



The Regional Municipality of York

Audit Planning Report to the Audit Committee

For the year ending December 31, 2009

AUDIT

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This Audit Planning Report (the "Report") for the year ending December 31, 2009 provides an overview for the Audit Committee of the audit plan.

This Report is confidential and intended solely for the use of the Audit Committee in carrying out and discharging its responsibilities, and should not be used for any other purposes. No responsibility for loss or damages, if any, to any third party is accepted as this Report has not been prepared for, and is not intended for, any other purposes.

KPMG LLP, Chartered Accountants, Licensed Public Accountants

Topics for discussion

Auditors initiating discussion with the Audit Committee

We propose to highlight the following topics with the Audit Committee at the upcoming Audit Committee meeting.

Topic

Audit Committee action

Audit Committee input (page 1)

Raise potential concerns, questions and requests

What has changed from last year (page 2)

Review

Audit response to identified financial reporting risks (page 5)

Review and comment

Audit Committee input/matters to be raised with the auditors

- Audit Committee members should use this section to note any areas of potential concern that should be raised and discussed at the audit planning meeting.

Audit plan for Audit Committee consideration

What has changed from last year

Accounting Standards

- **CICA – PS 3150 Tangible Capital Assets** - Municipalities will be required to present information about the entire stock of their tangible capital assets and amortization in the financial statements to demonstrate stewardship and the cost of using those assets to deliver programs and provide services effective for their fiscal 2009 financial statements. The financial statements will also require the 2008 results to be restated as if the Region had always capitalized tangible fixed assets. KPMG continues to work with the Region to ensure that the 2009 financial statements will appropriately reflect compliance with this standard.
- **CICA – PS 1000 and PS 1200** – Effective years commencing on or after January 1, 2009, all governments are required to apply full accrual accounting. New statement of changes in net debt is added to the financial statements. Funds and reserves are no longer reported on the statement of financial position, but in the notes or schedules if the government chooses.

Audit plan for Audit Committee consideration (continued)

Milestones and deliverables

The following are deliverables and key dates in the audit process, which the Audit Committee should consider:

<u>Topic</u>	<u>Date</u>
Present the Audit Planning Report to the Audit Committee	November 12, 2009
Conduct interim audit work	November / December 2009
Conduct year-end audit field work	March, 2010
Conduct year-end audit field work (York Housing Corporation)	March, 2010
Present the Audit Findings Report, including our Independence Letter, to the Audit Committee	June 2010
Release audit opinion on financial statements	June 2010
Provide management letter to the Audit Committee	June 2010

Audit plan for Audit Committee consideration (continued)

Audit process

Our audit process, which takes a top-down, risk-based approach, is outlined in Appendix 1.

As part of the audit process, we consider materiality when determining the nature, timing, and extent of our audit procedures as well to evaluate the effect of misstatements.

Quantitative measure of materiality for planning purposes

- We define a level of materiality to provide a quantitative starting point for planning the nature, timing, and extent of our audit procedures. We define this as materiality for planning purposes.
- For the current year, materiality for planning purposes will be established at $\frac{1}{2}$ - 2% of the greater of projected assets and total expenditures.

Reporting materiality

- Reporting materiality is the threshold we use to evaluate the effect of misstatements at the completion of the audit.
- As part of our Audit Findings Report, we will communicate to you all corrected misstatements identified by us during the audit as well as uncorrected misstatements identified by us during the audit that management has determined to be immaterial.

Audit plan for Audit Committee consideration (continued)

Audit response to identified financial reporting risks – Region of York

Significant financial reporting risks, including risks of fraud

Significant accounts and disclosures

Summary of planned audit approach

Investments /
investment
income

Controls / Substantive approach

- Controls:
- Test and evaluate controls surrounding investment additions / disposals and recording of investment income including compliance with Municipal Act regulations.
- Substantive:
- Confirmations of investments and recalculation of accrued interest.

Taxes Receivable
/ Tax Revenue

Controls / Substantive approach

- Substantive:
- Revenue is vouched to municipal by-law and requisition to area municipalities.
- Amounts receivable from municipalities including supplementaries net of Region's share of write-offs directly confirmed with area municipalities.

Use of Internal Audit

- Review of any internal audit reports related to tax revenue / receivable stream.

Accounts payable
/ accrued
liabilities /
procurement

Controls / Substantive approach

- Controls:
- Test and evaluate design and operating effectiveness over controls over procurement, including capital project overruns and budgetary oversight.
- Substantive:
- Significant accruals vouched to supporting documentation.

Use of Internal Audit

- Review of any internal audit reports related to this area.

Audit plan for Audit Committee consideration (continued)

Audit response to identified financial reporting risks – Region of York (continued)

Significant financial reporting risks, including risks of fraud

Significant accounts and disclosures

Summary of planned audit approach

Other revenues /
receivables

Controls / Substantive approach

- Controls:
- Test and evaluate design and operating effectiveness over controls surrounding transit and other revenues and related receivables and budgetary oversight.
- Substantive:
- Significant receivables vouched back to supportive documentation.

