



# **City of Greater Sudbury**

## **Audit Findings Report to the Audit Committee for year ending December 31, 2010**

June 22, 2011

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This Audit Findings Report is to assist the Audit Committee in their review of the financial statements of the City for the year ended December 31,2010. We shall have no responsibility for loss or damages, if any, to any third party as this Audit Findings Report has not been prepared for, and is not intended for, and should not be used by, any third party or any other purpose.

## *Overview and Status*

- Audit is complete with the exception of the following:
  - Signed management representation letter
  - Discussions with the Audit Committee
  - Evidence of final approval by Council (June 29, 2011)
  - Subsequent audit procedures up to the anticipated audit report date (June 29, 2011)
- Audit Committee to be updated should any significant matters arise from completion of the above
- Audit Report – see appendix 1
  - Unqualified report that the financial statements present fairly in all material respects the consolidated financial position of the City, the results of operations, changes in net debt and cash flows for the year ended December 31,2010

# *Significant Qualitative Aspects of Accounting Practices*

## **Significant Accounting Policies**

- Described in the notes to the financial statements
- No changes in policies from previous years
- Consistent with those used by other Municipalities

## **Significant Disclosures**

- No significant disclosures required to complete the financial statements

## **Significant Accounting Estimates**

- Solid waste landfill
- Employee future benefits
- Allowance for doubtful accounts
- Payroll accruals

## ***Matters Arising from the Audit***

### **Solid waste landfill closure and post-closure liability**

- City has 3 active and 3 inactive sites (Walden closed this year)
- Liability for future closure and post closure costs has been recorded at \$14,106,000 (2009 - \$13,829,000)

### **Actions taken by Management**

- Estimate is prepared by consultants
- Dependent upon significant estimates for inflation rates, discount rates, estimate remaining operating life and pre and post-closure costs
- Management reviews information prepared by consultants

### **Effects on the audit**

- We reviewed schedules and information provided for methodology that is rational, consistent with previous years

## ***Matters Arising from the Audit***

### **Employee future benefits**

- Benefits include life insurance, dental and health coverage provided to employees upon retirement
- City budgets using a “pay as you go” approach
- Liability is estimated using an actuarial valuation
- Liability includes costs for future payments to WSIB, post employment and post retirement benefits, vacation pay, and sick leave benefits
- Liability amounts to \$46,275,000 (2009 \$44,838,000)

### **Actions taken by Management**

- Estimate is prepared by consultants
- Dependent upon significant estimates made by the actuary for inflation rates, discount rates, salary increases, future health care costs and morality rates
- Management reviews information prepared by consultants

### **Effects on the audit**

- We reviewed schedules and information provided for methodology that is rational, consistent with previous years

## ***Matters Arising from the Audit***

### **Allowance for doubtful taxes**

- Determined by management for properties in arrears as well as allowances for pending adjustments and appeals
- Dependent upon the estimation of future payments as well as the success rate of appeals

### **Actions taken by Management**

- Management estimates the losses using methodology consistent from year to year

### **Effects on the audit**

- We concur with Management's estimate, assumptions and methodology

### **Payroll related accruals**

- Estimates have been made by Management for anticipated retroactive payments to employees for job evaluations, pay equity and other matters

### **Actions taken by Management**

- Management estimates liability using methodology consistent from year to year

### **Effects on the audit**

- We concur with Management's estimate, assumptions and methodology

## ***Matters Arising from the Audit***

### **Commitment to Northern Ontario School of Architecture**

- City has committed \$10 million contingent upon the School securing funding and approvals
- Subsequent to year end funding in the amount of \$26 million was announced

### **Actions taken by Management**

- Management has disclosed the commitment in the notes to the financial statements (note 14 d)

### **Effects on the audit**

- We concur with Management's treatment of the commitment

### **Recasted 2009 financial results**

- GSU adopted new accounting standards which retroactively decreased the City's investment by \$6,076,000

### **Actions taken by Management**

- Management reviewed the adjustment and retroactively restated the 2009 financial results

### **Effects on the audit**

- We have reviewed the adjustment and related disclosures

# *Misstatements*

## **Uncorrected Audit Misstatements**

- No uncorrected audit misstatements identified

## **Corrected Misstatements**

- No corrected audit misstatements identified

# *Control Deficiencies*

## **Background**

- In planning and performing our audit we consider internal controls and test those relevant to the preparation of the financial statements but do not express an opinion internal controls.

## **Identification**

- No control deficiencies that we consider to be significant were identified

## ***Other Information***

### **Changes to our audit plan**

- No changes to the audit plan presented to the Audit Committee

### **Significant unusual transactions**

- We did not identify any significant unusual transactions

### **Illegal and fraudulent activities**

- Did not identify any illegal or possible illegal acts
- We did not identify any:
  - Matters that might pose questions regarding the honesty or integrity of Management
  - Fraud or suspected fraud involving Management
  - Fraud or suspected fraud involving employees who have significant roles in internal control over financial reporting

### **Related party transactions**

- We did not identify any related party transactions outside the normal course of operations that involve significant judgments made by Management

## ***Other Information (continued)***

### **Auditor's Independence**

- Our independence letter will be issued June 29, 2011 (see Appendix 2).

### **Dealings with Management**

- We received full cooperation from Management and employees of the City.
- We had complete access to the accounting records and documents.
- We had no disagreements with Management and resolved all accounting, auditing and presentation issues to our satisfaction.

### **Consultation with other accountants**

- We are not aware of any consultation by Management with other accountants regarding any accounting or auditing matters.

### **Major issues discussed with Management that influence or audit appointment**

- We did not engage in discussions with Management about any major issues in connection with our appointment as auditors.

# Performance Improvement Observations

Observation and Implication for the City	Recommendation	Management Comments
<p>Tangible Capital Assets</p> <ul style="list-style-type: none"> <li>• Accounting for TCA has not been incorporated into People Soft</li> <li>• Stand alone system accounting for TCA exists.</li> <li>• Certain operating departments maintain their own non-integrated systems for TCA</li> <li>• The process to account for TCA for financial statement purposes is inefficient and time consuming</li> <li>• Both capital and non-capital items are budgeted and accounted for with operations and capital.</li> </ul>	<ul style="list-style-type: none"> <li>• Consider integrating TCA to People Soft</li> <li>• Consider matching capital and non-capital items to the capital and operations budgets respectively</li> </ul>	<ul style="list-style-type: none"> <li>• Management concurs and will be exploring alternatives to integrate TCA accounting with PeopleSoft as resources become available.</li> <li>• Management concurs. As future changes are implemented for full integration of capital assets this alignment will be examined.</li> </ul>

**QUESTIONS?**