

# **Appendix B**

Pre-Audit Planning Letter

August 19, 2014

Members of the Audit Committee  
City of Peterborough  
500 George Street North  
Peterborough, Ontario  
K9H 3R9

T. 705.742.3418  
F. 705.742.9775

[www.collinsbarrowkawarthas.com](http://www.collinsbarrowkawarthas.com)

**Re: Audit of the consolidated Financial Statements of the City of Peterborough**

Dear Members of the Audit Committee:

This report is intended solely for the use of the the Audit Committee and should not be distributed without our prior consent. We accept no responsibility to a third party who uses this communication.

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, 2014. Canadian Auditing Standards ("CAS") require that we communicate the following information with you in relation to your audit.

Management is responsible for establishing and maintaining an adequate internal control structure and procedures for financial reporting. This includes the design and maintenance of accounting records, recording transactions, selecting and applying accounting policies, safeguarding of assets and preventing and detecting fraud and error.

**Auditor Independence**

CAS require communications with audit committees, or other appropriate parties responsible for governance, at least annually, regarding all relationships between the City and our Firm that, in our professional judgement, may reasonably be thought to bear on our independence.

We will, through our planning process, identify any potential independence threats and will communicate any concerns we identify. The City, management and the Audit Committee have a proactive role in this process, and are responsible for understanding the independence requirements applicable to the City and its auditor. You must also bring to our attention any concerns you may have, or any knowledge of situations or relationships between the City, management, personnel (acting in an oversight or financial reporting role) and our Firm, its partners/principals and audit team personnel that may reasonably be thought to bear on our independence.

In determining which relationships to report, these standards require us to consider relevant rules and related interpretations prescribed by the Chartered Professional Accountants of Ontario and applicable legislation, covering such matters as:

- (a) holding a financial interest, either directly or indirectly, in a client;
- (b) holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client;
- (c) personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client;
- (d) economic dependence on a client; and

- Where necessary, reviewing matters raised by the auditor with appropriate levels of management, and reporting back to the auditors their findings;
- Making known to the auditor any issues of disclosure, corporate governance, fraud or illegal acts, non-compliance with laws or regulatory requirements that are known to them, where such matters may impact the financial statements or the Independent Auditors' Report;
- Providing guidance and direction to the auditor on any additional work the auditor feels should be undertaken in response to issues raised or concerns expressed;
- Making such enquiries as appropriate into the findings of the auditor with respect to corporate governance, management conduct, cooperation, information flow and systems of internal controls; and
- Reviewing the draft financial statements prepared by management, including the presentation, disclosures and supporting notes and schedules, for accuracy, completeness and appropriateness, and recommend same to be passed to Council for approval.

### **Audit Approach**

Outlined below are certain aspects of our audit approach which are intended to help you in discharging your oversight responsibilities. Our general approach to the audit of the City of Peterborough is to assess the risks of material misstatement in the financial statements and then respond by designing audit procedures.

### **Illegal Acts, Fraud, Intentional Misstatements and Errors**

Our auditing procedures, including tests of your accounting records, will be limited to those considered necessary in the circumstances and will not necessarily disclose all illegal acts, fraud, intentional misstatements or errors should any exist. We will conduct the audit under CAS, which include procedures to consider (based on the control environment, governance structure and circumstances encountered during the audit), 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 of its consequences on the financial statements is material. However, should we become aware that an illegal or possible illegal act or an act of fraud may have occurred, we will communicate this information directly to the Audit Committee.

It is management's responsibility to detect and prevent illegal actions. If such acts are discovered or the Audit Committee becomes 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.

### **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 the Audit Committee and their immediate family members and companies with which these individuals have an economic interest.

We will ensure that any related party transactions that are 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 is required to advise us if any related party transactions have occurred that have not been disclosed to us. The Audit Committee is required to advise us if they are aware of or suspect any other related party transactions have occurred which have not been disclosed in the financial statements.

**Audit Procedures**

In responding to our risk assessment, we will use a combination of tests of controls, tests of details and substantive analytical procedures. The objective of the tests of controls is to evaluate whether certain controls operated effectively. The objective of the tests of details is to detect material misstatements in the account balances and transaction streams. Substantive analytical procedures are used to identify differences between recorded amounts and predictable expectations in larger volumes of transactions over time.

**Assignment of Engagement Partner and Key Audit Personnel**

The Firm is responsible for assigning an engagement practitioner as lead partner responsible for the City's audit and other engagements. Such individual and his/her roles are to be identified to the Audit Committee. The key individuals involved in the audit are:

Engagement Partner  
Joanna Park, CPA, CA

Concurring Partner  
Richard Steinginga, CPA, CA

To ensure there is a clear understanding and record of the matters discussed, we ask that members of the Audit Committee sign their acknowledgement in the spaces provided below. Should any member of the Audit Committee 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 very truly,

**Collins Barrow Kawarthas LLP**



per: Joanna Park, CPA, CA

**Acknowledgement of the Audit Committee:**

We have read and reviewed the above disclosures and understand and agree with the comments therein:

**City of Peterborough**

Are you aware of any frauds, illegal acts or management override of internal controls at the City?

**Yes / No (please circle one)**

If yes, please contact our office immediately

\_\_\_\_\_  
Name

\_\_\_\_\_  
Position

\_\_\_\_\_  
Name

\_\_\_\_\_  
Position