Use of Internal Audit

- Review of any internal audit reports related to this area.

Tangible capital
assets

Controls / Substantive approach

- Controls:
- Test and evaluate design and operating effectiveness over controls surrounding capture and application of direct overhead costs to qualifying capital projects.
- Review process for ensuring that depreciation commences when project is substantially complete.
- Substantive:
- Significant additions / disposals vouched to supporting documentation.
- Recalculate depreciation.

Use of Internal Audit

Review of any internal audit reports related to this area.

Audit plan for Audit Committee consideration (continued)

Significant accounts and disclosures

Summary of planned audit approach

Payroll /
Employee Future
Benefits

Controls / Substantive approach

- Controls:
- Test and evaluate design and operating effectiveness over controls over payroll, including additions / deletions / changes and departmental coding, and budgetary oversight.
- Substantive:
- Significant payroll-related accruals recalculated and vouched to supporting documentation.
- Receipt of actuarial report to support employee future benefit amounts recorded.

Use of Internal Audit

- Review of any internal audit reports related to the payroll system.

Audit plan for Audit Committee consideration (continued)

Audit response to identified financial reporting risks – Region of York (continued)

Significant financial reporting risks, including risks of fraud

Significant accounts and disclosures

Summary of planned audit approach

Development charges

Controls / Substantive approach

- Substantive:
- Region-prepared calculation of liability recalculated and reviewed with responsible individuals.

Use of Internal Audit

- Review of any internal audit reports related to this area.
-

Contingencies

Controls / Substantive approach

- Substantive:
- Direct communication with external counsel to ensure that all significant contingent liabilities are appropriately disclosed and / or recorded.
- Significant findings reviewed with management and internal legal counsel.

Use of Internal Audit

Review of any internal audit reports related to this area.

Audit plan for Audit Committee consideration (continued)

Audit response to identified financial reporting risks – York Housing Corporation

Significant financial reporting risks, including risks of fraud

Significant accounts and disclosures

Summary of planned audit approach

Tenant rent /
receivables /
Government
subsidies /
receivables

Controls / Substantive approach

- Controls:
- Test and evaluate design and operating effectiveness over monitoring of monthly rental income and receivables, including budgetary oversight.
- Substantive:
- Examine aging reports and estimated allowance for doubtful tenant receivables.
- Confirm subsidies paid with Service Manager.
- Review calculation of subsidy payable / receivable.

Use of Internal Audit

- Review of any internal audit reports related to this area.
-

Other revenue /
expenditures

Controls / Substantive approach

- Substantive:
- Vouch significant items to supporting documentation.

Use of Internal Audit

Review of any internal audit reports related to this area

Capital Assets /
Mortgages
Payable/
Amortization /
Interest on Long-
Term Debt

Controls / Substantive approach

- Substantive:
- Vouch significant capital asset additions.
- Recalculate amortization / interest on long-term debt.
- Confirm long-term debt with mortgage holders.

Use of Internal Audit

Review of any internal audit reports related to this area.

Executing the audit

Service team and multidisciplinary resources

We will continue to make every effort to meet your needs and exceed expectations by:

- utilizing professionals who understand the key issues being addressed by management
- keeping pace with changes in the industry and at the Entity
- anticipating issues and adequately planning all aspects of our service
- being available and responsive.

Service team

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Appendices

Appendix 1: Our audit process

<u>Phase</u>	<u>Activities</u>
Planning	■ Perform risk assessment procedures and identify significant accounts and disclosures and risks
	■ Determine audit strategy, including materiality for planning purposes
	■ Evaluate the design and implementation of entity level controls
	■ Determine planned audit approach for significant accounts and disclosures
	■ Present Audit Planning Report to the Audit Committee
Control Evaluation	■ Understand accounting and reporting activities
	■ Evaluate the design and implementation of selected activity level controls, including IT general controls (for certain significant accounts and disclosures)
	■ Test operating effectiveness of selected activity level controls, including IT general controls (for certain significant accounts and disclosures)
Substantive Testing	■ Plan and perform substantive procedures
	■ Evaluate misstatements
	■ Evaluate the sufficiency and appropriateness of audit evidence
Completion	■ Perform completion procedures
	■ Present Audit Findings Report to the Audit Committee
	■ Form and release audit opinion on financial statements

Appendix 2: KPMG's Audit Committee resources

General

- *Audit Committee Update*, Issue 2009-01, Audit Committee Institute
<http://www.kpmg.ca/auditcommittee/update.html>
- Audit Committee Roundtables held each spring and fall, Audit Committee Institute
<http://www.kpmg.ca/auditcommittee/roundtables.html>
- *Shaping the Canadian Audit Committee Agenda* (2006 edition), Audit Committee Institute
<http://www.kpmg.ca/auditcommittee/shaping.html>
- *Accountability e-Lert* – periodic electronic newsletter. Subscribe at
www.kpmg.ca/accountability
- Audit Committee Institute Web site – www.kpmg.ca/auditcommittee