KPMG
cutting through complexity™

AUDIT

# Children's Aid Society of the Districts of Nipissing and Parry Sound

## Audit Findings Report to the Finance Committee

For the year ending March 31, 2011

**KPMG LLP**, Chartered Accountants, Licensed Public Accountants

# Contents

# Executive Summary

## Overview and Status

The purpose[1] of this Audit Findings Report is to assist the Finance Committee in your review of the financial statements of the Operating and Building and Other Non-Program Delivery Funds of The Children's Aid Society of the Districts of Nipissing and Parry Sound for the period ended March 31, 2011.

We have completed the audit of the financial statements with the exception of the following remaining procedures:

- Obtain signed management representation letter
- completing our discussions with the finance committee
- obtaining evidence of the Board's approval of the financial statements.

We will update the finance committee on any significant matters arising from the completion of the above procedures, as additional procedures or adjustments to the financial statements may be necessary.

Our audit report will be dated no earlier than the date on which we have obtained sufficient appropriate audit evidence on which to base our audit opinion on the financial statements, including evidence that:

- all the statements that comprise the financial statements, including the related notes, have been prepared
- the Board has approved the financial statements.

## Topics to Discuss

Below are topics identified from the audit that we have highlighted for discussion at the upcoming Finance committee meeting. We believe these topics need to be brought to your attention, and we look forward to discussing our findings with you:

- Significant Accounting and Reporting Matters
- Significant Qualitative Aspects of Accounting Practices
- Misstatements
- Control Deficiencies
- Other Information and Consent to the Use of the Audit Report

[1] This Audit Findings Report should not be used for any other purpose. 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 any other purpose.

# Scope and timing of the audit

## Our responsibilities

- Our responsibilities are described in the engagement letter in Appendix 5.

## Scope – Materiality

- We determine materiality to:
  - plan and perform the audit
  - evaluate the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements.
- For the current year, materiality of $182,000 and performance materiality of $136,500 has been determined for the Operating Fund and materiality of $36,000 and performance materiality of $27,000 has been determined for the Building Fund..
- Should uncorrected misstatements remain, we will:
  - in accordance with professional standards, request that all uncorrected misstatements be corrected
  - communicate the effect that uncorrected misstatements, individually or in aggregate, may have on the opinion in the audit report on the financial statements.

The following are the audit response to identified financial reporting risks related to the audit of:

| | *Inherent Risk*[3] | | | *Planned Audit Approach* | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | Selected Controls | | | | |
| *Significant Accounts & Disclosures*[1] | Relevant assertions[2] | Risk of Error | Risk of Fraud[4] | Evaluate design & implementation | Test operating effectiveness | Substantive analytical procedures | Substantive test of details | Involvement of others |
| Cash | CEAP | Low | No | No | No | No | Yes (confirmation) | No |
| Trade accounts receivable | CEA | Low | No | No | No | No | Yes (confirmation) | No |
| MCYS Receivable | CEA | Low | No | No | No | No | Yes (confirmation) | No |
| Deferred revenue | CEA | Low | No | No | No | No | Yes | No |
| Capital assets | CEAVP | Low | No | No | No | No | Yes | No |
| Term deposits/Deposits held in trust | CEAP | Low | No | No | No | No | Yes(confirmation) | No |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| MCYS revenue | CEA | Low | No | No | No | No | Yes (confirmation | No |
| Prepaid expenses | CEA | Low | No | No | No | No | Yes | No |
| Non-payroll expenses | EA | Low | No | No | No | No | Yes | No |
| Payroll expenses | EAP | Low | No | Yes | Yes | No | Yes | No |
| Accounts payable and accrued liabilities | CEA | Low | No | No | No | No | Yes | No |
| Due to/from other funds | CEA | Low | No | No | No | No | Yes | No |
| Unrestricted fund balance | CEA | Low | No | No | No | No | Yes | No |

1) An account balance is considered "significant" if there is more than a remote likelihood that an account could contain misstatements that individually, or when aggregated with others, could have a material effect on the financial statements. All note disclosures are considered significant.

(2) Relevant assertions have been abbreviated as follows: completeness (C), existence (E), accuracy (A), valuation (V), rights and obligations (O), presentation (P).

(3) Inherent risk is the susceptibility of a financial statement assertion to misstatement due to error or fraud, which could be material either individually or when aggregated with other misstatements, assuming that there were no related internal controls.

(4) Fraud risk is the susceptibility of an account to be misstated because of fraudulent financial reporting or misappropriation of assets.

## Significant Audit, Accounting and Reporting Matters

The following are the significant audit, accounting and reporting matters arising from the audit:

| Matter Identified | Results / Effect on the Audit | Misstatements and Control Deficiencies |
|---|---|---|
| **Going concern assumption and related financial statement disclosure** | • We reviewed management's assessment of the Society as a going concern in light of recent financial performance and budgeted projections as prepared by management.<br>• The nature and extent of going concern issues has been appropriately disclosed in the notes to the financial statements | • We did not identify any misstatements or errors in disclosure with respect to this matter. |
| **Departure from Canadian Generally Accepted Accounting Principles** | • The Building Fund capitalizes its capital assets but does not amortize them over their estimated useful lives as required by Canadian generally accepted accounting principles.<br>• KPMG qualified its audit opinion with respect to this departure from Canadian generally accepted accounting principles.<br>• KPMG calculated the amount of the amortization and the accumulated amortization of capital assets and disclosed the amounts in its qualified audit opinion. | • Amortization expense was understated by app. $143,000, capital assets were overstated by app. $2,942,000 and opening fund balances overstated by app. $2,799,000. |
| **Contingency with respect to outstanding lawsuit** | • The Society has been named as a defendant in a legal action claiming damages in the amounts of $1,800,000. The outcome of this matter is undeterminable at this time. Accordingly, no provision for losses has been reflected in the accounts of the Society for this matter.<br>• The claim represents a | • We did not identify any misstatements or errors in disclosure with respect to this matter.. |

| | | |
|---|---|---|
| | contingent liability and therefore should be disclosed in the notes to the financial statements.<br>• Management sent a legal enquiry letter confirming the amount of the claims and their assessment of their outcome.<br>• The nature and extent of this contingency has been disclosed in the notes to the financial statements. | |
| **Other matter" paragraph of the auditors' report** | • Consistent with prior years, our auditors' report contains a paragraph which describes the degree to which our audit opinion extends to the Schedules attached to the financial statements | • We did not identify any misstatements or errors in disclosure with respect to this matter.. |

