KPMG

The Regional Municipality of York

Audit Planning Report to the Audit Committee

For the year ending December 31, 2008

AUDIT

AUDIT ▪ TAX ▪ ADVISORY

Contents

This Audit Planning Report (the "Report") for the year ending December 31, 2008 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. KPMG continues to work with the Region to ensure that they will be in a position to adopt the standard when required.
- **CICA – PS 2700 Segment Disclosures -** Municipalities will be required to disclose certain operational data by “segment”. A segment is defined as “a distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information…” Segments can be identified on the basis of function, or by control and accountability relationships. The Region’s financial statements have already shown expenditures by function. It is the expectation that this new standard will not require any onerous work in order to comply.

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:

Topic	Date
Present the Audit Planning Report to the Audit Committee	November 13, 2008
Conduct interim audit work	December 1, 2008
Conduct year-end audit field work	March 9, 2009
Conduct year-end audit field work (York Housing Corporation)	March 9, 2009
Present the Audit Findings Report, including our Independence Letter, to the Audit Committee	To be determined
Release audit opinion on financial statements	To be determined
Provide management letter to the Audit Committee	To be determined

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 was established at $6,000,000 (York Housing Corporation - $536,000).

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 authorization and general ledger coding 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 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 water 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.
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 ■ Controls: ■ Test and evaluate design and operating effectiveness over controls surrounding development of liability. ■ 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* ■ Controls: ■ Test and evaluate design and operating effectiveness over controls monitoring and reporting such liabilities. ■ 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 ■ Controls: ■ Test and evaluate design and operating effectiveness over monitoring of monthly results, including budgetary oversight. ■ 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* ■ Controls: ■ Test and evaluate design and operating effectiveness over controls surrounding additions to capital assets. ■ 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

Kevin Travers Lead Audit Engagement Associate Partner	**Telephone:** 416-228-7004 email: ktravers@kpmg.ca
Inna Glebova Audit Engagement Manager	**Telephone:** 416-224-4669 email: iglebova@kpmg.ca

Multidisciplinary resources

Iqbal Merchant Senior Principal, Tax	**Telephone:** 416-549-7784 email: imerchant@kpmg.ca
Gerry Hagerman Engagement Quality Control Reviewer, Partner	**Telephone:** 416-224-4196 email: ghagerman@kpmg.ca

Appendices

Appendix 1: Our audit process

Phase	Activities
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
Completion	■ Evaluate misstatements ■ Evaluate the sufficiency and appropriateness of audit evidence ■ 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 2008-01, Audit Committee Institute
- *Shaping the Canadian Audit Committee Agenda* (2006 edition), Audit Committee Institute
- *Canadian Survey of Audit Committee Members – 2007*, Audit Committee Institute (12/2007)
- *Our System of Audit Quality Controls*, KPMG (2006)
- *Accountability e-Lert* – periodic electronic newsletter. Available at www.kpmg.ca/accountability
- *Certification of Internal Control: Revised Certification Rules*, KPMG (05/2008)
- *Governance of Tax* – Discussion paper, KPMG (2007)
- *Focus on Financial Reporting*, KPMG (12/2007)
- Audit Committee Institute – Audit Committee Roundtables held each spring and fall
- Audit Committee Institute Web site – www.kpmg.ca/auditcommittee

IFRS Related

- *IFRS Transition: Questions Audit Committees Should Be Asking*, Audit Committee Institute (06/2008)
- *IFRS compared to Canadian GAAP*, KPMG (11/2007)
- *Managing the Transition to IFRS: Clearing the Path to 2011*, KPMG (04/2008)
- *The Transition to IFRS: The Past Need Not Be the Future*, Audit Committee Institute (12/2007)
- *The Transition to IFRS: Implications for the Audit Committee*, Audit Committee Institute (05/2007)
- *Managing the Transition to IFRS: The Journey to 2011*, KPMG (05/2007)
- *Managing the Transition to IFRS: Special Considerations for SEC registrants*, KPMG (09/2007)
- KPMG IFRS Web site – www.kpmg.ca/ifrs