

The City of Greater Sudbury

*Summary of our Report to the Audit
Committee*

*Year ended
December 31, 2014*

1. Status of the audit

We have substantially completed our audit.

The following items will need to be completed/received prior to the issuance of our opinion.

Outstanding items:

Completion of subsequent event procedures up to the date of our audit opinion

Receipt of signed management representation letter

Approval of the financial statements by Council

2. Significant audit, accounting and financial reporting matters

Significant estimates and areas of management judgment

Background:

- Significant provisions and estimates include:
 - a) provision for property tax appeals;
 - b) provision for uncollectible accounts receivable;
 - c) employee benefit obligations;
 - d) landfill closure and post-closure costs for active and inactive landfill sites; and
 - e) Liability for contaminated sites.

PwC's view:

- We validated and benchmarked these estimates against our own expectations and have no matters to report.

2. Significant audit, accounting and financial reporting matters

Revenue recognition – Government Transfers

Background:

- The City adopted a new accounting standard in 2013 with respect to the accounting for government transfers.
- The recognition of revenue is based on specific contracts with other government organizations and can be subject to management judgement with respect to the timing of revenue recognition.

PwC's view:

- We examined the City's significant funding agreements for compliance with the government transfer accounting standard and are in agreement with management's accounting conclusions and found their judgements with respect to stipulations reasonable.

2. Significant audit, accounting and financial reporting matters

Management override of controls

Background:

- The City has developed policies and procedures to ensure appropriate segregation of duties to mitigate the risk of fraud and management override of controls.

PwC's view:

- To address this risk we executed various procedures including:
 - inquiries with management, auditor general and legal offices;
 - Performed tests of detail over revenue;
 - examined journal entries and other adjustments; and
 - reviewed accounting estimates for management bias.
- As a result of completing these procedures we did not encounter any instances of fraud₅

3. Summary of unadjusted and adjusted misstatements

- There are no adjusted or unadjusted misstatements as a result of our audit.

4. *Other required communications*

- Summarized below are other required communications to the Audit Committee:

Matter to be communicated

PwC's response

Management's representations	<ul style="list-style-type: none">A copy of the draft management representation letter is included in our report.
Internal control observations	<ul style="list-style-type: none">We have included a summary of internal control observations and recommendations identified as part of the audit in our report. None were noted to be significant.
Fraud and illegal acts	<ul style="list-style-type: none">We are not aware of any instances of fraud.

4. *Other required communications*

Matter to be communicated

PwC's response

Independence of PwC

- We have included in our report our signed independence letter confirming our independence.

5. Internal controls

- Our testing of certain key controls was targeted primarily on those controls in the purchases, payables and payment and payroll processes.
- Our testing in these cycles included some of the following controls:
 - Review and approval of vendor invoices and cheque requisitions;
 - Review and approval of changes to payroll master data (i.e. new hires, terminations, rate changes) prior to payroll processing; and
 - Review and approval of employee time cards (where applicable) prior to payroll processing.

5. Internal controls

- Internal controls were also evaluated over information technology.
- Internal control recommendations were raised as part of the 2011 audit primarily related to information technology controls in the following areas:
 - Password settings;
 - Access and segregation of duties; and
 - Change management process.
- Substantially all of our prior year internal control recommendations were remediated by management in 2013.
- There are two open IT-related internal control recommendations at December 31, 2014. Both are assessed as low risk.

5. Internal controls

- In addition, as a value-added service to the City in 2014, given the importance of information security, we performed a review of the City's cyber security policies and procedures.
- The review was conducted primarily through discussion with the City's IT group and involved comparing the responses to our enquires with best practices in the area.
- We have not yet completed the review and will issue a report to management summarizing our views for management's consideration later in the 2015 year.

6. 2014 audit fees

- Our fees are in accordance with the City's Request for Quote dated June 2, 2014 covering the two year contract period for the years ended December 31, 2014 and 2015.

Thank-you!