



Attachment 1

October 9, 2013

**To the City Council of the
City of Toronto**

We have performed the procedures agreed with City of Toronto management and enumerated in Appendix I, to this report with respect to the City of Toronto's Investment Policy (the Investment Policy). The procedures were performed solely to assist you in evaluating management's compliance about the City of Toronto's compliance of the City of Toronto's General Fund, Sinking Funds and Trust Group of Funds with the Investment Policy for the year ended December 31, 2012.

As a result of applying the procedures detailed in Appendix 1, we set out our findings in Appendix 2.

Because the above procedures do not constitute an audit of the compliance with the Investment Policy for the City of Toronto General Fund, Sinking Fund, or Trust Group of Funds as at and for the year ended December 31, 2012, we express no opinion on compliance with the Investment Policy for the year ended December 31, 2012. Had we performed additional procedures or had we performed an audit of the Investment Policy compliance, other matters might have come to our attention that would have been reported to you.

This report has been prepared solely for the use of management and the Audit Committee. Consequently, and should not be used by anyone other than these specified parties. Any use that a third party makes of this report, or any reliance or decisions made based on it, are the responsibility of such third party. We accept no responsibility for any loss or damages suffered by any third party as a result of decisions made or actions taken based on this report.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants



**City of Toronto
Compliance with Investment Policy
Specified Procedures**

Compliance reporting

Haphazardly select 40 daily Outstandings by Issuer and Sector by Group Reports (Compliance Reports as described in Section 2.10 of the Investment Policy) generated from the investment management system, and:

1. Ensure that the investments held are consistent with the guidance outlined in Section 8.2 “Schedules of approved issuers, term limits and exposure limits by issuer” of the City of Toronto Investment Policy for the General Fund, Sinking Fund and Trust Group of Funds.
2. Ensure that the Compliance Reports selected were approved by the senior investment analyst or senior investment advisor.
3. If an investment or group of investments exceeds the Investment Policy limit by more than 0.5%, verify that an Exception Report has been created.
4. For three randomly selected months, agree the month end Compliance Report to the custodian monthly financial statement of funds received from RBC Dexia or CIBC Wood Gundy.

Trader authority limits and trade authorization procedures

Obtain the approved list of signing authorities from the Investment Procedures. For the year ended December 31, 2012, haphazardly select 30 transactions for General Fund and 25 transactions for the Sinking Fund and 5 transactions for the Trust Group of Funds and:

1. Verify that the trade ticket was signed by an “authorized trader” as defined in Section 2.9 of the Investment Policy.
2. Ensure that the trade ticket was signed by two Designated Officers as depicted in the Deputy City Manager & CFO’s approved “Signing Authorities – Capital Markets.”
3. For Sinking Fund trades, inspect for evidence of approval by the Deputy City Manager & CFO and two Designated Officers as depicted in the Deputy City Manager & CFO’s approved “Signing Authorities – Capital Markets.”

Authorized and suitable investment procedures

Haphazardly select 40 investment purchases made during the year ended December 31, 2012 in the General Fund, Sinking Fund and Trust Group of Funds and review the Bloomberg trade ticket and:

1. Ensure that the term limit is in accordance with the guidelines set out in Section 8.2 of the Investment Policy.
2. Ensure that the credit rating of the investment is within the guidelines set out in Section 8.2 of the Investment Policy.



**City of Toronto
Investment Policy Compliance
Specified Procedures - Results**

Note: The Investment Policy was revised during the year, therefore “Old Policy” refers to the City of Toronto’s Investment Policy in effect from January 1, 2012 to October 30, 2012 and “New Policy” refers to the revised policy in effect from October 31, 2012 to December 31, 2012.

Haphazardly select 40 daily Outstandings by Issuer and Sector by Group Reports (Compliance Reports as described in Section 2.10 of the Investment Policy) generated from the investment management system, and:

PwC haphazardly selected 40 weekdays from the year ended December 31, 2012 (see sample selected below).

