

April 4, 2017

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Table of Contents

Executive summary	3
Executive summary (continued)	4
Audit risks and results	5
Other areas of focus	6
Significant accounting policies and practices	8
Other matters	9
Appendices	12
Appendix 1: Required communications	13
Appendix 2: Independence Letter & Management Representation Letter	14
Appendix 3: Audit Quality and Risk Management	15
Appendix 4: Background and professional standards	16

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

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

Executive summary

Purpose of this report*

The purpose of this Audit Findings Report is to assist you, as a member of the audit committee, in your review of the results of our audit of the financial statements of Wellington-Dufferin-Guelph Public Health (WDGPH) as at and for the year ended December 31, 2016.

This Audit Findings Report builds on the Audit Plan we presented to the Audit Committee previously.

Changes from the Audit Plan

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

Audit risks and results

We discussed with you at the start of the audit areas of **significant risks** and other areas of audit emphasis.

These included a presumed risk of management override of controls and fraudulent revenue recognition (associated with cut-off). We are satisfied that our audit work has appropriately dealt with these risks.

See page 5.

Executive summary (continued)

Finalizing the audit

As of April 4, 2017 we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include amongst others:

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

We will update you on significant matters, if any arising from the completion of the audit, including the completion of the above procedures. Our auditors' report will be dated upon the completion of any remaining procedures.

Control and other observations

No significant deficiencies come to our attention.

Critical accounting estimates

Overall we are satisfied with the reasonability of **critical accounting estimates** taken. Note 2 in the financial statements refers to estimates which management believes are significant.

Independence

KPMG LLP is independent of Wellington Dufferin Guelph Public Health.

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Audit risks and results

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

We highlight our significant findings in respect of significant financial reporting risks as identified in our discussion with you in the Audit Plan, as well as any additional risks identified.

Significant financial reporting risks

Why

Our significant findings from the audit

Management override of controls

A requirement under Canadian Audit Standards-risk of fraud.

As outlined in our audit planning report we have evaluated the design and implementation of internal controls over manual journal entries, and the respective review that takes place.

In addition we have performed substantive procedures on journal entries related to financial reporting. KPMG performed routines over journal entries that met criteria deemed to contain a risk of management override. KPMG used computer aided audit techniques to assist with this section of the audit.

Routines were run whereby criteria would identify journal entries with identified risks. KPMG examined a sample of these entries to ensure there was appropriate business merit/support for the entry that was being recorded.

No instances of management override were identified as a result of our engagement team's procedures performed.

Other areas of focus

Other areas of focus for our audit, as identified in our discussion with you in the Audit Plan, include the following:

Other areas of focus	Why	Our significant findings from the audit
Tangible Capital Assets	Significance of account balance	<ul style="list-style-type: none"> We performed a number of testing procedures around tangible capital assets, testing a sample of additions made during the fiscal year and agreeing to invoice supporting documentation to ensure items were capital in nature We performed analytical procedures on amortization expense recorded during the year
Payroll Expenditures	Significance of account balance	<ul style="list-style-type: none"> Analytical procedures were performed over payroll expenditures recorded in fiscal 2016 In addition, specific salary expenditures on an individual basis were examined to ensure that classification was appropriate per individual's contract role. For example, employees with payroll expenditures coded to Healthy Smile Ontario were in fact dental hygienists etc.
Cash	Significance of account balance	<ul style="list-style-type: none"> WDGPH has significant cash balances We confirmed directly with the entity's financial institution, to confirm cash balance as at year end to ensure consistent with balances per the general ledger reconciliations Testing procedures on outstanding cheques were performed at year end.

Long Term Debt	Significance of account balance	<ul style="list-style-type: none"> As at year end WDGPH has \$15.2M dollars of debt, held by the three municipalities. KPMG confirmed balances directly with each municipality Review of note disclosure in the financial statements
Revenue	Significance of account balance	<ul style="list-style-type: none"> We confirmed funding directly with MOHLTC We confirmed funding directly with municipalities Agreement of funding agreements for specific programs (HBHC, PSL etc.)
Expenditures	Significance of account balance and impact on program revenue	<ul style="list-style-type: none"> Considered to be the expenditures other than salary, wages, benefits We performed sampling over program expenditures agreeing expenditures to supporting documentation

Significant accounting policies and practices

There have been no initial selections of, or changes to, significant accounting policies and practices to bring to your attention.

Significant accounting policies and practices are disclosed in Note 2 to the financial statements.

Other matters

Professional standards require us to communicate to the Audit Committee Other Matters, such as material inconsistencies or material misstatements between MD&A and the audited financial statements, identified fraud or non-compliance with laws and regulations, consultations with other accountants, significant matters relating to the Company's related parties, significant difficulties encountered during the audit, and disagreements with management.

Other matters

We have highlighted below other significant matters that we would like to bring to your attention:

Matter	KPMG comment
Comparative Information	<ul style="list-style-type: none"> <li data-bbox="787 568 1627 625">• In prior year the long term debt balance was understated by approximately \$100K due to an oversight between principal vs. interest. <li data-bbox="787 633 1648 755">• As the error was not material, the correction has been made to the current year figures, resulting in an overstatement of interest expense in 2016. Management has taken additional steps in 2017 to ensure that split between interest and principal is accurate on a go forward basis.