## Significant Qualitative Aspects of Accounting Practices

The following are the significant qualitative aspects of accounting practices that we will discuss:

| | |
|---|---|
| **Significant Accounting Policies** | • The Operating Fund's financial statements were prepared to comply with the Ministry of Children and Youth Services (MCYS) year end reporting requirements. These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles (GAAP) are solely for the use of the Society's board of directors and MCYS to comply with the year end reporting requirements of the MCYS. The financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.<br>• The Building Fund's financial statements were prepared in accordance with Part V Pre-changeover accounting standards except for the failure to amortize capital assets over their estimated useful lives as described above. |

# Misstatements

## Audit Misstatements – Identification

- Misstatements identified during the audit have been categorized as follows:
  - uncorrected audit misstatements, including disclosures
  - corrected audit misstatements, including disclosures

## Corrected Audit Misstatements

- There were no corrected misstatements identified during the course of the audits.

## Uncorrected Misstatements

- The following is the uncorrected misstatement in the Building Fund.

| | Earnings | Balance Sheet | | |
|---|---|---|---|---|
| **Description** | **Over (under) Stated** | **Assets over (under) Stated** | **Liabilities over (under) Stated** | **Opening Equity over (under) stated** |
| Amortization of capital assets in the Building Fund | $143,000 | $2,942,000 | - | $2,799,000 |

# Control Deficiencies

## Background

- In planning and performing our audit of the financial statements, we considered internal control 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 consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all control deficiencies that might be significant deficiencies.
- 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 consider to be significant deficiencies in internal control.

## Other Information

As a result of adoption of Canadian Auditing Standards (CASs), our professional responsibilities regarding other information containing, or incorporating by reference, the audited financial statements and our audit report thereon has changed.

### When not engaged to consent to the use of the audit report in connection with designated filings documents

In circumstances when we have not been specifically engaged to consent to the use of the audit report in connection with certain designated documents filed with securities regulatory authorities (such as continuous disclosure documents or offering documents), we are nonetheless required by our professional standards to read documents containing, or incorporating by reference, audited financial statements and the audit report thereon that are available through to the date of our audit report. The objective of reading these documents through to the date of our audit 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.

When we are specifically engaged to consent to the use of our audit report in connection with designated filing documents filed with securities regulatory authorities, we will read information containing, or incorporating by reference, audited financial statements and the audit report thereon that is available up to the date of our consent, as well as perform certain additional procedures specified by our professional standards**.**

# Appendices

## Appendix 1 – Independence Letter

KPMG LLP
**Chartered Accountants**
925 Stockdale Road, Ste. 300, PO Box 990
North Bay Ontario P1B 8K3
Canada

Telephone (705) 472-5110
Fax (705) 472-1249
Internet www.kpmg.ca

**PRIVATE & CONFIDENTIAL**

Board of Directors
The Children's Aid Society of the Districts of Nipissing and Parry Sound
P.O Box 1035
North Bay, On P1B 8H3

June 23, 2011

Dear Board of Directors :

We have been engaged to report on the financial statements of ("the Group") as at and for the period ended March 31, 2011.

| | Entity | Report |
|---|---|---|
| 1 | Building and Other Non-Program Delivery funds | Audit |
| 2 | Play Your Part Parenting Program | Audit |
| 3 | Community Action Program for Children/Nipissing Prenatal Nutrition Program | Audit |
| 4 | Operating Fund | Audit |

Professional standards specify that we communicate to you in writing, at least annually, all relationships between the Group (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 and any applicable legislation or regulation, covering such matters as:

a) provision of services in addition to the engagements listed above
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 the date of our last letter.

## PROVISION OF SERVICES

The following summarizes the professional services rendered by us to the Group (and its related entities) for the period ended March 31, 2011.

| Description of Service |
|---|
| **Audit**<br>• Audits of the specified purpose financial statements of the Operating Fund.<br>• Audits of the financial statements of the Building Fund<br>• Audits of the financial statements of the Play Your Part Parenting Program<br>• Audits of the Community Action Program for Children/Nipissing Prenatal Nutrition Program |
| **All other**<br>• Preparation of financial statements |

## OTHER RELATIONSHIPS

We are not aware of any relationships between our firm and the Group (and its related entities) that may reasonably be thought to bear on our independence during the period from April 1, 2010 to June 23, 2011.

## CONFIRMATION OF INDEPENDENCE

Professional standards require that we confirm our independence to you in the context of the relevant ethical requirements regarding independence.

Accordingly, we hereby confirm that we are independent with respect to the Group (and its related entities) within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario as of June 23, 2011.

## 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 for any other purpose.

Yours very truly,

Chartered Accountants, Licensed Public Accountants

## Appendix 2 – Management Representation Letter

THE CHILDREN'S AID SOCIETY OF THE DISTRICTS OF NIPISSING AND PARRY SOUND
P.O BOX 1035
NORTH BAY, ON P1B 8H3

KPMG LLP
Chartered Accountants
925 Stockdale Road, Ste. 300, PO Box 990
North Bay, Ontario P1B 8K3
Canada

June 23, 2011

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 specified-purpose financial statements (hereinafter referred to as "financial statements") of the Operating Fund of The Children's Aid Society of the Districts of Nipissing and Parry Sound ("the Entity") as at and for the period ended March 31, 2011.