Sample selected

Date of Compliance Report	
Tuesday, January 03, 2012	Wednesday, July 11, 2012
Monday, January 09, 2012	Friday, July 20, 2012
Monday, January 16, 2012	Monday, July 30, 2012
Tuesday, January 17, 2012	Tuesday, August 07, 2012
Monday, January 23, 2012	Thursday, August 09, 2012
Friday, February 17, 2012	Thursday, August 23, 2012
Wednesday, February 29, 2012	Thursday, September 06, 2012
Tuesday, March 13, 2012	Tuesday, September 11, 2012
Tuesday, March 20, 2012	Wednesday, September 19, 2012
Tuesday, April 10, 2012	Monday, September 24, 2012
Monday, April 23, 2012	Friday, September 28, 2012
Friday, May 04, 2012	Thursday, October 11, 2012
Thursday, May 10, 2012	Friday, October 19, 2012
Thursday, May 17, 2012	Monday, November 05, 2012
Monday, June 04, 2012	Wednesday, November 07, 2012
Thursday, June 07, 2012	Friday, November 23, 2012
Friday, June 08, 2012	Wednesday, November 28, 2012
Friday, June 15, 2012	Thursday, December 06, 2012
Thursday, June 28, 2012	Friday, December 07, 2012
Tuesday, July 10, 2012	Friday, December 28, 2012



1. Ensure that the investments held are consistent with the guidance outlined in Section 8.2 “Schedules of approved issuers, term limits and exposure limits by issuer” of the City of Toronto Investment Policy for the General Fund, Sinking Fund and Trust Group of Funds.

For each sample selected, PwC noted that the investments were within the guidelines of Section 8.2 of the Investment Policy, with the exception of:

- The daily Outstandings report for April 23, 2012 included one investment classified under Other Municipalities (City of Montreal) which reflected the requirements of the New Policy rather than the Old Policy as the system automatically and retroactively reflected updates made on implementation of the New Policy.
 - The daily Outstandings report for May 10, 2012 included one Provincial investment (Province of Quebec) that was not in compliance with the Policy in effect at the time of purchase (the Old Investment Policy) due to an administrative error made when the final policy was published. We reviewed the New Policy and noted this class of investments was included.
2. Ensure that the Compliance Reports selected were approved by the senior investment analyst or senior investment advisor.

Compliance Reports for the sample selected were noted as being approved by the senior investment analyst or senior investment advisor, no exceptions noted.

3. If an investment or group of investments exceeds the Investment Policy limit by more than 0.5%, verify that an Exception Report has been created.

For the sample selected above, no investments or group of investments were identified as exceeding the Investment Policy limit by more than 0.5%.

4. For three randomly selected months, agree the month end Compliance Report to the custodian monthly financial statement of funds received from RBC Dexia or CIBC Wood Gundy.

PwC selected the months of March, August and October 2012. For each month selected, PwC ensured that the month-end custodian financial statements were reconciled to an Outstandings with Accruals report from the investment management system which agreed to Compliance Report. No exceptions were noted.

Trader authority limits and trade authorization procedures

Obtain the approved list of signing authorities from the Investment Procedures. For the year ended December 31, 2012, haphazardly select 30 transactions for General Fund and 25 transactions for the Sinking Fund and 5 transactions for the Trust Group of Funds and:

1. Verify that the trade ticket was signed by an “authorized trader” as defined in Section 2.9 of the Investment Policy.
2. Ensure that the trade ticket was signed by two Designated Officers as depicted in the Deputy City Manager & CFO’s approved “Signing Authorities – Capital Markets.”



3. For Sinking Fund trades, inspect for evidence of approval by the Deputy City Manager & CFO and two Designated Officers as depicted in the Deputy City Manager & CFO's approved "Signing Authorities – Capital Markets."

PwC haphazardly selected 30 transactions from the General Fund, 25 transactions from the Sinking Fund and 5 transactions from the Trust Group of Funds for year ended December 31, 2012, and performed procedures for **Trader authority limits and trade authorization procedures 1, 2 and 3** (see sample selected below). No exceptions noted.

