

AUDIT

Corporation of the City of London

Audit Planning Report

For the year ending December 31, 2011

KPMG LLP, Chartered Accountants, Licensed Public
Accountants

kpmg.ca

Dear Audit Committee members,

Audit planning is the cornerstone of an effective, efficient and high quality audit. In developing our audit plan, we have worked with management to obtain a common understanding of the issues and related financial reporting risks facing the Corporation of the City of London and have designed our audit to focus on those areas of risk.

As members of the Audit Committee, you have a significant role to play in the oversight of our audit and we welcome any and all observations you may have regarding the decisions reflected in this audit plan.

At KPMG, we are committed to audit quality and outstanding client service. Audit quality is integral to our business and is engrained in our training, our processes and our systems and controls. We believe this audit plan embodies our commitment to audit quality.

We would like to take this opportunity to remind you that KPMG's Audit Committee Institute is committed to providing information, resources and knowledge-sharing opportunities to help audit committees and their boards of directors strengthen the integrity of their financial reporting process and the quality of their corporate governance practices. For more information, and to register to receive updates, publications and invitations to Audit Committee Institute events, please visit www.kpmg.ca/auditcommittee.

We sincerely hope this Audit Planning Report is of assistance to you, and we look forward to discussing it in detail and answering any questions you may have at the upcoming audit committee meeting.

Yours sincerely,



Ian J. Jeffreys
Partner
KPMG LLP

At KPMG, we are passionate about earning your trust. We take deep personal accountability, individually and as a team, to deliver exceptional service and value in all our interactions with you. Ultimately, we measure our success from the only perspective that matters—yours.

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



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Audit plan

We have prepared this audit plan to inform you of the planned scope and timing of the audit for the purpose¹ of carrying out and discharging your responsibilities and exercising oversight over our audit of the consolidated financial statements.

What has changed from last year

We have set out below a summary of changes that have been taken into consideration in planning the audit for the current period:

Your organization

- Grant funding to The University of Western Ontario and Fanshawe College – there are new programs in place for this grant funding and a combined \$30m has been committed during the fiscal year. Of this \$30m, only \$11m has been disbursed to date, with the remainder being accrued as a liability at December 31, 2011. As this is a significant transaction, KPMG will review the accounting for this transaction in detail during our yearend audit fieldwork.
- Internal audit – beginning in April 2011, internal audits were done in various areas of the organization. KPMG has read the internal auditors' reports and has taken into consideration their findings when planning our audit work.
- Debentures – in December, 2011 the City issued a new series of debentures. As this is a significant transaction, KPMG will review the accounting for this transaction in detail during our yearend audit fieldwork.

Accounting standards changes for future years

- PS 3450 – Financial Instruments
- PS 2601 – Foreign Currency Translation
- PS 3410 – Government Transfers
- PS 3260 – Liability for Contaminated Sites
- PS 3510 – Tax Revenue

These are applicable for the City's fiscal 2013 year end or later.

Refer to the appendices for further discussion on this matter.

Annual inquiries related to risks of fraud:

Canadian Auditing Standards require that we ask you the following questions in connection with your oversight of management's process for identifying and responding to the risks of fraud:

¹ KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this document has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

- How do you provide effective oversight of management's process for identifying and responding to fraud risks, including programs and controls to prevent, detect and deter fraud?
- Are you aware of any instances of actual, suspected or alleged fraud, including misconduct or unethical behaviour related to financial reporting or misappropriation of assets? If so, how have the allegations been addressed?

Scope of the audit

The purpose of an audit is to enhance the degree of confidence of the users of the financial statements through the expression of an opinion on whether the financial statements fairly present, in all material respects, the financial position, results of operations, and cash flows of the Corporation of the City of London in accordance with Canadian accounting standards for the public sector.

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

Our responsibilities

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

Materiality

- We determine materiality in order to plan and perform the audit and to evaluate the effects of identified misstatements on the audit and of any uncorrected misstatements on the financial statements.
- For the current period, materiality of \$8,855,000 has been determined.
- We will reassess materiality at period-end to confirm whether it remains appropriate for evaluating the effects of uncorrected misstatements on the financial statements.
- We will communicate uncorrected misstatements to you that are greater than our audit misstatement posting threshold of \$442,000.
- Should uncorrected misstatements remain, in accordance with professional standards, we will:
 - request that all uncorrected misstatements be corrected.
 - communicate the effect that uncorrected misstatements, individually or in aggregate, may have on our audit opinion.