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 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 May 9, 2011, 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.

**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 management is aware.

**FRAUD & NON-COMPLIANCE WITH LAWS AND REGULATIONS:**

3) We have disclosed to you:

   a) the results of our assessment of the risks 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:**

4) There are no:

   a) other liabilities that are required to be recognized and no other contingent assets or contingent 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:**

5) 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:**

6) 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:**

7) 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:**

8) 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,

THE CHILDREN'S AID SOCIETY OF THE DISTRICTS OF NIPISSING AND PARRY SOUND

By: Ms. Gisele Hebert, Executive Director

By: Mr. Neal Reevie, Manager of Finance and Administration

**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 generally accepted accounting principles *related party* is defined as:

- Related parties 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 generally accepted accounting principles a *related party transaction* is defined as:

- A related party transaction is 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.

THE CHILDREN'S AID SOCIETY OF THE DISTRICTS OF NIPISSING AND PARRY SOUND
PO BOX 1035
NORTH BAY, ONTARIO P1B 8H3

KPMG LLP
Chartered Accountants
925 Stockdale Road, Ste. 300, PO Box 990
North Bay, Ontario P1B 8K3
Canada

June 23, 2011

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 the Building and Other NOn-Program Delivery Funds of The Children's Aid Society of the Districts of Nipissing and Parry Sound ("the Entity") as at and for the period ended March 31, 2011.

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 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 May 9, 2011, 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.

**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 management is aware.

**FRAUD & NON-COMPLIANCE WITH LAWS AND REGULATIONS:**

3) We have disclosed to you:

   a) the results of our assessment of the risks 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:**

4) There are no:

   a) other liabilities that are required to be recognized and no other contingent assets or contingent 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:**

5) 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:**

6) 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:**

7) 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:**

8) 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.

**MISSTATEMENTS:**

9) The effects of the uncorrected misstatements described in Attachment II are immaterial, both individually and in the aggregate, to the financial statements as a whole.

Yours very truly,

THE CHILDREN'S AID SOCIETY OF THE DISTRICTS OF NIPISSING AND PARRY SOUND

By: Mr. Neal Reevie, Manager of Finance and Administration

By: Ms. Gisele Hebert, Executive Director

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 with Part V - Pre-changeover accounting standards *related party* is defined as:

- When one part has the ability to exercise, directly or indirectly, contro, 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.

In accordance with Part V -Pre-changeover accounting standards 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 areises as a result of the transaction, the transaction is not one between related parties.

## Attachment II

## Summary of uncorrected audit misstatement

**Method used to evaluate audit differences:** Income statement (Roll over)

| # | Account # | Account Name | Description / Identified During | Error Type | Amount | Income Effect DR (CR) | | | Impact on financial statement captions - DR(CR): Balance Sheet Effect | | | | | Cash Flow Effect | | | Statement of Comprehensive Income - Debit (Credit) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | DR (CR) | Income effect of correcting the balance sheet in prior period | Income effect of correcting the current period balance sheet (Iron curtain method) | Income effect (Rollover method) | Equity at period end | Current Assets | Non-Current Assets | Current Liabilities | Non-Current Liabilities | Operating Activities | Investing Activities | Financing Activities | |
| 1 | 7400 | Amortization | To record amortization expense and accumulated amortization of capital assets | | $ 142,993 | $ - | $ 142,993 | $ 142,993 | $ - | | | | | $ - | $ - | $ - | $ - |
| | 1561 | Less: accumu amort'n | | | $ (2,942,151) | | | | $ - | $ - | $ (2,942,151) | $ - | $ - | $ - | $ - | $ - | $ - |
| | 2906 | 2000 Surplus/Deficit | | | $ 2,799,158 | | | | $ 2,799,158 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| **Total uncorrected misstatements (before tax)** | | | | | | $ - | $ 142,993 | $ 142,993 | $ 2,799,158 | $ - | $ (2,942,151) | $ - | $ - | $ - | $ - | $ - | $ - |
| **Tax effect of uncorrected misstatements or tax audit misstatements** | | | | | | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| **Total uncorrected misstatements (after tax)** | | | | | | $ - | $ 142,993 | $ 142,993 | $ 2,799,158 | $ - | $ (2,942,151) | $ - | $ - | $ - | $ - | $ - | $ - |
| **Final financial statement amounts** | | | | | | | | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| **Percentage of uncorrected misstatements after tax financial statement amounts** | | | | | | | | 0.00 % | - % | 0.00 % | 0.00 % | 0.00 % | 0.00 % | 0.00 % | 0.00 % | 0.00 % | 0.00 % |

**Attachment II**

**Summary of uncorrected audit misstatement (continued)**

| | | | | | | | | | Impact on financial statement captions - DR(CR) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| # | Account # | Account Name | Description / Identified During | Error Type | Amount | Income Effect DR (CR) | | | Balance Sheet Effect | | | | | Cash Flow Effect | | | Statement of Comprehensive Income - Debit (Credit) |
| | | | | | DR (CR) | Income effect of correcting the balance sheet in prior period | Income effect of correcting the current period balance sheet (Iron curtain method) | Income effect (Rollover method) | Equity at period end | Current Assets | Non-Current Assets | Current Liabilities | Non-Current Liabilities | Operating Activities | Investing Activities | Financing Activities | |

