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AUDIT

Middlesex-London Health Unit

Audit Findings Report

For the year ending December 31, 2011

KPMG LLP, Chartered Accountants, Licensed Public Accountants

kpmg.ca

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Chartered Accountants
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Dear Members of the Board,

We have prepared this audit findings report to assist you with your review of the financial statements and the carrying out of your committee responsibilities. We are here to help. We encourage you to ask us for more information on any of the matters covered in this report—and beyond.

Audit quality

The quality of an audit and the resulting financial statements are receiving an increased level of scrutiny around the world. Audit quality is at the core of everything we do at KPMG, and we believe that it is not just about providing the right audit opinion, but also the steps we take to provide that audit opinion. One component of our efforts in this area is the development and implementation of the KPMG Audit Quality Framework to help ensure that every partner and professional concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent audit opinion. We invite you to review "KPMG's Audit Quality Framework", summarized in the appendices of this report.

Reaching out to audit committees

KPMG's Audit Committee Institute holds Audit Committee Roundtables across the country twice yearly. You are cordially invited to attend. For information and registration, please visit www.kpmg.ca/auditcommittee/roundtables.html.

We appreciate the assistance of management and staff in conducting our audit. We hope this audit findings report is of assistance to you as you carry out your agenda, and we look forward to discussing our findings and answering your questions at the upcoming audit committee meeting.

Yours sincerely,

Ian J. Jeffreys

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 interactions with you. Ultimately, we measure our success from the only perspective that matters—yours.

For KPMG's audit committee resources, please visit kpmg.ca/auditcommittee

Contents

Executive summary

Overview

The purpose[1] of this Audit Findings Report is to assist you, as a member of the Board, in your review of the financial statements of Middlesex-London Health Unit ("MLHU") for the period ended December 31, 2011.

Status

As of the date of this report, we have completed the audit of the financial statements, with the exception of certain remaining procedures which include:

- Obtaining the signed management representation letter
- Completing our discussions with the Board
- Obtaining evidence of the Board's approval of the financial statements

Please refer to the Appendices for our draft audit report. We will update you on any significant matters arising from the completion of the audit, including completion of the above procedures.

[1] 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.

Audit scope

Scope of the audit

The purpose of an audit is to enhance the degree of confidence of the users of the financial statements through the expression of an opinion on whether the financial statements fairly present, in all material respects, the financial position, financial performance, and cash flows of Middlesex-London Health Unit in accordance with Canadian generally accepted accounting principles.

In planning our audit, we have considered the level of audit work required to support our opinion, including each of the following matters:

Our responsibilities

- Our responsibilities in carrying out our audit, as well as management's responsibilities, are set out in the engagement letter included in the appendices to this report.

Materiality

- We determine materiality in order 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.
- For the current period, materiality of $600,000 was determined based on 2% of 2010 expenses.
- We will communicate corrected and uncorrected misstatements identified by us during the audit that are greater than $30,000.
- Should uncorrected misstatements remain, in accordance with professional standards, we will:
  - request that all uncorrected misstatements be corrected.
  - communicate the effect that uncorrected misstatements, individually or in aggregate, may have on our audit opinion.

Service team

Ian Jeffreys Lead Audit Engagement Partner	**Telephone:** 519-660-2137 email: ijeffreys@kpmg.ca
David Ross Audit Engagement Manager	**Telephone:** 519-660-2146 email: davidross@kpmg.ca

Significant audit, accounting and reporting matters

Matters to discuss

Included in this report are matters we have highlighted for discussion at the upcoming Board meeting. We look forward to discussing these matters and our findings with you.

Matters related to management's judgment and estimates

We have highlighted below significant matters related to management's judgment and estimates that we would like to bring to your attention:

Manulife Benefit Asset
• MLHU makes contributions to Manulife on a monthly basis to cover employee benefit costs and maintains a surplus with Manulife to cover fluctuations in these costs. • KPMG identified a refund from Manulife of $100,000 that was received in September 2011 and had been recognized as a reduction of F2011 salaries and benefit expenses. • Management investigated further and identified that the surplus with Manulife had grown to $581,841 as at December 31, 2011.
KPMG comments
• KPMG reviewed the agreement with Manulife to verify that MLHU has the ability to withdraw the excess funds at any time. • KPMG also obtained statements from the benefit provider to verify the extent of the surplus as at December 31, 2011. • Management obtained approval from the Board to establish a reserve for the surplus with Manulife. KPMG reviewed the May 2012 Board minutes to verify this approval to support the recognition of the reserve in the financial statements.
Misstatements
• KPMG proposed an adjusting entry to increase Cash and decrease Benefits expense by $581,841. This proposed entry was recorded by Management and is reflected in our schedule of corrected misstatements below.
Significant deficiencies
• No significant deficiencies were identified relating to the Manulife benefit asset.

