

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 11, 2008

Item 1, Report No. 3, of the Audit and Operational Review Committee, which was adopted without amendment by the Council of the City of Vaughan on June 11, 2008.

1

**2007 CONSOLIDATED FINANCIAL STATEMENTS,
TRUST FUND STATEMENTS, AUDITORS REPORTS AND
FOURTH QUARTER OPERATING VARIANCE REPORT**

The Audit and Operational Review Committee recommends approval of the recommendation contained in the following report of the Deputy City Manager/Commissioner of Finance & Corporate Services and the Director of Financial Services, dated May 26, 2008:

Recommendation

The Deputy City Manager/Commissioner of Finance & Corporate Services and the Director of Financial Services recommends:

1. That the following 2007 Financial Overview report be received; and
2. That the 2007 Consolidated Financial Statements and Trust Fund Statements, (Attachment 1 and 1A) be received; and
3. That the confidential Audit Findings report to Audit Committee for the year ended December 31, 2007 from KPMG (Attachment 2) be received; and
4. That the confidential management letter from KPMG, (Attachment 3) be received; and
5. That the Fourth Quarter Operating Variance Report for 2007 (Attachment 4) be received.

Economic Impact

There is no economic impact as this is an information item.

Communications Plan

As required by the Municipal Act the 2007 Consolidated Financial Statements and Trust Funds Statement will be placed on the City's web page.

Purpose

To present Council with the 2007 Consolidated Financial Statements and Trust Funds, the City's Auditors (KPMG) Audit Findings Report and a confidential management letter for the year ended December 31, 2007 and the Operating Variance Report for the Fourth Quarter of 2007.

Background - Analysis and Options

For the year ending December 31, 2007, attached is the City of Vaughan Consolidated Financial Statements and related notes (Attachment 1). These consolidated Financial Statements include the net operations, assets and liabilities of the various Vaughan Hydro corporations, the Current Fund Operations, including the Water and Wastewater Operations, Capital Fund Expenditures, the Schedule of Reserves and Reserve Funds, the Board approved Vaughan Public Libraries Financial Statements, the Trust Fund Financial Statements. The Trust Fund statements are not consolidated with the City Financial Statements.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 11, 2008

Item 1, Audit & Oper Rev Report No. 3 – Page 2

Also attached is the KPMG Audit Findings Report (Attachment 2) the year-end operating variance report (Attachment 3) comparing actual operating results to the 2007 annual operating budget. This report provides the current status of both departmental and corporate expenses and revenues for the year ended December 31, 2007. The Financial Information Return will be submitted to the Province on time including the MPMP schedules which forms part of the FIR (Attachment 1A)

Accounting for Tangible Capital Assets – Update

Municipalities will be required to adopt the accounting and reporting recommendations of Public Sector Accounting Board (PSAB) regarding the accounting for municipal tangible capital assets. Capital assets consists of land, buildings, vehicles, equipment and infrastructure such as roads and water and wastewater assets. PSAB section 3150 requires municipalities to inventory and value all assets at their acquisition date, and amortize these assets over their useful life effective January 1, 2009. Currently, municipalities expense tangible capital assets in the year of acquisition. The City will need to adopt section 3150 in order to continue receiving an unqualified audit opinion on the Annual Financial Statements.

This change will be significant in terms of the identification of municipal assets, determination of their value and the remaining useful life of all the City's tangible Capital Assets. Reserves and Investments will co-ordinate the PSAB 3150 project and assist departments. To date, a draft tangible capital asset policy has been developed and distributed to departments. Departmental staff, are in the process of gathering inventory, developing valuation models and making decisions on the useful life of assets.

2007 Financial Overview

The City of Vaughan's 2007 Financial Statements demonstrate a continued strong position in many key financial areas. These key areas include the City's Reserve balances, investments in the Hydro Corporations, permit fees and user fees which continue to be a strong revenue base for the City, and the City's significant cash and investment levels as seen in Exhibit 1. This strong position is a result of Council's commitment to sound fiscal policies, including the adoption of fiscally responsible operating and capital budgets, the long range financial planning targets, establishment of new reserves and financial policies as required. Only through Council's ongoing support for these financial policies has the City been able to achieve this increased financial flexibility. This approach provides Council more control over increases in the municipal portion of the property tax rate, the timing and funding of capital projects now and into the future.

