



P.O. Box 1749  
Halifax, Nova Scotia  
B3J 3A5 Canada

**Item No. 12.1.1**  
**Audit & Finance Standing Committee**  
**May 11, 2016**

**TO:** Chair and Members of Audit & Finance Standing Committee

Original Signed

**SUBMITTED BY:**

\_\_\_\_\_  
Amanda Whitewood, Director of Finance & ICT / CFO

**DATE:** April 20, 2016

**SUBJECT:** Audit of the Consolidated Financial Statements of HRM

**ORIGIN**

This report is originated by staff in preparation for the March 31, 2016 year end audit of the consolidated financial statements of HRM.

**LEGISLATIVE AUTHORITY**

Section 46 of the Halifax Regional Municipality Charter outlines the responsibilities of the Municipal Auditor including issuance of an Auditor's Report.

**RECOMMENDATION**

It is recommended that the Audit & Finance Standing Committee approve the attached Audit Planning report for the year end audit of HRM's consolidated financial statements as prepared by the Municipal Auditor (KPMG).

**BACKGROUND**

Each year the Municipal Auditor is required to prepare an Audit Planning Report to be approved by the Audit & Finance Standing Committee.

**DISCUSSION**

KPMG has prepared the attached Audit Planning Report for review and approval by the Audit & Finance Standing Committee.

**FINANCIAL IMPLICATIONS**

The fees described in the Audit Planning Report for the year-end audit are consistent with the tender and the budget.

**RISK CONSIDERATION**

There are no significant risks associated with the recommendation in this report. The risks considered rate Low. To reach this conclusion, consideration was given to operational and financial risks.

**COMMUNITY ENGAGEMENT**

None required.

**ENVIRONMENTAL IMPLICATIONS**

Implications not identified.

**ALTERNATIVES**

The Audit & Finance Standing Committee through discussion with our Municipal Auditor, may request additional services or audit procedures. These services or audit procedures would likely be a separate engagement and would result in increased costs to HRM.

**ATTACHMENTS**

1. KPMG's Audit Planning Report for the March 31, 2016 year end audit of the consolidated financial statements of HRM.

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A copy of this report can be obtained online at <http://www.halifax.ca/commcoun/index.php> then choose the appropriate Community Council and meeting date, or by contacting the Office of the Municipal Clerk at 902.490.4210, or Fax 902.490.4208.

Report Prepared by: Diana Burns, Senior Financial Consultant, Accounting, 902.490.6315

Original Signed

Report Approved by: Louis de Montbrun, Manager of Financial Reporting, 902.476.0585

Financial Approval by: Original Signed

Amanda Whitewood, Director of Finance & ICT / CFO, 902.490.6308

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AUDIT

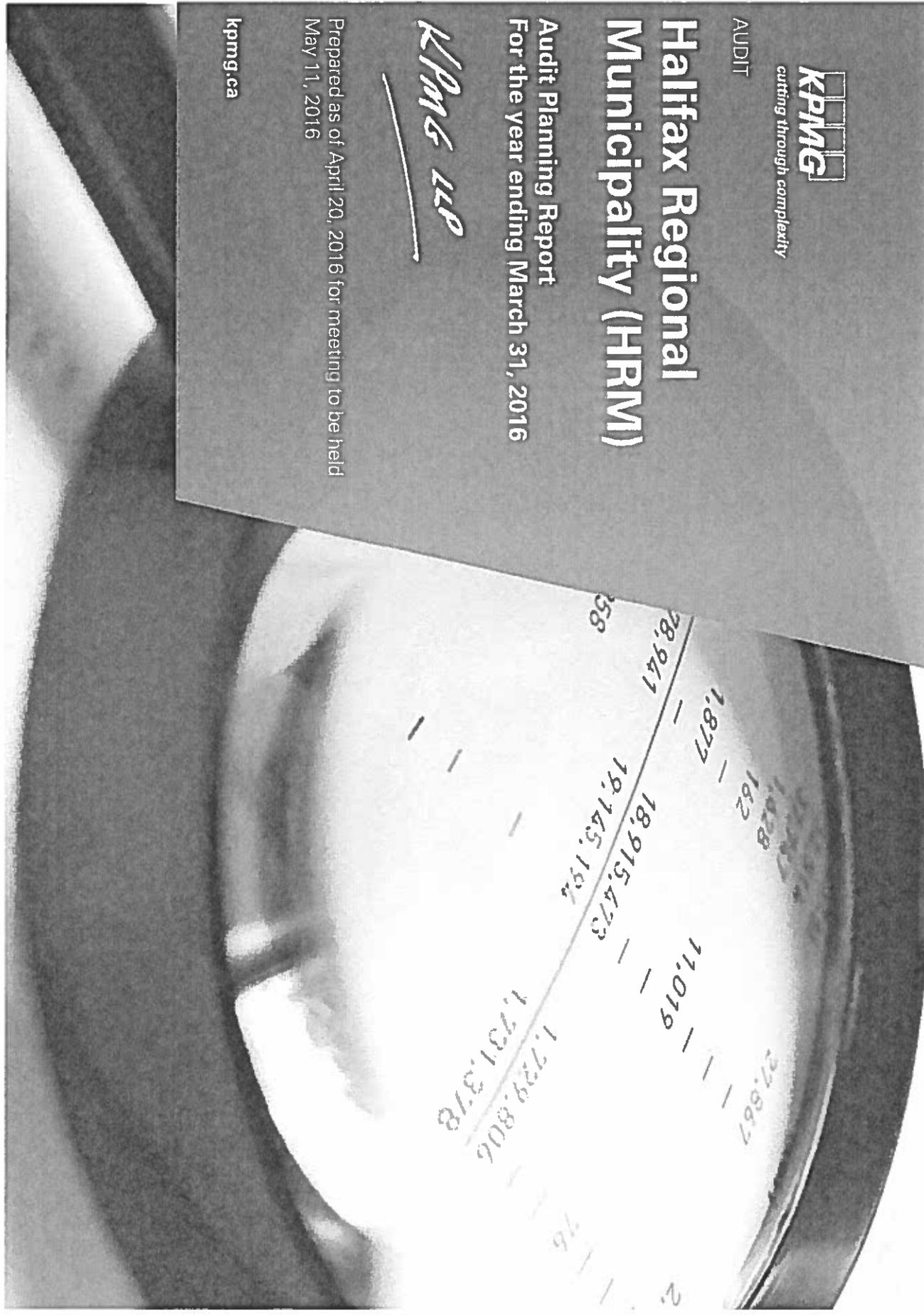
# Halifax Regional Municipality (HRM)

