



cutting through complexity

AUDIT

Corporation of the City of London

Audit Planning Report
For the year ending December 31, 2014

KPMG LLP

February 18, 2015

kpmg.ca



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At KPMG, we are **passionate** about earning your **trust**. We take deep **personal accountability**, individually and as a team, to deliver **exceptional service and value** in all our dealings with you.

At the end of the day, we measure our success from the **only perspective that matters – yours.**

Executive summary

Audit and business risk

Our audit is risk-focused. In planning our audit we have taken into account key areas of focus for financial reporting.

See page four.

KPMG team

The KPMG team will be led by Ian Jeffreys and Katie denBok. Subject matter experts will be involved to ensure our approach is appropriate and robust.

See page nine.

Audit Materiality

Materiality has been determined based on revenue. We have determined materiality to be \$13,950,000 for the year ending December 31, 2014 (2013 – \$13,816,000).

See page eight.

Effective communication

We are committed to transparent and thorough reporting of issues to the Chief Financial Officer, Director of Financial Services, senior management and the Audit Committee.

See page 12 and Appendix three.

Value for fees

While the primary objective of our engagement is the completion of an audit of the financial statements in accordance with professional standards, we also believe that our role as external auditor of the City of London and the access to information and people in conjunction with our audit procedures, places us in a position to provide other forms of value.

See page ten.

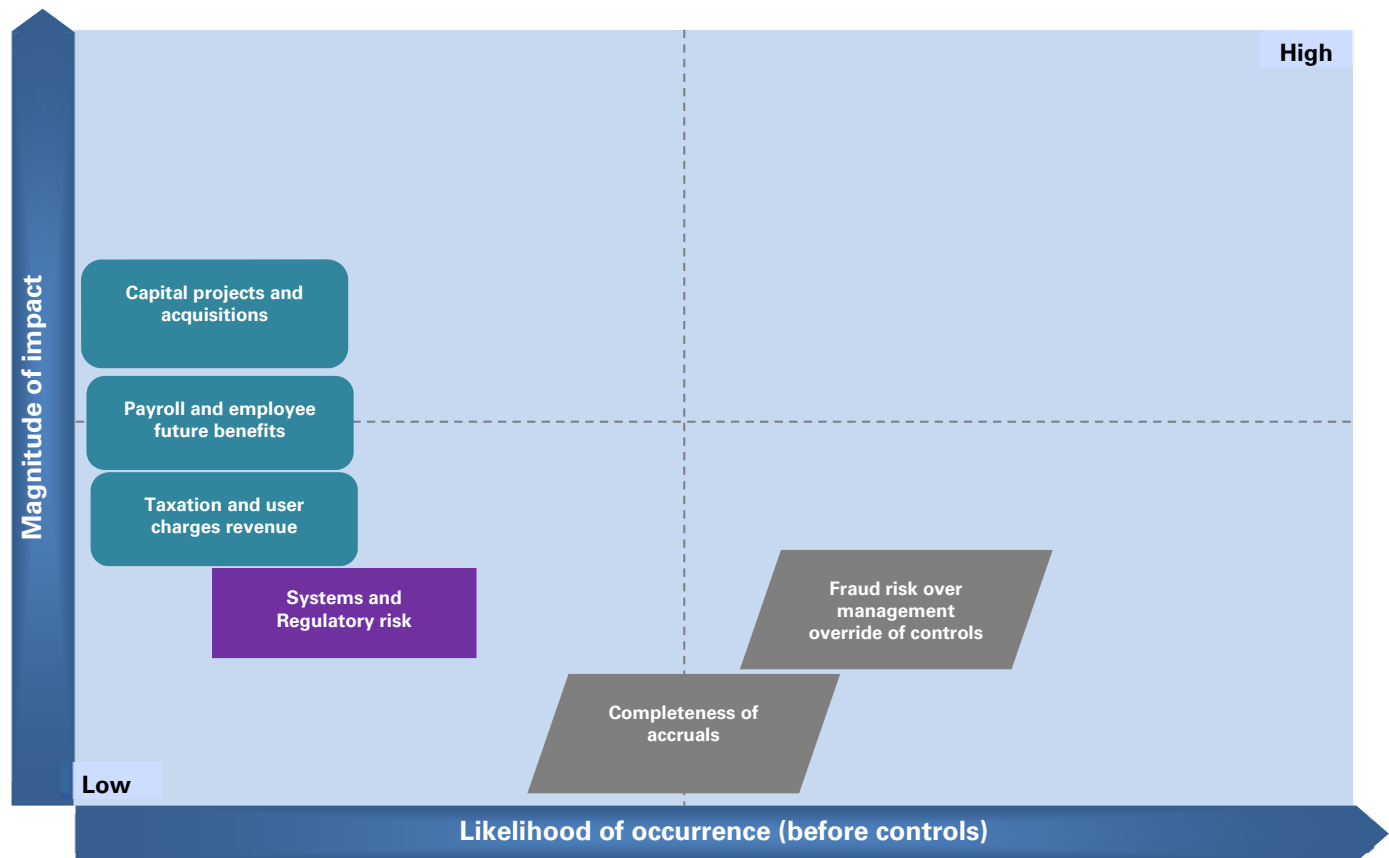
Independence

We are independent and have extensive quality control and conflict checking processes in place. We provide complete transparency on all services and follow Audit Committee approved protocols.

Risk Assessment

Our planning begins with an assessment of inherent risk of material misstatement in your financial statements. Our assessment is based on a variety of factors that include our knowledge of your business, the market and the susceptibility of the account balance to the risk of material misstatement.

This diagram represents our top-down view of the key financial reporting risks and their potential misstatement impact, mapped against the likelihood of a misstatement occurring (before controls).



- Significant risks, including estimates and judgement
- Control and operational risks
- Other areas of focus

Audit approach

Inherent risk is the susceptibility of a balance or assertion to misstatement which could be material, individually or when aggregated with other misstatements, assuming that there are no related controls.

Our assessment of inherent risk is based on various factors including the size of the balance, its inherent complexity, the level of uncertainty in measurements as well as significant external market factors or those particular to the internal environment of the entity.

Professional standards presume the risk of fraudulent revenue recognition and the risk of management override of controls exist in all companies.

