



Avon Maitland District School Board

**Audit Findings Report
For the year ended August 31, 2018**

KPMG LLP

Prepared as of November 9, 2018 for presentation on November 13, 2018

kpmg.ca/audit



The contacts at KPMG in connection with this report are:

Katie denBok

Lead Audit Engagement Partner

Tel: 519 660 2115

kdenbok@kpmg.ca

Deanna Baldwin

Audit Manager

Tel: 519 660 2156

deannabaldwin@kpmg.ca

Emily Loreto

Audit Senior

Tel: 519 964 2182

eloreto@kpmg.ca

Table of Contents

Executive summary	3
How we deliver audit quality	5
Audit risks and results	6
Accounting estimates	8
Data & Analytics in the audit	9
Financial statement presentation and disclosure	10
Adjustments and differences	111
Control observations	122
Appendices	13

Executive summary

Purpose of this report*

The purpose of this Audit Findings Report is to assist you, as a member of the Audit Committee, in your review of the results of our audit of the financial statements of Avon Maitland District School Board as at and for the year ended August 31, 2018.

This Audit Findings Report builds on the Audit Plan we presented to the Audit Committee on June 19, 2018.

Changes from the Audit Plan

There have been no significant changes regarding our audit from the Audit Planning Report previously presented to you.

Audit risks and results

We discussed with you as part of our audit plan the presumed significant risk of fraud relating to management override of controls.

We are satisfied that our audit work has appropriately dealt with this risk.

We also discussed with you some other areas of audit focus. We have no significant matters to report to the Audit Committee in respect of them.

See pages 6-7.

Adjustments and differences

We did not identify differences that remain uncorrected.

We did not identify any adjustments that were communicated to management and subsequently corrected in the financial statements.

*This Audit Findings Report should not be used for any other purpose or by anyone other than the Audit Committee. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this Audit Findings Report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Executive summary (continued)

Finalizing the audit

As of November 9, 2018, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include:

- receiving and reviewing reliance letter from actuary;
- obtaining the signed management representation letter, which management has indicated they are prepared to sign;
- completing our discussions with the Audit Committee; and
- obtaining evidence of the Board's approval of the financial statements.

We will update the Audit Committee, and not solely the Chair (as required by professional standards), on significant matters, *if any*, arising from the completion of the audit, including the completion of the above procedures. Our auditors' report will be dated upon the completion of any remaining procedures.

Control and other observations

We did not identify any control deficiencies that we determined to be significant deficiencies in internal controls over financial reporting.

Critical accounting estimates

Overall, we are satisfied with the reasonability of critical accounting estimates.

The critical areas of estimates relate to:

- retirement and other employee future benefits payable;
- accrued liabilities; and
- recorded value of tangible capital assets

See page 8.

Independence

We confirm that we are independent with respect to the Board, within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any other standards or applicable legislation or regulation.

Significant accounting policies and practices

Significant accounting policies and practices are disclosed in Note 1 to the financial statement. In the current year, the Board adopted PS2200 Related Party Disclosures. We have obtained an understanding of the Board's process for identifying related party relationships and method for determining required disclosures. We believe management's process for identifying significant related party transactions is adequate. This change has been applied prospectively.

How we deliver audit quality



Audit risks and results

We identified other areas of focus for our audit in our discussion with you in the Audit Planning Report.

Significant findings from the audit regarding other areas of focus are as follows:

