



15 May 2018.

The Mayor and Members of Council,  
North Algona Wilberforce Township,  
1091 Shaw Woods Road,  
R.R. #1,  
EGANVILLE, Ontario.  
K0J 1T0

Dear Mayor and Members of Council:

Re: Audit of 2017 Financial Statements

The objective of our audit was to express an opinion on the financial statements. Included in our audit was the consideration of internal control relevant to the preparation and fair presentation of the financial statements. This consideration of internal control was for the purpose of designing audit procedures that were appropriate in the circumstances. It was not for the purpose of expressing an opinion on the effectiveness of internal control or for identifying all significant control deficiencies that might exist.

During the course of our audit, we identified a number of deficiencies that met the definition of a significant deficiency. A significant deficiency in internal control is defined as a deficiency or combination of deficiencies in internal control that, in the auditor's professional judgment, is of sufficient importance to merit the attention of those charged with governance. Communicating significant deficiencies assists those charged with governance in fulfilling their oversight responsibilities. Our comments should not be construed as a criticism, but rather a means to further strengthen your internal controls.

**Payroll**

Previously, the Deputy Clerk Treasurer's time reports were not approved by a supervisor that has knowledge of the days and number of hours each employee has worked. Approval of time cards helps to ensure employees are paid for the correct number of hours worked.

Through audit procedures of the payroll system it was noticed that not all employees' files include the current wage step that an employee is on in relation to wage rates and any deductions that are to be made. Each individual employee, including fire employees, should have a payroll file that contains an approval form with current documentation in relation to wage rates and deductions. The wage rates should agree to an updated payroll grid that is maintained by the Township. These files provide an important reference for the Township especially in cases of management turnover and the loss of computer data.

**HST**

The monthly HST forms should be completed on a timely basis each month as this will help with the monthly cash flow and keep the Township in good standing with the Canada Revenue Agency. Previous outstanding balances should be pursued through CRA or by an independent consultant for collection. Since our procedural audit we understand that the outstanding balances have now been received from CRA.

...2

### **Tenders**

When testing the tender files it was discovered that the Township does not have a consistent documented Tender Opening Process and a tender summary sheet is not consistently completed. We would continue to recommend a tender summary sheet be completed for each tender, the summary sheet should include the following items:

- date and time of opening
- individuals in attendance at time of opening
- tender applicant's name and submitted amount
- recommendation of manager or sub-committee
- date and awarding of Council

The summary sheet and other related information should be kept in a folder for each tender process.

### **Voucher Approval**

The procedure of Council approving the cash disbursements on a bi-weekly or monthly basis at Council meetings is a strong internal control that is very effective, especially for a Township your size. The approval allows all members of Council to examine the cash disbursements and inquire of staff regarding any payments that occurred during the previous period. Council is ultimately responsible for the operations of the Township and the cash disbursements are an integral part of those operations and Council should have knowledge of these transactions. It is best practice to have the approval of the cash disbursements and the gross amount of the disbursements noted in the Minute summary. We understand that this control has been implemented subsequent to the audit.

### **General Ledger Accounts**

The trial balance should be scrutinized at the end of each month to ensure that entries during the month have been posted correctly and allow staff to investigate any variances in the accounts promptly. This process is another key component in any organization's internal control and should be completed promptly each month.

### **General**

The Township, with the help of the Province, had an Asset Management Plan developed to assist with the long term planning and budgeting of the Township. The Asset Management Plan is a valuable document and should be referenced and used in any capital budgeting or financing discussion to help ensure funds are being allocated to the appropriate areas and are consistent with the Asset Management Plan.

This communication is prepared solely for your information and is not intended for any other purpose. We accept no responsibility to a third party who uses this communication. If you wish to discuss any of the above matters, we would be pleased to do so at your convenience.

We wish to express our appreciation for the assistance extended to us by your staff during the course of our audit.

If you have any questions concerning these items, please contact us.

Yours very truly,

MacKillican & Associates,



Per:

(Rory K. Richards, CPA, CA, LPA)