

May 14, 2014

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F. 705.742.9775[www.collinsbarrowkawarthas.com](http://www.collinsbarrowkawarthas.com)Mr. Brian Horton, CAO  
City of Peterborough  
500 George Street North,  
Peterborough, Ontario  
K9H 3R9

Dear Mr. Horton:

Re: Audit of December 31, 2013 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, 2013 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 2009-2012 management letters we noted that there were a number of receivables that had 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. Some action was taken in 2012 to review the accounts receivable and take appropriate action to collect the accounts. Additionally, in 2013 we were pleased to see that much of the old receivable balances were written off. As such, there was not a significant balance of old receivable balances at December 31, 2013. City staff should continue to review receivable balances to ensure that there is an appropriate allowance for potentially uncollectible amounts.

## **Management's Response**

Agree. The addition of a second staff resource dedicated to the collection of outstanding receivables has enabled much of the older receivables to be dealt with. An appropriate provision for an allowance for doubtful accounts will be considered through the 2015 Budget process.

## **Wellness Centre**

In last year's letter, we noted that the cash reconciliation reports for the Wellness Centre were not being initialled to show evidence of approval. We are pleased to report that the reconciliation reports are now being initialled as evidence of approval.

We also noted in last year's letter that refunds to members and customers did not show evidence of approval and there was minimal documentation to support these refunds. We recommended 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. During our testing for 2013, we came across one refund that did not have any backup documentation.

## **Management's Response**

A note has been sent to staff to remind them of the need for on-going compliance.

## **Payroll Shift Premium**

During the 2013 audit we noted during our payroll testing that one of the weekend shift premium rates in Cayenta did not agree to the collective agreement rate. Since the variance was small and the code is only used for a few employees, the cumulative error is not significant; however, we recommend that after changes are made to the wage grids in Cayenta that they are reviewed by someone else to ensure that there were not any input errors.

## **Management's Response**

Agree. A new process will be established in Payroll so that the data input will be verified by a second staff person.

### **HST on Wire Transfers**

We noted during our purchases testing that potential HST rebates are not being recorded on wire transfers as the full payment amount was being posted to expenses. We recommend that all payments that do not go through the accounts payable system be reviewed to ensure that all available rebates are being properly recorded.

### **Management's Response**

Agree. Processes to record payments that do not go through the accounts payable system will be revised to ensure all eligible HST rebates are captured.

### **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 Kawartha LLP**



Joanna Park, CPA, CA  
Partner