

**Report to
Rapport au:**

**Audit Sub-Committee
Sous-comité de la vérification**

and /et au

**Finance and Economic Development of Committee
Comité des finances et du développement économique**

**and Council
et au Conseil**

**June 16, 2014
16 juin 2014**

**Submitted by
Soumis par:**

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Ward: CITY WIDE / À L'ÉCHELLE DE LA VILLE File Number: ACS2014-CMR-FIN-0025

SUBJECT: 2013 CITY OF OTTAWA CONSOLIDATED FINANCIAL STATEMENTS

OBJET: ÉTATS FINANCIERS CONSOLIDÉS DE 2013 DE LA VILLE D'OTTAWA

REPORT RECOMMENDATION

That the Audit Sub-committee recommend that the Finance and Economic Development Committee recommend Council approve the 2013 City of Ottawa Consolidated Financial Statements.

RECOMMANDATION DU RAPPORT

Que le Sous-Comité de la vérification recommande au Comité des finances et du développement économique de recommander à son tour au Conseil d'approuver les États financiers consolidés de 2013 de la Ville d'Ottawa.

BACKGROUND

The *Municipal Act*, 2001 requires that the City prepare annual audited financial statements in accordance with accounting policies prescribed by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. These audited financial statements must be made available to the public.

On November 28, 2013 Ernst & Young LLP provided a planning memo outlining the scope of key issues affecting the 2013 audit for the information of Committee and Council. The 2013 audit is not complete and Ernst & Young LLP is providing the attached report on their audit of City's consolidated financial statements.

DISCUSSION

The Financial Statements have been prepared by management in accordance with Canadian Public Sector accounting standards established by the Public Sector Accounting Board ("PSAB") of the Canadian Professional Accountants of Canada. These accounting policies require the reporting of revenues and expenses on the accrual basis of accounting. The accrual basis of accounting recognizes revenues and expenses, as they are incurred and measurable as the result of the receipt of goods and services and the creation of a legal obligation to pay.

These consolidated financial statements include the operation of all local boards and agencies, such as the Police Services Board, Ottawa Public Library Board, the Ottawa Community Housing Corporation, and the Business Improvement Areas. The City's investment in Hydro Ottawa is recorded in the financial statement on a modified equity basis.

The City's Operating and Capital Budgets are based upon a modified cash basis of accounting. This results in significant differences between the City's external financial

statements and its Operating and Capital Budgets. PSAB accounting policies require that the financial statements show a comparison of the actual financial results for the period to those originally planned (budgeted). These policies also state that those “planned” (budgeted) results should be presented for the same scope of activities and on a basis consistent with that used for actual results. Since the City prepares its Operating and Capital budgets on a different basis from that used to account for transactions in the consolidated financial statements, it is necessary to provide a reconciliation of Council’s approved budgets to the budget figures reported in the financial statements. This reconciliation is provided in note 20 to the financial statements.

The City uses cash accounting for budgeting because it is the most accurate way of determining how much taxation needs to be levied in any one year. It is the cash requirement that determines what the tax rate is and also what tax rate increase may be required. The accrual basis of accounting which is used in the financial statements includes expenses that do not need to be financed or tax levied for in the immediate near term.

The City’s external auditors have performed an audit of the Consolidated Financial Statements. Under accounting standards, the City’s external auditors are required to extend their subsequent events review procedures up until Council approves the Consolidated Statements. These audit procedures include the review of bank statements, payments and receipts in the subsequent period as well as additional standard inquiries. In order to reduce the amount of post audit review, this report should rise to Council at the earliest opportunity. Once Council approves the Consolidated Statements, the City will receive the signed audit report at which time the statements will be considered final and be posted on the City’s web site. The City also prepares a financial information return for submission to the Province, based on the financial results contained in the consolidated financial statements. That information is also available publicly through the Province of Ontario Financial Information web site.

RURAL IMPLICATIONS

There are no rural implications associated with this report.

CONSULTATION

This report is administrative in nature and therefore no consultation was required.

COMMENTS BY THE WARD COUNCILLOR(S)

This report is administrative and City Wide in nature.

LEGAL IMPLICATIONS

There are no legal impediments to approving the recommendation in this report.

RISK MANAGEMENT IMPLICATIONS

There are no risk management implications.

FINANCIAL IMPLICATIONS

Financial implications are discussed in the body of this report.

ACCESSIBILITY IMPACTS

There are no accessibility implications to receiving this report.

ENVIRONMENTAL IMPLICATIONS

There are no environmental implications to this information report.

TECHNOLOGY IMPLICATIONS

There are no technical implications associated with receiving this report.

TERM OF COUNCIL PRIORITIES

This aligns with FS2 maintain and enhance the City's financial position.

SUPPORTING DOCUMENTATION

Document 1 – 2013 City of Ottawa Consolidated Financial Statements

Document 2 - Ernst & Young Audit Results, Consolidated Financial Statements

DISPOSITION

No action is required.