The risk of fraudulent recognition can be rebutted, but the risk of management override of control cannot because management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Significant risk	Why	Our audit approach
Fraud risk from revenue recognition	This is a presumed fraud risk due to incentives regarding earnings. There are generally pressures or incentives on management to commit fraudulent financial reporting through inappropriate revenue recognition when performance is measured in terms of year-over-year revenue growth or profit.	<ul style="list-style-type: none"> We have rebutted this fraud risk as it is not applicable to the City of London where performance is not measured based on earnings.
Fraud risk from management override of controls	This is a presumed fraud risk. We have not identified any specific additional risks of management override relating to this audit.	<ul style="list-style-type: none"> As the risk is not rebuttable, our audit methodology incorporates the required procedures in professional standards to address this risk. These procedures include testing of journal entries and other adjustments, performing a retrospective review of estimates and evaluating the business rationale of significant unusual transactions.
Completeness of accruals	The financial statements include certain accruals, such as legal and landfill liabilities, which involve a significant amount of management judgment and assumptions in developing.	<ul style="list-style-type: none"> We will obtain an understanding of management's process and calculations for each of these areas. We will obtain corroborative evidence to support management's assumptions and review subsequent payments where possible. We will send legal letters to internal and external legal counsel, review Council minutes, severance agreements etc. to identify any potential unrecorded liabilities.

Audit approach (continued)

Other areas of focus include the following:

Other areas of focus	Why	Our audit approach
Capital projects and acquisitions	The City of London has a large balance of tangible capital assets and is continually spending on capital projects. There is judgment involved in determining the useful lives of capital and when its amortization period should begin.	<ul style="list-style-type: none"> • KPMG to perform substantive testing over capital additions, including the determination of when capital expenditures are transferred from assets under construction and amortization begins. • KPMG to review management's determination of the useful lives of capital assets and the related amortization rates
Payroll and employee future benefits	The City of London provides defined retirement and other future benefits for some groups of its retirees and employees. As at December 31, 2013, the City of London had a liability for employee future benefits of \$130m.	<ul style="list-style-type: none"> • KPMG will test the reasonableness of assumptions provided by management to the actuaries that are used in developing the valuation and calculating the liability. • KPMG will also specifically test the inputs provided by management to the actuary to ensure accuracy. • KPMG will take a combined approach to testing payroll expense, which will include both substantive and control testing.
Taxation and user charges revenue	For the year ending December 31, 2013, these revenue streams amounted to \$733m for the City of London.	<ul style="list-style-type: none"> • KPMG will perform substantive procedures over these revenue streams.

Other matters

Other matters to discuss include the following:

Other matters to discuss

Details

New Director, Financial Services – Anna Lisa Barbon

- Anna Lisa started in this role in January, 2015
- This represents a change of personnel at the financial reporting oversight level and will be considered in our audit planning.

New accounting standard – PS3260 Liability for Contaminated Sites

- PS3260 is a new accounting standard that requires public sector organizations with fiscal years starting on April 1, 2014, or later, to report on liabilities at contaminated sites they own, or have assumed responsibility to remediate. Management is currently in the process of determining what impact this new standard will have on the City of London. KPMG is working with Management through this process.
- Refer to the Appendices for further discussion on this matter and other upcoming accounting standard changes.

Ontario Works

- In November 2014, the Province of Ontario moved to a new IT system for Ontario Works. Since then, the City of London has not been able to obtain financial reporting from the Province in order to determine the classification of OW expenditures and reconcile OW bank accounts.
- Management is in the process of developing a method to estimate classifications and KPMG will audit this process as part of the year end audit and review any significant estimates that were made.

Debt issuances

- Debentures in the amount of \$30m were issued in May 2014. KPMG will review the accounting for this transaction in detail during the audit.

Commitments

- During F2014, the City of London amended a previously existing agreement with The Fanshawe College of Applied Arts and Technology to increase their Economic Development Grant by \$9m to a total of \$29m. Payments under this commitment are expected to be at least \$2.4m per year beginning in F2015.

Kronos upgrade

- In November 2014, there was an upgrade done to the Kronos system that is being used by the City of London to interface the timekeeping and payroll systems.
- As part of our year end audit, we will review the process undertaken during this upgrade and the testing that was performed over it.

Materiality

Professional standards require us to re-assess materiality at the completion of our audit based on period-end results or new information in order to confirm whether the amount determined for planning purposes remains appropriate.

Our assessment of misstatements, if any, in amounts or disclosures at the completion of our audit will include the consideration of both quantitative and qualitative factors.

The first step is the determination of the amounts used for planning purposes as follows.

The determination of materiality requires judgment and is based on a combination of quantitative and qualitative assessments including the nature of account balances and financial statement disclosures:

2014 materiality determination	Comments	Amount
Benchmark	Based on prior year consolidated total expenses. This benchmark is consistent with the prior year.	\$930,142,000
% of Benchmark	The corresponding percentage for the 2013 audit was 1.5%.	1.5%
Materiality	Determined to plan and perform the audit and to evaluate the effects of identified misstatements on the audit and of any uncorrected misstatements on the financial statements. The corresponding amount for the 2013 audit was \$13,816,000.	\$13,950,000
Performance materiality	Calculated at 75% of materiality, and used primarily to determine the nature, timing and extent of audit procedures. The corresponding amount for the 2013 audit was \$10,362,000.	\$10,462,000
Audit Misstatement Posting Threshold (AMPT)	Threshold used to accumulate misstatements identified during the audit. The corresponding amount for the 2013 audit was \$691,000.	\$697,500
Reclassification AMPT	Threshold used to accumulate reclassification misstatements during the audit. The corresponding amount for the 2013 audit was \$3,110,000.	\$3,487,000