Audit adjustments and differences

Audit adjustments and differences identified during the audit have been categorized as Corrected audit adjustments; or Uncorrected audit differences. These include disclosure adjustments and differences.

Although the uncorrected differences have no effect on our auditors' report, these uncorrected differences or the underlying matters regarding adjustments or differences (e.g., control deficiencies) could potentially cause future annual or interim financial statements to be materially misstated or have an implication on the financial reporting process.

Corrected audit adjustments

There were no required corrections.

Uncorrected audit differences

See the attached for the uncorrected differences for 2016.

Audit adjustments and differences (continued)

Professional standards require that we request of management and the audit committee that all identified audit adjustments or differences be corrected. We have already made this request of management.

As at and year ended December 31, 2016

Corrected Audit Misstatements

Description of misstatements greater than \$30,000 individually Amounts in '000s	Income effect (Decrease) Increase	Financial position		
		Assets (Decrease) Increase	Liabilities (Decrease) Increase	Surplus (Decrease) Increase
Interest expense Correction of prior year interest. No impact on ending financial position or accumulated surplus.	102	-	-	-
Total Differences	102	-	-	-

Appendices

Appendix 1: Required communications

Appendix 2: Management Representation Letters

Appendix 3: Audit Quality and Risk Management

Appendix 4: Background and professional standards

Appendix 1: Required communications

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

- **Auditors' report** – the conclusion of our audit is set out in our draft auditors' report attached to the draft financial statements standards, copies of the representation letter will be provided to the Audit Committee.
- **Management representation letter** – we will obtain from management at the completion of the annual audit. In accordance with professional

Appendix 2: Management Representation Letter

KPMG LLP
115 King Street South
2nd floor
Waterloo, ON N2J 5A3
Canada

May 3, 2017

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 Wellington Dufferin Guelph Public Health Unit ("the Entity") as at and for the period ended December 31, 2016.

GENERAL:

We confirm that the representations we make in this letter are in accordance with the definitions as set out in **Attachment I** to this letter.

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

RESPONSIBILITIES:

- 1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated December 21, 2016, for:
 - a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework
 - b) providing you with all relevant information, such as all financial records and related data, including the names of all related parties and information regarding all relationships and transactions with related parties, and complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of shareholders, board of directors and committees of the board of directors that may affect the financial statements, and access to such relevant information
 - 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. Management also acknowledges and understands that they are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.
 - 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 risk that the financial statements may be materially misstated as a result of fraud
 - b) all information in relation to fraud or suspected fraud that we are aware of and that affects the Entity and involves: management, employees who have significant roles in internal control, or others, where the fraud could have a material effect on the financial statements
 - c) all information in relation to allegations of fraud, or suspected fraud, affecting the Entity's financial statements, communicated by employees, former employees, analysts, regulators, or others
 - d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements, whose effects should be considered when preparing financial statements
 - e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

SUBSEQUENT EVENTS:

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

RELATED PARTIES:

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

ESTIMATES:

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

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.

NON-SEC REGISTRANTS OR NON-REPORTING ISSUERS:

- 10) 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,

By: Ms. Shanna O'Dwyer, Manager, Finance

By: Nicola Mercer, MD, MBA, MPH, FRCPC, Medical Officer of Health & CEO

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 PS 2200 *related party* is defined as:

- Related parties exist when one party has the ability to exercise control or shared control over the other. Two or more parties are related when they are subject to common control or shared control. Related parties also include key management personnel and close family members.

In accordance with PS 2200 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. These transfers are related party transactions whether or not there is an exchange of considerations or transactions have been given accounting recognition. The parties to the transaction are related prior to the transaction. When the relationship arises as a result of the transaction, the transaction is not one between related parties.

Attachment II – Uncorrected Misstatements

As at and year ended December 31, 2016	Income effect	Financial position		
Corrected Audit Misstatements		Assets	Liabilities	Surplus
Description of misstatements greater than \$30,000 individually	(Decrease) Increase	(Decrease) Increase	(Decrease) Increase	(Decrease) Increase
Amounts in '000s		Increase		
Interest expense	102	-	-	-
Correction of prior year interest. No impact on ending financial position or accumulated surplus.				
Total Differences	102	-	-	-

Appendix 3: Audit Quality and Risk Management

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

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

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

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



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

Appendix 4: Background and professional standards

Internal control over financial reporting

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

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

The control deficiencies communicated to you are limited to those control deficiencies that we identified during the audit. During the 2016 audit we did not identify any control deficiencies.

Documents containing or referring to the audited financial statements

We are required by our professional standards to read only documents containing or referring to audited financial statements and our related auditors'

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

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

Consenting to the use of the auditors' report

When specifically engaged in the engagement letter, we will provide our consent, in writing, to the use of our auditors' report, once we have completed all of the procedures required under professional standards and no unresolved matters exist.

If there are any unresolved matters arising from the performance of the above procedures, we will inform the Audit Committee and the Board of Directors of such matters.

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