Audit Planning Report  
For the year ending March 31, 2016

*KPMG LLP*

Prepared as of April 20, 2016 for meeting to be held  
May 11, 2016

kpmg.ca



1,428	162	27,667
1,877	1,019	
78,941	18,915,473	
58	19,145,194	
	1,729,806	
	1,731,318	

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At KPMG, we are **passionate** about earning your **trust**. We take deep **personal accountability**, individually and as a team, to deliver **exceptional service and value** in all our dealings with you.

At the end of the day, we measure our success from the **only perspective that matters – yours.**

# Executive summary

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## Audit and business risk

Our audit is risk-focused. In planning our audit we have taken into account key areas of focus for financial reporting.

*See pages 4-5 and Appendix 1.*

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## Audit Materiality

Materiality has been determined based on total revenues. We have determined materiality to be \$14,280,000 for the year ending March 31, 2016.

*See page 7.*

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## Independence

We are independent and have extensive quality control and conflict checking processes in place. We provide complete transparency on all services.

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## Effective communication

We are committed to transparent and thorough reporting of issues to senior management, the Audit and Finance Standing Committee and Council.

*See page 9 and Appendix 3.*

# Audit approach

## Significant financial reporting risks

We have not identified any significant financial reporting risks or unusual transactions.

Inherent risk is the susceptibility of a balance or assertion to misstatement which could be material, individually or when aggregated with other misstatements, assuming that there are no related controls.

Our assessment of inherent risk is based on various factors, including the size of the balance, its inherent complexity, the level of uncertainty in measurements, as well as significant external market factors or those particular to the internal environment of the entity.

# Audit approach

Professional standards presume the risk of fraudulent revenue recognition and the risk of management override of controls exist in all companies.

The risk of fraudulent recognition can be rebutted, but the risk of management override of control cannot, since management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Professional requirements	Why	Our audit approach
Fraud risk from revenue recognition	This is a presumed fraud risk. Generally revenue is not an area of fraud risk for a not-for-profit entity like a Municipally given the financial reporting objectives and lack of incentive. However, should the Municipality wish to show a balanced statement of operations, adjustments to increase or decrease revenue through journal entries was considered a risk.	Management's bias related to fraud risk of revenue is addressed through the risk of management override of controls discussed below.
Fraud risk from management override of controls	This is a presumed fraud risk. We have not identified any specific additional risks of management override relating to this audit.	As the risk is not rebuttable, our audit methodology incorporates the required procedures in professional standards to address this risk. These procedures include testing of journal entries and other adjustments, performing a retrospective review of estimates and evaluating the business rationale of significant unusual transactions.

# Audit approach

The components over which we plan to perform audit procedures are as follows:

Components	Why	Our audit approach
Halifax Regional Water Commission	Individually financially significant	<ul style="list-style-type: none"> <li>• Audit of component's financial information</li> <li>• Assessment of competence of component auditor</li> <li>• Written instructions to the component's auditor</li> <li>• Meeting with component auditor to discuss instructions and any issues</li> <li>• Receipt of summary information outlining scope of audit work performed and related findings and review of detailed working papers if required.</li> </ul>
<b>Associations, Boards and Commissions (ABC's):</b> Dartmouth Sportsplex Community Association Halifax Forum Community Association Centennial Arena Commission Canada Games Centre Scotiabank Centre Community Builders Inc. (Cole Harbour Place) Halifax Regional Library St. Margaret's Community Centre Association		
	Non-significant components	<ul style="list-style-type: none"> <li>• Ensure completeness and accuracy of component information through review of year end consolidated workbook.</li> </ul>

Professional standards require that we obtain an understanding of the entity's organizational structure, including its components and their environments that is sufficient to identify those components that are financially significant or that contain specific risks that must be addressed during our audit.

Group auditors are required to be involved in the component auditors' risk assessment in order to identify significant risks to the group financial statements. If such significant risks are identified, the group auditor is required to evaluate the appropriateness of the audit procedures to be performed to respond to the identified risk.

*Note - BMO Centre and Sackville Sports Stadium are excluded from the list above as their operations are included in the accounts of the HRM.*

# Materiality

Professional standards require us to re-assess materiality at the completion of our audit based on period-end results or new information in order to confirm whether the amount determined for planning purposes remains appropriate.

Our assessment of misstatements, if any, in amounts or disclosures at the completion of our audit will include the consideration of both quantitative and qualitative factors.

The first step is the determination of the amounts used for planning purposes as follows.

The determination of materiality requires professional judgment and is based on a combination of quantitative and qualitative assessments including the nature of account balances and financial statement disclosures.