Highly talented team

Team member	Background / experience	Discussion of role
<p>Ian Jeffreys Lead Audit Engagement Partner</p> <p>ijeffreys@kpmg.ca 519 660 2137</p>	<p>During his 18 years with KPMG, Ian has provided audit and other professional services to clients large and small, operating in both the public and private sectors. He has a significant amount of experience in many industry segments including not-for-profit, municipal, power and utilities, health care, distribution and manufacturing.</p>	<ul style="list-style-type: none"> Ian will lead our audit for the City of London and be responsible for the quality and timeliness of everything we do. He will often be onsite with the team and will always be available and accessible to you.
<p>Katie denBok Audit Senior Manager</p> <p>kdenbok@kpmg.ca 519 660 2115</p>	<p>Katie has nine years of public auditing, accounting and reporting experience and has been involved with the audit of not-for-profit and public sector organizations, and a number of local private company clients. She proficiently assists clients with process improvement, accounting and financial reporting matters.</p>	<ul style="list-style-type: none"> Katie will work very closely with Ian on all aspects of the audit. She will be on site and directly oversee and manage the audit field team and work closely with your management team.
<p>Melissa Wale Audit Manager</p> <p>mwale@kpmg.ca 519 660 2124</p>	<p>Melissa has over five years of public auditing, accounting and reporting experience and has been involved with the audit of not-for-profit and public sector organizations, as well as a number of local private and public company clients. She proficiently assists clients with process improvement, accounting and financial reporting matters.</p>	<ul style="list-style-type: none"> Melissa will work very closely with Katie on the audit of the Boards and Commissions.
<p>Diane Wood Tax Partner</p> <p>dianejwood@kpmg.ca 519 660 2123</p>	<p>Diane is a member of the Financial Planners Standards Council and the Society of Trust and Estate Practitioners. Her principal activities are in not-for-profit taxation planning and compliance, personal income tax planning and compliance, estate planning, international executive taxation and providing financial planning and taxation assistance to individuals facing early retirement or severance packages.</p>	<ul style="list-style-type: none"> Diane will assist with any tax related matters that arise.

Value for fees

The Value of our Audit Services

We recognize that the primary objective of our engagement is the completion of an audit of the financial statements in accordance with professional standards. We also believe that our role as external auditor of the City of London and the access to information and people in conjunction with our audit procedures, places us in a position to provide other forms of value. We know that you expect this of us.

We want to ensure we understand your expectations. To facilitate a discussion, we have outlined some of the attributes of our team and our processes that we believe enhance the value of our audit service. We recognize that certain of these items are necessary components of a rigorous audit. We welcome your feedback.

- Extensive industry experience on our audit team – As outlined in our team summary, the senior members of our team have extensive experience in audits of municipalities. They also attend monthly meetings of a National not-for-profit audit working group and quarterly meetings to discuss items specifically related to municipalities and the public sector industry. This experience and ongoing education ensures that we are well positioned to identify and discussion observations and insights that are important to you;
- Current development updates – We will organize tailored information on current developments on financial reporting and other matters that are likely to be significant to the City of London and your team. This information will assist the City in proactively responding to financial reporting and regulatory changes;
- Involvement of specialists – Our audit team is supported by KPMG specialists in income and other taxes and has available support from information risk management, valuations, and derivatives. Each of these specialists is available to provide insights and observations resulting from their audit support processes;

Value for fees (continued)

In determining the fees for our services, we have considered the nature, extent and timing of our planned audit procedures as described above. Our fee analysis has been reviewed with and agreed upon by management.

Our fees are estimated as follows:

	Current period (budget)	Prior period (actual)
Audit of the annual financial statements	\$89,000	\$87,300

Matters that could impact our fee

These fees are based on the assumptions described in the engagement letter dated December 1, 2010. There have been no changes in the terms and conditions of our engagement since the date of our last letter.

The critical factors that cause a change in our fees include:

- Changes in professional standards or requirements arising as a result of changes in professional standards or the interpretation thereof;

Audit cycle and timetable

Our key activities during the year are designed to achieve our one principal objective:

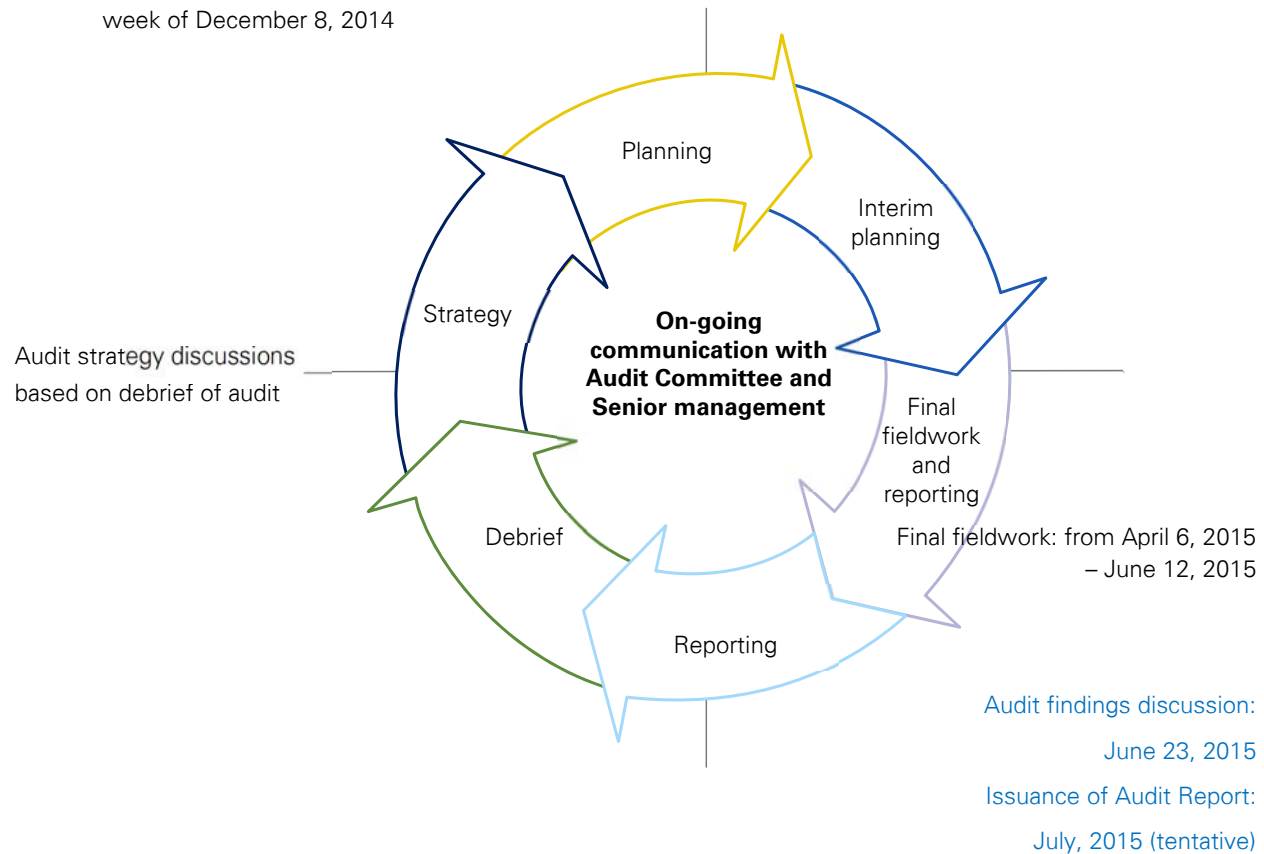
To provide a robust audit, efficiently delivered by a high quality team focused on key issues.