Amortization of Leasehold Improvements
• During the audit, KPMG identified that additions to leasehold improvements are amortized over the full term of the leased asset to which they relate, instead of being amortized over the remaining lease term. • This results in an understatement of amortization expense for additions to leased assets, particularly for leased assets with a small remaining lease term.
KPMG comments
• KPMG examined the listing of additions to leased assets for the year and, on a sample basis, vouched additions to supporting invoices. • KPMG recalculated the amortization of the leasehold improvements based on the remaining lease terms and compared to the amortization expense recorded by Management. • The understatement of amortization expense was determined to be not significant for the current fiscal year; however KPMG recommends that the entity begin amortizing leasehold improvement additions based on the remaining term of the related leased asset, as this could result in material differences in future years.
Misstatements
• No audit misstatements were identified relating to leasehold improvements.
Significant deficiencies
• No significant deficiencies were identified relating to leasehold improvements.

Significant qualitative aspects of accounting practices

The following are the significant qualitative aspects of accounting practices that we plan to discuss with you:

Significant accounting policies	• All significant accounting policies are disclosed in notes to the financial statements. • There were no new accounting policies adopted, and there were no changes made to existing accounting policies during the period. • KPMG reviewed accounting policies adopted by management, including management's assessment of all accounting policies adopted by the entity, and all are considered appropriate.
Significant accounting estimates	• Management's identification of accounting estimates. • Management's process for making accounting estimates. • There are no indicators of management bias as a result of our audit over estimates. • Disclosure of estimation uncertainty in the financial statements is included in all financial statements as *Use of Estimates*. This note provides information on areas in the financial statements that include estimates. • Management evaluates these estimates on a regular basis to ensure they are appropriate.
Significant disclosures	• Overall neutrality, consistency, and clarity of the disclosures in the financial statements. • Potential effect on the financial statements of significant risks, exposures and uncertainties. • Otherwise, all other disclosure is required in accordance with GAAP and is not considered to be significant or sensitive in nature. • Overall, the disclosures in the financial statements are clear and are consistent with prior periods.

Misstatements

Identification of misstatements

Misstatements identified during the audit have been categorized as follows:

- uncorrected misstatements in excess of $30,000, including disclosures
- corrected misstatements in excess of $30,000 including disclosures.

Uncorrected misstatements

We have not identified any misstatements that remain uncorrected.

Corrected misstatements

	Income effect	Financial position		
Description	**(Decrease) Increase**	**Assets (Decrease) Increase**	**Liabilities (Decrease) Increase**	**Equity (Decrease) Increase**
To recognize the surplus in MLHU's Manulife benefit account at year end.	581,841	581,841	-	581,841
Total misstatements	581,841	581,841	-	581,841

Control deficiencies

Background and professional standards

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.

Identification

We did not identify any control deficiencies that we determined to be significant deficiencies in ICFR.

Appendices

Draft audit report

Independence letter

Management representation letter

KPMG's Audit Quality Framework

Draft audit report

To the Chair and Members, Middlesex-London Board of Health

We have audited the accompanying financial statements of Middlesex-London Health Unit, which comprise the statement of financial position as at December 31, 2011, the statement of operations, changes in net debt 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 financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, 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.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation 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 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 financial statements.

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Middlesex-London Health Unit as at December 31, 2011, and its financial performance and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Independence letter

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Middlesex-London Health Unit
50 King Street
London, ON
N6A 5L7

June 21, 2012

Dear Members of the Board

Professional standards specify that we communicate to you in writing, at least annually, all relationships between the Entity (and its related entities) and our firm, that may reasonably be thought to bear on our independence.

In determining which relationships to report, we are required to consider relevant rules and related interpretations prescribed by the Institute of Chartered Accountants of Ontario (the "ICAO") and any applicable legislation or regulation, covering such matters as:

a) provision of services in addition to the audit engagement

b) other relationships such as:

- holding a financial interest, either directly or indirectly, in a client

- holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client

- personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client

- economic dependence on a client.

We have prepared the following comments to facilitate our discussion with you regarding independence matters arising since our last letter dated September 12, 2011.