Materiality determination	Comments	Amount
<b>Metrics</b>	Total revenues or expenses as appropriate, program costs or net assets.	
<b>Benchmark</b>	Total revenues. This benchmark is consistent with the prior year.	\$952,000,000
<b>% of Benchmark</b>	The corresponding percentage for the prior year's audit was 1.5%.	1.5%
<b>Materiality</b>	Determined to plan and perform the audit and to evaluate the effects of identified misstatements on the audit and of any uncorrected misstatements on the financial statements. The corresponding amount for the prior year's audit was \$12,670,000.	\$14,280,000
<b>Performance materiality</b>	Used 75% of materiality, and used primarily to determine the nature, timing and extent of audit procedures. The corresponding amount for the prior year's audit was \$9,502,500.	\$10,710,000
<b>Audit Misstatement Posting Threshold (AMPTT)</b>	Threshold used to accumulate misstatements identified during the audit. The corresponding amount for the previous year's audit was \$633,500.	\$714,000
	Halifax Regional Municipality – non-consolidated	Halifax Regional Water Commission
<b>Component Materiality</b>	\$12,852,000	\$7,000,000

# Value for fees

In determining the fees for our services, we have considered the nature, extent and timing of our planned audit procedures as described above.

Our fee analysis has been reviewed with and agreed upon by management.

Our fees are estimated as follows:

	Current period (budget)	Prior period (actual)
Audit of the annual consolidated financial statements	\$80,300	\$78,000
Adoption of PS 3260, liability for contaminated sites	-	\$9,600

## Matters that could impact our fee

The proposed fees outlined above are based on the assumptions described in the engagement letter.

The critical assumptions, and factors that cause a change in our fees, include:

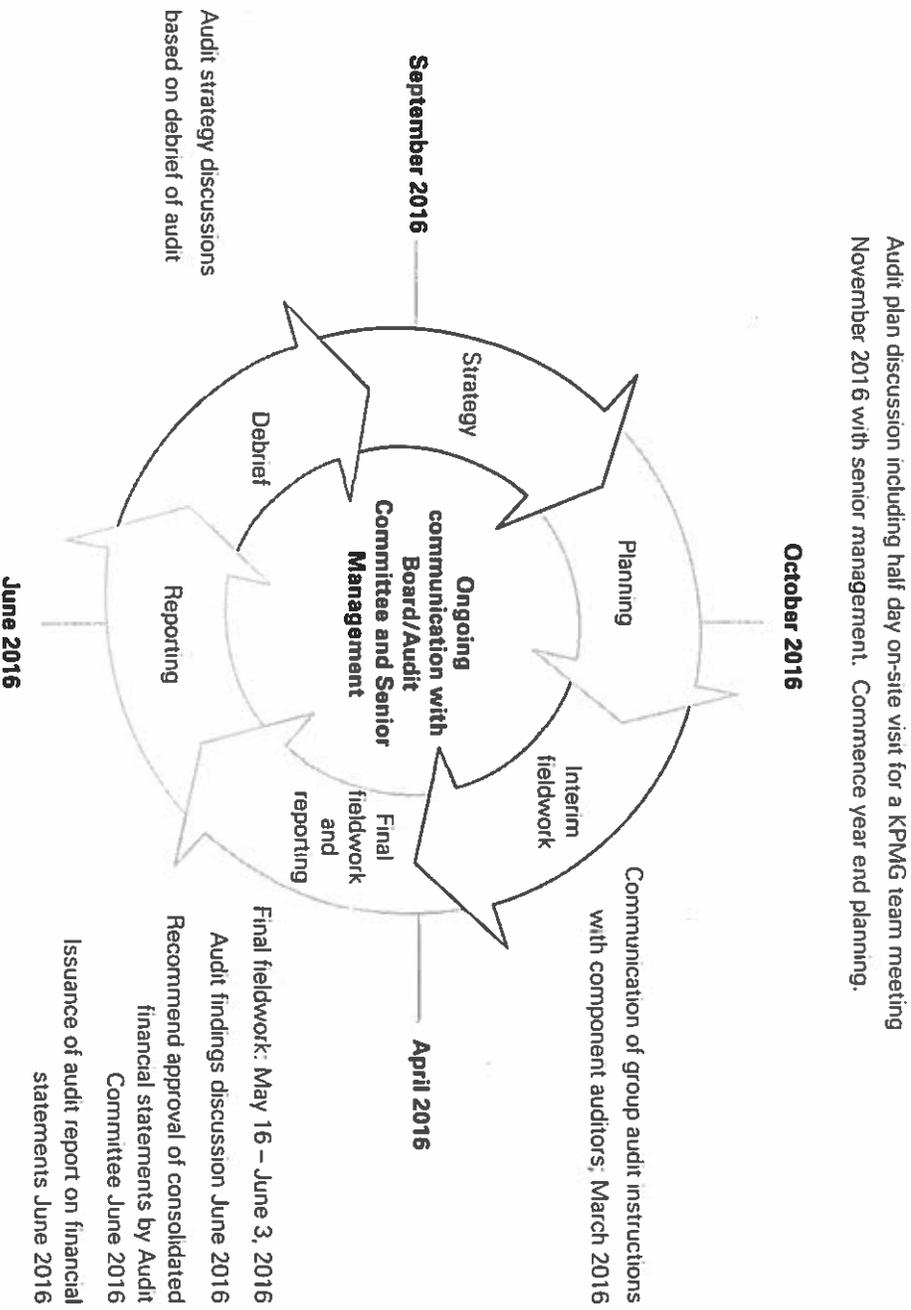
- Significant changes in the nature or size of the operations of the HRM beyond those contemplated in our planning processes;
- Changes in professional standards or requirements arising as a result of changes in professional standards or the interpretation thereof; or
- Changes in the time of our work.