The following will provide a financial overview with respect to:

- The Corporation's Consolidated Balance Sheet as at December 31, 2007. The Consolidated Balance Sheet includes the results of the operations of the City, water and wastewater operations, capital fund, reserves and reserve funds, the Kleinburg Business Improvement Area, Hydro Vaughan Corporations.
- Also included is the review of the City's 2007 Departmental Operating Variance Report, Attachment 3.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 11, 2008

Item 1, Audit & Oper Rev Report No. 3 – Page 3

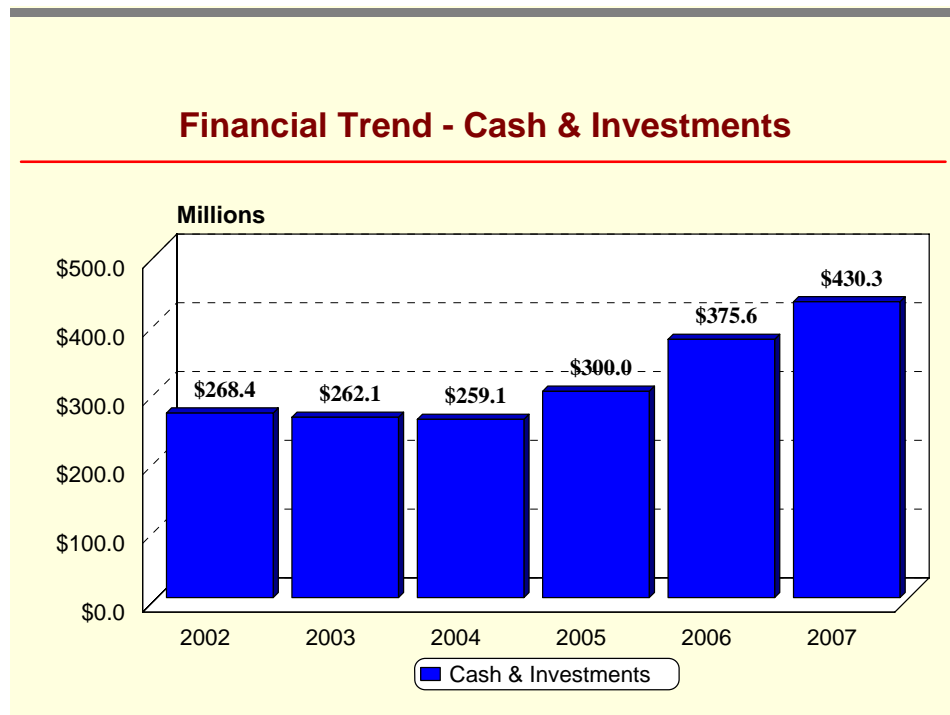
2007 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

Cash and Investments

The cash balance, including outstanding investments is \$430.3 million (2006 \$375.0m) at the end of 2007. The following graph (Exhibit 1) illustrates the significant improvement and strength in the City's cash and investments positions over the past number of years.

EXHIBIT 1



Taxes Receivable

In 2007, taxes receivable totalled \$37.8m (\$33.0m 2006) an increase of \$4.8 million. This large increase is attributable to a number of factors: supplemental billings were higher, and the amount of annual property tax billing increased due to growth. On a percent to levy basis the tax receivable balance is slightly higher than last year at 6.8% (6.3% 2006), still indicating that collections continue to be strong.

Water and Wastewater Receivable

In 2007, the water and wastewater receivables total \$16.7m (2006 \$14.3m) an increase of \$2.4m over 2006. The increase is due to the continuing growth in the Residential, Commercial sectors and or dryer summer thereby increasing the demand for water and wastewater services.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 11, 2008

Item 1, Audit & Oper Rev Report No. 3 – Page 4

Accounts Receivable / Other Current Assets

The City's accounts receivable totalling \$16.2m (2006 \$13.8m) comprise a wide range of monies owing from various levels of government, outside agencies, ratepayers, etc. More specifically, included in this figure are monies owing to the City for GST refunds, local improvements \$2.0m (2005 \$2.3m) for various road or water works charged to property owners and other assets.

Investment in Hydro Vaughan Corporations

The Hydro Vaughan corporations consist of the Hydro Vaughan Holdings Inc., Vaughan Holdings Inc. (57% share of PowerStream), and Hydro Vaughan Energy Corporation, 1446631 Ontario Inc. The consolidation is based on the modified equity basis as required by GAAP. Under the modified equity basis, the business enterprise's accounting principles are not adjusted to conform with those of the city, and inter-organizational transactions and balances are not eliminated. The City recognizes its equity interest in the annual income or loss of the Hydro Vaughan Corporations in its Statement of Financial Activities with a corresponding increase or decrease in its investment asset account.

The City's investment in the Hydro Vaughan Corporations totals \$233.7m and is comprised of share capital of \$88.4m, notes receivable of \$95.5m, interest receivable of \$5.5m, accumulated earnings as at December 31, 2007 of \$33.3m and dividends/interest retained by Vaughan Holdings Inc. of \$11.0m.

LIABILITIES

Accounts Payable and Accrued Liabilities

In 2007, the total current liability balance of \$85.0m (2006 \$74.2m) increased by \$10.8 million over 2006. These liabilities represent accrued and general liabilities owing by the City to suppliers and contractors, outside agencies, other governments, school boards, operating, capital expenditures and other financial obligations.