## Appendix 3 – Definitions

| Terminology | Definition |
|---|---|
| **Deficiency in Internal Control** | A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing; or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively. |
| **Significant Deficiency in Internal Control** | A significant deficiency in internal control is a deficiency or combination of deficiencies in internal control that, in the auditor's professional judgment, is of sufficient importance to merit the attention of those charged with governance. |

## Appendix 4 – Current Developments

- In December 2010, the Accounting Standards Board of the Canadian Institute of Chartered Accountants (“AcSB”) and the Public Sector Accounting Board (“PSAB”) released the accounting standards impacting the future financial reporting framework for not-for-profit organizations. These standards were released as a result of a joint, comprehensive standard setting process by both Boards. These standards are effective for years beginning on or after January 1, 2012. Organizations have an option to early adopt these new standards.
- The PSAB is responsible for the accounting standards used by not-for- profit organizations that are controlled by a government (referred to as “government not-for-profit organizations”). The AcSB is responsible for the accounting standards used by not-for-profit organizations that are not under the control of a government (referred to as “other not-for-profit organizations”). Not-for-profit organizations will need to assess whether they are a government not-for-profit organization or another not-for-profit organization to ensure that they are reporting under the appropriate financial reporting framework.
- Under the new accounting standards issued by the AcSB, other not-for-profit organizations (not controlled by a government) will apply the Accounting Standards for Not-for-Profit Organizations contained in Part III of the CICA Handbook-Accounting. For topics not specifically addressed in Part III, not-for-profit organizations will use Part II: Accounting Standards for Private Enterprises of the CICA Handbook-Accounting.
- Other not-for-profit organizations also have the option of adopting International Financial Reporting Standards.
- For not-for-profit organizations transitioning to Part III of the CICA Handbook-Accounting, the financial statement presentation and the accounting treatment of most items will not change from current practice. However, there are changes in applicable accounting standards in Part II that may impact not-for-profit organizations. As well, there are transitional provisions that not-for-profit organizations will need to apply when preparing the first financial statements under the new accounting standards.
- A summary of the more significant accounting changes to be considered follows:

  Transitional Guidance:

  1) The first financial statements are to be prepared using retrospective application as at the transition date. However, Section 1501 provides mandatory exceptions and optional elections for the entity to not apply retrospective application.
  2) Optional elections related to revised accounting standards are discussed below. Other optional elections include:
     - Elect to measure capital assets at fair value on the date of transition and use this value as deemed cost going forward.
     - Elect to reset any cumulative translation adjustments to zero on date of transition.
     - Elect to not apply Business Combinations Section 1582 to business combinations entered into prior to transition date.
  3) Estimates made at transition must be consistent with the historical estimates. Hindsight cannot be used.

4) The first financial statements prepared under the new accounting standards must contain:
   - A statement of financial position with three columns—current year, comparative year and the transition date (beginning of comparative year)
   - A Note providing a reconciliation from the previously-reported amounts for opening net assets, excess of revenues over expenses and cash flows (if significant).

Employee Future Benefits:

1) Entities have an accounting policy choice to account for their employee future benefits using the existing deferred and amortization approach or to adopt the new immediate recognition approach.
   - Under the deferred and amortization approach, actuarial gains/losses and past service costs are accumulated and amortized over the expected average remaining service life (EARSL) of employees. The corridor method of amortization is still available. The amortized amount is recorded in the statement of operations in the year. The employee future benefit liability presented in the financial statements is calculated as the actuarially-determined accrued benefit obligation adjusted for unamortized actuarial gains/losses and past service costs.
   - Under the immediate recognition approach, the employee future benefit liability presented in the financial statements equals the actuarially-determined accrued benefit obligation without adjustment. All actuarial gains/losses and past service costs are recorded in the statement of operations in the year that they occur.
2) The current option to record changes in asset market value of employee future benefit plans over a five-year period has been removed. Assets will be recorded at fair market value with annual fluctuations recorded in the statement of operations.
3) Note disclosure requirements for employee future benefits have been reduced from previous requirements, particularly if the immediate recognition approach is used.
4) *Transitional Election*: The entity may elect upon transition to recognize all cumulative actuarial gains/losses at the date of transition, and record the amount directly to net assets.

Financial Instruments:

1) Equity instruments quoted in an active market and free-standing derivatives are carried at fair value. All other financial instruments (including bonds) are carried at cost or amortized cost. Entities have the option to record **any** individual financial instrument (including bonds) at fair value; however this election must be made upon initial recognition of the financial instrument and is irrevocable.
2) Fair value adjustments must be recorded in the statement of operations. The only exception is endowment investments for which fair value fluctuations are still recorded in the statement of changes in net assets.
3) Transaction costs for financial instruments carried at cost/amortized cost must be capitalized. Transaction costs for financial instruments carried at fair value must be expensed.

4) Hedge accounting has been simplified, but its use is restricted to instances where contract terms match and there is no ineffectiveness. Hedge must be designated for hedge accounting on inception of the hedging relationship.

5) Impairment loss on financial instruments is recognized if there are indicators of impairment and the carrying amount is greater than the highest of PV of future cash flows, net selling price, and net proceeds from collateral.

6) Note disclosure is significantly reduced from prior requirements.

7) *Transitional Election*: An entity can elect to designate any financial instrument to be measured at fair value as at the date of transition, regardless of its previous designation. Any differences in carrying value recorded to net assets at date of transition.

8) *Transitional Exception*: A previously-undesignated hedge cannot be designated for hedge accounting on transition. Only hedges designated for hedge accounting prior to transition can be designated for hedge accounting on transition.

Asset Retirement Obligations:

1) Asset retirement obligations are measured at management's best estimate.

2) *Transitional Election*: If an asset retirement obligation was not previously recognized, entity may elect on transition to measure the obligation at the date of transition and estimate the amount to be included in the carrying value of the related assets with the difference charged directly to net assets.

