

May 29, 2023

Members of Council  
Corporation of the Township of Edwardsburgh/Cardinal  
P.O. Box 129  
18 Centre Street  
Spencerville, ON K0E 1X0

Dear Members of Council:

**Re: Audit of December 31, 2022 Financial Statements**

During the course of the audit of the financial statements for the year ended December 31, 2022, we identified some matters which may be of interest to Administration and Council. As a result of our observations, we have outlined below some suggestions for your consideration. This letter deals with the important matters that came to our attention during the audit. Minor matters were discussed verbally with your staff.

**Review of outstanding account receivables**

Accounts receivable, excluding taxes receivable, rose 22% between December 31, 2021 and December 31, 2022. Administration should consistently review their account receivables and to follow up on outstanding balances to ensure collection is still expected. Any determined uncollectible amounts of account receivables should require Council's approval. Collection of account receivables on a timely basis would increase cash flow for the Township.

**RECOMMENDATIONS FROM PREVIOUS YEARS**

**Segregation of Duties: Cash Receipts**

There is a lack of segregation of duties within the cash receipts area. A specific example is that the same employee who is responsible for handling and depositing cash receipts also records receipts and maintains the accounts receivable subledger.

A lack of segregation of duties makes it difficult to obtain adequate internal control over the cash receipts process. This could lead to errors in financial reporting due to a lack of oversight and could allow the occurrence of errors or fraudulent activities to go undetected.

We recommend that duties involving the receipt of cash, including receipt, recording, and depositing of cash, be handled by more than one employee.

**Management's response:**

*It is management's view that segregation of duties within the cash receipts area is not achievable with the current number of employees. To achieve the audit recommendation the addition of a Deputy Treasurer position would be required to increase internal controls to oversee all financial activities. Currently there are three front line staff that receive cash and issue receipts.*

### **Segregation of Duties: Adjusting Entries Approval**

Entries are posted by the Treasurer but there is no other level of approval of these entries. A lack of segregation of duties makes it difficult to obtain adequate internal control. This could lead to errors in financial reporting due to a lack of oversight. We recommend that posting of journal entries and approval be handled by more than one employee.

#### **Management's response:**

*It is management's view that with the current complement of staff in the Finance Department, the segregation of duties has been achieved to the extent possible. All finance staff post adjusting entries and the Treasurer reviews and approves all entries. To achieve the audit recommendation the addition of a Deputy Treasurer position would be required to provide increased oversight in the financial reporting functions.*

We have discussed the matters in this report with your staff and received comments thereon. We now bring them to your attention. We would like to express our appreciation for the co-operation and assistance which we received from your Administration during the course of the audit.

We shall be pleased to discuss with you further any matters mentioned in this report at your convenience.

This communication is prepared solely for the information of Council and Administration and is not intended for any other purpose. We accept no responsibility to a third party who uses this communication.

Sincerely,  
**MNP LLP**

**Chartered Professional Accountants  
Licensed Public Accountants**

cc: Mr. David Grant, Chief Administrative Officer  
Mr. Sean Nicholson, Treasurer