

**Corporation of the
Township of Augusta
2015 Financial Audit Results**

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2015 Financial Audit Results



Allan and Partners LLP

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Members of the Council of the Corporation of the Township of Augusta

Dear Council:

We are pleased to present the results of our audit of the consolidated financial statements of the Corporation of the Township of Augusta ('the Township').

The audit is designed to express an opinion on the 2015 consolidated financial statements as of December 31, 2015. In accordance with professional standards, we obtained a sufficient understanding of internal control to plan the audit and to determine the nature, timing and extent of tests to be performed. However, we were not engaged to and we did not perform an audit of internal control over financial reporting. We continue to receive the full support and assistance of the Township's personnel in conducting our audit.

This report is intended solely for the information and use of the Council, Township Council and management, and is not intended to be and should not be used by anyone other than these specified parties. We disclaim any responsibility to any third party who may rely on it. Further, this report is a by-product of our audit of the 2015 consolidated financial statements and indicates matters identified during the course of our audit. Our audit did not necessarily identify all matters that may be of interest to the Council in fulfilling its responsibilities.

We encourage the Council to review the contents of this report and would be pleased to answer any questions you may have about these or any other related matters.

Yours truly,



Allan and Partners LLP
Chartered Professional Accountants
Licensed Public Accountants
Perth, Ontario
September 26, 2016.

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Our Client Service Commitment to the Township

Allan and Partners LLP was established in 1979 and has continually provided a high level of service to our clients. Our practice is a service oriented accounting firm with a highly trained professional staff and clerical support team. Our client base is varied, ranging from municipalities, not-for-profit organizations, health units, proprietorships, partnerships, corporations, and charitable organizations, as well as individuals.

For over 30 years, the practice has been built on traditions of integrity, commitment and knowledge.

Professional services, offered by the firm, are diverse ranging from standard audit and accounting services, strategic consulting, mergers and acquisitions, personal tax and financial planning.

Our vision is to be the best professional services firm for our clients and the communities we work in.

We accomplish this vision through:

- commitment to communication between the client and audit personnel
- commitment to professional development for all personnel
- multiple levels of review of the work completed by audit personnel assigned to the engagement
- objectivity
- fair and transparent fees
- development of the audit process which includes
 - planning and identifying risk
 - developing audit strategy based on risk assessment
 - implementing the audit strategy

Audit Deliverables

Audit Deliverables

- Opinions**
- ▶ Express an opinion on the consolidated financial statements of The Corporation of the Township of Augusta for the year ended December 31, 2015.
 - ▶ Express opinion on financial statement of The Corporation of the Township of Augusta related entities in accordance with municipal requirements.
 - ▶ Express opinions on annual financial statements of the Township of Augusta Library Board
- Internal Control Communications**
- ▶ Issue a written communication to management and the Council describing any significant weaknesses in internal control identified during our audit.
 - ▶ Issue a management letter that provides our recommendations regarding internal controls and opportunities for improvement or efficiency, based on observations made during the course of our audit. A management letter is attached to this report.
 - ▶ Issue a written communication to the Council about independence matters in accordance with CICA handbook Section 5751, *Communications with those Having Oversight Responsibility for the Financial Reporting Process*.

Materiality

At the conclusion of the audit, we formulate our opinion on the consolidated financial statements of the Township of Augusta as to their fair presentation in all material respects in accordance with Canadian Public Sector Accounting Standards.

Our estimation of planning materiality involves professional judgement and necessarily takes into account qualitative as well as quantitative considerations.

We have performed our audit to a materiality level of \$75,000 approximately 1.5% of budgeted revenues, consistent with prior years.

2015 Audit Strategy

Audit Strategy Considerations

Area

General Approach to the Audit

Using our cumulative knowledge of the client's business, including the results of audit procedures in prior years and the knowledge gained from the current year's procedures that have been completed, we establish a preliminary strategy for placing reliance on controls related to the flows of transactions and / or significant processes.