Other areas of focus	Our response and significant findings
Government Grants and Deferred Contributions	<p><i>Audit Approach</i></p> <ul style="list-style-type: none"> We have completed substantive audit procedures to address the relevant assertions, including confirming the grant funding with the province and performing cut-off testing over revenue and receivables. <p><i>Findings</i></p> <ul style="list-style-type: none"> No significant findings were noted.
Tangible Capital Assets and Deferred Capital Contributions	<p><i>Audit Approach</i></p> <ul style="list-style-type: none"> We have performed substantive testing over capital additions, including the determination of when capital expenditures are transferred from capital in progress and amortization begins. We have also reviewed management's determination of the useful lives of capital assets and the related amortization rates and evaluated the recognition of any amounts of deferred revenue for capital expenditures to ensure that recognition is appropriate. <p><i>Findings</i></p> <ul style="list-style-type: none"> No significant findings were noted.
Employee Future Benefits	<p><i>Audit Approach</i></p> <ul style="list-style-type: none"> We performed substantive procedures, including review and application of assumptions as well as the use of management's expert – School Boards' Co-Operative Inc. ("SBCI"). We performed procedures to gain assurance that disclosures are in compliance with PSAS. <p><i>Findings</i></p> <ul style="list-style-type: none"> No significant findings were noted. Obtaining response letter from actuary remains outstanding.
Salaries and Benefits	<p><i>Audit Approach</i></p> <ul style="list-style-type: none"> We have performed substantive procedures over salaries and benefits expense. We performed procedures to gain assurance that disclosures are in compliance with PSAS. <p><i>Findings</i></p> <ul style="list-style-type: none"> No significant findings were noted.

Audit risks and results (continued)

Other areas of focus	Our response and significant findings
Payroll System Implementation	<p><i>Audit Approach</i></p> <ul style="list-style-type: none"> We obtained an understanding of the implementation process and the impact on the internal control environment. For the two payroll groups that were transferred, we used substantive testing to gain assurance that pay rates and accumulated balances for employees that were transferred are equal to those shown by the third party processor. <p><i>Findings</i></p> <ul style="list-style-type: none"> No significant findings were noted. We note that the payroll conversion is in process and the full remaining conversion will be tested as part of the F2019 audit.
Internal Audit	<p><i>Audit Approach</i></p> <ul style="list-style-type: none"> We reviewed the findings included in the internal audit report prepared by PwC over Device management and considered any impact on the financial statements and our audit procedures. <p><i>Findings</i></p> <ul style="list-style-type: none"> No significant findings were noted.

Accounting estimates

Under the Board's financial reporting framework, management is required to disclose information in the financial statements about the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to carrying amounts of assets and liabilities within the next financial year. Generally, these are considered to be "critical accounting estimates."

We have summarized our assessment of the subjective areas:

Asset / liability	KPMG comment
Retirement and other employee future benefits payable	<ul style="list-style-type: none"> • The liability for post-retirement benefits has been determined by an actuarial valuation performed by SBCI. In fiscal 2016, SBCI completed a full valuation, which is required every three years. • We obtained the SBCI report determining the estimated liability at August 31, 2018, and agreed the details to the financial statements. • We examined the discount rate of 2.90% (2017 – 2.55%) and compared it to the rate used at the other school boards across Ontario to conclude that the rate utilized was reasonable for determining the liability.
Accrued liabilities	<ul style="list-style-type: none"> • Management accrues estimates for liabilities that have been incurred at year end, but not yet paid, within accounts payable and accrued liabilities in the financial statements. • We obtained an understanding of the calculation through discussions with Management and obtained corroborative evidence to support assumptions. • We performed both subsequent event testing and a search for unrecorded liabilities to gain assurance that liabilities existing as at August 31, 2018 have been appropriately accrued.
Recorded value of tangible capital assets	<ul style="list-style-type: none"> • Management records amortization expense based on the estimated useful life of the asset. Estimated useful lives are disclosed in note 1(i) Tangible capital assets. • We recalculated amortization expense. The assumptions used by Management in the calculation are considered reasonable based on the audit evidence obtained and are consistent with the rates prescribed by the Ministry of Education. There has been no change to amortization rates in the current year.

No issues were noted as a result of performing the procedures described above. We believe management's process for identifying critical accounting estimates is considered adequate.

Data & Analytics in the audit

We have utilized Data & Analytics (D&A) in order to enhance the quality and effectiveness of the audit. We have summarized areas of the audit where D&A tools and routines were used.