# Audit cycle and timetable

Our key activities during the year are designed to achieve our one principal objective:

**To provide a robust audit, efficiently delivered by a high quality team focused on key issues.**

Our timeline is in line with prior year to avoid any last minute surprises.



# Appendices

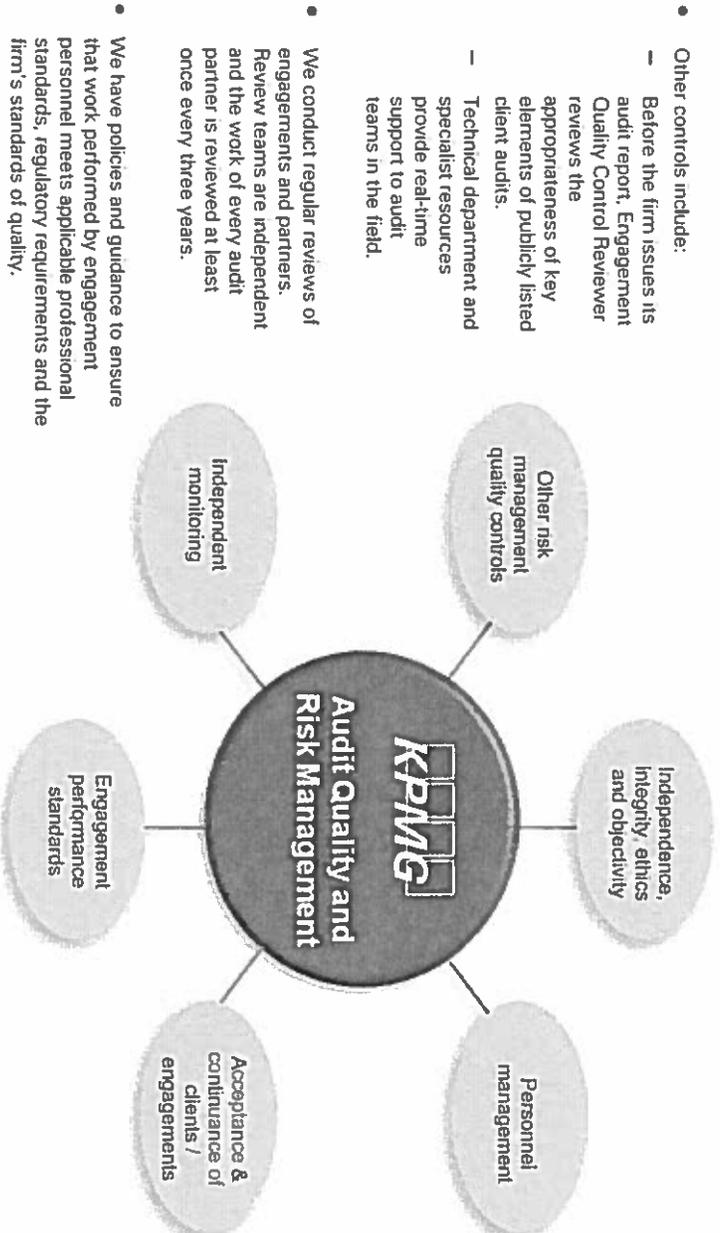
<b>Appendix 1: Audit Quality and Risk Management</b>
<b>Appendix 2: KPMG's audit approach and methodology</b>
<b>Appendix 3: Required communications</b>
<b>Appendix 4: Current developments</b>
<b>Appendix 5: Engagement letter</b>

# Appendix 1: Audit Quality & Risk Management

KPMG maintains a system of quality control designed to reflect our drive and determination to deliver independent, unbiased advice and opinions, and also meet the requirements of Canadian professional standards.

Quality control is fundamental to our business and is the responsibility of every partner and employee. The following diagram summarises the six key elements of our quality control systems.

Visit <http://www.kpmg.com/Can/services/Audit/Pages/Audit-Quality-Resources.aspx> for more information.



- Other controls include:
  - Before the firm issues its audit report, Engagement Quality Control Reviewer reviews the appropriateness of key elements of publicly listed client audits.
  - Technical department and specialist resources provide real-time support to audit teams in the field.
- We conduct regular reviews of engagements and partners. Review teams are independent and the work of every audit partner is reviewed at least once every three years.
- We have policies and guidance to ensure that work performed by engagement personnel meets applicable professional standards, regulatory requirements and the firm's standards of quality.

- All KPMG partners and staff are required to act with integrity and objectivity and comply with applicable laws, regulations and professional standards at all times.
- We do not offer services that would impair our independence.
- The processes we employ to help retain and develop people include:
  - Assignment based on skills and experience;
  - Rotation of partners;
  - Performance evaluation;
  - Development and training; and
  - Appropriate supervision and coaching.
- We have policies and procedures for deciding whether to accept or continue a client relationship or to perform a specific engagement for that client.
- Existing audit relationships are reviewed annually and evaluated to identify instances where we should discontinue our professional association with the client.