For purposes of the audit of the consolidated financial statements, our audit scope is developed after considering the inherent and control risks and the effectiveness of the Township's internal controls. A variety of factors are considered when establishing the audit scope including size, specific risks, the volumes and types of transactions processed, changes in the business environment and other factors.

We distinguish between the following strategies:

- ▶ Identify and evaluate controls (control strategy)
- ▶ Substantive auditing (substantive strategy)

Comments

Significant Accounts

All accounts of the Township were determined to be significant based on preliminary materiality determination with the exception of inventory not for resale and prepaid expenses.

Control Based Testing

Allan and Partners LLP has tested and relied upon controls identified for the accounts payable and expense process to reduce the extent of substantive testing in these areas.

Allan and Partners LLP has also performed control testing over the IT general controls to gain further assurance over system generated reports.

Substantive Based Testing

For the remaining significant accounts that have been identified in the planning process, we have taken a substantive approach to perform our audit as we believe that this resulted in a more efficient approach for these accounts based on their nature.

2015 Audit Strategy

Internal Control Reliance

Area of Reliance

Transaction Level Controls

As communicated during our audit planning, Allan and Partners LLP has leveraged the use of internal controls where they have been determined to be designed and operating effectively for purposes of the consolidated financial statement audit.

Findings and Strategy

The execution of our test of control resulted in reliance over the following significant processes for fiscal 2015:

- ▶ Accounts Payable
- ▶ Payroll

IT General Controls

In accordance with our planning strategy for fiscal 2015, Allan and Partners LLP has reviewed, tested and relied upon IT (systems) general controls over the software application. Our reliance on these general controls provides us with additional assurance over the system generated information and reporting.

Audit Findings

Accounting and Auditing Estimates

Summary

No concerns identified during the audit.

Summary of Audit Differences

During the course of our audit, we accumulate differences between amounts recorded by the Township and amounts that we believe are required to be recorded under Canadian Public Sector Accounting Standards. The following is a summary of those differences we have identified through the date of this report.

Any material differences in financial statement disclosure are included on the summary of audit differences where applicable.

During 2015 there were no material audit differences identified.

Required Communications

Handbook Section 5751 and other professional standards require the auditor to communicate certain matters to the Council that may assist the Council in overseeing management's financial reporting and disclosure process. We have summarized these communications as they apply to the Township.

Required Communications

Area

Auditor's Responsibilities under Canadian Generally Accepted Auditing Standards (GAAS)

The consolidated financial statements are the responsibility of management. Our audit is designed in accordance with Canadian Generally Accepted Auditing Standards to obtain reasonable, rather than absolute, assurance about whether the consolidated financial statements are free of material misstatement.

Comments

Management is responsible for the preparation of the consolidated financial statements, which include responsibilities related to internal control, such as designing and maintaining accounting records, selecting and applying accounting policies safeguarding assets and preventing and detecting fraud and error.

The auditor's responsibility is to express an opinion on the consolidated financial statements based on an audit thereof. An audit is performed to obtain reasonable but not absolute assurance as to whether the consolidated financial statements are free of material misstatement and, owing to the inherent limitations of an audit there is an unavoidable risk that some misstatements of the consolidated financial statements will not be detected (particularly intentional misstatements concealed through collusion) even though the audit is properly planned and performed.

The audit includes:

- ▶ obtaining an understanding of the entity and its environment including internal control in order to plan the audit and to assess the risk that the consolidated financial statements may contain misstatements that, individually or in the aggregate, are material to the consolidated financial statements taken as a whole.
- ▶ examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements;
- ▶ assessing the accounting principles used and their application, and
- ▶ assessing the significant estimates made by management

When the auditor's risk assessment includes an expectation of the operating effectiveness of controls, sufficient appropriate audit evidence has been obtained through tests of controls to support the assessment.

The auditors have expressed an opinion as to whether the consolidated financial statements present fairly in all material respects, in accordance with Canadian Public Sector Accounting Standards, the financial position, results of operations and cash flows of the entity.

