

Executive summary

Purpose of this report

The purpose of this Audit Findings Report is to assist you, as a member of the Audit Committee, in your review of the results of our audit of the financial statements of the Corporation of the City of London (the "Corporation") as at and for the year ended December 31, 2014.

This Audit Findings Report builds on the Audit Plan we presented to the Audit Committee on February 18, 2015.

Changes from the Audit Plan

There have been no significant changes regarding our audit from the Audit Planning Report previously presented to you.

Audit adjustments and differences

Refer to page 11 for a summary of uncorrected audit misstatements.

We did not identify any adjustments that were communicated to management and subsequently corrected in the financial statements.

Audit risks and results

We discussed with you at the start of the audit the presumed **significant risk** of fraud from management override of controls.

We are satisfied that our audit work has appropriately dealt with the risk.

We also discussed with you some **other areas of audit focus**. We have no significant matters to report to the audit committee in respect of them.

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- Management has represented that these balances are fairly presented for financial reporting purposes.
 - With respect to accrued liabilities, we have:
 - Discussed with management the nature and rationale for the accrual;
 - Reviewed management's assessment of the likelihood of incurring the liability for each claim, range of possible outcomes, and the amount in the range that has been accrued in the financial statements;
 - Compared the current period accruals to the amounts accrued at the prior year end for significant fluctuations;
 - Reviewed the Corporation's in-house legal letter for any potentially unrecorded accruals at year end;
 - Reviewed legal letters obtained from external legal counsel to ensure all claims have been accrued at year end and that likelihood of outcome for each claim is consistent with management's assessment; and
 - Where possible, reviewed subsequent payments to determine whether the liability at year end is reasonably stated.
 - We identified an audit difference with respect to legal estimates that management has chosen not to correct. Please see page 11 for details.
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We believe management's process for identifying accounting estimates is considered adequate.

Audit adjustments and differences

Corrected audit adjustments

We did not identify any adjustments that were corrected.

Uncorrected audit differences

The following audit difference was identified which remains uncorrected:

Dr	General government expense	696,229
Cr	Accounts payable and accrued liabilities	696,229

To adjust legal accruals for revised estimated payouts.

Management has made the assessment that this uncorrected difference is not material to the financial statements. KPMG agrees with this assessment.

Audit adjustments and differences identified during the audit have been categorized as Corrected audit adjustments; or Uncorrected audit differences. These include disclosure adjustments and differences.

Although the uncorrected differences have no effect on our auditors' report, these uncorrected differences or the underlying matters regarding adjustments or differences (e.g., control deficiencies) could potentially cause future annual or interim financial statements to be materially misstated or have an implication on the financial reporting process.