

The City of Greater Sudbury

Summary of our Report to the Audit
Committee

Year ended
December 31, 2013

pwc

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

New accounting standards adopted during the year

Background:

- The City adopted new accounting standards in the year with respect to the accounting for government transfers, taxation revenue and liabilities for contaminated sites.
- Management determined that the adoption of these new accounting standards did not have a material impact to the City's consolidated financial statements.

PwC's view:

- We examined the City's significant funding agreements for compliance with the new 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

New accounting standards adopting during the year (cont'd)

PwC's view (cont'd):

- We reviewed the City's existing accounting policy for taxation revenue and noted that it is in accordance with the new accounting standard.
- As part of our audit procedures, we gained an understanding of management's process with respect to the identification of contaminated sites under the scope of the new standard. We reviewed management's approach and methodology and found it to be reasonable and are in agreement with the accounting conclusions reached.
- We note that the review of contaminated sites involves management judgment and estimation with respect to the assets intended use in the future.

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; and
 - d) landfill closure and post-closure costs for active and inactive landfill 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

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 fraud.

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

- A copy of the draft management representation letter is included in our report.

Significant difficulties or disagreements that occurred during the audit

- We had no significant difficulties or disagreements

Fraud and illegal acts

- 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 were no new recommendations identified in 2013.

6. 2012 audit fees

- Our fees are in accordance with our response to the City's Request for Proposal dated October 18, 2011 covering the three year contract period for the years ended December 31, 2011 through to 2013.

Thank-you!