Employee Future Benefit Liability

These liabilities consist of post employment retirement benefits of \$33.6m (2006 \$30.1m) and vacation pay entitlements \$2.5m (2006 \$2.2m), and WSIB an actuarial based amount of \$0.2m. Post employee retirement benefits of \$33.6m are based on an actuarial study and represent the retirement benefits that have accrued over the service life of the employees to-date but not yet paid. This liability will be paid out as the work force retires. Council created a reserve as part of a financial strategy in 2002 and this reserve totals \$5.3m.

Deposits and Deferred Revenue

Deposits and deferred revenue total \$13.1m (2006 \$11.9m). This amount represents pre-paid funds held by the City for capital projects or various City services to be rendered in the future.

Deferred Revenue

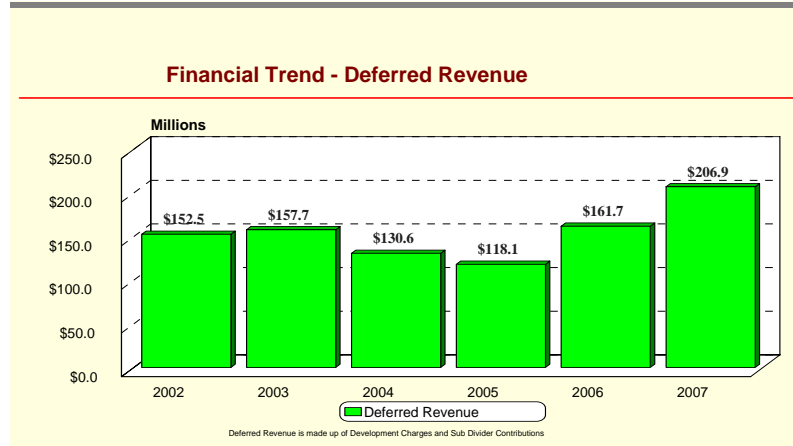
Development charges and obligatory reserves are now classified according to PSAB as deferred revenue and are shown on the balance sheet as a liability and totals \$206.9m (2006 \$161.7m). Deferred Revenues in 2007 shows a significant increase of \$45.2 million over 2006 as a result of revenues from development charges, cash in-lieu receipts and contributions due to the Building Standards Act related to building permits. This increase is attributable to significant development in the City. The year-end funds on hand have not been adjusted for outstanding capital budgetary commitments.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 11, 2008

Item 1, Audit & Oper Rev Report No. 3 – Page 5

EXHIBIT 2



Debenture and Other Debt

Long-term liabilities consist of outstanding debenture debt and other debt which totals \$58.5m (2006 \$53.7m). The 2007 increase in debt is attributable to the issuance of debentures for various Capital infrastructure projects including road and bridge projects. The long term liability payments each year are well within the annual debt repayment limit as prescribed by the Ministry of Municipal Affairs and Housing.

MUNICIPAL POSITION

The Municipal Position represents the net financial position of the City made up of future financial obligations, fund balances for Operating, Capital, Reserves and equity in the Hydro Corporations. The municipal position in terms of the Balance Sheet is the difference between assets and liabilities. This net figure represents a municipality's ability to meet the current and future financial needs of the community.

Amounts to be Recovered

These financial obligations are to be recovered in the future and total \$84.0 million (2006 \$72.2m). The majority of the increase is attributable to the receipt of debentures as recorded in the Capital Fund totalling \$11.8m.

Municipal Long Term Debt and Debentures	\$49.9 million
Post Employment Benefits	\$33.7 million
Other	\$ 0.4 million

These amounts will be recovered from future revenues and the City's established reserves.

Current Fund

The current fund balance includes a carry forward for next year in the amount of \$2.5m as per the 2008 operating budget. Unpaid interest on a note receivable from PowerStream reduces the balance by \$5.5m leaving a fund deficit of (\$3.0m). Under the PSAB standard, government business enterprises book dividend/interest on a cash basis.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 11, 2008

Item 1, Audit & Oper Rev Report No. 3 – Page 6

Capital Fund

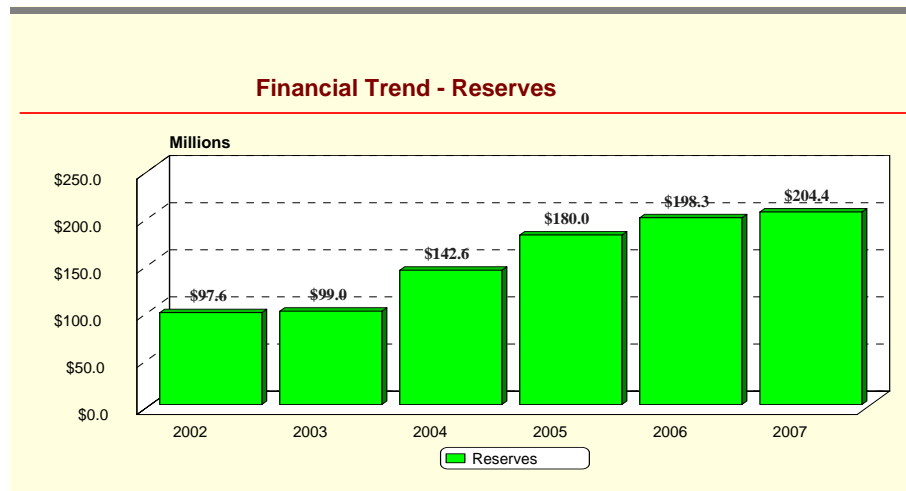
The Capital Fund balance represents a net position of those capital projects that are in progress or completed for which funding is pending, partially received or not in place at this point. This balance also includes those projects that have been pre-funded. At the end of 2007 the unfinanced balance totalled \$17.9m (\$25.9m 2006). This decrease is attributable to revenues from development charges \$15.1m, external partner contributions \$3.0m grants of \$2.1m and transfers of \$35.4m which includes debenture receipts of \$11.8m. Debentures will continue to be issued and received over the next few years which will further reduce the unfinanced portion.