Our timeline is in line with prior year.

Planning meeting with management: January 26, 2015

Commence year end planning: week of December 8, 2014

Audit plan discussion:
February 18, 2015



Appendices

Appendix 1: Current developments

Appendix 2: Audit Quality and Risk Management

Appendix 3: KPMG's audit approach and methodology

Appendix 4: Required communications

Appendix 5: Service Delivery Reviews

Appendix 1: Current developments

GST/HST Harmonized Audits

The Canada Revenue Agency (CRA) has followed through on its intent to focus on public service bodies (e.g., municipalities, universities, colleges, hospitals, schools, associations, charities, non-profits etc.) for purposes of conducting GST/HST audits. Many public service bodies have undergone audits or have been contacted to begin an audit.

We offer the following general observations on the impact of the CRA's increased focus on the public sector:

- It is important that you have a plan in place for a GST/HST audit, including having a fixed point of contact for the auditor. Planning and managing the audit is as important as having the appropriate policies and procedures.
- The CRA has been focusing on documentation, sharing arrangements, grants and sponsorships, and the allocation of inputs between taxable and exempt activities for input tax credit purposes (e.g., the filing of a section 211 election and claiming of input tax credits on the use of real property).
- The CRA has not consistently been applying audit offsets (e.g., allowing unclaimed input tax credits or rebates) that would help minimize the impact of any assessments.

Our experience with GST/HST auditors has varied from audit to audit. However, in each case, the taxpayer has the burden of proof. The best approach is to be prepared in advance of receiving that call from CRA.

Cyber Security, Is your organization at risk?

Cyber attacks are an inevitable part of life today, and the financial and reputational costs of not being prepared against such attacks are significant. Cyber attacks are being launched against all forms of valuable information including both financial and non financial data sources. Estimates suggest the global financial impact of cybercrime is US\$114 billion; companies are thought to bear almost 80% of those costs. The nature of these attacks and the perpetrators behind them are always changing. Hacktivists, organized criminals, competitors, and even rogue governments are mounting attacks with a high level of sophistication and persistence. These perpetrators have different motives, however are common in that they are looking to either disrupt or better themselves by stealing another entities data.

Patching servers and installing intrusion detection systems is no longer enough to protect your critical assets and business processes. Cyber Security has never been solely about IT; it has always been a business issue first. To survive and prosper requires a business-wide understanding of the threats, safeguards, and responses involved. Key elements to consider include:

- Preparing your people, processes, infrastructure and technology to resist an attack
- Detecting the attack and initiating your response
- Containing and investigating the attack
- Recovering from an attack and resuming business operations
- Reporting on and improving security

Non-profit organizations should begin to review their organization and consider Cyber Risks. Key data that may be identified includes key research data; client or member data etc.

New Guidance on Internal Controls and Management Practices

Not-for-profit organizations and charities are facing significant pressures to become more efficient and effective in the delivery of their services and in the management of their operations. In addition, stakeholders are demanding greater transparency and accountability from charitable and not-for-profit organizations on their stewardship of resources, achievement of their objectives, and ability to demonstrate value-for-money. This environment has placed higher expectations and increased responsibilities on Board Members to provide appropriate diligence and oversight of the operations, risks, management, controls and governance of their organizations.

One of the ways that Boards and Audit Committees demonstrate appropriate diligence and oversight is to compare their organization's operations and management practices against a recognized Framework that is generally accepted by its stakeholders, including members, funders and regulators. In 2013, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) updated its Internal Control – Integrated Framework, which is the most widely used and recognized Framework in North America. The updated Framework provides all not-for-profit and charitable organizations with an excellent basis for an assessment of their operations and management practices.

The COSO Framework highlights general management processes for an effective and efficient control environment. The Framework provides a recognized baseline against which existing management practices can be assessed to help ensure that the organization's efforts are focused on areas of highest value and significance to the organization's objectives and stakeholders. A comparison of current practice to the Framework will provide Board members with information on their organization's efficiency, effectiveness, transparency and accountability, and identify potential improvements that are relevant and applicable in the not-for-profit and charity environment.

Canadian Public Sector Accounting Standards

Standard on Contaminated Sites

Highlights

A new standard has been issued establishing standards on accounting for and reporting the liability related to contaminated sites.

This standard requires entities following PSAB to record a liability when the standard exists, the contamination in question exceeds an authoritative environmental standard and the entity is directly responsible or accepts responsibility. Voluntary compliance with a non-authoritative policy or guideline may create a liability.

Effective date and transition

The standard is effective for fiscal periods beginning on or after April 1, 2014 however earlier adoption is permitted. For the City implementation will be in the 2015 fiscal year.

Implications

The City will have to review any contaminated sites and determine if a liability meets the standards such that it must be reported.

New Standard on Financial Instruments

Highlights

A new standard has been issued establishing standards on accounting for and reporting all types of financial instruments including derivatives.

The standard requires that all financial instruments that are equity instruments and trade in an active market or derivatives be recorded at fair value. The standard requires that all other financial instruments are recorded at cost but permits the option of fair value for any financial instruments that are managed and reported at fair value. This standard also includes a requirement to identify and report embedded derivatives separate from the host contract with an option to value the full contract which includes the embedded derivatives at fair value.

