



The City of Greater Sudbury

Summary of our Report to the Audit
Committee

Year ended
December 31, 2012

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

Receipt of legal letter confirmations (3)

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 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

Revenue recognition

Background:

- The City has several significant revenue streams and has established revenue recognition accounting policies in accordance with the Public Sector GAAP.

PwC's view:

- We performed a variety of audit procedures, substantive analytical procedures and tests of detail for all significant revenue streams.
- We have no matters to report with respect to revenue recognition.

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 disaggregated analytical procedures 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

Adjusted misstatements:

Description	Surplus over (under) stated	Assets (over) under stated	Liabilities over (under) stated
Purchase of investments	\$-	\$2,200,000	(\$2,200,000)
Elimination of interest on inter-departmental loans	\$734,000 (\$734,000)		

- There are no 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 tested over information technology.
- Internal control recommendations were raised in the prior year 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.
- There were no new recommendations identified in 2012, except for those recommendations that were identified in 2011 related to the PeopleSoft Financial system which also related to the City's PeopleSoft Human Resources system (that was implemented by the City in 2012).

5. Internal controls

- The current status of the 11 fiscal 2011 IT observations is as follows:
 - 3 IT observations– remediated fully in 2012 and validated by PwC.
 - 2 IT observations – remediation substantially completed in 2013 and to be validated by PwC in 2013.
 - 6 IT observations – remediation in progress; expected to be fully remediated in 2013 and validated by PwC 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!