City Reserves

Reserves are discretionary funds set up by Council and their use is not restricted. In 2007 reserves total \$204.4 million (2006 \$198.3m) an increase of \$6.1m. This increase is attributed to the annual operating fund contributions of \$14.2m and bank interest of \$7.5m. The City has in place various reserve policies that provide for the continued preservation of the City reserves for the future. Reserve balances do not reflect commitments.

Reserves continue to show steady growth as shown in Exhibit 3 below.

EXHIBIT 3



Without an adequate level of reserves, the municipality has limited alternatives but to raise the tax rate to fund unforeseen or extraordinary expenses, or when revenues decline. Reserves assist in moderating changes in the tax rate and are also established to provide adequate funding for the financial obligations and infrastructure requirements in the future.

The year-end funds on hand have not been adjusted for outstanding budgetary commitments. Reserve balances are expected to decline as these commitments are fulfilled.

Target - Discretionary Reserve Funds

The overall increase in reserves was possible as a result of Council's adoption of financial policies, including those that were approved in the Long Range Financial Planning Working Sessions. These policies and others will continue to contribute to the financial well being of the City as shown in 2007 results. However the policies must be reviewed continually to ensure they address all relevant issues each year.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 11, 2008

Item 1, Audit & Oper Rev Report No. 3 – Page 7

Investment in Hydro Vaughan Corporations and PowerStream Inc.

The City has established corporations under the provisions of the Ontario Business Corporation Act and the City's ownership is as follows:

- Hydro Vaughan Energy Corporation; 100%
- Hydro Vaughan Holdings Inc; 100%
- 1446631 Ontario Inc; 100%
- Vaughan Holdings Inc. 100%
- PowerStream Inc. 57%

Following is the investment in the above established corporations:

	2007 (Million)	2006 (Million)
ASSETS		
Current Assets	\$ 175.3	\$ 154.4
Capital Assets	429.4	404.8
Regulatory and Other Assets	28.9	33.2
Goodwill	33.0	33.0
<hr/>		
Total Assets	666.6	624.4
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LIABILITIES		
Current Liabilities	138.8	121.5
Consumer Deposits	11.7	12.7
Debenture Payable	96.9	100.0
Promissory Note - Markham	72.5	68.8
Other Liabilities	23.0	23.0
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Total Liabilities	342.9	326.0
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Town of Markham's Proportionate Share - PowerStream	(90.0)	(82.7)
<hr/>		
Net Assets	\$ 233.7	\$ 216.7

The City's increase in equity share \$17.0m includes net earnings from the Hydro Corporations of \$12.3m, interest earned on the PowerStream note receivable net amount of \$4.4m and a pick up of \$0.3m due to an accounting policy change.

Financial Information Return

The Financial Information Return (FIR) will be submitted on time May 31, 2008 including the Municipal Performance Measurement Program schedules. The comparative 2007 MPMP schedules 91 and 92 are on Attachment 1A.

The MPMP process has evolved over the past few years with the continued refinement of the methodology and measurement indicators by the Province. As a result it makes the comparison of MPMP year over year difficult. The service areas are General Government, Fire, Police, Transportation, Water, Wastewater, Solid Waste Management, Land Use Planning, Social Services and/or Recreation and Library.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 11, 2008

Item 1, Audit & Oper Rev Report No. 3 – Page 8

The cost component of the measurements or numerator is derived directly from the Financial Information Return (FIR). The statistical information or denominator for the measures was obtained from information available from the appropriate City department. This report will be made available to the Public via the City's website.

Relationship to Vaughan Vision 2007

This report is consistent with the priorities previously set by Council and the necessary resources have been allocated and approved.

Regional Implications

There are no Regional Implications.

Conclusion

As a direct result of Council policies and Management's efforts, the financial resources of the municipality continue to improve.

Financial stability and strong reserve balances assists in creating the following:

- Financial flexibility for the municipality;
- Increased control over the municipal portion of the tax rate;
- Effective timing of capital projects;
- Generally sound municipal environment; and
- Positive awareness amongst the private sector, government and the community.