Effective date and transition

The standard is effective for fiscal periods beginning on or after April 1, 2016. Earlier adoption is permitted. An entity early adopting this standard must also early adopt the revised Foreign Currency Translation standard.

Implications

This standard requires the City to record any equity investments that trade in an active market at fair market value. The City can also elect to record any investments that are managed and evaluated on a fair value basis at fair value. Changes in fair value of all assets that are recorded at fair market value will be reported in a new financial statement; the statement of remeasurement gains and losses.

This standard will also require the City to identify any contracts that have embedded derivatives and recognize these on the statement of financial position at fair value.

This standard sets out a number of disclosures in the financial statements designed to give the user an understanding of the significance of financial instruments to the City. These disclosures include classes of financial instruments and qualitative and quantitative risk disclosures describing the nature and extent of risk by type (credit, liquidity and market).

Revised Standard on Foreign Currency Translation

Highlights

A revised standard has been issued establishing standards on accounting for and reporting transactions that are denominated in a foreign currency.

Effective date and transition

The standard is effective for fiscal periods beginning on or after April 1, 2016. Earlier adoption is permitted. An entity early adopting this standard must also adopt the new Financial Instruments standard.

Implications

Exchange gains and losses arising prior to settlement are recognized in a new statement of remeasurement gains and losses.

Statement of Principles for Accounting Standards for Not-for-Profit Organizations

In April 2013, the Accounting Standards Board ("AcSB") and the Public Sector Accounting Board ("PSAB") jointly issued a Statement of Principles which proposes to revise Part III of the CPA Canada Handbook and the CPA Public Sector Accounting Handbook to improve the existing standards for financial reporting by not-for-profit organizations and Government not-for-profit organizations. Comments on the SOP were due in December 2013.

The SOP proposed to remove many of the special rules that not-for-profit organizations use today in preparing their financial statements and require that not-for-profits more closely follow the rules that apply to the commercial or public sector.

As this is a Statement of Principles, it is the first step in future changes. The next step will be to develop exposure drafts related to the specific areas. As a result, a transition date or dates has not yet been proposed.

KPMG prepared a formal response after soliciting feedback from our clients through a survey released in October 2013.

Current Status of the SOP

The AcSB and PSAB received 290 responses from stakeholders, in both the private and public sectors. The responses provided the Board with positions the stakeholders' positions on each of the principles described in the Statement of Principles. Out of the 290 comment letters received to date, approximately 190 provided responses to the AcSB, 45 to PSAB and 55 to both Boards.

On June 17, 2014, AcSB and PSAB met jointly to consider the responses that have been received. The Boards:

- began the process of assessing the overarching principles and questions that need to be considered and additional information that should be gathered as the Boards progress with the project; and
- discussed next steps and how they can continue to collaborate on this topic.

No decisions were made during this meeting.

As a result of the comments made by stakeholders, the Boards plan to meet again in the next six months. Organizations that are impacted by these proposed changes will likely not see any changes take effect for at least two years while both Boards deliberate and make changes to the SOP based on the comments received, and prepare a revised SOP or Exposure Drafts.

Thought Leadership

KPMG's Not-for-Profit Practice

KPMG's Not-for-Profit practice proudly provided programs, webinars, publications and communications to Not-for-Profits and Charities, which can be found on our website www.kpmg.ca. Below is a quick reference list for your convenience.

Programs

- **Community Shift**

Community Shift is an exclusive development program and network for C-level leaders of Canadian charities and Not-for-Profit Organizations (NPOs), founded by KPMG Enterprise™ and the Richard Ivey School of Business. A rigorous annual five-day developmental program for Canada's leaders of charities and Not-for-Profits, Community Shift has changed the way participants look at their operations and provides a catalyst for change.

- **KPMG's Annual Financial and Tax Seminar for Not-for-Profit Organizations**

Held throughout the country, these seminars are designed to keep leaders of NPOs up to speed on changes in the areas of Accounting and Tax. Guest speakers from CRA, KPMG Forensic and other disciplines are invited to discuss changes that are critical to ensuring compliance and mitigating risks.

Publications and Communications

- **Public Service Transformed: Harnessing the Power of Behavioural Insights**

The report explores the potential and use of behavioural insights in modernizing the public service cultural transformation and provides actionable recommendations designed to encourage the four positive work behaviours (collaboration, innovation, transparency and a focus on results) that will help the public services sector adapt to changing conditions, encourage culture change and produce the kinds of outcomes and transformation that governments are demanding.

- **Future State 2030**

This report is part of a series that explores how governments must respond to the global megatrends (Demographics, Rise of the Individual, Enabling technology, Economic interconnectedness, Public debt, Economic power shift, Climate change, Resource stress, and Urbanization) driving change into 2030.

- **The Integration Imperative: reshaping the delivery of human and social services**

The report provides the results of a global survey of government and thought leaders to review active integration schemes in the human and social services sector across 22 jurisdictions from around the world. It examines the features of integration initiatives and identifies where the integration agenda is heading, including the key trends, the lessons learned, and the implications of these trends for governments, clients, and providers from the private and not-for-profit sectors.

- **Contaminated Sites – Issues and Implementation Action Plan for PS 3260**

This report addresses the Public Sector Accounting Board's accounting standard on Liability for Contaminated Sites (Section PS3260) which will affect all entities reporting under the Public Sector Accounting (PSA) standards. The report discusses why contaminated sites are an issue, provides a technical overview, explores liability measurement, and outlines an implementation action plan.

Appendix 2: Audit Quality and Risk Management

KPMG maintains a system of quality control designed to reflect our drive and determination to deliver independent, unbiased advice and opinions, and also meet the requirements of Canadian professional standards.

Quality control is fundamental to our business and is the responsibility of every partner and employee. The following diagram summarises the six key elements of our quality control systems.

Visit <http://www.kpmg.com/Ca/en/services/Audit/Pages/Audit-Quality-Resources.aspx> for more information.