# Appendix 2: KPMG's audit approach and methodology

## Technology-enabled audit workflow (eAudit)

### Engagement Setup

- Tailor the eAudit workflow to your circumstances
- Access global knowledge specific to your industry
- Team selection and timetable

### Completion

- Tailor the eAudit workflow to your circumstances
- Update risk assessment
- Perform completion procedures and overall evaluation of results and financial statements
- Form and issue audit opinion on financial statements
- Obtain written representation from management
- Required Audit Committee communications
- Debrief audit process



### Risk Assessment

- Tailor the eAudit workflow to your circumstances
- Understand your business and financial processes
- Identify significant risks
- Plan the use of KPMG specialists and others including auditor's external experts, management experts, internal auditors, service organizations auditors and component auditors
- Determine audit approach
- Evaluate design and implementation of internal controls (as required or considered necessary)

### Testing

- Tailor the eAudit workflow to your circumstances
- Perform tests of operating effectiveness of internal controls (as required or considered necessary)
- Perform substantive tests

## Appendix 3: Required communications

In accordance with professional standards, there are a number of communications that are required during the course of our audit. These include:

- **Engagement letter** – the objectives of the audit, our responsibilities in carrying out our audit, as well as management’s responsibilities, are set out in the engagement letter and any subsequent amendment letters as provided by management.
- **Audit planning report** – as attached
- **Required inquiries** – professional standards require that during the planning of our audit we obtain your views on risk of fraud and other matters. We make similar inquiries to management as part of our planning process; responses to these will assist us in planning our overall audit strategy and audit approach accordingly
- **Management representation letter** – we will obtain from management certain representations at the completion of the annual audit. In accordance with professional standards, copies of the representation letter will be provided to the Audit Committee
- **Audit findings report** – at the completion of our audit, we will provide a report to the Audit Committee

# Appendix 4: Current developments

Please visit the [Current Developments Update for Audit Committee section](#) of the Audit Committee Institute page for current developments in Canadian Auditing Standards and Auditing.

The following is a summary of the current developments that are relevant to the HRM.

Standard	Summary and implications	Reference
Expanded auditor reporting	Auditor reporting is moving away from the current binary, pass / fail nature of auditor's reports and expanding reporting to discussions of areas of higher risk of material misstatements, effect on the audit and discussion of significant judgements. The International Accounting and Assurance Standards Board (IAASB) issued new standards, and Canadian Auditing Standards are expected to adopt in early 2016.	<a href="http://www.kpmg.com/Can/services/Audit/AuditCommittee/Pages/default.aspx">http://www.kpmg.com/Can/services/Audit/AuditCommittee/Pages/default.aspx</a>
Related Party Disclosures, Section 2200 Assets, Section PS 3210 Contingent Assets, Section PS 3320 Contractual Rights, Section PS 3380 Inter-entirety Transactions, PS 3420	Effective for fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.	

## Appendix 5: Engagement letter



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Chartered Accountants  
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Canada

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**PRIVATE & CONFIDENTIAL**

Mr. Richards Butts  
Chief Administration Officer  
Halifax Regional Municipality  
PO Box 1749  
Halifax, NS B3K 3A5

February 11, 2013

Dear Sir:

The purpose of this letter is to outline the terms of our engagement commencing for the period ending March 31, 2013 as follows:

- Audit the consolidated financial statements of Halifax Regional Municipality ("the Municipality") ("Municipality financial statements").
- Audit of the statement of general rate surplus/deficit ("financial information"); and,
- Audit of the financial statement of the miscellaneous trusts ("trust financial statements") commencing for the period ending March 31, 2013.

This letter supersedes our previous letter to the Municipality dated February 28, 2011 and amended February 1, 2012. The terms of the engagement outlined in this letter will continue in effect from period to period, unless amended or terminated in writing. The attached Terms and Conditions form an integral part of the terms of this engagement and are incorporated herein by reference (collectively the "Engagement Letter").

**FINANCIAL REPORTING FRAMEWORK FOR THE FINANCIAL STATEMENTS**

The municipal financial statements will be prepared and presented in accordance with Canadian public sector accounting standards, the financial information will be prepared and presented in accordance with the basis of accounting described in the notes to the financial information and the trust financial statements will be prepared in accordance with generally accepted accounting principles for not-for-profit organizations (hereinafter referred to as the "financial reporting frameworks").

The Municipal financial statements, financial information and trust financial statements (collectively "the financial statements") will include an adequate description of the financial reporting framework.



## MANAGEMENT'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

Management acknowledges and understands that they are responsible for:

- the preparation of the financial statements in accordance with the financial reporting frameworks referred to above;
- ensuring that all transactions have been recorded and are reflected in the financial statements;
- such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Management also acknowledges and understands that they are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud;
- providing us with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing us with additional information that we may request from management for the purpose of the audit;
- providing us with unrestricted access to persons within the Municipality from whom we determine it necessary to obtain audit evidence; and,
- providing us with written representations required to be obtained under professional standards and written representations that we determine are necessary. Management also acknowledges and understands that professional standards require that we disclaim an audit opinion .

An audit does not relieve management or those charged with governance of their responsibilities.

## AUDITORS' RESPONSIBILITIES REGARDING THE AUDIT OF THE FINANCIAL STATEMENTS

Our function as auditors of the Municipality is:

- to express an opinion on whether the Municipality's financial statements, prepared by management with the oversight of those charged with governance, are, in all material respects, in accordance with the financial reporting frameworks referred to above; and,
- to report on the financial statements.

We will conduct the audit of the Municipality's financial statements in accordance with Canadian generally accepted auditing standards and relevant ethical requirements, including those pertaining to independence (hereinafter referred to as applicable "professional standards").

