KPMG

KPMG LLP
Chartered Accountants
Yonge Corporate Centre
4100 Yonge Street Suite 200
Toronto ON M2P 2H3

Telephone (416) 228-7000
Telefax (416) 228-7123
www.kpmg.ca

Mr. Bruce Macgregor
Chief Administrative Officer
The Regional Municipality of York
17250 Yonge Street
Newmarket, Ontario L3Y 6Z1

May 2, 2008

Dear Mr. Macgregor:

We have audited the consolidated financial statements of The Regional Municipality of York ("the Region"), as of and for the year ended December 31, 2007 and have issued our audit report thereon dated April 4, 2008. In planning and performing our audit of the Region's consolidated financial statements, we considered the Region's internal control over financial reporting in order to determine the nature, extent and timing of our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements. A financial statement audit does not include examining the effectiveness of internal control and does not provide assurance on internal control.

The maintenance of adequate controls designed to fulfill control objectives is the responsibility of management. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, controls found to be functioning at a point in time, may later be found deficient because of the performance of those responsible for applying them, and there can be no assurance that controls currently in existence will prove to be adequate in the future as changes take place in the organization.

Our consideration of internal control over financial reporting in our audit of the consolidated financial statements would not necessarily disclose all internal control matters that might be weaknesses under assurance standards established by the Canadian Institute of Chartered Accountants. A weakness in internal control is a deficiency in the design or effective operation of internal control. A weakness in internal control is significant if the deficiency is such that a material misstatement is not likely to be prevented or detected in the consolidated financial statements being audited. During our audit of the consolidated financial statements upon which we reported on April 4, 2008, we noted certain items involving the design or operating effectiveness of internal control over financial reporting that we are bringing to your attention and to offer our comments and recommendation.

We believe that the matter presented in Appendix A, is, by its nature, a control weakness or performance improvement opportunity which warrants the attention of management.

These internal control weaknesses and performance improvement opportunities were considered in determining the nature, extent and timing of the audit tests applied in our audit of the consolidated financial statements as at and for the year ended December 31, 2007, and this letter does not affect our audit report on these consolidated financial statements dated April 4, 2008. We have not considered internal control over financial reporting since the date of our audit report.

Appendix B presents an update on matters identified during the performance of the fiscal 2006 audit.

All the matters identified in the appendices have been discussed with the appropriate members of management.

This letter is a by-product of the consolidated financial statement audit and is therefore a derivative communication. This letter has been prepared solely for the use of management and the Audit Committee, and Regional Council in discharging their responsibilities with respect to the consolidated financial statements and is not intended for any other purposes. This letter should not be distributed to others outside the entity without our prior written consent. We disclaim any liability to any third party who may rely upon this letter.

Very truly yours,

KPMG LLP

KPMG LLP, Licensed Public Accountants
Per Kevin M. Travers, CA
Associate Partner

cc: Mr. Lloyd Russell, Commissioner of Finance; Regional Municipality of York Audit Committee

Appendix A – Current Year Control Weaknesses and Performance Improvement Opportunities

1. Claiming of GST Rebate

Observation:

During our audit we noticed that December 2007 GST return was submitted early in January 2008 while Finance Department was still working on its year end procedures. Therefore certain GST rebate amounts were not included in December 2007 GST return but instead accrued as of December 31, 2007 and included in the January 2008 GST return. KPMG then reviewed the accrued GST rebate amount and noticed that it also included certain 2006 GST rebates that had been previously claimed. This resulted in claiming those GST rebates twice. The amount was not considered significant.

Recommendation:

KPMG suggests that management reviews their process for the recording of GST claims recoverable, including the carried forward amounts related to the prior claim period on a regular basis in order to avoid double claiming of the GST in the future.

Management response:

Management agrees with this recommendation and has revised the process to ensure that GST claims recoverable are submitted correctly in the future. The revised process includes:

- A new methodology for calculating the monthly GST claims recoverable
- Retraining staff on how to properly analyze the GST claims recoverable account
- Regular management review to ensure all GST claims are valid and accurate

Appendix B – Prior Year Control Weaknesses and Performance Improvement Opportunities

1. Developer Front-End Financing Accrual

Recommendation:

KPMG suggests that for any projects where an accrual for up-front developer financing is made at year-end, a corresponding securities register report that supports the " Securities on hand as at year-end" amount be printed out from the system before any changes are made and kept on file. Keeping the back up on file will result in better paper trail and reduced risk of error.

2007 Update:

No issues were noted in this area in the current year.

2. General ledger coding of Purchase Orders

Recommendation:

KPMG recommended that where coding indicated on the invoices did not agree to the coding set up in the Purchase Order in the system the Region develop procedures to assure that invoice authorizing person is contacted and resolution is obtained and documented to indicate which coding is correct.

2007 Update:

No issues were noted in this area in the current year.

3. Security Deposits For Developer Financing Agreements

Recommendation:

We recommended that the Region examine their security deposits records and ensure that older items were cleared on a timely basis.

2007 Update:

While the Region has made significant progress in reducing the number of older items, KPMG did continue to note number of older items identified during the 2006 audit were still outstanding in fiscal 2007. Consequently, KPMG continues to recommend that the Region maintain its efforts to examine and clear older security deposits.

Management response:

In October 2006, a process was developed to review all older securities in an effort to clear them where appropriate. An operating staff member has been dedicated solely to this process, which is quite time consuming, often taking weeks to undertake a proper review to clear one security. Due to their efforts, the number of old securities decreased almost in half in 2007. We will continue with this process to clear older securities in 2008.