PROVISION OF SERVICES

The following summarizes the professional services rendered by us to the Entity (and its related entities) up to the date of this letter:

Description of Professional Services
Audit Audit of December 31, 2011 Financial Statements Audit of March 31, 2012 Consolidated Programs

Professional standards require that we communicate the related safeguards that have been applied to eliminate identified threats to independence or to reduce them to an acceptable level. Although we have policies and procedures to ensure that we did not provide any prohibited services and to ensure that we have not audited our own work, we have applied the following safeguards regarding to the threats to independence listed above:

- We did not assume the role of management by instituting policies and procedures to prohibit us from making management decisions or assuming responsibility for such decisions

- We obtained pre-approval of non-audit services and during this pre-approval process we discussed the nature of the engagement, extent of fees charged, and other independence issues related to the services

- We obtained management's acknowledgement of responsibility for the results of the work performed by us regarding non-audit services and we have not made any management decisions or assumed responsibility for such decisions

OTHER RELATIONSHIPS

We are not aware of any other relationships between our firm and the Entity (and its related entities) that may reasonably be thought to bear on our independence up to the date of this letter.

CONFIRMATION OF INDEPENDENCE

We confirm that we are independent with respect to the Entity (and its related entities) within the meaning of the Rules of Professional Conduct/Code of Ethics of the ICAO as of the date of this letter.

OTHER MATTERS

This letter is confidential and intended solely for use by those charged with governance in carrying out and discharging their responsibilities and should not be used for any other purposes.

KPMG shall have no responsibility for loss or damages or claims, if any, to or by any third party as this letter has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Yours very truly,

KPMG LLP

Chartered Accountants, Licensed Public Accountants

Management representation letter

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

June 21, 2012

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 financial statements (hereinafter referred to as "financial statements") of Middlesex-London Health Unit ("the Entity") as at and for the period ended December 31, 2011.

We 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:

GENERAL:

1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated December 1, 2010, for:

   a) the preparation: and fair presentation of the financial statements

   b) providing you with all relevant information and access

   c) such internal control as management determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error

   d) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.

ACCOUNTING POLICIES:

2) The accounting policies selected and applied are appropriate in the circumstances.

3) There have been no changes in, or newly adopted, accounting policies that have not been disclosed to you and appropriately reflected in the financial statements.

4) Retrospective application has been made to the prior period financial statements for changes in accounting policies in accordance with the relevant financial reporting framework.

ESTIMATES / MEASUREMENT UNCERTAINTY:

5) We are responsible for making any fair value measurements and disclosures included in the financial statements.

6) For recorded or disclosed amounts that incorporate fair value measurements:

   a) the measurement methods are appropriate and consistently applied.

   b) the significant assumptions used in determining fair value measurements represent our best estimates, are reasonable, are adequately supported and have been consistently applied.

   c) the resulting valuations are reasonable.

   d) presentation and disclosure is complete and appropriate and in accordance with the relevant financial reporting framework.

ASSETS & LIABILITIES – GENERAL:

7) We have no knowledge of material unrecorded assets or liabilities or contingent assets or liabilities (such as claims related to patent infringements, unfulfilled contracts, etc., whose values depend on fulfillment of conditions regarded as uncertain or receivables sold or discounted, endorsements or guarantees, additional taxes for prior years, repurchase agreements, sales subject to renegotiation or price re-determination, etc.) that have not been disclosed to you.

8) We have no knowledge of shortages that have been discovered and not disclosed to you (such as shortages in inventory, cash, negotiable instruments, etc.).

9) We have no knowledge of arrangements with financial institutions involving restrictions on cash balances and lines of credit or similar arrangements and not disclosed to you.

10) We have no knowledge of agreements to repurchase assets previously sold, including sales with recourse, that have not been disclosed to you.

11) We have no knowledge of side agreements (contractual or otherwise) with any parties that have not been disclosed to you.

COMPARATIVE FIGURES/FINANCIAL STATEMENTS:

12) We have no knowledge of any significant matters that may have arisen that would require a restatement of the comparative figures/financial statements.

RECEIVABLES:

13) Receivables reported in the financial statements represent valid claims against customers and other debtors for sales or other charges arising on or before the balance sheet date. Receivables have been appropriately reduced to their net realizable value.

PROVISIONS:

14) Provision, when material, has been made for:

    a) losses to be sustained in the fulfillment of, or inability to fulfill, any sales commitments.

    b) losses to be sustained as a result of purchase commitments for assets at quantities in excess of normal requirements or at prices in excess of prevailing market prices.

    c) losses to be sustained from impairment of property, plant and equipment, including amortizable intangible assets.

    d) losses to be sustained from impairment of goodwill and/or non-amortizable assets.