Sample selected

No.	Trade Type	Security ID	Fund	Sale Date
1	Sales	13659	General Fund	June 7, 2012
2	Sales	22720	General Fund	March 15, 2012
3	Sales	26890	General Fund	March 5, 2012
4	Sales	27470	General Fund	February 27, 2012
5	Sales	27475	General Fund	February 27, 2012
6	Sales	27648	General Fund	March 21, 2012
7	Sales	27888	General Fund	August 1, 2012
8	Sales	28406	General Fund	July 16, 2012
9	Sales	29470	General Fund	December 5, 2012
10	Sales	29688	General Fund	November 30, 2012
11	Purchases	29030	General Fund	September 7, 2012
12	Purchases	27167	General Fund	January 24, 2012
13	Purchases	27818	General Fund	April 10, 2012
14	Purchases	28853	General Fund	August 20, 2012
15	Purchases	29207	General Fund	September 28, 2012
16	Purchases	29647	General Fund	November 23, 2012
17	Purchases	30436	General Fund	December 4, 2012
18	Purchases	27227	General Fund	January 27, 2012
19	Purchases	27549	General Fund	March 2, 2012
20	Purchases	29473	General Fund	November 6, 2012
21	Sales	29047	General Fund	October 1, 2012
22	Purchases	27792	General Fund	April 2, 2012
23	Purchases	29469	General Fund	November 6, 2012
24	Purchases	28875	General Fund	February 23, 2012
25	Purchases	29629	General Fund	November 20, 2012
26	Purchase	28530	General Fund	July 13, 2012
27	Sale	28874	General Fund	November 19, 2012
28	Purchases	27475	General Fund	February 27, 2012
29	Purchases	28446	General Fund	July 4, 2012
30	Purchases	28754	General Fund	August 8, 2012
31	Sales	13678	Sinking Fund	September 17, 2012



No.	Trade Type	Security ID	Fund	Sale Date
32	Sales	22538	Sinking Fund	June 22, 2012
33	Sales	23722	Sinking Fund	September 10, 2012
34	Sales	27474	Sinking Fund	February 27, 2012
35	Sales	6208	Sinking Fund	March 9, 2012
36	Sales	27473	Sinking Fund	February 27, 2012
37	Sales	16964	Sinking Fund	February 2, 2012
38	Purchase	29747	Sinking Fund	December 10, 2012
39	Purchase	27169	Sinking Fund	January 20, 2012
40	Purchase	27327	Sinking Fund	February 6, 2012
41	Purchase	27455	Sinking Fund	February 21, 2012
42	Purchase	28456	Sinking Fund	July 3, 2012
43	Purchase	28857	Sinking Fund	August 21, 2012
44	Purchase	29472	Sinking Fund	November 6, 2012
45	Purchase	29649	Sinking Fund	November 23, 2012
46	Purchase	29707	Sinking Fund	November 30, 2012
47	Purchase	29827	Sinking Fund	December 27, 2012
48	Purchase	27109	Sinking Fund	January 11, 2012
49	Purchase	27352	Sinking Fund	February 8, 2012
50	Purchase	27854	Sinking Fund	April 13, 2012
51	Purchase	28609	Sinking Fund	July 25, 2012
52	Purchase	29779	Sinking Fund	December 12, 2012
53	Purchase	27351	Sinking Fund	February 8, 2012
54	Purchase	28294	Sinking Fund	June 8, 2012
55	Purchase	29787	Sinking Fund	December 13, 2012
56	Purchase	27453	Trust Fund	February 21, 2012
57	Purchase	29627	Trust Fund	November 19, 2012
58	Purchase	29742	Trust Fund	December 14, 2012
59	Purchase	27454	Trust Fund	February 21, 2012
60	Purchase	29626	Trust Fund	November 19, 2012

Authorized and suitable investment procedures

Haphazardly select 40 investment purchases made during the year ended December 31, 2012 in the General Fund, Sinking Fund and Trust Group of Funds and review the Bloomberg trade ticket and:

PwC haphazardly selected 40 investment purchases during the year ended Dec 31, 2012 (see sample selected below).