Required Communications

Area

Our Overall Audit Strategy

The auditor's communicate with the Council aspects of the overall audit strategy:

- ▶ the general approach to the audit;
- ▶ areas of the consolidated financial statements identified by the auditor, management or the Council as having a high risk of material misstatement, and the auditor's response thereto;
- ▶ the materiality and audit risk levels on which the audit is based;
- ▶ the preliminary assessment of internal control, the planned extent of audit work related to internal control and the effect of any control reliance on year end procedures.
- ▶ other specific items likely to be of particular interest to the Council, including any extensions of the scope of the audit requested by the Council or Management;
- ▶ the effects of new developments in accounting standards, or legislative or regulatory requirements, on the entity's financial reporting;
- ▶ other areas of concern that the Council or Management identifies;
- ▶ the relevance of management representations to the audit evidence gathered by the Auditor and the need to obtain certain management representations in writing.

Comments

- ▶ Refer to the "Audit Strategy" section
- ▶ Refer to the "Materiality" section
- ▶ For purposes of our audit of the consolidated financial statements, our audit scope is developed after considering inherent and control risks and the effectiveness of the Township's internal controls. A variety of factors are considered when establishing individual audit scopes for the Township including size, specific risks, the volume and types of transactions processed, changes in the business environment, internal audit activity, corporate monitoring controls in place, and other factors. We also consider the overall degree of commonality in processes at the Township's locations and the degree of centralization of operations.
- ▶ No other areas of concern have been brought to our attention
- ▶ Refer to our engagement letter

Required Communications

Area	Comments
<p>Major Issues Discussed with Management in Connection with Initial or Recurring Retention</p> <p>We discuss with the Council or those charged with governance any major professional issues that were discussed (orally or in writing) with Management in connection with our initial or recurring retention as the Auditor, including, among other matters, any discussions regarding the application of accounting principles and auditing standards.</p>	<p>None</p>
<p>Our Judgements About the Quality of the Township's Accounting Principles</p> <p>We discuss our judgments about the quality, not just the acceptability, of the accounting policies as applied in the Township's financial reporting, including the consistency of the accounting policies and their application and the clarity and completeness of the consolidated financial statements and related disclosures.</p>	<p>It is our opinion that the accounting principles selected by Management are reasonable, consistent, and provide reliable and relevant accounting information.</p> <p>We believe the quality of accounting policies disclosed in the consolidated financial statements and applied in the financial reporting, including the consistency of their application, and the understandability and completeness of the consolidated financial statements complies with Canadian Public Sector Accounting Standards.</p>
<p>Consultation with Other Accountants</p> <p>When we are aware that management has consulted with other accountants about auditing or accounting matters, we discuss with the Council or those charged with governance our views about significant matters that were the subject of such consultation.</p>	<p>None of which we are aware.</p>

Required Communications

Area	Comments
Disagreements with Management We discuss with the Council or those charged with governance any disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to the Township's consolidated financial statements or the auditor's report.	No disagreements with management.
Serious Difficulties Encountered in Dealing with Management When Performing the Audit We inform the Council or those charged with governance of any significant difficulties encountered in dealing with management related to the performance of the audit.	No serious difficulties encountered.
Non-Trivial Recorded Audit Adjustments We provide the Council or those charged with governance with information about recorded adjustments arising from the audit that could in our judgment, either individually or in the aggregate have a significant effect on the Township's consolidated financial statements.	None identified.
Unrecorded Audit Differences Considered by Management to be Immaterial We inform the Council or those charged with governance about unrecorded audit differences accumulated by us (ie: adjustment either identified by us or brought to our attention by management) during the current audit and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the consolidated financial statements as a whole.	None identified

