APPENDIX A

Audit Findings Report

For the Year ended March 31, 2015

Annual General Meeting

June 22, 2015

Muskoka Algonquin Healthcare

KPMG
cutting through complexity

Muskoka Algonquin Healthcare

Audit Findings Report
For the Year Ended March 31, 2015

KPMG LLP

May 22nd, 2015

kpmg.ca

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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 Muskoka Algonquin Healthcare as at and for the year ended March 31, 2015.

This Audit Findings Report builds on the Audit Plan we presented to the Audit Committee and dated January 20th, 2015.

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 **significant financial reporting risks**.

These included a number of estimates matters and how these could affect your reported financial results. We are satisfied that our audit work has appropriately dealt with the risks.

See page 5.

Adjustments and differences

The impact of the differences is as follows:

Revenues	**(in $'000s)**
As currently presented	$74,105
Uncorrected differences	$129
As a % of the balance	0.2%

Assets	**(in $'000s)**
As currently presented	$54,517
Uncorrected differences	$281
As a % of the balance	0.5%

See pages 8 and 9.

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

Finalizing the audit

As of May 22nd, 2015, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include amongst others:

- updating our assessment of legal matters, subsequent events and contingencies;
- completing our discussions with the audit committee;
- obtaining evidence of the Board's approval of the financial statements.

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

Control and other observations

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

See page 10.

Critical accounting estimates

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

The critical areas of estimates relate to:

- Pay equity

See page 6.

Significant accounting policies and practices

There have been no changes to significant accounting policies and practices to bring to your attention.

Audit risks and results

Inherent risk of material misstatement 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 significant risks identified.

Significant financial reporting risks	Why	Our significant findings from the audit
Presumed risk of management override of internal controls	Risk of fraud	We have performed the required procedures under professional standards, including the testing of journal entries, performing a retrospective review of estimates and evaluating the business rationale of significant unusual transactions (including the application of working capital relief funding). The results of our audit did not identify any significant management override of internal controls.

Critical accounting estimates

Under IFRS (IAS 1, 125), management is required to disclose information in the financial statements about the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to carrying amounts of assets and liabilities within the next financial year. Generally, these are considered to be "critical accounting estimates."

We have summarized our assessment of the subjective areas.

Critical accounting estimates

Asset / liability	Balance ($'000s)	KPMG comment
Accrual for payroll-related items	$1,193	Management records liabilities for payroll-related matters, including grievances, outstanding contracts and potential pay equity settlements. During the current year, the Hospital recorded an accrual for pay equity settlements in the amount of $1.193 million. KPMG has reviewed Management's assumptions for the accrual and has assessed the reasonableness of Management's estimate based on our understanding of pay equity accruals across the healthcare sector. Based on the results of our audit procedures, no audit differences were noted with respect to Management's estimate.

Financial statement presentation and disclosure

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

We also highlight the following:

Form, arrangement, and content of the financial statements	• The form, arrangement and content of the financial statements has been reviewed as part of our audit procedures as is considered to be adequate. • The Hospital's financial statements separately disclose working capital relief funding of $1.017 million as this funding is not expected to recur and is not related to the Hospital's ongoing operations. • The Hospital's financial statements include note disclosure relating to contingencies for employment related matters (note 13(c)), which would include pay equity settlements in excess of the amounts accrued by management.
Application of accounting pronouncements issued but not yet effective	No concerns are identified at this time regarding future implementation of accounting pronouncements.

Adjustments and differences

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

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

Corrected adjustments

The management representation letter includes all adjustments identified as a result of the audit, communicated to management and subsequently corrected in the financial statements.

Uncorrected differences

The management representation letter includes the Summary of Uncorrected Audit Misstatements, which disclose the impact of all uncorrected differences considered to be other than clearly trivial.

Adjustments and differences

Based on both qualitative and quantitative considerations, management have decided not to correct certain differences and represented to us that the differences—individually and in the aggregate—are, in their judgment, not material to the financial statements.

As at and year ended March 31, 2015

	Income effect	Financial position		
		Assets	Liabilities	Equity
Description of differences greater than $40,000 individually	**(Decrease) Increase**	**(Decrease) Increase**	**(Decrease) Increase**	**(Decrease) Increase**
Overstatement of ambulance funding repayable	–	$100,000	–	$100,000
Overstatement of employee future benefit obligations	$129,000	–	($181,000)	$52,000
Total differences	**$129,000**	**$100,000**	**($181,000)**	**$152,000**

We concur with management's representation that the differences are not material to the financial statements. Accordingly, the differences have no effect on our auditors' report.

Implications of adjustments and differences

Although the differences have no effect on our auditors' report, these differences or the underlying matters regarding differences and adjustments (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.

The implications of such misstatements on the Company's internal control over financial reporting (ICFR) are discussed in "Control Observations."

Control observations

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

Significant deficiencies

We have not identified any deficiencies in internal controls that we would consider to be significant during the course of our year-end audit procedures.

Other matters

Value added activities

KPMG will be undertaking a review of HST issues that may potential affect the Hospital, with a view of determining whether the Hospital is exposed to a potential liability. The results of this review will be presented at the next Audit Committee meeting.

Appendices

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 audited financial statements.
- **Management representation letter** –In accordance with professional standards, copies of the management representation letter will be provided to the Hospital as part of the approval of the final financial statements.

Appendix 2: 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, the Engagement Quality Control Reviewer reviews the appropriateness of key elements of publicly listed client audits.
  - Technical department and specialist resources provide real-time support to audit teams in the field.
- We conduct regular reviews of engagements and partners. Review teams are independent and the work of every audit partner is reviewed at least once every three years.
- We have policies and guidance to ensure that work performed by engagement personnel meets applicable professional standards, regulatory requirements and the firm's standards of quality.
- All KPMG partners and staff are required to act with integrity and objectivity and comply with applicable laws, regulations and professional standards at all times.

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

Appendix 3: Background and professional standards

Internal control over financial reporting

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

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

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

Documents containing or referring to the audited financial statements

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

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

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