Financial reporting risks

As part of our audit planning, we identify significant financial reporting risks that, by their nature, require special audit consideration. By focusing on these risks, we are able to target our procedures and deliver a high quality audit that is both efficient and effective.

The financial reporting risks identified during our audit planning are listed below:

Landfill Liability
Risk of material misstatement
Significant
Summary of planned audit approach
<ul style="list-style-type: none"> - Obtain an understanding of the calculation through discussion with the City's engineer. - Audit the analyses prepared by management and obtain corroborative evidence to support management's assumptions.

Claims and Legal Accruals Included in Accrued Liabilities
Risk of material misstatement
Significant
Summary of planned audit approach
<ul style="list-style-type: none"> - Obtain an understanding of the process for recording the legal accruals through discussion with management. - Review management's assessment of the likelihood of incurring the liability for each claim and the range of possible outcomes. - Obtain legal letters and examine for any potentially unrecorded claim liabilities. - Where possible, review subsequent payments to determine whether the liabilities at year end are reasonably stated.

Fees and assumptions

In determining the fees for our services, we have considered the nature, extent and timing of our planned audit procedures as described above. Our fee analysis has been reviewed and agreed upon by management based on our proposal of September 2010.

Our fees are estimated as follows:

	2011 Budget	2010 Actual
Audit of the annual financial statements	\$84,700	\$83,750

These fees are based on the assumptions described in the engagement letter in the appendices to this report.

Timing of the audit

We have discussed the key audit deliverables with management and the expected dates indicated below have been agreed upon:

Key deliverables and expected dates	
Deliverables	Expected date(s)
Present the Audit Planning Report to the Audit Committee	February 1, 2012
Conduct interim audit field work	Weeks of January 2 and February 21, 2012
Conduct year-end audit field work	April – June 2012
Present the Audit Findings Report to the Audit Committee	June 2012
Provide audit opinion on financial statements	June 2012

Performance improvement observations

During the course of our audit, we may become aware of opportunities for improvements in financial or operational processes or controls. We will discuss any such opportunities with management and provide our recommendations for performance improvement. We will also include a synopsis of these issues and our recommendations in our Audit Findings Report to be delivered to you at the completion of the audit.



Appendices

Current developments

Engagement letter

Current developments

Financial Instruments

- *PS 3450 – Financial Instruments* was approved by PSAB in June 2011.
- This standard establishes how to account for and report all types of financial instruments including derivatives.
- Investments in equities that are traded in an active market are measured at fair value, with changes recognized in operations. All other financial instruments are carried at cost or amortized cost.
- There is an option to record any financial instruments at fair value. This election is irrevocable on initial recognition.
- Derivatives continue to be measured at fair value.
- Hedge accounting is not permitted.
- Contracts must be reviewed for embedded derivatives.
- There is an option to value the full contract with embedded derivatives at fair value rather than separately account for the derivative features.
- Transaction costs are expensed when investments are held at fair value and are capitalized when recorded at cost or amortized cost.
- Disclose information that enables users of the financial statements to evaluate the significance of financial instruments.
- Disclose carrying amounts, either on the statement of financial position or notes for:
 - Financial assets/liabilities measured at amortized cost.
 - Financial assets/liabilities measured at fair value.
 - Investments in equities measured at cost less impairment.
- Disclose items of income, including:
 - Net gains or losses recognized on financial statements.
 - Total interest income.
 - Total interest expense.
- For each significant risk arising from financial instruments, disclose the exposures to risk, how they arise and any change in risk exposures from the previous period.
- This standard requires the preparation of a new statement, Statement of Remeasurement Gains and Losses, which will include all exchange gains/losses yet to be settled and fair value remeasurements on investments and derivatives.
- This standard is effective for years commencing on or after April 1, 2015. Early adoption is permitted; however, Foreign Currency standards must also be adopted.