FINANCIAL INSTRUMENTS, OFF-BALANCE-SHEET ACTIVITIES, HEDGING AND GUARANTEES:

15) Guarantees, whether written or oral, under which the Entity is contingently liable, including guarantee contracts and indemnification agreements, have been recorded and/or disclosed in accordance with the relevant financial reporting framework.

16) The following information about financial instruments has been properly disclosed in the financial statements:

    a) extent, nature, and terms of financial instruments, both recognized and unrecognized;

    b) the amount of credit risk of financial instruments, both recognized and unrecognized, and information about the collateral supporting such financial instruments; and

c) significant concentrations of credit risk arising from all financial instruments, both recognized and unrecognized, and information about the collateral supporting such financial instruments.

d) All financial assets and liabilities outstanding as of the balance sheet date have been reviewed and correctly classified or designated as either: held-for-trading, held-to-maturity, loans and receivables or available-for-sale financial assets or other financial liabilities in accordance with the relevant financial reporting framework, and have been appropriately recorded at their fair value, amortized cost or cost based on their classification or designation.

INTERNAL CONTROL OVER FINANCIAL REPORTING:

17) We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over financial reporting of which management is aware.

FRAUD & NON-COMPLIANCE WITH LAWS AND REGULATIONS:

18) 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 and that affects the Entity and involves: management, employees who have significant roles in internal control, or others, where the fraud could have a material effect on the financial statements.

c) all information in relation to allegations of fraud, or suspected fraud, affecting the Entity’s 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.

COMMITMENTS & CONTINGENCIES:

19) There are no:

a) other liabilities that are required to be recognized and no other contingent assets or continent liabilities that are required to be disclosed in the financial statements in accordance with the relevant financial reporting framework, including liabilities or contingent liabilities arising from illegal acts or possible illegal acts, or possible violations of human rights legislation

b) other environmental matters that may have an impact on the financial statements

SUBSEQUENT EVENTS:

20) 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:

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

ESTIMATES:

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

NON-SEC REGISTRANTS OR NON-REPORTING ISSUERS:

23) 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 financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization

MISSTATEMENTS:

24) We approve the corrected misstatements identified by you during the audit described in Attachment II.

Yours very truly,

____
Dr. Graham Pollett, MD
Medical Officer of Health and Chief Executive Officer

____
John Millson
Finance and Operations Manager

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:

- Exist 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 services 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.

Attachment II – Summary of Audit Misstatements Schedules

Summary of Uncorrected Audit Misstatements, including disclosures

No uncorrected misstatements noted.

Summary of Corrected Audit Misstatements, including disclosures

	Income effect	Financial position		
Description	**(Decrease) Increase**	**Assets (Decrease) Increase**	**Liabilities (Decrease) Increase**	**Equity (Decrease) Increase**
A surplus in MLHU's Manulife benefit account was unrecorded at year end.	581,841	581,841	-	-
Total misstatements	581,841	581,841	-	-

Attachment III – Management Responsibilities

Management acknowledges and understands that it is responsible for:

- the preparation of the financial statements for consolidation purposes.

- ensuring that all transactions have been recorded and are reflected in the financial statements for consolidation purposes.

- such internal control as management determines is necessary to enable the preparation of financial statements for consolidation purposes 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 for consolidation purposes such as records, documentation and other matters.

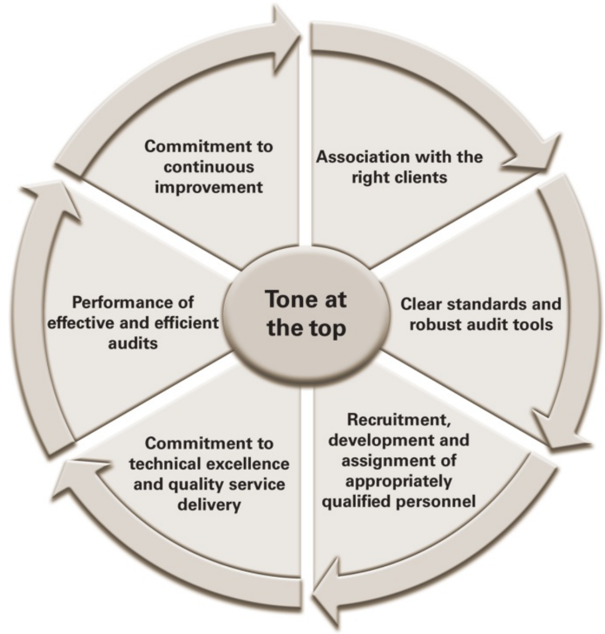
- providing us with additional information that we may request from management for the purpose of the audit.

