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April 4, 2013

Board of Directors  
CENTRAL COAST REGIONAL DISTRICT  
PO Box 186  
Bella Coola, BC  
V0T 1C0

Board Meeting  
APR 11 2013  
CCRD ITEM C(d)

Dear Sirs/Mesdames:

We have recently completed our audit of the financial statements of the Central Coast Regional District for the year ended December 31, 2012. The purpose of this letter is to bring to your attention certain matters, if any, which were encountered in the course of our work and to offer our comments and recommendations. These comments, by their nature, are critical as they refer solely to areas of suggested improvement and do not address the strong features and controls within the District's systems.

The primary purpose of our examination was to enable us to form an opinion on the financial statements of the District for the year ended December 31, 2012. We reviewed and tested the District's financial systems and related internal controls to the extent we considered necessary to evaluate the systems as required by generally accepted auditing standards. Our examination of the financial systems was not designed to express an opinion on the internal controls of the District. Therefore it would not necessarily disclose all internal control weaknesses.

As part of our audit procedures we examined, on a test basis, the revenue and expenditure accounts of the District. However, our procedures were designed to enable us to form an opinion on the financial statements of the Central Coast Regional District and not to provide an opinion on the District's compliance with the various funding agreements that it has entered into. The funding agreements should be reviewed periodically to ensure that the District is in compliance with all of the terms of the agreements.

Our comments and recommendations on the financial and internal control systems have been discussed with your Acting Chief Administrative Officer, Donna Mikkelson and appear below:

**ADOPTION OF MEETING MINUTES**

Observation

During the course of the audit, we noticed that the June meeting minutes were not adopted in the subsequent board meeting.

Risk/Concern

The risk is that concerns brought up in prior meetings are not being enforced.

Recommendation

We recommend that prior meeting minutes are adopted in each board meeting.

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Central Coast Regional District



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## **GST/HST**

### Observation

During the testing of the purchases, payables and payments system, we tested a sample of payments, one being an expense report. We noticed that there is no GST/HST input tax credit's (ITC's) backed out of staff mileage, and meals. Canada Revenue Agency allows businesses to claim ITC's in any reporting period that ends within four years of the end of the reporting period in which the reimbursement was made.

### Risk/Concern

The concern is that ITC's will be expensed rather than being refunded by CRA, resulting in a loss of cash for your entity.

### Recommendation

We recommend that the expense report template is updated to enable input tax credits on mileage to be claimed equal to 5% of the total expense, and then multiplied by the 85.417% rebate. The input tax credits should also be claimed equal to 50% of the HST expense on the meals, and then multiplied by the 85.417% rebate.

We recommend that your accounting staff calculate the missed ITC's prior to sending in the March 31, 2013 GST/HST remittance form to reduce the amount outside the four year eligibility. As a reminder, ITC's on GST paid before July 1, 2010 can be claimed at 100%. ITC's on GST/HST paid after July 1, 2010 will be subject to the 85.417% rebate. Starting April 1, 2013 with the return to PST the GST ITC's will return to the 100% rebate levels.

## **PRIOR PERIOD RECOMMENDATIONS:**

### **SEGREGATION OF DUTIES**

During the prior year's audit, we noted that the new policies for bank reconciliations and online bill payments have created overlapping responsibilities which creates opportunities for fraud. The concern is that the lack of segregation could create an opportunity for fraud or limit the ability to detect fraud.

### Status

We recommend that the personnel responsible for completing the monthly bank reconciliations do not have the ability to pay invoices or bills online. We also recommend that the financial policy be changed to reflect this.

### **DISASTER RECOVERY**

During the prior year's audit we noted there is not a disaster recovery plan. The risk is that without a disaster recovery plan if anything should occur, such as a fire or flood, and data is destroyed that the District will have significant delays in managing or contacting existing clients.

### Status

We note that the District has not implemented our prior year's recommendation, but in the interim, has initiated several procedures, such as offsite backup and storage, that will be incorporated into a recovery plan. We continue to recommend that the District draft a comprehensive disaster recovery plan. We understand that the District is working on developing a continuity plan for the office.



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**HUMAN RESOURCES POLICIES**

During the prior year's audit, we noticed that the District does not have formal policies for human resources including a policy for confidentiality.

Status

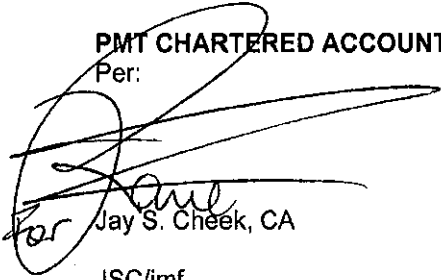
We note that the District has not implemented our prior year's recommendation but is in the preliminary analysis phase. We continue to recommend that a formal human resources policy manual be developed and that all staff sign an agreement on a yearly basis after reading the policy and agreement that they will comply with these standards. We understand that a human resource policy is a priority project and completion is intended for 2013.

We are available to assist you in implementing any of the recommendations we noted in the previous paragraphs. If you have any questions or concerns regarding the above, please do not hesitate to contact us.

Yours truly,

**PMT CHARTERED ACCOUNTANTS / BUSINESS ADVISORS LLP**

Per:

  
for Jay S. Cheek, CA  
JSC/jmf