- Other controls include:
 - Before the firm issues its audit report, Engagement Quality Control Reviewer reviews the appropriateness of key elements of publicly listed client audits.
 - Technical department and specialist resources provide real-time support to audit teams in the field.
- We conduct regular reviews of engagements and partners. Review teams are independent and the work of every audit partner is reviewed at least once every three years.
- We have policies and guidance to ensure that work performed by engagement personnel meets applicable professional standards, regulatory requirements and the firm's standards of quality.



- All KPMG partners and staff are required to act with integrity and objectivity and comply with applicable laws, regulations and professional standards at all times.
- We do not offer services that would impair our independence.
- The processes we employ to help retain and develop people include:
 - Assignment based on skills and experience;
 - Rotation of partners;
 - Performance evaluation;
 - Development and training; and
 - Appropriate supervision and coaching.
- We have policies and procedures for deciding whether to accept or continue a client relationship or to perform a specific engagement for that client.
- Existing audit relationships are reviewed annually and evaluated to identify instances where we should discontinue our professional association with the client.

Appendix 3: KPMG's audit approach and methodology

Technology-enabled audit work flow (eAudit)

Engagement Setup

- Tailor the eAudit work flow to your circumstances
- Access global knowledge specific to your industry
- Team selection and timetable

Completion

- Tailor the eAudit work flow to your circumstances
- Update risk assessment
- Perform completion procedures and overall evaluation of results and financial statements
- Form and issue audit opinion on financial statements
- Obtain written representation from management
- Required Audit Committee communications
- Debrief audit process



Risk Assessment

- Tailor the eAudit work flow to your circumstances
- Understand your business and financial processes
- Identify significant risks
- Plan involvement of KPMG specialists and others including external experts, internal auditors, service organizations auditors and component auditors
- Determine audit approach
- Evaluate design and implementation of internal controls

Testing

- Tailor the eAudit work flow to your circumstances
- Test operating effectiveness of internal controls (as considered necessary)
- Perform substantive tests

Appendix 4: Required communications

In accordance with professional standards, there are a number of communications that are required during the course of our audit. These include:

- **Engagement letter** – the objectives of the audit, our responsibilities in carrying out our audit, as well as management’s responsibilities, are set out in the engagement letter
- **Audit planning report** – as attached
- **Fraud related inquiries** – professional standards required that during the planning of our audit we obtain your views on risk of fraud. We make similar inquiries to management as part of our planning process; responses to these will assist us in planning our overall audit strategy and audit approach accordingly
- **Management representation letter** – we will obtain from management at the completion of the annual audit. In accordance with professional standards, copies of the representation letter will be provided to the Audit Committee
- **Audit findings report** – we will provide this report at the completion of our audit to the Audit Committee
- **Annual independence letter** – we will provide this letter at the completion of our audit to the Audit Committee

Appendix 5: Service Delivery Reviews



cutting through complexity

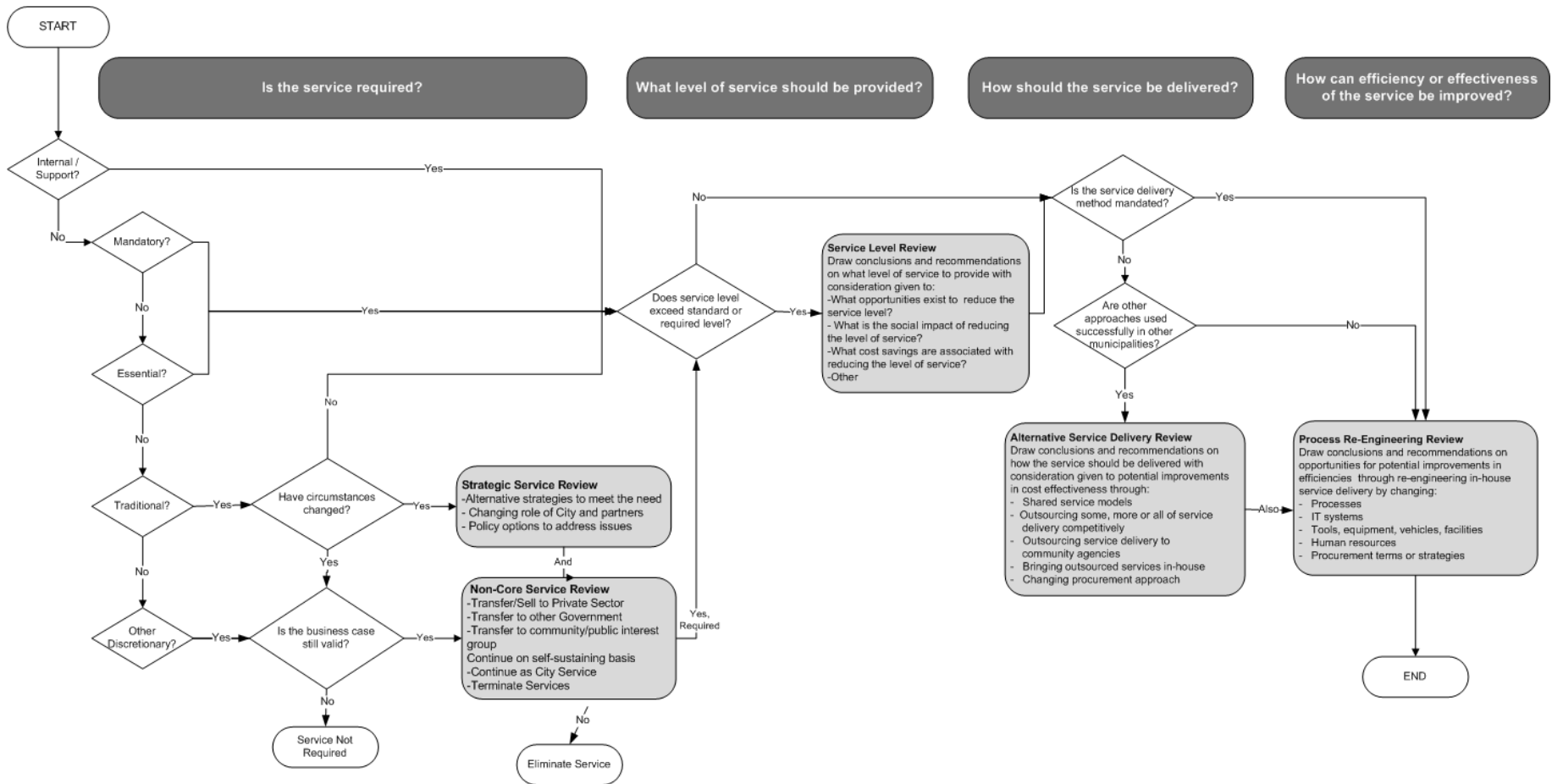
Service Delivery Reviews – A high level overview

