



City of Nashville

Summary of Audit Findings



Prepared for the Finance and Audit Committee meeting on May 9, 2018

Audit status

- We have completed the audit with the exception of:
 - discussions with the Finance and Audit Committee
 - Council's approval of the financial statements
 - obtaining the signed management representation letter
 - completing subsequent event review procedures.
- We anticipate issuing a “clean” audit opinion.
- We received the full cooperation of management throughout the audit.

Changes from the Audit Plan

Due to the increased risks surrounding management override of controls, the risk profile of our audit engagement was elevated. This change resulted in required additional procedures including:

- Increased sample sizes for substantive procedures
- Increased levels of management inquiries
- Testing of management expense reports, and
- Detailed reviews of various workplace policies.

Areas of focus

- **Management override**
 - Professional standards
 - Required procedures
 - Satisfied in our findings
 - See management letter for observations and recommendations related to management override of controls

- **Critical accounting estimates (no issues noted):**
 - Compensated absences and termination benefits
 - Collectability of accounts receivable
 - Useful lives of tangible capital assets
 - Contaminated sites
 - Provision for contingencies

Audit differences

- **Two corrected audit differences:**
 - Reclassification from cash to investments of \$1.1M
 - Reclassification from other revenue to gain on disposal of tangible capital assets of \$1.3M related to land sold during the year
 - Neither entry impacted annual surplus
- **Minor presentation and disclosure adjustments**
- **No uncorrected adjustments**

Management letter

- **Significant deficiencies in internal controls over financial reporting related to:**
 - Whistleblower policies
 - Expense report review, authorization and policies
 - Consistency of hiring practices
 - Governance understanding and responsibilities

- **Other recommendation related to reserves transfers and the creation of a reserves policy**

Current developments

- Please refer to Appendix 6 in our full report for details of upcoming Public Sector Accounting Standards changes
- The earliest changes to be adopted for the City's 2018 year end relate to the following:
 - Related party transactions and inter-entity transactions
 - Assets, contingent assets and contractual rights



Questions



kpmg.ca



© 2016 KPMG LLP, a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG International.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.