

July 9, 2019

Mr. Rob Bullock  
Ahousaht  
General Delivery  
Ahousaht, BC V0R 1A0

Dear Mr. Bullock:

**Management letter for the year ended March 31, 2019**

We have recently completed our audit of Ahousaht 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.

**Accounts Payable Module**

**Observation:**

During our audit we noted that the accounts payable module in Xyntax is not being utilized on an accrual basis for cut-off procedures. This has resulted in the accounts payable aged listing report not tying into the general ledger account. In addition, we noted that the accounts payable aged listing includes multiple cancelled cheques where invoices had not been voided.

**Impact:**

Not reconciling the accounts payable subledger to the general ledger on a monthly basis can result in inaccurate financial reporting and a lack of understanding of how much money is owed to vendors at any given time, which can interfere with cash flows and forecasting.

**Recommendation:**

We recommend that the Nation reconcile the accounts payable sub-ledger to the General Ledger on a monthly basis. Furthermore, we recommend that the Controller reviews the accounts payable listing on a monthly basis to ensure it agrees to the general ledger account and that outstanding invoices are paid or voided as required.

We also recommend that invoices be posted at the date of invoice and not the date of payment. This will improve cut-off procedures for year end accruals and will improve the monthly reconciliation process.

**Credit Card Payments**

**Observation:**

During our audit, we noted that credit card balances are paid when due through automatic payment. We noted that the credit card reconciliations were not completed during the year.

**Impact:**

Not reconciling to credit card receipts on a regular basis may result in inaccurate classification of expenses and may potentially result in non band related expenses being paid and going unnoticed for a period of time.

**Recommendation:**

We recommend that finance staff reconcile the credit card statements on a monthly basis to receipts.

**Management's response:**

Ahousaht's finance staff is in the process of ensuring this reconciliation occurs on a monthly basis.

**Payroll - Wage Rate Approval and Employee Contracts****Observation:**

During our audit we noted that there are employees without approved wage rates included in their employee files. There are signed employment contracts for new hires and casual employees, however there are no up to date signed contracts for employees who were hired prior to April 1, 2018.

**Impact:**

A signed contract is necessary to confirm that both the employee and the employer has settled on a legally binding arrangement for the employee to complete certain duties under a specific title and that in return the employer will provide the employee with remuneration in form of an agreed upon wage for completing these tasks. By not completing a contract, this creates potential for employees to be paid a rate higher than approved by management and therefore could potentially increase wage costs for the Nation.

**Recommendation:**

All employee personnel files should be updated to include the current employment contract with approved wage rate and should be signed by the employee and an authorized representative of the band. The current approved wage rate letter should be signed by the manager and the employee. All future wage rate changes should be photocopied and included in the personnel file.

**Housing Department -Rent Receivable Statements****Observation:**

During our audit, we noted that monthly statements are not being sent to tenants regarding outstanding rent.

**Impact:**

Not sending out monthly statements to tenants may result in lost rental income.

**Recommendation:**

We recommend that tenant statements regarding outstanding balances be sent out on a monthly basis going forward to ensure that no disputes occur over balances due, to ensure potential errors in accounts receivable are identified and addressed in a timely manner and that the Nation collects funds to enhance cash flows.

**Ahousaht Fishing Corporation****Observation:**

The Ahousaht Fishing Corporation financial statements were not available at the time of the Ahousaht First Nation audit report date for the fiscal years ended March 31, 2019, March 31, 2018 and March 31, 2017.

**Impact:**

As a result we were unable to determine the effect on the Nation of any adjustments that would be necessary as no financial information was available from the Ahousaht Fishing Corporation. This resulted in an audit qualification in the 2017, 2018 and 2019 audit report.

**Recommendation:**

We recommend that the Ahousaht Fishing Corporation financial statements are prepared in accordance with IFRS and Ahousaht requires audited balances to be included in the consolidated Nation financial statements.

**Revenue Records****Observation:**

During our audit we noted that all of the deposits made during the year were posted to other revenue due to the deposit information not being provided to the accounting clerk in a timely manner.