Foreign Currency Translation

- *PS 2601 – Foreign Currency Translation* was approved by PSAB in June 2011.
- This standard establishes how to account for and report transactions that are denominated in a foreign currency in government financial statements.
- The current rate must be used. No longer able to defer and amortize the exchange gains and losses on long term debt over the term of the loan.
- Gains/losses yet to be settled are to be presented in a separate statement.
- This standard is effective for years commencing on or after April 1, 2015. Early adoption is permitted.

Government Transfers

- *PS 3410 – Government Transfers* was approved by PSAB in March 2011.
- This standard establishes how to account for and report government transfers to individuals, organizations, and other governments from both a transferring government and a recipient government perspective.
- This standard relates to the transfer of either monetary assets or tangible capital assets.
- Transfers are recognized when they are authorized, which differs for the transferor and the transferee.
- The transferor recognizes an expense when authorized and eligibility criteria have been met by the recipient.
- The recipient recognizes revenue in the period the transfer is authorized and eligibility criteria have been met, except when and to the extent that the transfer gives rise to a liability.
- If the transfer is for capital purposes and a liability is recognized, revenue should be recognized when, and in proportion to how, the liability is settled. If a liability is not recognized, the transfer is recognized in revenue immediately.
- This standard is effective for years commencing on or after April 1, 2012 and may be applied either retroactively or prospectively. Early adoption is encouraged.

Liability for Contaminated Sites

- *PS 3260 – Liability for Contaminated Sites* was approved by PSAB in March 2010.
- This standard establishes how to account for and report a liability associated with the remediation of contaminated sites.
- A liability for remediation of contaminated sites should be recognized when, as at the financial reporting date, all of the following criteria are satisfied:
 - An environmental standard exists.
 - Contamination exceeds the environmental standard.
 - The government is directly responsible or accepts responsibility.
 - It is expected that future economic benefits will be given up.
 - A reasonable estimate of the amount can be made.
- This standard is effective for fiscal periods commencing on or after April 1, 2014. Early adoption is encouraged.

Tax Revenue

- *PS 3510 – Tax Revenue* was approved by PSAB in February 2010.
- This standard establishes how to account for and report tax revenue in government financial statements.
- Revenue and assets are recognized at fair market value by the government that imposes the tax when authorized, the taxable event occurs, and the definition of an asset is met.
- Tax is considered authorized when the effective date of the tax has passed and the earlier of the following has occurred:
 - The related legislation, regulations or by-laws have been approved.
 - In the case of jurisdictions where the legal framework allows it, the ability to assess and collect tax has been provided through legislative convention.
- A liability is recognized when authorized, the taxable event has occurred, and the definition of a liability has been met.

- Tax expenditures should be distinguished from transfers that are made through a tax system.
- Tax expenditures, also known as tax concessions, are netted against revenue, while tax transfers are expensed.
- This standard is effective for years commencing on or after April 1, 2012. Early adoption is encouraged.

Engagement letter



KPMG LLP
Chartered Accountants
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London, ON N6A 5P2

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The Corporation of the City of London
Attention: Mr. Jeff Fielding, Chief Administrative Officer
300 Dufferin Avenue
P.O. Box 5035
London, ON N6A 4L9

December 1, 2010

Dear Mr. Fielding

KPMG is pleased to be appointed auditors of the Corporation of the City of London pursuant to section 296 of the Ontario Municipal Act. The purpose of this letter is to outline the terms of our audit engagement commencing for the period ending December 31, 2010.

This letter supersedes our previous letter to The Corporation of the City of London and its local Boards, Commissions and other entities (Appendix D) ("the Entity"). 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 accounting standards for the public sector (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 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 REGARDING THE AUDIT

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. 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 is 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.

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.



Corporation of the City of London
Mr. Jeff Fielding
December 1, 2010

We are proud to serve the Entity 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 the Entity's 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,

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly wavy line.

Ian J. Jeffreys, CA

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

Direct: (519) 660-2137

IJJ/mf

Enclosure



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 fee for the services described in this letter is \$228,350.

Our fees will be billed monthly as the work progresses.

In subsequent periods, our fees will be in accordance with the fee schedule included in our proposal to the City dated September 10, 2010.