We will plan and perform the audit to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Accordingly, we will, among other things:

- identify and assess risks of material misstatement, whether due to fraud or error, based on an understanding of the Municipality and its environment, including the Municipality's internal controls. In making those risk assessments, we consider internal controls relevant to the Municipality's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal controls:



- obtain sufficient appropriate audit evidence about whether material misstatements exist, through designing and implementing appropriate responses to the assessed risks;
- form an opinion on the Municipality's financial statements based on conclusions drawn from the audit evidence obtained; and,
- communicate matters required by professional standards, to the extent that such matters come to our attention, to the appropriate level of management, those charged with governance and/or the Council.

**AUDITORS' DELIVERABLES**

The expected form and content of our audit reports is provided in Appendix B. However, there may be circumstances in which a report may differ from its expected form and content.

**FEES**

Appendix A to this letter lists our fees for professional services to be performed under this Engagement Letter.

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We are available to provide a wide range of services beyond those outlined above. Additional services are subject to separate terms and arrangements.

We are proud to provide you with the services outlined above and we appreciate your confidence in our work. We shall be pleased to discuss this letter with you at any time. If the arrangements and terms are acceptable, please sign the duplicate of this letter in the space provided and return it to us.

Yours very truly,

*KPMG LLP*

**Carey Blair**

Partner responsible for the engagement and its performance, and for the report that is issued on behalf of KPMG LLP, and who, where required, has the appropriate authority from a professional, legal or regulatory body  
(902) 492-6029

Enclosure

cc: Council

\*\*\*\*\*



The terms of the engagement set out are agreed

**Original Signed**

Name and Title

Date (dd/mm/yy)

19/03/13

Name and Title

Date (dd/mm/yy)



#### Appendix A – Fees for professional services

The Municipality and KPMG agree to a fee based on actual hours incurred at mutually agreed-upon rates. The fee is as follows for the next 5 years

2012/13	\$73,500
2013/14	\$75,700
2014/15	\$78,000
2015/16	\$80,300
2016/17	\$82,750

In the event professional standards or accounting standards change and as a result change the scope of our audits, we will agree our revised estimated fees with the Entity before we commence the delivery of any service.



**Appendix B – Expected Form of Report**  
**INDEPENDENT AUDITORS' REPORT**

To the Mayor and the Councillors of the Halifax Regional Municipality

We have audited the accompanying consolidated financial statements of the Halifax Regional Municipality, which comprise the consolidated statement of financial position as at March 31, 2013, the consolidated statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Municipality's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Halifax Regional Municipality as at March 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.



## Appendix C – Matters to communicate

Matters required to be communicated under professional standards to the appropriate level of management include:

### *Engagement partner*

- identity and role of the engagement partner.

### *Fraud and non-compliance with laws and regulations*

- any identified fraud or any information obtained that indicates that a fraud may exist.
- any identified non-compliance with laws or regulations or suspected non-compliance, including illegal acts.

### *Control deficiencies*

- any significant deficiencies in the Municipality's internal control that we intend to communicate to those charged with governance unless it would be inappropriate to communicate directly to management in the circumstances.
- other deficiencies in internal control that have not been communicated to management by other parties and that, in our professional judgment, are of sufficient importance to merit management's attention.

### *Misstatements*

- any accumulated misstatements, other than those that are clearly trivial. Furthermore, we request that management correct all misstatements communicated.



## Appendix C – Matters to communicate (continued)

Matters required to be communicated, on a timely basis, under professional standards to those charged with governance include:

### *Engagement partner*

- identity and role of the engagement partner.

### *Audit approach*

- an overview of the planned scope and timing of the audit.

### *Fraud and non-compliance with laws and regulations*

- any identified fraud or suspected fraud that may exist involving management, employees who have significant roles in internal control, or others where the fraud results in a material misstatement in the financial statements.
- any matters related to fraud that are, in our judgment, relevant to your responsibilities.
- any identified non-compliance with laws or regulations or suspected non-compliance, including illegal acts, other than when the identified or suspected non-compliance or illegal act is clearly inconsequential.

### *Control deficiencies*

- any significant deficiencies, in writing, in the Municipality's internal control.

### *Misstatements*

- any accumulated uncorrected misstatements (amounts or disclosures) other than those that are clearly trivial, including the effect of uncorrected misstatements related to prior periods. Furthermore, we request all uncorrected misstatements be corrected.

### *Accounting practices*

- our views about significant qualitative aspects of the accounting practices including accounting policies, accounting estimates and financial statement disclosures.

### *Significant difficulties*

- any significant difficulties that we encountered during the audit. For example, if we conclude that management's refusal to allow us to send a confirmation request is unreasonable or when we are unable to obtain relevant and reliable audit evidence from alternative audit procedures.

### *Significant matters*

- significant matters, if any, arising from the audit that were discussed, or subject to correspondence with management (e.g. management's consultation with other accountants, major issues discussed with management prior to retention or any disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to the financial statements or report thereon), including when group management refuses to communicate to component management matters that are significant to the financial statements of the component.



- other significant matters arising from the audit, if any, that, in our professional judgment, are significant to the oversight of the financial reporting process, including those significant matters arising from the audit in connection with the Municipality's related parties.
- instances where our evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work.
- any limitations on the group audit, for example, where our access to information may have been restricted.

*Management representations and other written communications*

- copies of written representations requested from management.

*Going concern*

- events or conditions identified that may cast significant doubt on the Municipality's ability to continue as a going concern.

*Reporting*

- any expected modifications to the audit report and the circumstances that led to the modification.
- any expected emphasis of matter or other matter paragraphs in the audit report and the circumstances that led to the additional paragraphs.
- management refuses to remove a scope limitation in the audit.