February 2015



Identifying Opportunities

Sample Service Assessment Filter

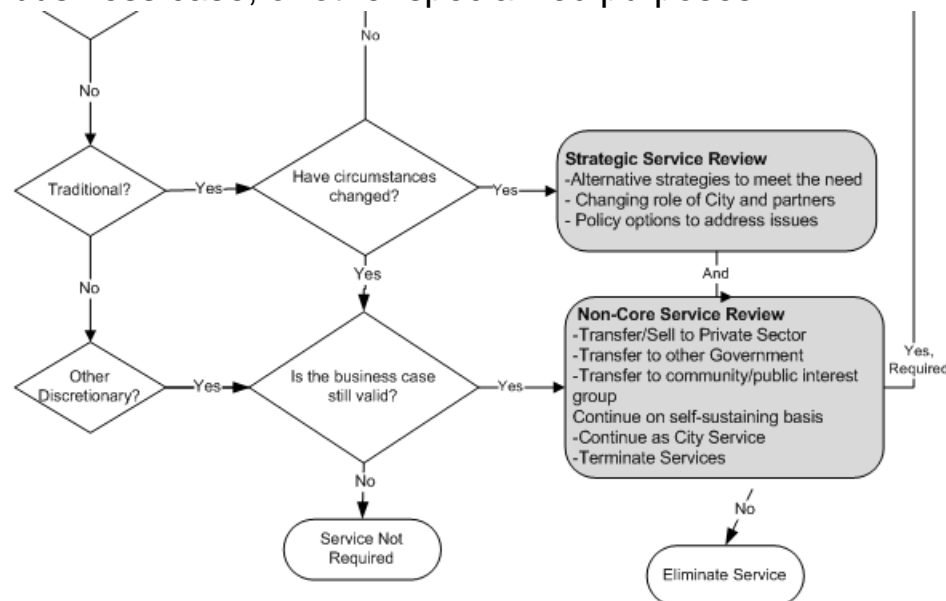


Requirement Level of the Service

Service Assessment Methodology

The “core continuum” was defined with the following categories:

- **Mandatory(1)**: mandated or required by legislation from the federal or provincial government
- **Essential (2)**: critical to the operation of the City. Without the service, the City (the community, not the corporation) would stop functioning
- **Traditional (3)**: municipal service, provided by virtually all large municipalities for many years
- **Discretionary (4)**: service provided by the City to respond to particular community needs, based on a positive business case, or other specialized purposes



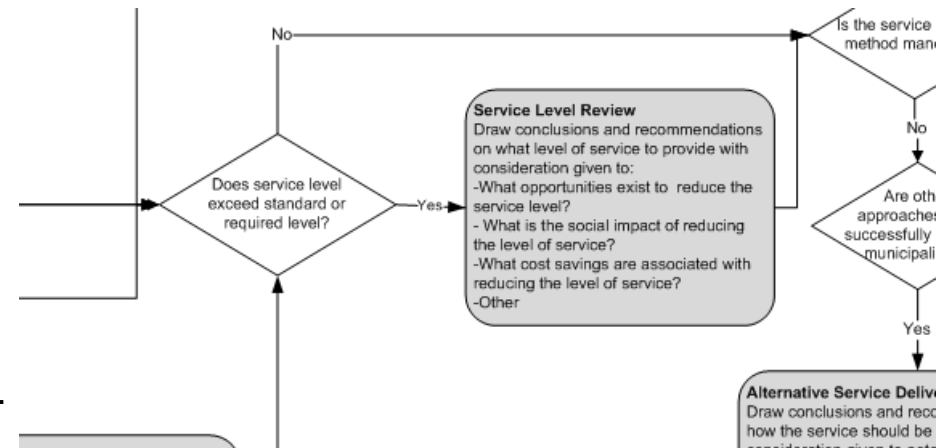
Is the Service Level Appropriate?

Service Level Assessment Methodology

- Assess service level as:
 - Below Standard (B)
 - At Standard (S), with S- and S+ indicating somewhat below or above standard
 - Above Standard (A)

Service level “At Standard” is:

- Consistent with the level required by legislation, or ...
- Consistent with industry standards and practices, or...
- Consistent with business case analysis justification, ...
- Consistent with service levels in other municipalities, ...
- Consistent with reasonable expectations



