

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

Management letter for the year ended December 31, 2020

We have recently completed our audit of Corporation of the Township of Edwardsburgh/Cardinal in accordance with Canadian generally accepted auditing standards ("GAAS"). The objective of our audit was to express an opinion on the consolidated financial statements, which have been prepared in accordance with Canadian public sector accounting standards. 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.

An audit is not specifically designed to identify all matters that may be of interest to management in discharging its responsibilities, however, during the course of our audit, we did, identify some areas for improvement that we are bringing to your attention with this letter. It is our responsibility to communicate any significant deficiencies identified to those charged with governance. 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.

Segregation of Duties: Cash Receipts

Observation:

There is a lack of segregation of duties within the cash receipts area. Specific examples include: The same employee that is responsible for handling and depositing cash receipts also posts receipts and maintains the accounts receivable subledger.

Impact:

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

Recommendation:

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

Observation:

Entries are posted by the Treasurer but there is no other level of approval of these entries

Impact:

A lack of segregation of duties makes it difficult to obtain adequate internal control. This can lead to errors in financial reporting due to a lack of oversight.

Recommendation:

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 letter with the treasurer and received her comments thereon.

We would like to express our appreciation for the co-operation and assistance we have received during the course of our audit from staff members.

We would be pleased to discuss with you further any matters mentioned in this letter at your convenience. This communication is prepared solely for the information of management and is not intended for any other purpose. We accept no responsibility to any third party who uses this communication.

Sincerely,

A handwritten signature in black ink that reads "MNP LLP". The letters are stylized and cursive.

**Chartered Professional Accountants
Licensed Public Accountants**

encls.