

Bureau du
vérificateur
général

IV. Financial Audit



IV.1. Financial Audit Results for the City of Montréal

IV. FINANCIAL AUDIT

IV.1. FINANCIAL AUDIT RESULTS FOR THE CITY OF MONTRÉAL

On March 22nd 2010, we presented the audit committee with our unqualified auditor's report on the consolidated financial statements of the City of Montréal as at December 31st 2009. At the same time, we submitted the auditor's reports concerning the apportionment of mixed expenditures and the aggregate taxation rate.

Thus, in accordance with the *Cities and Towns Act* of Québec, these reports and their related financial data will be submitted to the April 2010 meetings of the city council and agglomeration council.

IV.2. Audit of Other Municipal Organizations

IV.2. AUDIT OF OTHER MUNICIPAL ORGANIZATIONS

In accordance with the *Cities and Towns Act* of Québec, we must conduct financial audits of organizations controlled by the City of Montréal.

Appendix 2 of this report provides a list of the organizations for which we have issued unqualified audit reports on financial statements.

IV.3. Follow-up on Recommendations from Previous Years

IV.3. FOLLOW-UP ON RECOMMENDATIONS FROM PREVIOUS YEARS

Over the past few years, recommendations with regard to the City of Montréal's financial audit have been issued to those responsible for managing financial information. Generally speaking, we have found that the majority of them have resulted in corrective actions, while some are in the process of being implemented.

We would like to make it clear that none of the recommendations dealt with in this section have any material significance requiring their disclosure.

IV.4. Findings and Recommendations Resulting from the Financial Audit of the City and Other Municipal Organizations

IV.4. FINDINGS AND RECOMMENDATIONS RESULTING FROM THE FINANCIAL AUDIT OF THE CITY AND OTHER MUNICIPAL ORGANIZATIONS

PRESENTATION OF THE 2009 CONSOLIDATED FINANCIAL STATEMENTS OF THE CITY AND THE SOCIÉTÉ DE TRANSPORT DE MONTRÉAL

Beginning with the 2009 fiscal year, local administrations were supposed to modify the presentation of their financial statements in order to comply with the generally accepted accounting principles (GAAP) recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA). Going forward, CICA standards from the following chapters will apply: PS 1000 – *Financial Statement Concepts*, PS 1100 – *Financial Statement Objectives*, PS 1200 – *Financial Statement Presentation* and PS 3150 – *Tangible Capital Assets*. Their adoption constituted the last step in the changeover to CICA standards.

In relation to these changes, the Ministère des Affaires municipales, des Régions et de l'Occupation du territoire (MAMROT) revised the annual financial reporting form it provides to municipalities, which the latter must complete and send to the ministry, in accordance with section 105 of the *Cities and Towns Act*.

The City of Montréal and the Société de transport de Montréal (STM) based their 2009 financial statements on the MAMROT form. We have studied these documents with respect to both their content and their form. The general auditor of Montréal has issued an unqualified opinion on the 2009 consolidated financial statements (just as the external auditors have done). However, in our opinion, these formats for presenting financial information have some shortcomings that make their interpretation difficult, even for the knowledgeable reader.

The presentation of financial information adopted by Québec's municipal sector is intended to fulfil two objectives:

- Respecting the GAAP standards issued by the CICA;
- Providing elected officials and citizens with information about budgets and Québec's fiscal environment.

The wording of the auditor's report deals with financial statements drawn up according to the GAAP, as required by CICA standards; that being said, the presentation format adopted in Québec includes information prepared for fiscal purposes.

FINDING

We have observed that this approach results in the issuing of financial statements in which the reader has difficulty in knowing precisely if the notes and tables are related to GAAP or fiscal principles. In the face of this situation, the audit committee has suggested that a working committee made up of representatives from the Service des finances, the audit committee and auditors look into this problem in order to lend greater clarity to the financial statements for the 2010 fiscal year.

It is important to specify that fiscal information is as essential for the reader as is respect for CICA standards. Conceptually, the major differences between these approaches are to be found in the accounting treatments for the amortization of capital assets, debt repayment, employee future benefits, transfer income and surplus allocation.

Recommendations

We recommend that this committee be established and meet as quickly as possible so that the solutions adopted can be implemented before the very busy period when the financial statements must be prepared and audited begins.

OTHER RECOMMENDATIONS WITH RESPECT TO THE 2009 FINANCIAL AUDIT

At the time this report was being written, findings resulting from our financial audit had not been presented to those responsible for the disclosure of the City's and municipal agencies' financial information.