Notwithstanding the financial improvements that have been made, continued investment in the areas of buildings & facilities, roads, parks and other infrastructure must continue, to secure the City of Vaughan's financial future as outlined in Vaughan Vision 20/20.

Attachments

- No. 1 -2007 Consolidated Financial Statements and Trust Fund Statements (Available in Clerks Department)
- No. 1a -Comparative MPMP schedules 91 & 92 (Available in the Clerks Dept.)
- No. 2 -Confidential KPMG Audit Findings Report (Members of Council only)
- No. 3 -Confidential Management letter from KPMG (Members of Council only)
- No. 4 -Fourth Quarter Operating Variance Report for 2007 (Available in the Clerk's Department)

Report Prepared by:

Barry Jackson, CGA
Director of Financial Services, ext. 8272

(A copy of the attachments referred to in the foregoing have been forwarded to each Member of Council and a copy thereof is also on file in the office of the City Clerk.)

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 11, 2008

Item 2, Report No. 3, of the Audit and Operational Review Committee, which was adopted without amendment by the Council of the City of Vaughan on June 11, 2008.

2 INTERNAL AUDIT REPORT OF THE PURCHASE AND SALE OF LANDS

(Referred from Council meeting of May 12, 2008, Item 2, Report No. 2)

The Audit and Operational Review Committee recommends:

- 1) **That the recommendation contained in the following report of the City Auditor, dated May 6, 2008, be approved; and**
- 2) **That quarterly status reports on the subject matter be provided.**

Council, at its meeting of May 12, 2008, adopted the following:

Recommendation of the Audit and Operational Review Committee, May 6, 2008:

"The Audit and Operational Review Committee recommends that this matter be referred to the next Audit and Operational Review Committee meeting."

Report of the City Auditor dated May 6, 2008.

Recommendation

The City Auditor recommends:

That the Internal Audit Report of the Purchase and Sale of Lands be received.

Economic Impact

The recommendations suggested by the auditor and the implementation of corrective actions in the audit report, will improve the effectiveness of risk management, control and governance processes of the department. Some impact will be economic and will be measurable in dollar terms, while others will provide intangible benefits which may not be measurable. Other benefits will be an improvement in the efficiency and effectiveness in the operations of the department. Internal Audit adds value to all areas of City activity which are audited.

Communications Plan

This is to be addressed by the Corporate Communications department.

Purpose

To present to the Audit Committee, the Internal Audit Report of the Purchase and Sale of Lands .

Background - Analysis and Options

The audit was part of the Internal Audit Work Plan which was approved by the Audit Committee.

The internal audit report is provided as an attachment. The report explains the definition and objective of internal auditing as well as the scope of internal audit work. The report includes, for all deficient items, (1) the observations of the auditor, (2) the implications, (3) the auditor's recommendations, (4) the commissioner's response for corrective actions and (5) the auditor's response to the corrective actions.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 11, 2008

Item 2, Audit & Oper Rev Report No. 3 – Page 2

Relationship to Vaughan Vision 2020

This report is consistent with the priorities previously set by Council and the necessary resources have been allocated and approved.

Regional Implications

Not applicable

Conclusion

1. Based on the scope of audit work mentioned in the beginning of the audit report, areas reviewed were considered to be operating effectively, except for the noted observations for which the auditor made recommendations for improvement.
2. The commissioner and director of the department/operation audited, have responded favourably to all observations and recommendations in the Internal Audit Report.
3. When all corrective actions are implemented, (1) internal controls will be improved, (2) the quality of performance in carrying out assigned responsibilities will be enhanced, (3) the department/operation will operate more effectively and efficiently and (4) the Internal Audit department will have added value to the organization and assisted members of the organization in the effective discharge of their responsibilities.

Attachments

Internal Audit Report of the Purchase and Sale of Lands .

Report prepared by:

Michael Tupchong, CA, CIA, CPA, CFE
City Auditor

(A copy of the attachments referred to in the foregoing have been forwarded to each Member of Council and a copy thereof is also on file in the office of the City Clerk.)

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 11, 2008

Item 3, Report No. 3, of the Audit and Operational Review Committee, which was adopted without amendment by the Council of the City of Vaughan on June 11, 2008.

3 INTERNAL AUDIT REPORT OF THE LANGSTAFF ROAD RECONSTRUCTION AND BRIDGE REPLACEMENT (CAPITAL PROJECT)

(Referred from Council meeting of May 12, 2008, Item 3, Report No. 2)

The Audit and Operational Review Committee recommends:

- 1) **That the recommendation contained in the following report of the City Auditor, dated May 6, 2008, be approved; and**
- 2) **That quarterly status reports on the subject matter be provided.**

Council, at its meeting of May 12, 2008, adopted the following:

Recommendation of the Audit and Operational Review Committee, May 6, 2008:

"The Audit and Operational Review Committee recommends that this matter be referred to the next Audit and Operational Review Committee meeting."