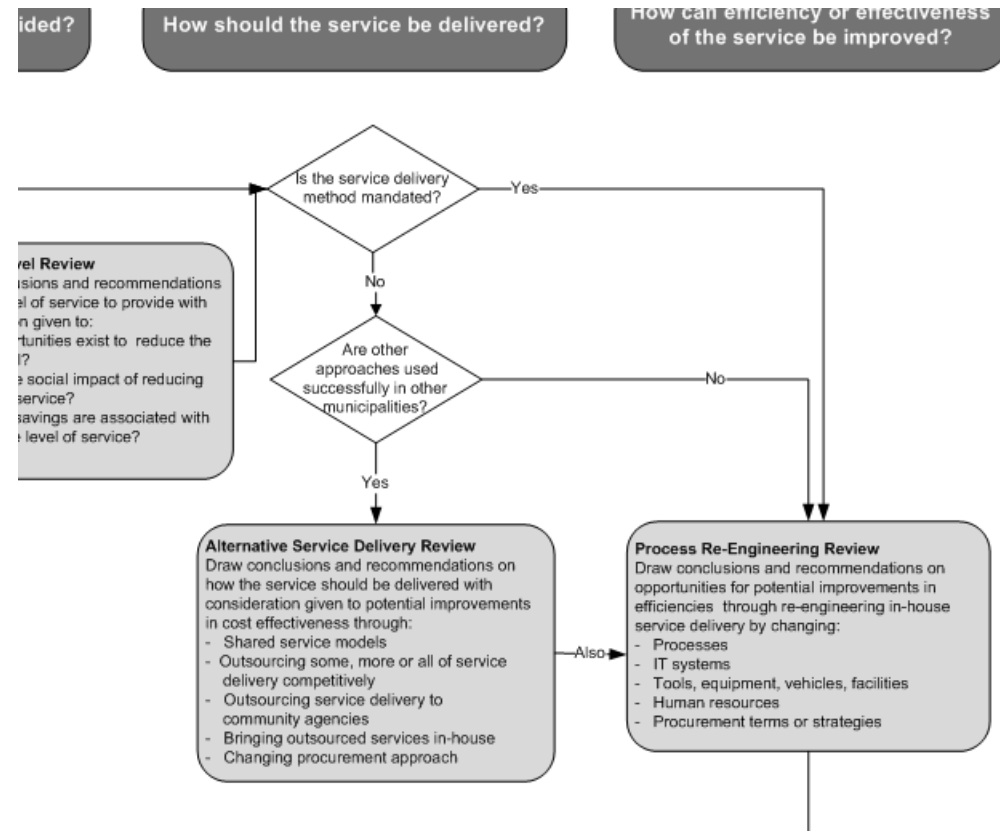
A service may be noted as “Above Standard” because the service actually provided is above the service level target, or because the service level target is higher than the standard, as defined above

How to Deliver – and Improving Efficiency and Effectiveness

Examination of how service is delivered in the City of London and other municipalities

Examination of costs of service delivery in the City and other municipalities

Considers any implementation restrictions, ex: regulatory, legislative or social requirements



Comparator and Other Information

Data from other municipalities will assist several parts of the review – looking at service levels, service delivery approaches and efficiency and effectiveness

- FIR, OMBI data
- Industry association – other data departments have
- Direct contact with comparators for specific services of interest

Types of Opportunities Identified

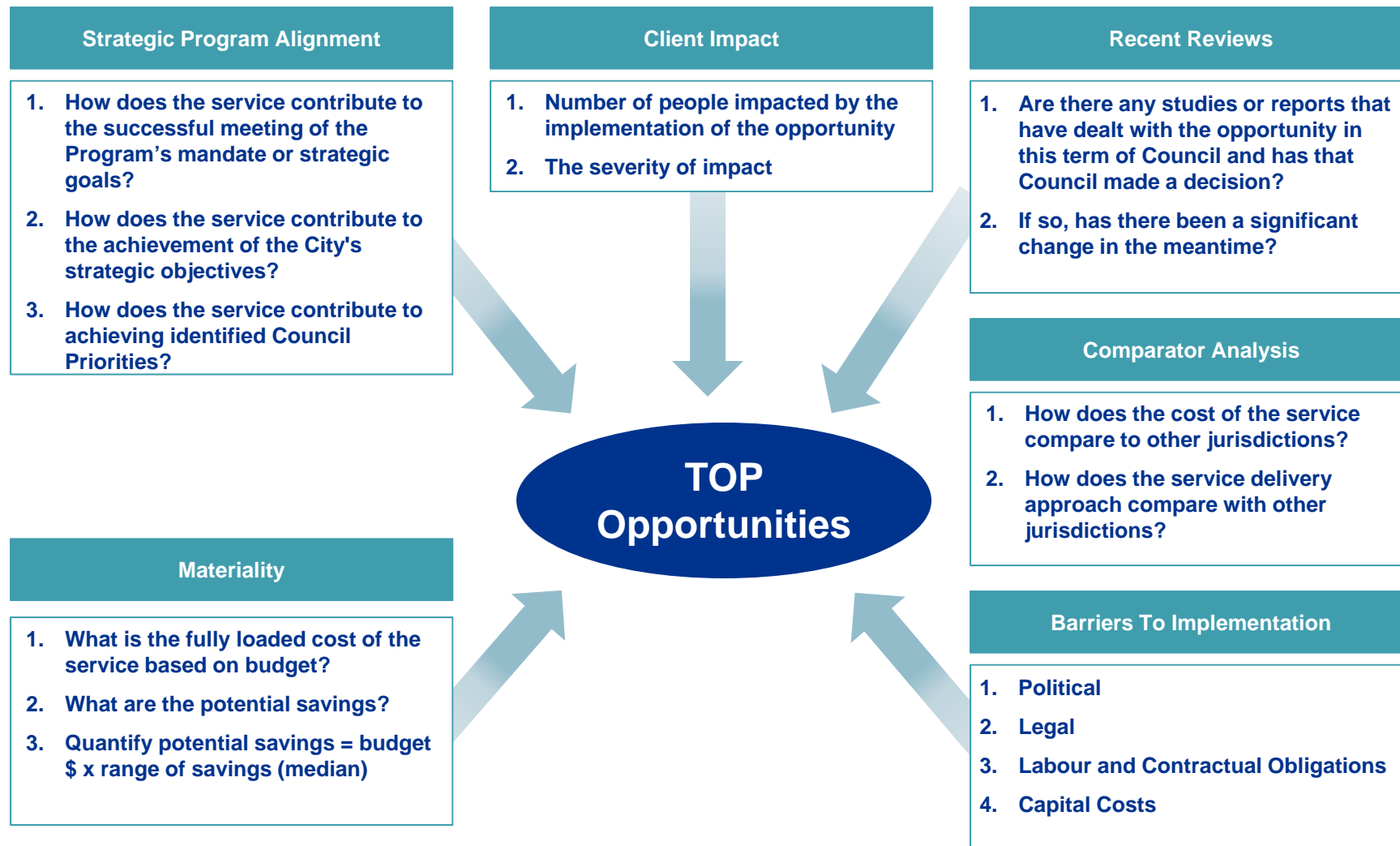
Opportunities to Eliminate, or Transfer Services, or Increase Cost Recovery

Opportunities to Change Service Levels

Re-engineering Opportunities to Increase Efficiency and Effectiveness

Opportunities to Reduce Costs through Alternative Service Delivery Approaches

Evaluate the Opportunities Against Criteria – Sample for Illustrative Purposes Only





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