

City of Seattle - City Light Department
Energy and Environment Committee
Report on 2015 Financial Audit



Let's talk about an opportunity.

Presented by:

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Baker Tilly Virchow Krause, LLP

May 24, 2016



Candor. Insight. Results.

Audit presentation topics



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Audit overview

Internal control communication

Auditor Communication with Those Charged with Governance

Questions

Audit overview



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- > Management and staff were prepared, cooperative and readily available.
- > Audit schedule was maintained and communication between management and auditors was good.
- > Four weeks of fieldwork were conducted (one week of preliminary and three weeks of final).
- > Last day of fieldwork was April 1, 2016.
- > No material audit adjusting journal entries were noted.

Audit overview



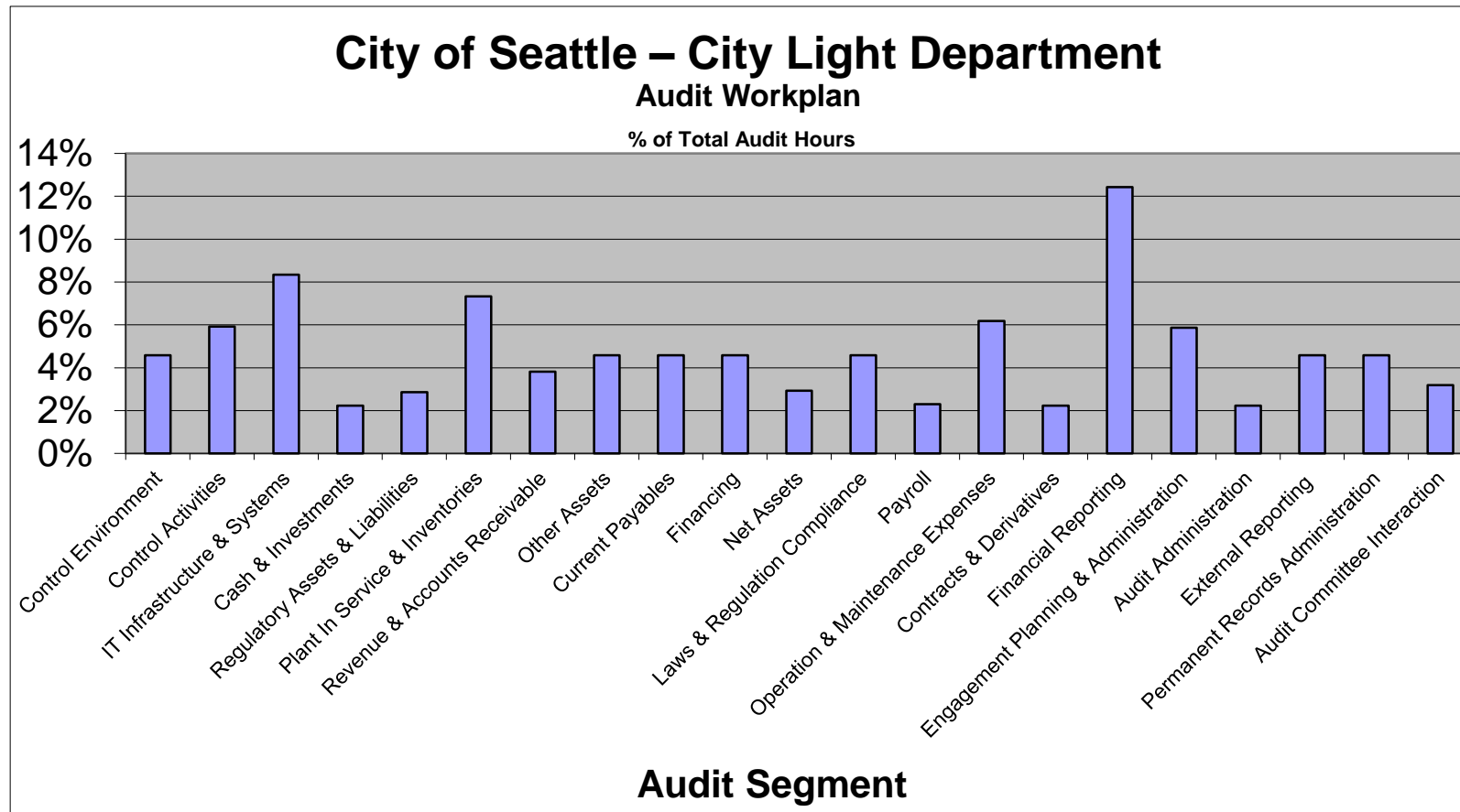
Candor. Insight. Results.