Areas of focus	D&A tools and routines	Our results
Journal Entry Testing	<ul style="list-style-type: none"> We utilized KPMG application software (IDEA) to evaluate the completeness of the journal entry population through a roll-forward of 100% of the accounts. 	<ul style="list-style-type: none"> No discrepancies noted.
Deferred revenue	<ul style="list-style-type: none"> We utilized computer-assisted audit techniques to analyse journal entry account combinations to gain assurance that additions to deferred revenue did not have a corresponding debit to expenses. 	<ul style="list-style-type: none"> No discrepancies noted.

Financial statement presentation and disclosure

The presentation and disclosure of the financial statements are, in all material respects, in accordance with the Board's relevant financial reporting framework. Misstatements, including omissions, if any, related to disclosure or presentation items are in the management representation letter included in the Appendices.

We also highlight the following:

Form, arrangement, and content of the financial statements	Adequate.
---	-----------

Application of accounting pronouncements issued but not yet effective	No concerns at this time regarding future implementation.
--	---

Adjustments and differences

Professional standards require that we request of management and the Audit Committee that all identified differences be corrected. We have already made this request of management.

Adjustments and differences identified during the audit have been categorized as “Corrected adjustments” or “Uncorrected differences”. These include disclosure adjustments and differences.

Corrected adjustments

- We did not identify any adjustments that were communicated to management and subsequently corrected in the financial statements.

Uncorrected differences

- We did not identify differences that remain uncorrected.

Control observations

In accordance with professional standards, we are required to communicate to the Audit Committee any control deficiencies that we identified during the audit and have determined to be significant deficiencies in internal controls over financial reporting.

Significant deficiencies

- No significant control deficiencies came to our attention.

Appendices

Appendix 1: Required communications

Appendix 2: Auditor's report

Appendix 3: Management representation letter

Appendix 4: Audit Quality and Risk Management

Appendix 5: Background and professional standards

Appendix 6: Data & Analytics in Audit

Appendix 7: New Auditor Reporting

Appendix 1: Required communications

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

- **Auditors' report** – the conclusion of our audit is set out in our draft auditors' report as attached.
- **Management representation letter** – In accordance with professional standards, copies of the management representation letter are provided to the Audit Committee. The management representation letter is attached.

Appendix 2: Auditor's report

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of Avon Maitland District School Board

We have audited the accompanying consolidated financial statements of Avon Maitland District School Board, which comprise the consolidated statement of financial position as at August 31, 2018, the consolidated statement of operations and accumulated surplus, cash flows and change in net debt 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 of these consolidated financial statements in accordance with the basis of accounting described in Note 1 to the consolidated financial statements, 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 entity's preparation 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 entity'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 in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of Avon Maitland District School Board as at and for the year ended August 31, 2018 are prepared, in all material respects, in accordance with the basis of accounting described in Note 1 to the consolidated financial statements.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 to the consolidated financial statements which describes the basis of accounting used in the preparation of these consolidated financial statements and the significant differences between such basis of accounting and Canadian public sector accounting standards.

DRAFT

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

November XX, 2018

Appendix 3: Management representation letter

(Letterhead of Client)

KPMG LLP
1400-140 Fullarton Street
London, Ontario N6A 5P2

November xx, 2018

Ladies and Gentlemen:

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the consolidated financial statements (hereinafter referred to as “financial statements”) of Avon Maitland District School Board (“the Entity”) as at and for the period ended August 31, 2018.

General:

We confirm that the representations we make in this letter are in accordance with the definitions as set out in [Attachment I](#) to this letter.

We also confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Responsibilities:

- 1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated March 4, 2018 including for:
 - a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework.
 - b) providing you with all information of which we are aware that is relevant to the preparation of the financial statements, such as all financial records and documentation and other matters, including:
 - (i) the names of all related parties and information regarding all relationships and transactions with related parties; and
 - (ii) the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of shareholders, board of directors and committees of the board of directors that may affect the financial statements. All significant actions are included in such summaries.
 - c) providing you with unrestricted access to such relevant information.
 - d) providing you with complete responses to all enquiries made by you during the engagement.