Sample selected

No.	Issuer	Security ID	Settle Date	Maturity Date
1	Bank of Montreal	28849	August 21, 2012	June 10, 2016
2	Municipality of Metropolitan Toronto	27587	March 12, 2012	June 10, 2041
3	Province of Manitoba	28288	June 7, 2012	March 5, 2038
4	Municipality of Metropolitan Toronto	29170	September 27, 2012	July 18, 2017
5	Municipality of Metropolitan Toronto	29347	October 22, 2012	June 27, 2018
6	Province of Manitoba	30753	October 24, 2012	March 5, 2031
7	City of Quebec	27350	February 8, 2012	August 26, 2013
8	Finance Quebec	29254	October 10, 2012	December 1, 2019
9	Bank of Montreal	29668	November 27, 2012	September 3, 2013
10	Bank of Montreal	29736	December 5, 2012	September 3, 2013
11	Province of Quebec	29741	December 10, 2012	September 1, 2023
12	Canadian Imperial Bank of Commerce	28353	June 18, 2012	May 22, 2015
13	Government of Canada	27008	January 6, 2012	June 1, 2021
14	Regional Municipality of Durham	27329	February 8, 2012	February 21, 2012
15	British Columbia Muni Financial Authority	27592	March 12, 2012	November 20, 2018
16	British Columbia Muni Financial Authority	27821	April 11, 2012	June 1, 2022
17	Government of Canada	27852	April 13, 2012	June 1, 2041
18	Cards Credit Card Trust	28292	June 8, 2012	May 15, 2013
19	Government of Canada	29547	July 11, 2012	June 1, 2041
20	Government of Canada	29586	August 16, 2012	September 1, 2017
21	Government of Canada	30676	October 15, 2012	February 1, 2016
22	Government of Canada	30706	October 15, 2012	February 1, 2016
23	Canada Housing Trust	30674	December 3, 2012	December 15, 2022
24	Cards Credit Card Trust	29816	December 20, 2012	May 15, 2013
25	Province of New Brunswick	28507	July 12, 2012	June 3, 2018
26	Finance Quebec	28528	July 13, 2012	December 1, 2019
27	Bank of Montreal	27026	January 5, 2012	January 6, 2012
28	Scotiabank	27159	January 18, 2012	February 21, 2012
29	Hongkong Bank of Canada	27249	January 30, 2012	April 26, 2012
30	National Bank of Canada	27269	January 31, 2012	February 17, 2012



No.	Issuer	Security ID	Settle Date	Maturity Date
31	National Bank of Canada	27270	January 31, 2012	February 16, 2012
32	Hongkong Bank of Canada	27528	March 1, 2012	July 25, 2012
33	Canadian Imperial Bank of Commerce	28147	May 23, 2012	May 10, 2013
34	Scotiabank	28906	August 21, 2012	November 19, 2012
35	Scotiabank	29032	September 6, 2012	December 17, 2012
36	Scotiabank	29166	September 24, 2012	December 20, 2012
37	National Bank of Canada	29248	October 5, 2012	October 29, 2012
38	National Bank of Canada	29249	October 5, 2012	October 29, 2012
39	Scotiabank	29449	October 31, 2012	October 31, 2013
40	Canada Housing Trust	29111	September 15, 2012	September 15, 2017

1. Ensure that the term limit is in accordance with the guidelines set out in Section 8.1 of the Investment Policy.

For each sample selected, PwC recomputed the term and compared to the term limits per the Investment Policy in Section 8.1 (Old Policy) and 8.2 (New Policy). No exceptions noted.

2. Ensure that the credit rating of the investment is within the guidelines set out in Section 8.1 of the Investment Policy.

For each sample selected, PwC compared the credit ratings on the Bloomberg Trade tickets to the Investment Policy Section 8.1 (Old Policy) and 8.2 (New Policy). No exceptions noted.