Appendix B – Expected Form of Report

INDEPENDENT AUDITORS' REPORT

To Members of Council, Inhabitants and Ratepayers of the Corporation of the City of London

We have audited the accompanying consolidated financial statements of The Corporation of the City of London ("the Entity"), which comprise the balance sheet as at December 31, 2010 and the consolidated statements of operations, net debt and cash flow statement for the year then ended, and 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 consolidated 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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, the auditor considers 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 Corporation of the City of the London as at December 31, 2010, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



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.



Appendix C – Matters to communicate (continued)

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.

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.
- our responsibilities with respect to other information in documents containing audited financial statements.
- any significant matters resulting from the procedures performed in accordance with professional standards on the other information.

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



Appendix D

City of London
City of London Trust Funds
London Transit Commission
London and Middlesex Housing Corporation
London Public Library Board
Old East Business Improvement Area
London Downtown Business Association
London Convention Centre Corporation
Covent Garden Market Corporation
London Hydro
Middlesex-London District Health Unit- December 31st
Middlesex-London District Health Unit – March 31st
Museum London
Lake Huron Water System Joint Board of Management
Elgin Area Water System Joint Board of Management
The Public Utility Commission of the City of London
Dearness Long-Term Care Report
Dearness Day Program Report
Childcare Program envelopes-Review
Homelessness Program envelopes-Review
Homelessness Partnering Strategy – Federal Audit
Accountant’s Report for MMAH
Compliance Audit with Agreement on Transfer of Federal
Gas Tax revenue and annual expenditure report
Water Financial Statements



TERMS AND CONDITIONS FOR ASSURANCE ENGAGEMENTS

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").

1. SEVERABILITY.

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

2. GOVERNING LAW.

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

3. LLP STATUS.

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

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

5. 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. 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.

7. 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.

8. 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. KPMG's invoices are due and payable upon receipt. Amounts overdue are subject to interest. In order to avoid the possible implication that unpaid fees might be viewed as creating a threat to KPMG's independence, it is important that KPMG's bills be paid promptly when rendered. If a situation arises in which it may appear that KPMG's independence is threatened because of significant unpaid bills, KPMG may be prohibited from signing the report and, if applicable, any consent. Fees for any other services will be billed separately from the services described in this engagement letter and may be subject to written terms and conditions supplemental to those in this letter.

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

9. 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 or by the Public Company Accounting Oversight Board]. 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.

10. 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.



TERMS AND CONDITIONS FOR ASSURANCE ENGAGEMENTS

11. 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.

12. COMMENT LETTERS OR EQUIVALENT.

Management agrees to promptly provide us with a copy of any comment letter or request for information issued by a relevant securities regulatory authority on the Entity's continuous disclosure filings or equivalent. If any of the comments pertain to the Entity's financial statements and, when applicable, management's assessment of the effectiveness of internal control over financial reporting, management and those charged with governance agree to engage our assistance, subject to any pre-approval process, in the process of responding to such comments.

13. PUBLIC DOCUMENTS OR EQUIVALENT.

Except as otherwise specifically agreed in this Engagement Letter under "Auditors' And Management's Responsibilities Regarding Continuous Disclosure Documents", nothing in this Engagement Letter shall be construed as consent and KPMG expressly does not consent to the use of our audit report(s) when:

- (i) the Entity files with securities regulatory authorities its annual financial statements and KPMG's audit report thereon;
- (ii) the Entity files with securities regulatory authorities its Management's Discussion and Analysis in connection with the material in (i) above;
- (iii) the Entity files with securities regulatory authorities any other continuous disclosure document containing, or incorporating by reference, the annual financial statements and KPMG's audit report thereon (e.g. Annual Reports on Form 40-F or 20-F filed on SEDAR).

If the Entity wishes to obtain KPMG's written consent to the use of our audit report(s) in the above-described circumstances, we will be required to perform procedures as required by professional standards.

The Entity agrees that neither the audit report(s) nor reference to KPMG will be included in any "document" or "public oral statement" (as those terms are defined in section 138.1 of the Securities Act (Ontario)) without KPMG's written consent as set out in section 138.1 and professional standards. Except as otherwise specifically agreed in this Engagement Letter under "Auditors' And Management's Responsibilities Regarding Continuous Disclosure Documents", any agreement to perform procedures necessary to provide KPMG's written consent or any agreement to read any other document issued by the Entity will be a separate engagement.

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