Required Communications

Area	Comments
<p>The Adoption of, or a Change in an Accounting Principle We determine that the Council or those charged with governance are informed about the initial selection of, and any changes in, significant accounting principles or their application when the accounting principle or its application, including alternative methods of applying the accounting principle has a material effect on the consolidated financial statements.</p>	<p>During 2015, Public Sector Standard 3260 – Liability for Contaminated Sites (PS3260) was adopted as an accounting principle. PS3260 specifies that a liability for a contaminated site must be recognized for a site which is not in active use and for which an environmental standard exists, the contamination exceeds the environmental standard, the government accepts the responsibility and it is expected that future economic benefits will be given up.</p>
<p>Sensitive Accounting Estimates and Disclosures The preparation of the consolidated financial statements requires the use of accounting estimates. Certain estimates and disclosures are particularly sensitive due to their significance to the consolidated financial statements and the possibility that future events may differ significantly from management's current judgments.</p>	<p>Accounting estimates include the allowance for uncollectible accounts and landfill closure costs. We have provided our views in the section titled "Audit Findings" which included no concerns with the estimates used by management.</p>
<p>We determine that the Council or those charged with governance are informed about management's process for formulating particularly sensitive accounting estimates and about the basis for our conclusions regarding the reasonableness of those estimates.</p>	
<p>Methods of Accounting for Significant Unusual Transactions for Controversial or Emerging Areas We determine that the Council or those charged with governance are informed about the methods used to account for significant unusual transactions and the effects of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance of consensus.</p>	<p>We are not aware of any significant unusual transactions recorded by the Township or of any significant accounting policies used by the Township related to controversial or emerging areas for which there is a lack of authoritative guidance.</p>

Required Communications

Area	Comments
<p>Fraud and Illegal Acts We communicate to the Council or those charged with governance fraud and illegal acts involving senior management and fraud and illegal acts (whether caused by senior management or other employees) that cause a material misstatement of the consolidated financial statements.</p>	<p>We are not aware of any matters that require communication. Refer to section "Fraud considerations and the risk of management override".</p>
<p>In addition we discuss fraud involving employees who have significant roles in internal control, questions regarding the honesty and integrity of management, and matters that may cause future consolidated financial statements to be materially misstated as well as any misappropriations perpetrated by lower-level employees, based on our understanding with the Council regarding the nature and extent of communications with the Council about such matters</p>	
<p>Significant Weaknesses in Internal Control We communicate all significant weaknesses in internal control that may have been identified during the course of our audit.</p>	<p>No significant weaknesses were identified, however, we have identified certain improvements in our management letter.</p>
<p>A Summary of the Audit Approach After developing the overall audit strategy, we communicate with the Council aspects of the overall audit strategy that we believe would be helpful to you in discharging your responsibilities.</p>	<p>Refer to section "Audit Strategy".</p>

Required Communications

Area	Comments
<p>Independence We communicate, at least annually, the following to the Council or those charged with governance:</p> <ul style="list-style-type: none">▶ Describe, in writing, all relationships between Allan and Partners LLP and our associated entities and the Township and its affiliates or persons in financial reporting oversight roles at the Township that may reasonably be thought to bear on our independence.▶ Discuss with the Council the potential effects of those relationships on independence, and▶ Affirm, in writing, that we are independent in compliance with Rules of Professional Conduct / Code of Ethics of the Institute of Chartered Accountants of Ontario.	Refer to Appendix A
<p>Related Party Transactions Related party transaction identified by the auditor that are not in the normal course of operations and that involve significant judgments made by management concerning measurement or disclosure must be disclosed to the Council.</p>	All related party transactions known to us, are disclosed in the consolidated financial statements.
<p>Matters Relating to Component Entities of the Township When the consolidated financial statements of a Township (primary entity) include financial information from financial statements of a component entity (a subsidiary investee (other than a portfolio investment) or joint venture; or an entity whose financial information from financial statements is included with those of the primary entity), the auditor communicates with the Council those matters relating to the component entities that in the auditor's judgment are of significance in the context of the primary entity (for example, weaknesses in systems of internal control that have resulted, or could result, in material errors in the primary entity's financial statements).</p>	None of which we are aware.

Fraud Considerations and the Risk of Management Override

We are responsible for planning and performing the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether caused by error or by fraud (CICA 5135, *The Auditor's Responsibility To Consider Fraud*).

