



City of
Peterborough

To: Members of the Audit Committee

From: Sandra Clancy, Director of Corporate Services

Meeting Date: June 22, 2015

Subject: Report CPFS15-031
Management Letter and Verbal Audit Findings Report for the
year ended December 31, 2014

Purpose

A report to recommend the audit of the December 31, 2014 Financial Statements Letter (Management Letter) and Verbal Audit Findings Report prepared and presented by the City's auditor, Collins Barrow Kawarthas LLP, be received as information.

Recommendation

That Council approve the recommendation outlined in report CPFS15-031 dated June 22, 2015, of the Director of Corporate Services as follows:

That the audit of the December 31, 2014 Financial Statements Letter (Management Letter) appended to report CPFS15-031 and the Verbal Audit Findings Report presented by Collins Barrow Kawarthas LLP for the year ended December 31, 2014 be received as information.

Budget and Financial Implications

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

Any actions by staff that would have a financial implication as a result of management's response to issues raised in the management letter will be considered during future budget deliberations.

Background

Each year as part of the City's audit process, the External Auditors, Collins Barrow Kawartha LLP, draft a Management Letter (attached) for the use of the Audit Committee to assist in the review of the financial statements and to raise issues for management's consideration and potential action. The matters raised in the letter arise from information obtained during the audit and are matters that Collins Barrow believes need to be brought to the Audit Committee's attention.

Joanna Park, of Collins Barrow Kawartha LLP, will present a Verbal Audit Findings Report during discussion of this item.

Submitted by,

Sandra Clancy
Director of Corporate Services

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Attachments:

Appendix A - Audit of December 31, 2014 Financial Statements Letter (Management Letter)

Appendix A

**Audit of December 31, 2014 Financial Statements Letter
(Management Letter)**

May 28, 2015

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, 2014 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, 2014 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 2009-2013 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 much of the old receivable balances were written off. As such, there was not a significant balance of old receivable balances at December 31, 2014. City staff should continue to review receivable balances to ensure that there is an appropriate allowance for potentially uncollectible amounts.

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. We are pleased to report that we found no instances of errors in payroll rates used in the system from the approved rates in collective agreements during the 2014 audit.

HST on Wire Transfers

We noted during our purchases testing in 2013 that potential HST rebates were not being recorded on wire transfers as the full payment amount was being posted to expenses. We had recommended at that time for all payments that do not go through the accounts payable system be reviewed to ensure that all available rebates are being properly recorded. We are pleased to report that management has established this policy and reviews all of these types of payments for available HST rebates.

Actuarial Report

The employee future benefits liability has been based on the most recent actuarial report which was completed as at December 31, 2011. There is a requirement in the CPA Canada Handbook that actuarial reports be updated, at a minimum, every three years to ensure the information and estimates are still appropriate. We recommend that the City obtain a new actuarial report for the 2015 year end.

Management's Response

Acknowledged. Following the requirements of the City's Purchasing By-law 14-127, staff are currently in the process of selecting a Vendor to complete the work.

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

Joanna Park, CPA, CA
Partner