be established. Although the City has taken steps in the past couple of years to review the accounts receivable and take appropriate action to collect the accounts, we found that there are still a number of old amounts still outstanding.

Management's Response

In the past year staff have taken the following steps to enhance collection activities including: working more closely with the various City departments, clearly defining internal collection procedures, investigating old accounts and writing off those not collected, as well as the recruitment of a second Collections Clerk.

At year end, the aged accounts had been reduced as compared to historical year end levels, however, staff acknowledge there are still a number of old amounts outstanding. Of the \$358,000 in various accounts that the Auditor had specifically questioned, \$75,542 has been collected to date. In addition, a further \$26,000 has been deemed uncollectible by staff and written-off. Staff will continue to investigate the remaining outstanding balances and determine collectability.

Pooled Tangible Capital Assets

During 2011 we noted that fully amortized pooled assets were not being removed from the asset register. We are pleased to report that staff have corrected this and have disposed of all fully amortized pooled assets.

Time Sheet Approvals

In our prior year payroll testing, we noted that several time sheets did not have evidence of approval by the applicable supervisor. We had recommended at that time that all time sheets be signed by the applicable supervisor as evidence that the hours have been approved to be paid. Our payroll testing during the current year noted a significant improvement in the time sheets being approved. We recommend to continue to have all time sheets signed by the applicable supervisor as evidence that the hours have been approved for payment.

Management's Response

Agree.

Wellness Centre

As part of our user fee revenue testing, we had noted that cash reconciliation reports for the Wellness Centre are not being initialled to show evidence of approval. It is important that these cash reconciliation reports are reviewed and approved on a regular basis so that any errors can be corrected in a timely fashion and any unauthorized reconciling items can be identified. We recommend that all cash reconciliation reports be reviewed and initialled once reviewed by the Customer Service Administrator/Facility Rentals.

Our testing also identified that refunds to members and customers do not show evidence of approval and minimal records are maintained to support these refunds. Without appropriate supporting documentation and documentation of approval, unauthorized refunds could be made. We recommend that the receipts for all refunds be attached to the daily cash reconciliation reports and they be initialled for approval by the Customer Service Administrator/Facility Rentals.

Management's Response

Agree. Management staff at the Wellness Centre will initiate an approval process for both the cash reconciliation reports and customer refunds.

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, CA
Partner