Intangible Assets:

The AcSB issues a new Handbook Section 4432 – Intangible Assets held by Not-for-Profit Organizations to address the accounting treatment for intangible assets acquired and developed by a not-for-profit organization, such as costs related to a series of plays, exhibitions etc. . Except for otherwise provided in this section, a not-for-profit organization applies Section 3064 Goodwill and Intangible Assets to intangible assets.

**Actions to be taken by Management**

Management should determine the Society's status as a government not-for-profit organization or other not-for-profit organization.

Management should become knowledgeable of the applicable accounting standards and develop an action plan for the transition to the new accounting standards for its 2012-2013 fiscal year. The action plan should also address the possible early adoption of these standards.

KPMG is available to provide support and assist management with the transition to the new accounting standards.

## Auditing standards

- Canadian Auditing Standards are effective for periods ending on or after December 14, 2010
  - consistent with the clarified International Auditing Standards
- Significant audit performance differences relate to:

- communications with those charged with governance. The engagement letter in Appendix 1 provides a list of the communication requirements under Canadian Auditing Standards.
- accounting estimates (including fair value accounting estimates and disclosures), evaluation of the severity and communication of control deficiencies, related parties and transactions, and association with other information.

- Significant reporting differences relate to:
  - date of the audit report, form of the audit report, content of the audit report (e.g. emphasis of matter paragraph for material uncertainty related to going concern)
- Additional documentation will be required in connection with the new standards.

## Appendix 5 – Engagement Letter

**KPMG LLP**
**Chartered Accountants**
925 Stockdale Road, Ste. 300, PO Box 990
North Bay Ontario P1B 8K3
Canada

Telephone (705) 472-5110
Fax (705) 472-1249
Internet www.kpmg.ca

**PRIVATE & CONFIDENTIAL**

Ms. Gisele Hebert
Executive Director
The Children's Aid Society of the Districts of
Nipissing and Parry Sound
P.O Box 1035
North Bay, On P1B 8H3

May 9, 2011

Dear Madam:

The purpose of this letter is to outline the terms of our audit engagement of the Operating Fund of The Children's Aid Society of the Districts of Nipissing and Parry Sound (the "Entity") commencing for the period ending March 31, 2011.

This letter supersedes our previous letter to the Entity dated February 23, 2009. 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

The financial statements will be prepared in accordance with a basis of accounting described in the notes to the financial statements (hereafter referred to as the "financial reporting framework").

These financial statements will be prepared to assist the Entity to meet the reporting requirements of the Ministry of Children and Youth Services ("MCYS").

The financial statements will include an adequate description of the financial reporting framework.

## MANAGEMENT'S RESPONSIBILITIES

Management acknowledges and understands that they are responsible for:

(a) the preparation and fair presentation of the financial statements in accordance with the financial reporting framework referred to above.
(b) ensuring that all transactions have been recorded and are reflected in the financial statements.
(c) 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.
(d) 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.

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

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

(g) 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.

Management has informed us of all steps taken to determine that the applicable financial reporting framework is acceptable in the circumstances.

## AUDITORS' RESPONSIBILITIES

Our function as auditors of the Entity is:

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

- to report on the annual financial statements.

We will conduct the audit of the Entity's annual 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 Entity and its environment, including the Entity's internal control. In making those risk assessments, we consider internal control relevant to the Entity'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 Entity's internal control.

- 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 Entity's annual financial statements based on conclusions drawn from the audit evidence obtained.

- 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 board of directors. Refer to Appendix C for a listing of such matters and the form and timing of such communication.

**AUDITORS' DELIVERABLES**

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

**INCOME TAX COMPLIANCE AND ADVISORY SERVICES**

Tax compliance and advisory services are outside the scope of this letter. These services will be subject to the terms and conditions of a separate engagement letter.

**ADDITIONAL SERVICES**

Our engagement also includes the following services:

- Financial statements presentation and disclosure.
- Attendance at board and audit committee meetings
- Translation of condensed statements into French

**FEES**

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

* * * * * * * * *

We are available to assist the Entity, upon request, with a wide range of services beyond those outlined above. Additional services are subject to separate terms and arrangements.

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

Yours very truly,

Daniel Vigna CA, CBV, CFA
Associate 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.
705.497.7325

Enclosure

c.c: Board of Directors

The terms of the engagement set out are as agreed:

Gisele Hebert, Executive Director

Date (DD/MM/YY)

## APPENDIX A - FEES FOR PROFESSIONAL SERVICES

The Entity and KPMG agree to a fee based on actual hours incurred at mutually agreed-upon rates.  The estimated fee for the services described in this letter is $16,250.

## APPENDIX B - EXPECTED FORM OF REPORTS

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of The Children's Aid Society of the Districts of Nipissing and Parry Sound:

We have audited the accompanying financial statements of the Operating Fund of The Children's Aid Society of the Districts of Nipissing and Parry Sound which comprise the statement of financial position as at March 31, 2011, the statements of operations and changes in unrestricted fund balance (deficiency) for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management in accordance with the basis of accounting in note 1(b) to the financial statements.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting in note 1(b) to the financial statements, this includes determining that the basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances 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 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 an 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 is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Children's Aid Society of the Districts of Nipissing and Parry Sound as at March 31, 2011, and its results of operations and its cash flows for the year then ended in accordance with the basis of accounting in note 1(b) to the financial statements.