Report of the City Auditor dated May 6, 2008.

Recommendation

The City Auditor recommends:

That the Internal Audit Report of the Langstaff Road Reconstruction and Bridge Replacement be received.

Economic Impact

The recommendations suggested by the auditor and the implementation of corrective actions in the audit report, will improve the effectiveness of risk management, control and governance processes of the department. Some impact will be economic and will be measurable in dollar terms, while others will provide intangible benefits which may not be measurable. Other benefits will be an improvement in the efficiency and effectiveness in the operations of the department. Internal Audit adds value to all areas of City activity which are audited.

Communications Plan

This is to be addressed by the Corporate Communications department.

Purpose

To present to the Audit Committee, the Internal Audit Report of the Langstaff Road Reconstruction and Bridge Replacement.

Background - Analysis and Options

The audit was part of the Internal Audit Work Plan which was approved by the Audit Committee.

The internal audit report is provided as an attachment. The report explains the definition and objective of internal auditing as well as the scope of internal audit work. The report includes, for

.../2

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 11, 2008

Item 3, Audit & Oper Rev Report No. 3 – Page 3

all deficient items, (1) the observations of the auditor, (2) the implications, (3) the auditor's recommendations, (4) the commissioner's response for corrective actions and (5) the auditor's response to the corrective actions.

Relationship to Vaughan Vision 2020

This report is consistent with the priorities previously set by Council and the necessary resources have been allocated and approved.

Regional Implications

Not applicable

Conclusion

1. Based on the scope of audit work mentioned in the beginning of the audit report, areas reviewed were considered to be operating effectively, except for the noted observations for which the auditor made recommendations for improvement.
2. The commissioner and director of the department/operation audited, have responded favourably to all observations and recommendations in the Internal Audit Report.
3. When all corrective actions are implemented, (1) internal controls will be improved, (2) the quality of performance in carrying out assigned responsibilities will be enhanced, (3) the department/operation will operate more effectively and efficiently and (4) the Internal Audit department will have added value to the organization and assisted members of the organization in the effective discharge of their responsibilities.

Attachments

Internal Audit Report of the Langstaff Road Reconstruction and Bridge Replacement.

Report prepared by:

Michael Tupchong, CA, CIA, CPA, CFE
City Auditor

(A copy of the attachments referred to in the foregoing have been forwarded to each Member of Council and a copy thereof is also on file in the office of the City Clerk.)

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 11, 2008

Item 4, Report No. 3, of the Audit and Operational Review Committee, which was adopted without amendment by the Council of the City of Vaughan on June 11, 2008.

4 **INTERNAL AUDIT REPORT OF ENFORCEMENT SERVICES**
(Referred from Council meeting of May 12, 2008, Item 4, Report No. 2)

The Audit and Operational Review Committee recommends:

- 1) That the recommendation contained in the following report of the City Auditor, dated May 6, 2008, be approved; and**
- 2) That quarterly status reports on the subject matter be provided.**

Council, at its meeting of May 12, 2008, adopted the following:

Recommendation of the Audit and Operational Review Committee, May 6, 2008:

"The Audit and Operational Review Committee recommends that this matter be referred to the next Audit and Operational Review Committee meeting."

Report of the City Auditor dated May 6, 2008.

Recommendation

The City Auditor recommends:

That the Internal Audit Report of Enforcement Services be received.

Economic Impact

The recommendations suggested by the auditor and the implementation of corrective actions in the audit report, will improve the effectiveness of risk management, control and governance processes of the department. Some impact will be economic and will be measurable in dollar terms, while others will provide intangible benefits which may not be measurable. Other benefits will be an improvement in the efficiency and effectiveness in the operations of the department. Internal Audit adds value to all areas of City activity which are audited.

Communications Plan

This is to be addressed by the Corporate Communications department.

Purpose

To present to the Audit Committee, the Internal Audit Report of Enforcement Services.

Background - Analysis and Options

The audit was part of the Internal Audit Work Plan which was approved by the Audit Committee.

The internal audit report is provided as an attachment. The report explains the definition and objective of internal auditing as well as the scope of internal audit work. The report includes, for all deficient items, (1) the observations of the auditor, (2) the implications, (3) the auditor's recommendations, (4) the commissioner's response for corrective actions and (5) the auditor's response to the corrective actions.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 11, 2008

Item 4, Audit & Oper Rev Report No. 3 – Page 2

Relationship to Vaughan Vision 2020

This report is consistent with the priorities previously set by Council and the necessary resources have been allocated and approved.

Regional Implications

Not applicable

Conclusion

1. Based on the scope of audit work mentioned in the beginning of the audit report, areas reviewed were considered to be operating effectively, except for the noted observations for which the auditor made recommendations for improvement.
2. The commissioner and director of the department/operation audited, have responded favourably to all observations and recommendations in the Internal Audit Report.
3. When all corrective actions are implemented, (1) internal controls will be improved, (2) the quality of performance in carrying out assigned responsibilities will be enhanced, (3) the department/operation will operate more effectively and efficiently and (4) the Internal Audit department will have added value to the organization and assisted members of the organization in the effective discharge of their responsibilities.