- > Audit performed in accordance with Generally Accepted Auditing Standards and *Government Auditing Standards*.
- > Audit objective – reasonable assurance that financial statements are free from material misstatement.
- > Financial statements received an Unmodified Opinion.

Audit overview



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AU-C Section 265

Communicating Internal Control Related Matters Identified in an Audit

Material weaknesses noted in the Department's internal control:

- None noted

Significant deficiencies noted in the Department's internal control:

- None noted

Other control deficiencies noted in the Department's internal control:

- Controls over information technology
- Controls over billable work orders

Auditor's Communication with Those Charged with Governance

Significant findings from the audit



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| Area to be Communicated | Auditor's Response |
|--|--|
| <p>Auditor's View on Qualitative Aspects of Significant Accounting Policies</p> | <ul style="list-style-type: none"><li data-bbox="1045 641 1978 852">> The significant accounting policies used in the preparation of your financial statements are discussed in Note 1 to the financial statements.<li data-bbox="1045 950 1978 1453">> Accounting estimates are an integral part of the financial statements prepared by management's knowledge and experience about past and current events and assumptions about future events. We feel that all estimates made by management are in accordance with generally accepted accounting principles. |

Auditor's Communication with Those Charged with Governance

Significant findings from the audit



Candor. Insight. Results.

| Area to be Communicated | Auditor's Response |
|---|---|
| Significant Difficulties Encountered in Performing the Audit | > We encountered no difficulties in performing our audit. |
| Uncorrected Misstatements | > By Professional Auditing Standards, uncorrected misstatements refer to immaterial passed audit adjustments – a summary of the uncorrected financial statement misstatements is included with the required communications. |

Auditor's Communication with Those Charged with Governance

Significant findings from the audit



Candor. Insight. Results.

| Area to be Communicated | Auditor's Response |
|--------------------------------------|---|
| Disagreements with Management | <p>> Professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements were encountered during the course of the audit.</p> |
| Other Findings or Issues | <p>> There are no other issues to disclose as part of the audit in connection with these Professional Auditing Standards.</p> |

Auditor's Communication with Those Charged with Governance

Significant findings from the audit



Candor. Insight. Results.

| Area to be Communicated | Auditor's Response |
|---|--|
| Material Corrected Misstatements | <ul style="list-style-type: none">> Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.> There were no material adjustments as part of this year's audit. |

Auditor's Communication with Those Charged with Governance

Significant findings from the audit



Candor. Insight. Results.

| Area to be Communicated | Auditor's Response |
|-----------------------------------|--|
| Management Representations | <p>> We have requested certain representations from management that are included in the management representation letter. A copy of this letter is included with our Required Communication Letter.</p> |

Auditor's Communication with Those Charged with Governance

Significant findings from the audit



Candor. Insight. Results.

| Area to be Communicated | Auditor's Response |
|--|--|
| Management's Consultations with Other Accountants | <ul style="list-style-type: none"><li data-bbox="1052 643 1955 976">> To the best of our knowledge, management has not consulted with or obtained opinions from other independent accountants on auditing and or the application of accounting principles during the past year.<li data-bbox="1052 1065 1976 1455">> Professional standards require the consulting accountant to discuss any such contacts with the current auditor to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants. |

Auditor's Communication with Those Charged with Governance

Significant findings from the audit



Candor. Insight. Results.

| Area to be Communicated | Auditor's Response |
|-----------------------------|---|
| Auditor Independence | <p>> We are not aware of any relationships between Baker Tilly Virchow Krause, LLP and the Department that, in our professional judgment, may reasonably be thought to bear on our independence.</p> |

Thank you!

We appreciate the work done by the Department's accounting staff and management in preparing for and assisting in the audit!