Our audit procedures will encompass the requirements of CICA 5135: brainstorming, gathering information to facilitate the identification of and response to fraud risks and performing mandatory procedures to address the risk of management override (including examining journal entries, reviewing accounting estimates and evaluating the business rationale of significant unusual transactions).

We evaluate the risk of management override using the fraud triangle and consider the actions management has taken to respond to those risks.

We consider, among other things:

- ▶ Code of conduct / ethics
- ▶ Effective and independent oversight by Council
- ▶ Process for dealing with whistle-blower allegations
- ▶ Adequacy of internal audit oversight of activity
- ▶ Entity's risk assessment processes

Role and oversight responsibilities of the Council:

- ▶ Management's assessment of the risks of fraud
- ▶ Programs and controls to mitigate the risk of fraud
- ▶ Process for monitoring multiple locations for fraud
- ▶ Management communication to employees on its views on business practices and ethical behaviour.

Appendix A ▶ Independence Letter

September 26, 2016

Members of the Council
Corporation of the Township of Augusta

Dear Members of the Council:

We have been engaged to audit the consolidated financial statements of the Township of Augusta for the year ended December 31, 2015.

Pursuant to Canadian generally accepted auditing standards, we communicate at least annually with you regarding all relationships between Allan and Partners LLP and its related entities that, in our professional judgment, may reasonably be thought to bear on our independence. We have prepared the following comments to facilitate our discussion with you regarding independence matters.

We are not aware of any relationships between Allan and Partners LLP and the Township that, in our professional judgement, may reasonable be thought to bear on our independence, since the engagement letter dated September 11, 2015.

Canadian generally accepted auditing standards require that we confirm our independence to the Council in the context of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario. Accordingly, we hereby confirm that we are independent with respect to the Township within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario as of the date of this letter.

This report is intended solely for the use of the Council and Management, and others within the Township and should not be used for any other purposes.

Yours truly,



Allan and Partners LLP
Chartered Professional Accountants
Licensed Public Accountants

Allan and Partners

22 Wilson Street West | Perth, Ontario | K7H 2M9
Phone: 613-267-6580 | Fax: 613-267-7563
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September 26, 2016

Mayor Doug Malanka
The Corporation of the Township of Augusta
3560 County Road 26
R. R. #2
Prescott, ON, K0E 1T0

Dear Committee Members:

We would like to thank Ray Morrison, Brandon Noseworthy, and the employees of the accounting and administration departments of the Township for their assistance during the performance of the audit of the Township's December 31st, 2015 year end consolidated financial statements.

In planning and performing our audit of the consolidated financial statements, we obtained an understanding of internal control over financial reporting relevant to the Township's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the internal controls over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal controls over financial reporting.

Our consideration of internal controls over financial reporting was for the limited purpose described above and was not designed to identify all control deficiencies that might be significant deficiencies and therefore, there can be no assurance that all significant deficiencies and other control deficiencies have been identified. As a result, any matters reported below are limited to those deficiencies in internal controls that we identified during the audit.

Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing and extent of audit procedures performed as well as other factors.

Internal control may be broadly defined as processes which have been designed to ensure the orderly and efficient conduct of an entity's business including the discharge of statutory responsibilities, for example safeguarding of assets, prevention and detection of fraud and error, the reliability of accounting records and timely preparation of financial information.

Deficiencies in controls arise when the design of the control is not sufficient to prevent or detect misstatements on a timely basis.

Deficiencies in operations arise when the designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competency to perform the control effectively.

Significant control deficiencies could be identified during the course of the audit engagement. If it is our professional judgement that significant deficiencies exist that merit the attention of those charged with governance, we would address this as part of our year end management letter.

During the course of the audit we did not observe any internal control deficiencies.