## APPENDIX B - EXPECTED FORM OF REPORTS (continued)

*Emphasis of Matters*

With modifying our opinion, we draw attention to note 1(a) in the financial statements which indicates that The Children's aid Society of the Districts of Nipissing and Parry Sound has experienced a history of deficiency of revenues over expenses. Management of The Children's Aid Society of the Districts of Nipissing and Parry Sound are projecting a further deficiency in 2012. These conditions, along with other matters as set out in note 1(a) indicate the existence of a material uncertainty that may cost significant doubt about The Children's Aid Society of the Districts of Nipissing and Parry Sound's ability to continue as a going concern.

Without modifying our opinion, we also draw attention to Note 1(b) to the financial statements which describe the basis of accounting. The financial statements are prepared to assist The Children's Aid Society of the Districts of Nipissing and Parry Sound to meet the reporting requirements of the Ministry of Children and Youth Services. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for The Children's Aid Society of the Districts of Nipissing and Parry Sound and the Ministry of Children and Youth Services and should not be used by parties other than The Children's Aid Society of the Districts of Nipissing and Parry Sound and the Ministry of Children and Youth Services.

*Other Matters*

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included in the schedules is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Chartered Accountants, Licensed Public Accountants

[Audit Report Date]
North Bay, Canada

## 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.

***Control deficiencies***
- any significant deficiencies in the Entity'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.

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 annual 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, other than when the identified or suspected non-compliance is clearly inconsequential.

***Control deficiencies***
- any significant deficiencies, in writing, in the Entity's internal control.

***Misstatements***
- any accumulated uncorrected misstatements (amounts or disclosures) other than those that are clearly trivial.  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).

- 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 Entity'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***

- copies of written representations requested from management.

***Going concern***

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

***Reporting***

- any expected modifications to the audit report.

- any expected emphasis of matter or other paragraphs in the audit report.

- management refuses to remove a scope limitation in the audit.

***Other information***

- 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.

- any significant matters resulting from the procedures performed in accordance with professional standards on the other information.

## APPENDIX C - MATTERS TO COMMUNICATE (continued)

- our responsibilities with respect to other information in documents containing audited financial statements.

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

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

- 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 of 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 various Institutes/Ordre of Chartered Accountants. 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 CONFIDENTIAL 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 confidential information with all member firms of 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. INFORMATION PROCESSING OUTSIDE OF CANADA.**

Personal and/or confidential information (e.g. entries into KPMG’s time and billing system and into KPMG’s conflicts database) collected by KPMG during the course of this engagement may be processed and stored outside of Canada by KPMG, KPMG International member firms performing services hereunder or third party processors. Such personal and/or confidential information may be subject to disclosure in accordance with the laws applicable in the jurisdiction in which the information is processed or stored which laws may not provide the same level of protection for such information as will Canadian laws.

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

KPMG may be required to collect, use and disclose personal information about individuals during the course of this engagement. The Entity represents and warrants that: (i) it will obtain from individuals all consents required by law to permit KPMG to collect, use and disclose all personal information reasonably required in the course of the engagement, and (ii) it has provided notice of KPMG's potential processing of information outside of Canada (as described in paragraph 5 above) to all individuals whose personal information is disclosed to KPMG.

**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 Entity 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. Prior to issuing any consent, comfort or advice letter, if any, we will be required to perform procedures as required by professional standards. Management agrees to provide us with adequate notice of the preparation of such documents.

**9. FEE ARRANGEMENTS.**

KPMG's estimated fee is based on the quality of the Entity's accounting records, the agreed-upon level of preparation and assistance from the Entity's personnel, and adherence to the agreed-upon timetable. KPMG's estimated fee also assumes that the Entity'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 Entity 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 Entity 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 Entity 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 will be charged on the basis of a percentage of KPMG's professional costs. 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.

**10. LEGAL PROCESSES.**

The Entity on its own behalf acknowledges and agrees to cause its subsidiaries and its affiliates to acknowledge that KPMG may, from time to time:

- be required, pursuant to subpoena or other legal process, or may agree to a request by the Entity, to provide information and copies of documents in KPMG's files, including KPMG's working papers and other work-product relating to the Entity, its subsidiaries and/or its affiliates ("Information and Documentation") in judicial or administrative proceedings to which KPMG is not a party; and
- receive requests or orders from judicial, administrative, professional, securities or other regulatory or governmental authorities (both in Canada and abroad, including without limitation the Canadian Public Accountability Board)

("Requesting Authority") to provide them with Information and Documentation.

In such situations, the Entity on its behalf consents and agrees to cause its subsidiaries and affiliates to consent to KPMG providing Information and Documentation without further reference to, or authority from, the Entity or its subsidiaries and affiliates. If a request or order is directly related to an inspection or investigation of the Entity or its subsidiaries and affiliates, KPMG will advise the Entity or its subsidiaries and affiliates of the request or order, except where prohibited by law from doing so.

KPMG will not provide to the Requesting Authority Information and Documentation over which the Entity or its subsidiaries and affiliates have expressly asserted privilege, except a) with the Entity's consent, b) where required by law, or c) where requested by a provincial Institute/Ordre of Chartered Accountants pursuant to its statutory authority. The Entity or its subsidiaries and affiliates will mark any document over which the Entity or its subsidiaries and affiliates assert privilege as "privileged".

KPMG may also be required to provide Information and Documentation to a Requesting Authority relating to the fees that KPMG charges or collects from the Entity or its subsidiaries and affiliates for the provision of audit services, other accounting services and non-audit services, and the Entity on its behalf consents and agrees to cause its subsidiaries and affiliates to consent to the disclosure of that Information and Documentation to that Requesting Authority.

The Entity or its subsidiaries and affiliates shall reimburse KPMG at standard billing rates for its professional time and expenses, including reasonable legal fees, incurred in dealing with the matters described above.

**11. KPMG INTERNATIONAL MEMBER FIRMS.**

The Entity 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.

