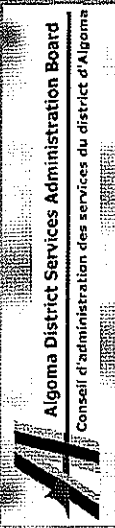


**Algoma District Services Administration Board**  
Conseil d'administration des services du district d'Algoma

**Audit Findings Report to the Audit Committee  
for year ended December 31, 2006**

March 21, 2007

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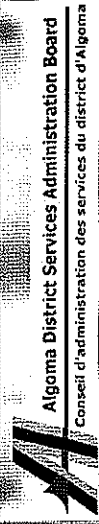
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This Audit Findings Report is confidential and intended solely for the use of the Audit Committee, Management and others within the Board. It is intended to assist the Audit Committee in carrying out and discharging their responsibilities to review and recommend to the Board of Directors whether the consolidated financial statements of the Board as at and for the year ended December 31, 2006 be approved. It should not be used for any other purposes. No responsibility for loss or damages, if any, to any third party is accepted as this report has not been prepared for, and is not intended for, any other purposes.



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# Overview



## Purpose of this report

- We have issued this report to assist members of the Audit Committee in your review of the financial statements.
- We welcome your questions and look forward to discussing our findings with you at this meeting.

## Basis for information

- The matters that we raise within this report
  - arise from the financial statement audit
  - are matters that we believe need to be brought to your attention
- This report may not include all matters of interest to you. Please let us know of other areas you would like to discuss with us.

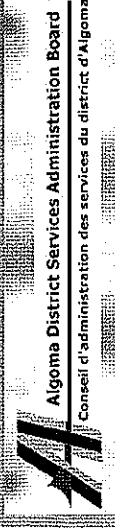
## Audit status: Complete

- We have completed our audit of the Board's financial statements in accordance with our Audit Plan and professional standards.
- We have released our audit report dated February 26, 2007

## Scope of a financial statement audit

- We perform an audit to provide reasonable assurance whether the financial statements are free of misstatements. In auditing, absolute assurance is not attainable because of such factors as (1) the nature of audit evidence (it is based on the use of testing, and much of the evidence available to the auditor is persuasive, rather than conclusive), (2) the inherent limitations of internal control over financial reporting, and (3) the characteristics of fraud. Accordingly, there is a risk that material misstatements, fraud and other illegal acts may exist and not be detected by an audit performed in accordance with professional standards.
- In an audit, we also make specific enquiries of management and obtain a supporting representation letter from management concerning the effectiveness of internal controls and the representations embodied in the financial statements, including the notes.
- In planning and performing a financial statement audit, we consider internal control over financial reporting to determine the nature, extent and timing of audit procedures. A financial statement audit does not provide assurance on the Board's internal controls.

## Planning Materiality



### Quantitative measure of materiality for planning purposes

- We define a level of materiality to provide a quantitative starting point for planning the precision of our audit.

### For ADSAB in the 2006 audit

- Materiality for planning purposes was established at \$140,000
- Based on one-half percent of revenue of the Board, as required under generally accepted auditing standards.

### Reporting materiality

- Reporting materiality is the threshold we use to determine whether corrections must be made at the completion of the audit.
- We have not adjusted our planning materiality during the course of the audit.

## Significant matters

### **Due to Province**

- As noted in prior year, there is an amount recorded as due to Province relating to prior periods. The payable totals \$164,500. Per discussion with management, they received verbal confirmation that the Province is not going back to 2001 and prior for recoveries. However, this individual (from the Province) does not have the authority bind the Ministry. It is management's opinion that it is still appropriate to provide for the payable until formal confirmation is obtained. Management will revisit this in the 2007 year end.

## Significant matters

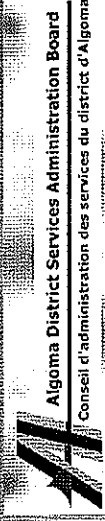


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### **Construction in Process**

- Construction in process of the new building in Echo Bay has been reflected on the statement of financial position as “Un-financed Capital Expenditures”. This presentation is temporary until the project is complete and the financing for the project has been received. Provincial funding and mortgage financing will be received in 2007. In 2007 the total financing and total expenditures for the project will be reflected in the capital fund as revenue and expenditures, respectively.

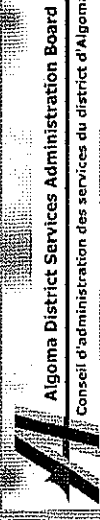
## Significant matters



### **Cross-border Ambulance service billings**

- As in the prior year the Board has been named as a defendant in a legal action with another district service board claiming fees due for services relating to cross boundary ambulance service. The amount of the claim is approximately \$234,000. No provision has been made in the financial statements to cover the amount of the claim. Management is defending the claim. Should the claim be successful, the Board will need to record an expense equaling the amount of the settlement in the year the amount has been determined. Note 7 to the financial statements discloses this contingency.

## Performance Improvement Observation



### Journal entries

- The Canadian Institute of Chartered Accountants issued a revised auditing standard with respect to the auditor's responsibility towards fraud and error in the financial statements.
- One of the procedures we are required to complete during an audit engagement is the review of journal entries including the authorization controls in place over the entries.
- Per review of the journal entries, it was noted that not all entries are signed off as evidence of review.