- e) providing you with additional information that you may request from us for the purpose of the engagement.
- f) providing you with unrestricted access to persons within the Entity from whom you determined it necessary to obtain audit evidence.
- g) such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We also acknowledge and understand that we are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.
- h) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.
- i) ensuring that internal auditors providing direct assistance to you, if any, were instructed to follow your instructions and that management, and others within the entity, did not intervene in the work the internal auditors performed for you.

Internal control over financial reporting:

- 2) We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over financial reporting of which we are aware.

Fraud & non-compliance with laws and regulations:

- 3) We have disclosed to you:
 - a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
 - b) all information in relation to fraud or suspected fraud that we are aware of that involves: management, employees who have significant roles in internal control over financial reporting; or others, where such fraud or suspected fraud could have a material effect on the financial statements.
 - c) all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements, communicated by employees, former employees, analysts, regulators, or others.
 - d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements, whose effects should be considered when preparing financial statements.
 - e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Subsequent events:

- 4) All events subsequent to the date of the financial statements and for which the relevant financial reporting framework requires adjustment or disclosure in the financial statements have been adjusted or disclosed.

Related parties:

- 5) We have disclosed to you the identity of the Entity's related parties.
- 6) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.
- 7) All related party relationships and transactions/balances have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

Estimates:

- 8) Measurement methods and significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

Going concern:

- 9) We have provided you with all information relevant to the use of the going concern assumption in the financial statements.
- 10) We confirm that we are not aware of material uncertainties related to events or conditions that may cast significant doubt upon the Entity's ability to continue as a going concern.

Non-SEC registrants or non-reporting issuers:

- 11) We confirm that the Entity is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission ("SEC") Issuer (as defined by the Sarbanes-Oxley Act of 2002). We also confirm that the financial statements of the Entity will not be included in the consolidated financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

Yours very truly,

Lisa Walsh, Director of Education and Secretary of the Board

Cheri Carter, Associate Superintendent of Financial Services and Treasurer

I have the recognized authority to take, and assert that I have taken responsibility for the financial statements.

cc: Audit Committee

Attachment I – Definitions

Materiality

Certain representations in this letter are described as being limited to matters that are material. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both.

Fraud & error

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization.

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Related parties

In accordance with Canadian Accounting Standards for the public sector, a *related party* is defined as:

- when one party has the ability to exercise, directly or indirectly, control, joint control or significant influence over the other. Two or more parties are related when they are subject to common control, joint control or common significant influence. Two not-for-profit organizations are related parties if one has an economic interest in the other. Related parties also include management and immediate family members.

In accordance with Canadian Accounting Standards for the public sector a *related party transaction* is defined as:

- a transfer of economic resources or obligations between related parties, or the provision of service by one party to a related party, regardless of whether any consideration is exchanged. The parties to the transaction are related prior to the transaction. When the relationship arises as a result of the transaction, the transaction is not one between related parties.

Appendix 4: Audit Quality and 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 our [Audit Quality Resources page](#) for more information including access to our audit quality report, [Audit quality: Our hands-on process](#).

- Other controls include:
 - Before the firm issues its audit report, the 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 5: Background and professional standards

Internal control over financial reporting

As your auditors, we are required to obtain an understanding of internal control over financial reporting (ICFR) relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on internal control. Accordingly, we do not express an opinion on the effectiveness of internal control.

Our understanding of ICFR was for the limited purpose described above and was not designed to identify all control deficiencies that might be significant deficiencies and therefore, there can be no assurance that all significant deficiencies and other control deficiencies have been identified. Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing, and extent of audit procedures performed, as well as other factors.

The control deficiencies communicated to you are limited to those control deficiencies that we identified during the audit.

Documents containing or referring to the audited financial statements

We are required by our professional standards to read only documents containing or referring to audited financial statements and our related auditors' report that are available through to the date of our auditors' report. The objective of reading these documents through to the date of our auditors' report is to identify material inconsistencies, if any, between the audited financial statements and the other information. We also have certain responsibilities, if on reading the other information for the purpose of identifying material inconsistencies, we become aware of an apparent material misstatement of fact.