**12. CONNECTING TO THE ENTITY'S IT NETWORK.**

KPMG personnel are authorized to connect their computers to the Entity's IT Network, subject to any restrictions communicated to KPMG from time to time. Connection to the Entity's IT Network or the Internet via the Network, while at the Entity'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 to 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.

KPMG LLP
**Chartered Accountants**
925 Stockdale Road, Ste. 300, PO Box 990
North Bay Ontario P1B 8K3
Canada

Telephone (705) 472-5110
Fax (705) 472-1249
Internet www.kpmg.ca

**PRIVATE & CONFIDENTIAL**

Ms. Gisele Hebert
Executive Director
The Children's Aid Society of the Districts of
Nipissing and Parry Sound
PO Box 1035
North Bay, Ontario P1B 8H3

May 9, 2011

Dear Madam:

The purpose of this letter is to outline the terms of our engagement for The Children's Aid Society of the Districts of Nipissing and Parry Sound. (the "Entity") commencing for the periods ending March 31, 2011. We will issue reports on the financial statements of the Entity as follows:

| | Entity | Report |
|---|---|---|
| 1 | Community Action Program for Children and the Nipissing Parental Nutrition Program | Audit |
| 2 | Play Your Part Parenting Program | Audit |
| 3 | Building and Other Non-Program Delivery Funds | Audit |



This letter supersedes our previous letter to the Entity dated February 23, 2009. 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**

The financial statements will be prepared and presented in accordance with Canadian generally accepted accounting principles (hereinafter referred to as the "financial reporting framework").

The financial statements will include an adequate description of the financial reporting framework.

**MANAGEMENT'S RESPONSIBILITIES**

Management acknowledges and understands that they are responsible for:

(a) the preparation and fair presentation of the financial statements in accordance with the financial reporting framework referred to above.

(b) ensuring that all transactions have been recorded and are reflected in the financial statements.
(c) 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.
(d) 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.
(e) providing us with additional information that we may request from management for the purpose of the audit.
(f) providing us with unrestricted access to persons within the Entity from whom we determine it necessary to obtain audit evidence.
(g) 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.

**AUDITORS' RESPONSIBILITIES**

Our function as auditors of the Entity is:

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

- to report on the annual financial statements.

We will conduct the audit of the Entity's annual 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 Entity and its environment, including the Entity's internal control. In making those risk assessments, we consider internal control relevant to the Entity'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 Entity's internal control.

- 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 Entity's annual financial statements based on conclusions drawn from the audit evidence obtained.

- 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 board of directors. Refer to Appendix C for a listing of such matters and the form and timing of such communication.

**AUDITORS' DELIVERABLES**

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

**INCOME TAX COMPLIANCE AND ADVISORY SERVICES**

Tax compliance and advisory services are outside the scope of this letter. These services will be subject to the terms and conditions of a separate engagement letter.

**ADDITIONAL SERVICES**

Our engagement also includes the following services:

- Financial statements presentation and disclosure.
- Attendance at board and other management meetings.

**FEES**

Appendix A outlines the basis of our fees together with related matters.

* * * * * * * * *

We are available to assist the Entity, upon request, with a wide range of services beyond those outlined above. Additional services are subject to separate terms and arrangements.

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

Yours very truly,

Daniel Vigna CA, CBV, CFA
Associate 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.
705.497.7325

Enclosure

c.c: Board of Directors

The terms of the engagement set out are as agreed:

________________________________________

Gisele Hebert, Executive Director

________________________________________

Date (DD/MM/YY)

## APPENDIX A - FEES FOR PROFESSIONAL SERVICES

The Entity and KPMG agree to a fee based on actual hours incurred at mutually agreed-upon rates.  The estimated fee for the services described in this letter is. $4,300.

APPENDIX B - EXPECTED FORM OF REPORTS

# INDEPENDENT AUDITORS' REPORT

To the Board of Directors of The Children's Aid Society of the Districts of Nipissing and Parry Sound:

We have audited the accompanying financial statements of the Building and Other Non-Program Delivery Funds of The Children's Aid Society of the Districts of Nipissing and Parry Sound which comprise the statement of financial position as at March 31, 2011, the statement of operations and changes in fund balances 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 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 an 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 is sufficient and appropriate to provide a basis for our qualified audit opinion.

*Basis for Qualified Opinion*

As described in note 1(b), The Children's Aid Society of the Districts of Nipissing and Parry Sound does not amortize its capital assets over their estimated useful lives as required by Canadian generally accepted accounting principles. Amortization of capital assets should be recorded in the statement of operations and changes in fund balances. If capital assets had been amortized, amortization expense would have increased by $142,993 (2010 - $148,951) and capital assets would have decreased by $2,942,151 (2010 - $2,799,159).

Qualified Opinion

In our opinion, except for the effect of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Building and Other Non-Program Delivery Funds of The Children's Aid Society of the Districts of Nipissing and Parry

Sound as at March 31, 2011, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter

With modifying our opinion, we draw attention to note 1(a) in the financial statements which indicates that The Children's aid Society of the Districts of Nipissing and Parry Sound has experienced a history of deficiency of revenues over expenses. Management of The Children's Aid Society of the Districts of Nipissing and Parry Sound are projecting a further deficiency in 2012. These conditions, along with other matters as set out in note 1(a) indicate the existence of a material uncertainty that may cost significant doubt about The Children's Aid Society of the Districts of Nipissing and Parry Sound's ability to continue as a going concern.

Chartered Accountants, Licensed Public Accountants

[Audit Report Date]
North Bay, Canada

## 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.

***Control deficiencies***

- any significant deficiencies in the Entity'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.

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 annual 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, other than when the identified or suspected non-compliance is clearly inconsequential.