Attachments

Internal Audit Report of Enforcement Services.

Report prepared by:

Michael Tupchong, CA, CIA, CPA, CFE
City Auditor

(A copy of the attachments referred to in the foregoing have been forwarded to each Member of Council and a copy thereof is also on file in the office of the City Clerk.)

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 11, 2008

Item 5, Report No. 3, of the Audit and Operational Review Committee, which was adopted without amendment by the Council of the City of Vaughan on June 11, 2008.

5

COUNCILLOR EXPENDITURE POLICY

(Referred from Council meeting of May 12, 2008, Item 5, Report No. 2)

The Audit and Operational Review Committee recommends approval of the recommendation contained in the following report of the City Manager, dated May 6, 2008:

Council, at its meeting of May 12, 2008, adopted the following:

Recommendation of the Audit and Operational Review Committee, May 6, 2008:

"The Audit and Operational Review Committee recommends that this matter be referred to the next Audit and Operational Review Committee meeting."

Report of the City Manager dated May 6, 2008.

Recommendation

The City Manager recommends:

That the following report be received for information purposes.

Economic Impact

Not applicable.

Communications Plan

This report is on the public agenda.

Purpose

To provide the Audit & Operational Review Committee with background information regarding council expenditure policies in the context of questions that have been raised.

Background - Analysis and Options

On April 4, 2008 the City Manager received a letter from a resident regarding the Mayor's expenses. The letter was provided to the Audit & Operational Review Committee meeting on April 14, 2008. At that meeting the Committee directed "That the City Manager provide any response or additional documentation with respect to Ms. Liddy's April 4th letter, to the Audit and Operational Review Committee in advance of the Committee's scheduled meeting of May 6, 2008."

This report is intended to provide information with respect to policies and also provide a context within which to consider the questions raised in the letter.

Council Budget/Expenditure Policy

The Council Budget/Expenditure Policy sets out the requirements as they relate to Council Corporate expenses as well as expenses relating to individual members of council. The policy has been amended by Council on various occasions and a copy of the most recent policy is provided as Attachment 1. The latest update was October 9, 2007.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 11, 2008

Item 5, Audit & Oper Rev Report No. 3 – Page 2

Council Expenditure Policy for Cell Phones

The monthly statement for cell phones that are billed directly to the City are filed and maintained by the City. If a member of council has a cell phone for which they are billed directly, the member of council submits a claim for reimbursement using the City's expense form. In these instances the Council Expenditure policy 4.1.13 indicates that "it shall be the responsibility of each Member of Council to retain supporting invoices and documentation ." In addition the expense form which is signed by the member of council states that "I the undersigned hereby state, that I have incurred the expenses noted above while in the conduct of business related to Council and the Corporation of the City of Vaughan and that these expenses are not recoverable from any other source."

Charges to Councillors Budgets

Section 2.4 of the Council Expenditure Policy indicates that Council approves a budget total for each Member of Council. The Council expenditure policy governs expenditures charged to Councillor budgets and Section 2.4 also states that "each Member of Council having discretion over allocations and spending within their own budgets" The only qualifier to the above is a policy approved by Council in 1997 that required the City Manager to approve the Mayor's credit card expenses and the Mayor to approve the City Manager's expenses. A copy of the policy is provided as Attachment 2.

Annual Reporting of Council Expenses

Each year members of council submit detailed budgets. At the end of each year budget to actual information is available. In addition the City publicly reports expenses incurred by each member of Council.

Relationship to Vaughan Vision 2020

This report is consistent with the priorities previously set by Council and the necessary resources have been allocated and approved.

Regional Implications

Not applicable.

Conclusion

The policies that are in place regarding Councillor expenses have been provided to the Committee for their information.

Attachments

Attachment 1 – Council Budget / Expenditure Policy

Attachment 2 – Expense Reports

(A copy of the attachments referred to in the foregoing have been forwarded to each Member of Council and a copy thereof is also on file in the office of the City Clerk.)

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 11, 2008

Item 6, Report No. 3, of the Audit and Operational Review Committee, which was adopted without amendment by the Council of the City of Vaughan on June 11, 2008.

6 INTERNAL AUDIT REPORT OF DEVELOPMENT AND TRANSPORTATION ENGINEERING

(Referred from Council meeting of May 12, 2008, Item 1, Report No. 2)

The Audit and Operational Review Committee recommends:

- 1) That the recommendation contained in the following report of the City Auditor, dated May 6, 2008, be approved; and**
- 2) That quarterly status reports on the subject matter be provided.**

Council, at its meeting of May 12, 2008, adopted the following:

Recommendation of the Audit and Operational Review Committee, May 6, 2008:

"The Audit and Operational Review Committee recommends that this matter be referred to the next Audit and Operational Review Committee meeting."

