



**SUBJECT: External Audit Results for the external audit for 2019**

**TO: Audit Committee**

**FROM: Finance Department**

Report Number: F-20-20

Wards Affected: not applicable

File Numbers: 430-04

Date to Committee: September 16, 2020

Date to Council: September 21, 2020

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**Recommendation:**

Receive and file finance department report F-20-20 presenting information on the external audit results for 2019.

**PURPOSE:**

The purpose of this report is to provide committee with information on the external audit results for 2019

**Background and Discussion:**

The Audit Committee is responsible for the oversight of all audit matters including the annual audit of the City and local boards' financial statements.

To assist with this responsibility, the external auditors provide a communication to audit committee. The communication will typically identify results of the external auditor's review of systems and internal controls to the extent considered necessary to make an evaluation of systems and procedures in accordance with Canadian generally accepted auditing standards.

Recommendations provided by the external auditors on internal control enhancements, as they related to the audit, is one of the benefits of annual financial statement audits.

The auditors' Management Letter provides committee with the auditors' findings in their review of internal controls that affect the audit. The auditors have provided one internal control finding in their report for 2019.

There were no management items identified in relation to the ITS operations audit.

Following is the audit item identified and management response:

#### User Access Review

##### Observation

During the testing of journal entries, it was noted two journal entries were posted by users who should not have had posting access to the general ledger. Per discussion, it was noted that these users' access authority was likely inadvertently changed as a result of the SAP upgrade and were undetected at the time. It was noted that both journal entries were immaterial in dollar value. No other journal entries were posted by these two users.

##### Implication

Although the journal entries identified were immaterial, the fact that these users had posting access to the general ledger leads to a risk of inappropriate, material journal entries being recorded without detection.

##### Recommendation

The auditors recommend that periodic review of user access, particularly in conjunction with any systems upgrades or implementations to ensure post-implementation access remains appropriate, be performed. At minimum, access authority should be reviewed annually to ensure it remains appropriate and captures any changes in employee roles and responsibilities.

##### Management response

Finance management has reviewed the recommendation and agrees that periodic review of user access should be performed. As such, Finance staff will review user access annually. User access will also be included in the test plans with future system upgrades.

#### **Financial Matters:**

Not applicable

#### **Conclusion:**

Results from the 2019 external audit are presented for Audit Committee's information. Representatives from the external audit firm Deloitte LLP will attend the committee meeting to present their communication to the Audit Committee.

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Respectfully submitted,

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**Report Approval:**

All reports are reviewed and/or approved by Department Director, the Chief Financial Officer and the Executive Director of Legal Services & Corporation Council. Final approval is by the City Manager.