- providing us with unrestricted access to persons within the Entity from whom we determine it necessary to obtain audit evidence.

- 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 when management does not provide certain written representations required.

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

KPMG's Audit Quality Framework



Audit quality, and the respective roles of the auditor and audit committee, is fundamental to the integrity of financial reporting in our capital markets.

This is why audit quality is at the core of everything we do at KPMG. And we believe that it is not just about reaching the right opinion, but how we reach that opinion.

To help ensure that every partner and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework.

The framework comprises seven key drivers of audit quality.

The seven key drivers of audit quality

<table>
<tr><th>Driver</th><th>What it does</th><th>What it means to you</th></tr>
<tr><td>Tone at the top</td><td>Audit quality is part of our culture and our values and therefore non-negotiable

Allows the right behaviours to permeate across our entire organization and each of our engagements</td><td rowspan="4">Assures you that:

• Our culture supports our promise to you of excellent client service and a high quality audit—consistently

• You're receiving an independent, transparent, audit opinion

• You're receiving an efficient and high quality audit that will help you maintain investor confidence in your financial statements.

Provides you with:

• An engagement team handpicked for your business needs – a team with relevant professional and industry experience

• An audit engagement team whose qualifications evolve as your business grows and changes</td></tr>
<tr><td>Association with the right clients</td><td>Ethics above all

Eliminates any potential independence and conflict-of-interest issues</td></tr>
<tr><td>Clear standards and robust audit tools</td><td>A solid rule book

Rigorous internal policies and guidance that help ensure our work meets applicable professional standards, regulatory requirements, and KPMG's standards of quality</td></tr>
<tr><td>Recruitment, development and assignment of appropriately qualified personnel</td><td>People who add value

Helps us attract and retain the best people and reinforces the importance of developing their talents

Assigns Partners' portfolios based on their specific skill sets</td></tr>
</table>

Driver	What it does	What it means to you
Commitment to technical excellence and quality service delivery	**The right tools for the right job** Promotes technical excellence and quality service delivery through training and accreditation, developing business understanding and industry knowledge, investment in technical support, development of specialist networks, and effective consultation processes	• An audit opinion that continues to meet your needs as a participant in the capital markets **Assists you with:** • Assessing the effectiveness and efficiency of the audit • Performing your governance role with confidence.
Performance of effective and efficient audits	**We understand that how an audit is conducted is as important as the final result.** A code of conduct, audit delivery tools, and internal policies and procedures that help ensure the work performed by engagement personnel meets applicable professional standards, regulatory requirements, and our standards of quality	
Commitment to continuous improvement	**Comprehensive and effective monitoring** We solicit our clients regularly for feedback. Our robust internal quality review program ensures the work of each partner is reviewed every three years. Additionally, our procedures and a sample of our audits of listed clients are reviewed by the Canadian Public Accountability Board (CPAB), the independent regulator of the accountancy profession in Canada. The Public Accountability Oversight Board (PCAOB) in the US also conducts an annual inspection of a sample of our audits of SEC registrants. Finally, a sample of other audits and reviews is undertaken annually by the various provincial institutes in Canada. We consider the recommendations that come from these reviews and implement actions to strengthen our policies and procedures, as appropriate.	

The regulatory landscape is changing

Uncertain economic forecasts and a changing regulatory environment define today's world; reliable financial information and high-quality audits have never been more essential.

We believe that high quality audits contribute directly to market confidence and we share your objectives of credible and transparent financial reporting.

Our Audit Quality Framework is particularly relevant to Audit Committees, and we see our role in being transparent to you as a key mechanism to support you in the execution of your responsibilities.

Our commitment to quality

The independence, judgment and professional skepticism of your auditors add value to your financial statements, and we believe it is important to be transparent about the processes we follow to develop a KPMG audit report. We want you to have absolute confidence in us and in the quality of your audit.

Our own professional standards dictate technical requirements for reaching and communicating an audit opinion. And we live and abide by these requirements. We invest heavily in our quality, and the Audit Quality Framework helps ensure these investments are the right ones—that they help us continuously drive and maximize our quality improvements. But we feel it is also important that we communicate to you how we view and implement audit quality. The seven key drivers outlined here, combined with the commitment of each individual in KPMG, are meant to do just that.

KPMG member firms across the world use this audit quality framework to describe, focus on and enhance audit quality for the benefit of our clients and in support of the efficacy of our capital markets.

It is our hope that sharing our vision of what audit quality means is a significant step in building confidence in the value of our audits.

Audit quality is fundamental to the way we work – it is non-negotiable.