Report of the City Auditor dated May 6, 2008.

Recommendation

The City Auditor recommends:

That the Internal Audit Report of Development and Transportation Engineering be received.

Economic Impact

The recommendations suggested by the auditor and the implementation of corrective actions in the audit report, will improve the effectiveness of risk management, control and governance processes of the department. Some impact will be economic and will be measurable in dollar terms, while others will provide intangible benefits which may not be measurable. Other benefits will be an improvement in the efficiency and effectiveness in the operations of the department. Internal Audit adds value to all areas of City activity which are audited.

Communications Plan

This is to be addressed by the Corporate Communications department.

Purpose

To present to the Audit Committee, the Internal Audit Report of Development and Transportation Engineering .

Background - Analysis and Options

The audit was part of the Internal Audit Work Plan which was approved by the Audit Committee.

The internal audit report is provided as an attachment. The report explains the definition and objective of internal auditing as well as the scope of internal audit work. The report includes, for all deficient items, (1) the observations of the auditor, (2) the implications, (3) the auditor's recommendations, (4) the commissioner's response for corrective actions and (5) the auditor's response to the corrective actions.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 11, 2008

Item 6, Audit & Oper Rev Report No. 3 – Page 2

Relationship to Vaughan Vision 2020

This report is consistent with the priorities previously set by Council and the necessary resources have been allocated and approved.

Regional Implications

Not applicable

Conclusion

1. Based on the scope of audit work mentioned in the beginning of the audit report, areas reviewed were considered to be operating effectively, except for the noted observations for which the auditor made recommendations for improvement.
2. The commissioner and director of the department/operation audited, have responded favourably to all observations and recommendations in the Internal Audit Report.
3. When all corrective actions are implemented, (1) internal controls will be improved, (2) the quality of performance in carrying out assigned responsibilities will be enhanced, (3) the department/operation will operate more effectively and efficiently and (4) the Internal Audit department will have added value to the organization and assisted members of the organization in the effective discharge of their responsibilities.

Attachments

Internal Audit Report of Development and Transportation Engineering .

Report prepared by:

Michael Tupchong, CA, CIA, CPA, CFE
City Auditor

(A copy of the attachments referred to in the foregoing have been forwarded to each Member of Council and a copy thereof is also on file in the office of the City Clerk.)

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 11, 2008

Item 7, Report No. 3, of the Audit and Operational Review Committee, which was adopted without amendment by the Council of the City of Vaughan on June 11, 2008.

7 POST EMPLOYMENT BENEFITS – ACTUARIAL UPDATE

The Audit and Operational Review Committee recommends approval of the recommendation contained in the following report of the Deputy City Manager/Commissioner of Finance & Corporate Services and the Director of Finance, dated May 26, 2008:

Recommendation

The Deputy City Manager/Commissioner of Finance & Corporate Services and the Director of Finance recommends:

That staff be authorized to retain an actuarial firm to provide an updated three year valuation of employee future benefits so as to comply with accounting standards issued by the Public Sector Accounting Board.

Economic Impact

The actuarial assessment of the projected non-pension retirement benefit obligation is required by the Public Sector Accounting Board (PSAB). The cost of the three year actuarial assessment is estimated to be \$17,000. Funds have been provided in the 2008 Operating Budget.

Communications Plan

Not Applicable

Purpose

To receive authorization to retain an actuarial firm to update the valuation of employees future benefits so as to comply with the PSAB accounting standards.

Background - Analysis and Options

The Public Sector Accounting Board (PSAB) has established standards for the recognition, measurement and disclosure of the cost of employee future benefits (i.e. non pension retirement benefits). Under the PSAB standard, retirement benefits that vest or accumulate are to be accrued and included as part of the liabilities in the financial statements of municipal governments.

The adoption of this standard by the City in 2002 changes the accounting for post-retirement benefits from a cash basis to an accrued basis. The City's obligations for post-retirement benefits are now recorded in the accounts in the period in which the employees render the services. The expense in the year is booked and the outstanding accumulated liability is recognized. The determination of the projected benefit obligation at any point in time requires the involvement of an actuary.

Every three years the valuation of the post-retirement non-pension and post-employment benefits must be updated in terms of the various assumptions that build the final estimated liability figure which totals \$33.6m for 2007. The actuarial assumptions include various factors such as, demographics, actual benefit plan experience and various economic indicators.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 11, 2008

Item 7, Audit & Oper Rev Report No. 3 – Page 2

Relationship to Vaughan Vision 2020

This report is consistent with the priorities previously set by Council and the necessary resources for the actuarial assessment have been allocated and approved.

Regional Implications

No Regional implications.

Conclusion

Staff recommend updating the current actuarial assessment on the projected non-pension retirement benefit obligation, that will provide a three year estimate of the post retirement/employee benefit liability for financial statement purposes as required by PSAB. Benefits” that was originally created for this type of expenditure. The cost of the actuarial assessment is estimated to be \$17,000.

Attachments

None