### KPMG recommendation

- We recommend that all journal entries are reviewed prior to being recorded by someone other than the preparer and that the reviewer/approver signs off on the entry.

## Audit differences



### Uncorrected audit differences

- We have reviewed uncorrected audit differences that we detected during our financial statement audit with Management.
- Management has represented that these audit differences, individually and in the aggregate, are, in their judgement, not material to the financial statements. Refer to Appendix 1.
- We have encouraged management to correct these audit differences.
  - Refer to “Summary of uncorrected audit differences”
  - Refer to “Summary of omissions and other errors in presentation and disclosure”

### Corrected audit differences

- We have reviewed the corrected audit differences that we detected during our financial statement audit with Management who approved and recorded them
  - Refer to the “Summary of corrected audit differences”
  - Refer to the “Summary of omissions or other errors in presentation and disclosure”

## Summary of uncorrected audit differences

Description	Type of audit difference <sup>1</sup>	Balance sheet effect, if corrected <sup>2</sup>			Income statement effect, if corrected <sup>2</sup>
		Assets \$'000	Liabilities \$'000	Equity \$,000	
Prior year audit difference					
<i>None</i>		-	-	-	-
Audit differences greater than \$10,000 individually <sup>3</sup>					
Aggregate overstatements of income: <i>None</i>		-	-	-	-
Aggregate understatements of income: <i>None</i>		-	-	-	-
<b>Total audit differences</b>		-	-	-	-

<sup>1</sup> Known audit differences: objectively determined or quantified  
Most likely audit differences: estimated or projected

<sup>2</sup> Increase (Decrease)  
<sup>3</sup> Refer to Appendix 2 for details

## Summary of corrected audit differences

Description	Balance sheet effect of correction			Income statement effect of correction \$,000
	Assets \$'000	Liabilities \$'000	Equity \$,000	
Audit differences greater than \$10,000 individually <sup>1</sup>				
Aggregate overstatement of income: NONE	-	-	-	-
Aggregate understatement of income: NONE	-	-	-	-
<b>Total audit differences</b>	-	-	-	-

<sup>1</sup> Refer to Appendix 2 for details

# Summary of omissions and other errors in presentation and disclosure



Description of omission or other error	Resolution corrected / uncorrected
<i>None noted.</i>	



## Matters pertaining to the financial statement audit

<b>Matters communicated</b>	<b>Comments</b>
<i>Significant unusual transactions</i>	We did not identify, in the course of our financial statement audit, any significant unusual transactions.
<i>Accounting policies, judgments and estimates</i>	<p>Management describes their critical accounting policies and key estimates that are subject to uncertainty in note 1 to the financial statements.</p> <p>We identified, in the course of our financial statement audit, no material changes in selection or application of accounting policies.</p> <p>We identified, in the course of our financial statement audit, no material new accounting policies.</p> <p>We identified, in the course of our financial statement audit, no accounting policies in controversial or emerging areas.</p>

## Matters pertaining to the financial statement audit

Matters communicated	Comments
<p><i>Material weaknesses in internal control over financial reporting</i></p>	<p>We did not identify, in the course of our financial statement audit, any material weaknesses in the design, implementation or operating effectiveness of internal control over financial reporting, including anti-fraud controls.</p> <p>Our audit has not been designed to determine the adequacy of internal control over financial reporting for management purposes.</p>

## Matters pertaining to the financial statement audit

<b>Matters communicated</b>	<b>Comments</b>
<p><i>Illegal and fraudulent activities</i></p>	<p>We did not identify, during our financial statement audit, any illegal acts or possibly illegal acts.</p> <p>We did not identify, during our financial statement audit, any:</p> <ul style="list-style-type: none"> <li>• matters that pose questions regarding the honesty and integrity of management</li> <li>• fraud or suspected fraud involving management</li> <li>• fraud or suspected fraud involving employees who have significant roles in internal control over financial reporting</li> <li>• fraud or suspected fraud (whether caused by management or other employees) that results, or may result, in a non-trivial misstatement of the financial statements</li> <li>• matters that may cause future financial statements to be materially misstated</li> </ul>
<p><i>Auditors' independence</i></p>	<p>Our independence letter dated March 21, 2007, includes a list of professional services provided by us to the entity or its related entities together with the amount of fees billed for such services and any other identified relationships that, in our professional judgment, may reasonably be thought to bear on our independence.</p> <p>We have, since the date of this letter, provided no additional professional services nor identified other relationships that, in our professional judgment, may reasonably be thought to bear on our independence. Accordingly, we confirm that, since the date of this letter, we remain independent.</p>



## Matters pertaining to the financial statement audit

<b>Matters communicated</b>	<b>Comments</b>
<i>Dealings with Management</i>	<p>We received the full cooperation of Management and employees of the Board and, to our knowledge, had complete access to the accounting records and other documents that we needed in order to carry out our audit.</p> <p>We had no disagreements with Management, and we have resolved all auditing, accounting and presentation issues to our satisfaction.</p>
<i>Consultation with other Accountants</i>	<p>We are not aware of any consultations by Management with other accountants regarding accounting or auditing matters.</p>
<i>Major issues discussed with Management that influence our audit appointment</i>	<p>We did not engage in discussion with Management about any major issues in connection with our appointment as auditors.</p>
<i>Audit Differences</i>	<p>We report that no misstatements were identified during the financial statement audit.</p>