We are also required by our professional standards when the financial statements are translated into another language to consider whether each version, available through to the date of our auditors' report, contains the same information and carries the same meaning.

Appendix 6: Data & Analytics in Audit

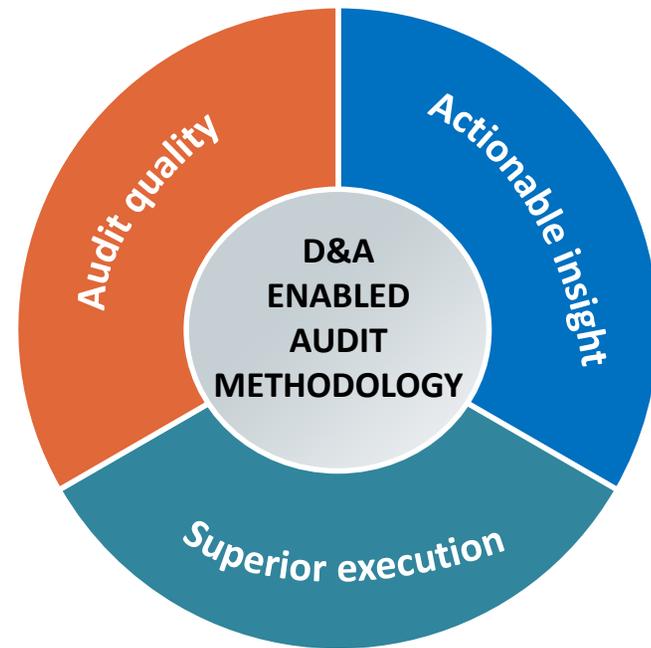
Turning data into value

KPMG continues to make significant investments in our Data & Analytics (D&A) capabilities to help enhance audit quality and provide actionable insight to our clients by unlocking the rich information that businesses hold.

When D&A is applied to the audit, it enables us to test complete data populations and understand the business reasons behind outliers and anomalies. Advancements in D&A tools allow us to analyze data at more granular levels, focusing on higher risk areas of the audit and developing insights you can then leverage to improve compliance, potentially uncover fraud, manage risk and more.

KPMG is enhancing the audit

The combination of our proven industry experience, technical know-how and external data allows us to focus our audit on the key business risks, while providing relevant insights of value to you.



FOR THE AUDIT

AUDIT QUALITY

- Automated testing of 100% of the population
- Focuses manual audit effort on key exceptions and identified risk areas

FOR YOUR BUSINESS

ACTIONABLE INSIGHT

- Helping you see your business from a different perspective
- How effectively is your organization using your systems?

Appendix 7: New Auditor Reporting

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of Avon Maitland District School Board

Opinion

We have audited the consolidated financial statements of Avon Maitland District School Board (the Board), which comprise:

- the consolidated statement of financial position as at August 31, 20XX
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net debt for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Board as at August 31, 20XX, and its consolidated results of operations and accumulated surplus, its consolidated changes in net debt and its consolidated cash flows for the year then ended in accordance with the basis of accounting described in Note 1 to the consolidated financial statements.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Board in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

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

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 to the consolidated financial statements which describes the basis of accounting used in the preparation of these consolidated financial statements and the significant differences between such basis of accounting and Canadian public sector accounting standards.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the basis of accounting described in Note 1 to the consolidated financial statements and for 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.

In preparing the financial statements, management is responsible for assessing the Board's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Board's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Board's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Board to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

London, Canada

Date

kpmg.ca/audit



KPMG LLP, an Audit, Tax and Advisory firm (kpmg.ca) and a Canadian limited liability partnership established under the laws of Ontario, is the Canadian member firm of KPMG International Cooperative ("KPMG International").

KPMG member firms around the world have 174,000 professionals, in 155 countries.

The independent member firms of the KPMG network are affiliated with KPMG International, a Swiss entity. Each KPMG firm is a legally distinct and separate entity, and describes itself as such.

© 2017 KPMG LLP, a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.