***Control deficiencies***

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

***Misstatements***

- any accumulated uncorrected misstatements (amounts or disclosures) other than those that are clearly trivial. Furthermore, we request all uncorrected misstatements be corrected.

## APPENDIX C - MATTERS TO COMMUNICATE (continued)

***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).

- 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 Entity'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***

- copies of written representations requested from management.

***Going concern***

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

***Reporting***

- any expected modifications to the audit report.

- any expected emphasis of matter or other paragraphs in the audit report.

- management refuses to remove a scope limitation in the audit.

***Other information***

- 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.

- any significant matters resulting from the procedures performed in accordance with professional standards on the other information.

## APPENDIX C - MATTERS TO COMMUNICATE (continued)

- our responsibilities with respect to other information in documents containing audited financial statements.

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

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

- 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 of 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 various Institutes/Ordre of Chartered Accountants. 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 CONFIDENTIAL 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 confidential information with all member firms of 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. INFORMATION PROCESSING OUTSIDE OF CANADA.**

Personal and/or confidential information (e.g. entries into KPMG's time and billing system and into KPMG's conflicts database) collected by KPMG during the course of this engagement may be processed and stored outside of Canada by KPMG, KPMG International member firms performing services hereunder or third party processors. Such personal and/or confidential information may be subject to disclosure in accordance with the laws applicable in the jurisdiction in which the information is processed or stored which laws may not provide the same level of protection for such information as will Canadian laws.

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

KPMG may be required to collect, use and disclose personal information about individuals during the course of this engagement. The Entity represents and warrants that: (i) it will obtain from individuals all consents required by law to permit KPMG to collect, use and disclose all personal information reasonably required in the course of the engagement, and (ii) it has provided notice of KPMG's potential processing of information outside of Canada (as described in paragraph 5 above) to all individuals whose personal information is disclosed to KPMG.

**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 Entity 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. Prior to issuing any consent, comfort or advice letter, if any, we will be required to perform procedures as required by professional standards. Management agrees to provide us with adequate notice of the preparation of such documents.

**9. FEE ARRANGEMENTS.**

KPMG's estimated fee is based on the quality of the Entity's accounting records, the agreed-upon level of preparation and assistance from the Entity's personnel, and adherence to the agreed-upon timetable. KPMG's estimated fee also assumes that the Entity'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 Entity 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 Entity 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 Entity 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 will be charged on the basis of a percentage of KPMG's professional costs. 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.

**10. LEGAL PROCESSES.**

The Entity on its own behalf acknowledges and agrees to cause its subsidiaries and its affiliates to acknowledge that KPMG may, from time to time:

- be required, pursuant to subpoena or other legal process, or may agree to a request by the Entity, to provide information and copies of documents in KPMG's files, including KPMG's working papers and other work-product relating to the Entity, its subsidiaries and/or its affiliates ("Information and Documentation") in judicial or administrative proceedings to which KPMG is not a party; and
- receive requests or orders from judicial, administrative, professional, securities or other regulatory or governmental authorities (both in Canada and abroad, including without limitation the Canadian Public Accountability Board)

("Requesting Authority") to provide them with Information and Documentation.

In such situations, the Entity on its behalf consents and agrees to cause its subsidiaries and affiliates to consent to KPMG providing Information and Documentation without further reference to, or authority from, the Entity or its subsidiaries and affiliates. If a request or order is directly related to an inspection or investigation of the Entity or its subsidiaries and affiliates, KPMG will advise the Entity or its subsidiaries and affiliates of the request or order, except where prohibited by law from doing so.

KPMG will not provide to the Requesting Authority Information and Documentation over which the Entity or its subsidiaries and affiliates have expressly asserted privilege, except a) with the Entity's consent, b) where required by law, or c) where requested by a provincial Institute/Ordre of Chartered Accountants pursuant to its statutory authority. The Entity or its subsidiaries and affiliates will mark any document over which the Entity or its subsidiaries and affiliates assert privilege as "privileged".

KPMG may also be required to provide Information and Documentation to a Requesting Authority relating to the fees that KPMG charges or collects from the Entity or its subsidiaries and affiliates for the provision of audit services, other accounting services and non-audit services, and the Entity on its behalf consents and agrees to cause its subsidiaries and affiliates to consent to the disclosure of that Information and Documentation to that Requesting Authority.

The Entity or its subsidiaries and affiliates shall reimburse KPMG at standard billing rates for its professional time and expenses, including reasonable legal fees, incurred in dealing with the matters described above.

**11. KPMG INTERNATIONAL MEMBER FIRMS.**

The Entity 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.

**12. CONNECTING TO THE ENTITY'S IT NETWORK.**

KPMG personnel are authorized to connect their computers to the Entity's IT Network, subject to any restrictions communicated to KPMG from time to time. Connection to the Entity's IT Network or the Internet via the Network, while at the Entity'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 to 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.

## Appendix 6 – KPMG's Audit Committee Resources

### General

- *Focus on Financial Reporting – 2010 Annual Update*
  http://www.kpmg.com/Ca/en/IssuesAndInsights/ArticlesPublications/Pages/FOCUS-ON-FINANCIAL-REPORTING-2010-ANNUAL-UPDATE.aspx
- *Audit Committee Update*, Issue 2010-01, Audit Committee Institute
  http://www.kpmg.ca/auditcommittee/update.html
- Audit Committee Roundtables held each spring and fall, Audit Committee Institute
  http://www.kpmg.ca/auditcommittee/roundtables.html
- *Shaping the Canadian Audit Committee Agenda* (2006 edition), Audit Committee Institute
  http://www.kpmg.ca/auditcommittee/shaping.html
- *Accountability e-Lert* – periodic electronic newsletter. Subscribe at
  www.kpmg.ca/accountability
- Audit Committee Institute Web site – www.kpmg.ca/auditcommittee