**Impact:**

This results in inaccurate financial reporting throughout the year. In addition, the deposits may include reimbursements and revenue that may be related to Ahousaht Education Authority which may be inaccurately tracked throughout the year.

**Recommendation:**

We recommend that financial records are kept in the finance office and that deposit information is provided to the accounting clerk regularly to ensure deposits are posted to the appropriate account and department. If the deposits are related to Ahousaht Education Authority, these should be recorded in the intercompany account and subsequently transferred to the Ahousaht Education Authority.

**GST on Expenses****Observation:**

Ahousaht received municipal status for GST purposes in the prior year. GST paid in error is fully recoverable, however it is still being expensed in the general ledger.

**Impact:**

The Nation can submit for a GST rebate and any GST that was paid will be refunded back to Nation which will increase cash flow. GST recorded as an expense instead of a receivable may result in GST paid in error not being collected.

**Recommendation:**

We recommend that GST paid on purchases should be allocated to a GST receivable account and the Nation can apply for the rebate at the end of the year.

**Rental Revenue Double Recorded****Observation:**

During performance of audit procedures, we noted that rental revenue is being double recorded; once when the housing department records it, and once when the accounting department records housing deposits.

Account 60900-100 recorded the bank deposits for the month as revenue throughout the year, while the rental revenue had already been recorded for the same months through the accounts receivable module.

**Impact:**

Double recording of revenue leads to inaccurate financial statements and can lead to non-compliance with CMHC.

**Recommendation:**

We recommend that the finance department work with the housing department to determine a system in which the rental revenues are only recorded once.

**Deposit Reconciliations Not Signed****Observation:**

It was noted during the audit that the deposit reconciliation provided by the housing department is not being signed off when it has been reviewed by the accounting department.

**Impact:**

This increases the risk that reconciliation includes errors and that tenant deposits are not recorded appropriately.

**Recommendation:**

We recommend that all deposit reconciliations be signed off once they have been reviewed by the accounting department.

**Unnecessary Bank Accounts****Observation:**

Multiple bank accounts are being maintained that do not appear to be necessary as they hold minimal balances.

**Impact:**

Maintaining extraneous accounts requires the attention of accounting staff to monitor the balances and prepare monthly reconciliations, taking time from other duties. It also results in additional banking fees incurred by Ahousaht.

**Recommendation:**

We recommend that an analysis be performed to determine the use of each bank account and an assessment made of which accounts are truly needed for the efficient and effective operation of the Nation. Any accounts that are not required should be closed or consolidated into an existing account in order to save both time and money.

**Outstanding Cheques****Observation:**

At the time of our audit, several large cheques had been outstanding for several months.

**Impact:**

Tracking outstanding cheques is an important control procedure which ensures that all outgoing cheques are accounted for, that all vendors have been paid, and helps to reduce opportunities for errors or fraudulent activities to go undetected. In addition, the existence of large outstanding cheques hinders the accounting department from being able to reflect an accurate cash balance for the financial statements and adds an additional step to the bank reconciliation.

**Recommendation:**

We recommend that outstanding cheques be monitored and investigated as a part of the monthly bank reconciliations, stale-dated cheques should be cancelled, and stop-payments should be sent to the bank, when necessary.

**Classification of expenses****Observation:**

During our audit, it was noted that expenses are not consistently being coded to the correct account and department. We noted that there are various expenses being coded to the general administration expense accounts.

**Impact:**

Not accurately coding expenses to the correct accounts and departments (programs) will lead to having inaccurate financial reports. These reports are critical for Council and management to track and control expenses as well as department budgets and specific program progress throughout the year.

**Recommendation:**

It is recommended that coding for expenses should be reviewed by the Controller before processing to ensure that they are being coded to the correct department and correct account.

We have discussed the matters in this letter with Rob Bullock, Executive Director and received his comments thereon.

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

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,

Kali Friday, CPA, CA, CAFM  
Business Advisor, Indigenous Services

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