We would offer the following suggestions on general matters:

Observation	Recommendation
<p data-bbox="147 898 490 932"><u>Long Term Financial Plan</u></p> <p data-bbox="147 989 802 1234">We reviewed with Township staff the process for the development of capital budgets and acknowledge that multi year capital budgets for expenditures are developed and maintained for major infrastructure through the development charges and roads needs study.</p>	<p data-bbox="831 989 1485 1150">In order to adequately fund the costs of infrastructure to manage the anticipated growth, we would recommend the continuing development of a long term financial plan.</p> <p data-bbox="831 1207 1485 1579">A long term financial plan is developed on an analysis of factors impacting capital and operating budgets. The plan includes assumptions with respect to growth, changes in assessment, tax rates, development charge revenue, interest rates impacting reserves and debt policies. The goal is to ensure the Township is in a sound financial position and can finance services to the public on a sustainable basis.</p>

Observation	Recommendation
<p><u>Tangible Capital Assets</u></p> <p>In 2009, the Township developed a comprehensive listing of its tangible capital assets in order that these assets be capitalized onto the financial statement balance sheet, and the proper amortization expense be recorded based on the useful life of the asset. Since this time, the tangible capital asset subledger has been updated by us.</p>	<p>We recommend that the Township record these assets and associated accumulated amortization in its general ledger such that all amounts are recorded in the Township's books of account. This will ensure smooth continuity of the net book value of all assets of the Township, and ensure each asset owned by the Township is recorded as an asset to the Township.</p>
<p><u>PSAB Budget</u></p> <p>The budget did not include an amount for amortization.</p> <p>With the implementation of Public Sector Accounting Board Standards (PSAB), the Province has passed Ontario Regulation 284/09 which requires a reconciliation of the budget to include items considered under PSAB such as amortization and tangible capital assets.</p>	<p>We understand that there is a post audit PSAB reconciliation completed and we recognize the Township calculates the levy based on the traditional funding model, however, we would recommend that once Council has adopted the budget and the levy, that a PSAB budget (which would include an amortization estimate) be prepared and adopted as well at this time. This will meet the requirement of Ontario Regulation 284/09. If we can be of assistance in this area please let us know.</p>
<p><u>Working Capital Reserve</u></p> <p>The working capital reserve provides funds for the day to day operations of the Township without the requirements of short term borrowing. A reasonable level for the working capital reserve would be approximately 75% of tax arrears. Currently the working capital reserve approximates 51% of taxes receivable.</p>	<p>We would suggest the Township consider a plan to increase the working capital reserves in proportion to the tax arrears.</p>

Observation	Recommendation
<p><u>Tax Arrears Confirmations</u></p> <p>Part of our audit process requires that we make a selection of tax arrears to confirm with the taxpayer directly. This provides independent audit confirmation of the arrears owing. We were not able to complete this audit process.</p>	<p>We recommend that in 2016, potentially at the fall interim, a timeline and procedure on how we can obtain the arrears listing and make a selection be completed.</p>
<p><u>Segregation of Duties re: Electronic Payments</u></p> <p>During the course of previous audits we noted that one employee has access to the entire electronic payment system. The payments are made after approval for payment is obtained from the Treasurer in the form of signature approval, however, payments are able to be made without the approval. The employee has the ability to redirect funds from the Township in the form of releasing electronic payments to unauthorized recipients.</p>	<p>We recommend that the system be reviewed to determine whether or not electronic transfers can be withheld until such time as an electronic approval is released by the Treasurer or second person, ideally a signatory to the bank account. Alternatively, the transfers should be limited to a specific dollar amount such that electronic payments made in excess of this amount be approved by the Treasurer before they are released from the bank. This will help ensure both the staff member making payments and the assets of the Township are adequately protected.</p>
<p><u>Segregation of Duties re: Payroll Cycle</u></p> <p>During the course of previous audits we determined that the same employee is responsible for the entire payroll cycle. This employee is able to both add and delete employees to the system, alter wage rates, and release the payroll report to the payroll service. The employee has the ability to redirect funds from the Township via alteration of wages rates, or creation of fictitious employees. While we understand the payroll is reviewed by management after it is prepared, our key concern is that the one employee has access to the entire payroll cycle.</p>	<p>We recommend that one step in the payroll cycle require electronic approval by the Treasurer or member of the management team before the electronic file can be released to the payroll service, before wage rates can be altered, or before an employee can be added to the system. This will help ensure the assets of the Township are protected.</p>

Comments regarding general matters arising in prior years are disclosed below.