*Other information*

- our responsibilities with respect to other information in documents containing audited financial statements.
- any revision necessary to, or material misstatement of fact included in, financial and non-financial information which is included, either by law, regulation or custom, in a document containing the audited financial statements and our audit report thereon ("other information") that we identified when reading such information, which management refuses to correct.

Note: Significant findings from the audit will be communicated in writing if, in our professional judgment, oral communication would not be adequate.



### **Appendix C – Matters to communicate (continued)**

Matters required to be communicated under professional standards to the board of directors include:

*Fraud and non-compliance with laws and regulations*

- any identified non-compliance with laws or regulations or suspected non-compliance where we suspect that management or those charged with governance are involved.

The Terms and Conditions are an integral part of the accompanying engagement letter from KPMG that identifies the engagement to which they relate (and collectively form the "Engagement Letter"). The Engagement Letter supersedes all written or oral representations on this matter.

**1. SEVERABILITY.**

If any of the provisions of this Engagement Letter are determined to be invalid or unenforceable, the remaining provisions shall remain in effect and be binding on the parties to the fullest extent permitted by law.

**2. GOVERNING LAW.**

This Engagement Letter shall be subject to and governed by the laws of the province where KPMG's principal office performing this engagement is located (without regard to such province's rules on conflicts of law) and all disputes arising hereunder or related thereto shall be subject to the exclusive jurisdiction of the courts of such province of Canada.

**3. LLP STATUS.**

KPMG LLP is a registered limited liability Partnership ("LLP") established under the laws of the Province of Ontario and, where applicable, has been registered extra-provincially under provincial legislation. KPMG is a partnership, but its partners have a degree of limited liability. A partner is not personally liable for any debts, obligations or liabilities of the LLP that arise from a negligent act or omission by another partner or by any other person under that other partner's direct supervision or control. The legislation relating to limited liability partnerships does not, however, reduce or limit the liability of the firm. The firm's insurance exceeds the mandatory professional indemnity insurance requirements established by the relevant professional bodies. Subject to the other provisions hereof, all partners of the LLP remain personally liable for their own actions and/or actions of those they directly supervise or control.

**4. DOCUMENTS AND INFORMATION.**

Management's cooperation in providing us with documents and related information and agreed-upon assistance on a timely basis is an important factor in being able to issue our report. KPMG shall be entitled to share all information provided by the Municipality with all other member firms of KPMG International Cooperative ("KPMG International") performing services hereunder. All work papers, files and other internal materials created or produced by KPMG during the engagement and all copyright and intellectual property rights in our work papers are the property of KPMG.

**5. INTENTIONALLY DELETED.**

**6. PERSONAL INFORMATION CONSENTS AND NOTICES.**

Any collection, use or disclosure of personal information is subject to KPMG's Privacy Policy available at [www.kpmg.ca](http://www.kpmg.ca). KPMG may be required to collect, use and disclose personal information about individuals during the course of this engagement.

The Municipality represents and warrants that it will obtain any consents reasonably required to allow KPMG to collect, use and disclose personal information in the course of the engagement. The Municipality and KPMG agree that no processing of such personal information will occur outside of Canada. KPMG's Privacy Officer noted in KPMG's Privacy Policy is able to answer any individual's questions about the collection of personal information required for KPMG to deliver services hereunder.

The Municipality consents to KPMG sending to the Municipality, its officers, directors and employees, as applicable, electronic messages (including emails) relating to KPMG products and services and other matters of interest to

the Municipality. The Municipality, its officers, directors or employees may withdraw such consent by contacting KPMG's National Office located at Bay Adelaide Centre, 333 Bay Street, Suite 4600, Toronto, Ontario M5H 2S5, Attention Unsubscribe, or [info@kpmg.ca](mailto:info@kpmg.ca).

**7. OFFERS OF EMPLOYMENT.**

In order to allow issues of independence to be addressed, management agrees that prior to extending an offer of employment to any KPMG partner, employee or contractor, the matter is communicated to the engagement partner or associate partner.

**8. OFFERING DOCUMENTS.**

If the Municipality wishes to include or incorporate by reference the financial statements and our report thereon in an offering document, we will consider consenting to the use of our report and the terms thereof at that time. Nothing in this Engagement Letter shall be construed as consent and KPMG expressly does not consent to the use of our audit report(s) in offering documents. If the Municipality wishes to obtain KPMG's written consent to the use of our audit report(s) in an offering document, or wishes us to provide a comfort or advice letter, we will be required to perform procedures as required by professional standards; any agreement to perform such procedures will be documented in a separate engagement letter. Management agrees to provide us with adequate notice of the preparation of such documents.

**9. FEE AND OTHER ARRANGEMENTS.**

KPMG's estimated fee is based on the quality of the Municipality's accounting records, the agreed-upon level of preparation and assistance from the Municipality's personnel, and adherence to the agreed-upon timetable. KPMG's estimated fee also assumes that the Municipality's financial statements are in accordance with the applicable financial reporting framework and that there are no significant new or changed accounting policies or issues, or financial reporting, internal control over financial reporting or other reporting issues. KPMG will inform the Municipality on a timely basis if these factors are not in place.

Additional time may be incurred for such matters as significant issues, significant unusual and/or complex transactions, informing management about new professional standards, and any related accounting advice. Where these matters arise and require research, consultation and work beyond that included in the estimated fee, the Municipality and KPMG agree to revise the estimated fee. No significant additional work will proceed without management's concurrence, and, if applicable, without the concurrence of those charged with governance. Upon completion of these services KPMG will review with the Municipality any fees and expenses incurred in excess of KPMG's estimate, following which KPMG will render the final billing. Routine administrative expenses such as long distance telephone calls, photocopies, fax charges, printing of statements and reports, postage and delivery and secretarial and report department assistance are included in our fees. Other disbursements for items such as travel, accommodation and meals will be charged based on KPMG's actual disbursements.