It is our pleasure to be of service to the Township with the 2015 audited consolidated financial statements. If you have any questions on the above noted items, please do not hesitate to contact us.

Yours truly,



Howard A Allan FCPA, FCA



Ashley Liznick, CPA, CA

cc: Ray Morrison, CAO/Treasurer

**Augusta Township
2015 Management Comments Work Chart**

Comments from Previous Audits	Status at December 31, 2015
<p>Segregation of Duties</p> <p>We understand that two employees in the Treasury department have access to all functions within the Munisoft program. We are concerned that there may not be appropriate segregation of duties. The ability to access all cycles of the program, including payroll, cash receipting and processing of payments can leave the Township assets at risk. We recommend that appropriate security functions within the Munisoft program be enabled such that no one person has access to all functions within in the program.</p>	<p>Some work has been done in this area, however, there still remain areas that have not been resolved - see above comments.</p>
<p>Sand Quarry</p> <p>In our previous letter, we commented on the existence of the Township owned sand quarry. We recommended having the quarry valued by a qualified firm such that the value of the quarry can be incorporated into the Township's tangible capital assets as disclosed in the consolidated financial statements. We note the Treasurer has followed up on this recommendation and has come to the conclusion that due to the restriction of the licence to remove sand from the quarry, and due to the expense required to render the sand usable for sanding roads in the winter, the value of the quarry is adequately reflected in the financial statements at its cost.</p>	<p>Recommendation complete, no further work required.</p>

**Augusta Township
2015 Management Comments Work Chart**

Comments from Previous Audits	Status at December 31, 2015
<p>Drainage</p> <p>During the course of the audit we noted that in prior years, the Township has undertaken to perform drainage work, the expenses for which are expected to be recovered via billing the respective landowners. We are concerned that while expenses are being incurred annually, thus increasing the amount receivable from the landowners, there does not appear to be a defined plan in place to recover the expenses. We recommend the Township develop a plan to recover the expenses that will fall within the guidelines of the drainage act.</p>	<p>Recommendation complete, no further work required.</p>
<p>Tangible Capital Assets</p> <p>We noted that the Township's tangible capital assets listing, while maintained in a spreadsheet format, has not been entered into the Township's general ledger. We recommend this process be undertaken. We recommend the TCA piece of the general ledger be maintained in a separate fund such that current budgeting processes can continue. We would be pleased to assist in this process if required.</p>	<p>This has not been completed - see above comments.</p>

**Augusta Township
2015 Management Comments Work Chart**

Comments from Previous Audits	Status at December 31, 2015
<p>Capital Fund Budget</p> <p>With the implementation of Public Sector Accounting Board Standards (PSAB), the Province has passed Ontario Regulation 284/09 which requires a reconciliation of the budget to include items considered under PSAB such as amortization and tangible capital assets. This is not suggesting the tax levy is to be levied based on PSAB accounting principles, only that a reconciliation is required. We would recommend that once Council has adopted the budget and the levy, that a PSAB reconciliation be prepared and adopted as well. This will meet the requirement of Ontario Regulation 284/09.</p>	<p>While we recognize that a post audit reconciliation is complete, the PSAB budget is not approved with the levy budget - see comments above.</p>
<p>Update of the Records Retention Bylaw Re: Electronic Storage</p> <p>During the course of the audit we discussed with managers the safeguards and protection of electronic documents. We would recommend a review of your records retention by-law to ensure it includes processes regarding the security of electronic records. This would include the ability to archive and retrieve documents that are permanent records. In addition, the electronic storage should encompass processes to ensure the security of the documents from deletion, restrict the ability to change the document and provide levels of security to restrict access to confidential documents. If you have any questions on the above noted items, please do not hesitate to contact us.</p>	<p>The records retention bylaw is updated. Historical permanent records have been scanned and archived electronically. The records retention bylaw includes the recommendations for electronic storage, therefore the recommendation is complete, and no further work is required.</p>