KPMG's invoices are due and payable upon receipt. Amounts overdue are subject to interest. In order to avoid the possible implication that unpaid fees might be viewed as creating a threat to KPMG's independence, it is important that KPMG's bills be paid promptly when rendered. If a situation arises in which it may appear that KPMG's independence is threatened because of significant unpaid bills, KPMG may be prohibited from signing the report and, if applicable, any consent.

Fees for any other services will be billed separately from the services described in this engagement letter and may be

subject to written terms and conditions supplemental to those in this letter.

Canadian Public Accountability Board (CPAB) participation fees, when applicable, are charged to the Municipality based on the annual fees levied by CPAB.

To the extent that KPMG partners and employees are on the Municipality's premises, the Municipality will take all reasonable precautions for the safety of KPMG partners and employees at the Municipality's premises.

#### 10. LEGAL PROCESSIONS.

The Municipality on its own behalf hereby acknowledges and agrees to cause its subsidiaries and affiliates to hereby acknowledge that KPMG may from time to time receive requests or orders from the Canadian Public Accountability Board or from professional, securities or other regulatory, judicial or governmental authorities (both in Canada and abroad) to provide them with information and copies of documents in KPMG's files including working papers and other work product relating to the affairs of the Municipality, its subsidiaries and affiliates. Except where prohibited by law, if a request or order is directly related to an inspection or investigation of KPMG's audit of the Municipality, KPMG will advise the Municipality of the request or order. The Municipality hereby acknowledges that KPMG will provide these documents and information without further reference to, or authority from, the Municipality, its subsidiaries and affiliates.

When such an authority requests access to KPMG's working papers and other work-product relating to the Municipality's affairs, KPMG will, on a reasonable efforts basis, refuse access to any document over which the Municipality has expressly informed KPMG at the time of delivery that the Municipality asserts privilege, except where disclosure of documents is required by law. The Municipality must mark any document over which it asserts privilege as "privileged". If and only if the authority requires such access to privileged documents pursuant to the laws of a jurisdiction in which express consent is required for such disclosure, then the Municipality hereby provides its consent.

Where privileged Municipality documents are disclosed, KPMG is directed to advise the authority that the Municipality is permitting disclosure only to the extent required by law and for the limited purpose of the authority's exercise of statutory authority. KPMG is directed to advise the authority that the Municipality does not intend to waive privilege for any other purpose and that the Municipality expects its documents to be held by the authority as privileged and confidential material (held securely, limited distribution, etc.). For greater certainty, the Municipality and KPMG hereby agree that this acknowledgement (and, if required, consent) does not negate or constitute a waiver of privilege for any purpose and the Municipality expressly relies upon the privilege protections afforded under statute and otherwise under law.

The Municipality agrees to reimburse KPMG, upon request, at standard billing rates for KPMG's professional time and expenses, including reasonable legal fees subject to consultation with the Municipality prior to incurring such fees, in dealing with the matters described above.

#### 11. KPMG INTERNATIONAL MEMBER FIRMS.

The Municipality agrees that any claims that may arise out of this engagement will be brought solely against KPMG, the contracting party, and not against any other KPMG International Cooperative ("KPMG International") member firms participating in this engagement or such third party service providers referred to in Section 5 above.

#### 12. CONNECTING TO THE MUNICIPALITY'S IT NETWORK.

KPMG personnel are authorized to connect their computers to the Municipality's IT Network, subject to any restrictions communicated to KPMG from time to time. Connection to the Municipality's IT Network or the Internet via the Network, while at the Municipality's premises, will be for the express purpose of conducting normal business activities, primarily relating to facilitating the completion of work referred to in this letter.

#### 13. DELIVERABLES OR COMMUNICATIONS.

KPMG may issue other deliverables or communications as part of the services described in this Engagement Letter. Such deliverables or communications may not be included in, summarized in, quoted from or otherwise used or referred to, in whole or in part, in any documents or public oral statement.

KPMG expressly does not consent to the use of any communication, report, statement or opinion prepared by us on the interim financial statements and such communication, report, statement or opinion may not be included in, summarized in, quoted from or otherwise used in any document or public oral statement.

#### 14. ALTERNATIVE DISPUTE RESOLUTION.

The parties hereby agree that they will first attempt to settle any dispute arising out of or relating to this Engagement Letter or the services provided hereunder through good faith negotiations in the spirit of mutual cooperation between representatives of each of the parties with authority to resolve the dispute. In the event that the parties are unable to settle or resolve their dispute through negotiation within 30 days of the dispute first arising or such longer period as the parties may mutually agree upon, such dispute shall, as promptly as is reasonably practicable, be subject to mediation pursuant to the National Mediation Rules of the ADR Institute of Canada, Inc. All disputes remaining unsettled for more than 60 days following the parties first meeting with a mediator or such longer period as the parties may mutually agree upon shall, as promptly as is reasonably practicable, be subject to arbitration pursuant to the National Arbitration Rules of the ADR Institute of Canada, Inc. (the "Arbitration Rules"). Such arbitration shall be final, conclusive and binding upon the parties, and the parties shall have no right of appeal or judicial review of the decision. The parties hereby waive any such right of appeal which may otherwise be provided for in any provincial arbitration statute made applicable under the Arbitration Rules. The place of mediation and arbitration shall be the city in Canada in which the principal KPMG office that performed the engagement is located. The language of the mediation and arbitration shall be English.



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