

Appendix A: Engagement letter



February 8, 2012

Ms. Lorella Hayes
Chief Financial Officer / Treasurer
The City of Greater Sudbury
200 Brady Street
2nd Floor, Tom Davis Square
Box 5000, Stn A
Sudbury, Ontario P3A 5P3

Dear Ms. Hayes

PricewaterhouseCoopers LLP (we, us or our), a limited liability partnership organized under the laws of the Province of Ontario, is pleased to provide services to The City of Greater Sudbury (the City) for the years ending December 31, 2011, 2012 and 2013. Cathy Russell will be responsible for the services we perform. This engagement letter confirms our mutual understanding of the specific terms of our engagement, which are supplemented by the standard terms of business attached to this engagement letter. Our fee estimate is outlined in Schedule A. If there is any difference between our standard terms of business and the specific terms included in this letter, specific terms shall apply.

Services and Related Report

We will provide the following services (the services):

**Annual
Financial
Statement
Audit**

We will audit the City's consolidated financial statements as at December 31, 2011, 2012, 2013 and for the years then ending (the audit).

These financial statements will be prepared in accordance with the requirements of Canadian Public Sector Accounting Standards (the financial statements).

These financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose. These financial statements have been prepared by management.

PricewaterhouseCoopers LLP, Chartered Accountants
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215, www.pwc.com/ca

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership, which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.

**Auditor's
Report**

Once we complete our annual audit, we will provide you with our auditor's report on the work referred to above. The form and content of our auditor's report will be in accordance with Canadian Auditing Standard 700, Forming an Opinion and Reporting on Financial. There may be circumstances where our audit report may differ from the expected form and content. If, for any reasons caused by or relating to the affairs of you or you, we are unable to complete our audit, we may decline to issue our auditor's report.

Our Responsibilities**Annual
Financial
Statement
Audit**

The purpose of a financial statement audit is to express an opinion on the financial statements. We will be responsible for performing the audit in accordance with Canadian generally accepted auditing standards. These standards require that we comply with ethical standards, which include independence and professional competence, and plan and perform the audits to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by you, as well as evaluating the overall presentation of the financial statements.

**Consistency of
accounting
principles**

It is our responsibility to assess whether the accounting principles used to prepare the financial statements have been applied on a basis consistent with that of the preceding year and to report on that matter in the auditor's report under "Report on other legal and regulatory requirements".

**Risk
Assessment**

In making our risk assessments, we will consider internal control relevant to the 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 your internal control. But, we will let you and the Audit Committee know, as appropriate, in writing about any significant deficiencies in internal control relevant to the audit of the financial statements that we have identified during the audit.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Canadian generally accepted auditing standards.



Informing the Audit Committee

We also are responsible for ensuring that the Audit Committee is informed about certain other matters related to the performance of our audits, including but not limited to:

- (i) our views about significant qualitative aspects of your accounting practices, including accounting policies, accounting estimates and financial statement disclosures. In certain circumstances we may be required to explain to the Audit Committee why we consider a significant accounting practice, that is acceptable under the applicable financial reporting framework, not to be most appropriate to your particular circumstances;
- (ii) significant difficulties, if any, encountered during our audits;
- (iii) where the Audit Committee is not involved in managing the entity we are also required to communicate:
 - significant matters, if any, arising from our audits that were discussed, or subject to correspondence with management; and
 - written representations we are requesting; and
- (iv) other matters, if any, arising from our audits that, in our professional judgment, are significant to the oversight of the financial reporting process.

Reliance by Third Parties

The services will not be planned or conducted in contemplation of reliance by any specific third party or with respect to any specific transaction. Therefore, items of possible interest to a third party will not be specifically addressed and matters may exist that would be assessed differently by a third party, possibly, in connection with a specific transaction.

Your Responsibilities

Responsibility for Financial Statements and Internal Control

You are responsible for the preparation and the fair presentation of the financial statements and information referred to above. You are also responsible for establishing and maintaining an effective system of internal control over financial reporting to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In this regard, you are responsible for establishing policies and procedures that ensure financial statements are prepared in accordance with the requirements of Canadian Public Sector Accounting Standards.

If you engage us to translate the financial statements or other documents referred to above from one language to another, you are responsible for the translated documents.

Correction of Errors

You are responsible for adjusting the financial statements to correct material misstatements and for confirming to us that the total of all uncorrected misstatements identified by us during our audit are immaterial, both individually and in total, to the financial statements taken as a whole. In addition, we expect you will correct all known non-trivial errors.



Prevention and Detection of Fraud

You are also responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us:

- (i) of the risk that the financial statements may be materially misstated as a result of fraud;
- (ii) about all known or suspected fraud affecting you involving (a) management, (b) employees who have significant roles in internal control over financial reporting and (c) others where the fraud could have a non-trivial effect on the financial statements; and
- (iii) of your knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, investors or others.

Related Party

You are responsible for disclosing to us the identity of the related party as defined in Canadian Auditing Standard 550 – Related Parties and all the related party relationships and transactions of which you are aware and, for providing to us any updates that occur during the course of this engagement.

Subsequent Events

You are responsible for informing us of subsequent events that may affect the financial statements of which you may become aware during the period subsequent to the balance sheet date to the date the financial statements are issued.

Laws and Regulations

You are responsible for identifying and ensuring that you comply with the laws and regulations applicable to your activities, including those pertaining to the services. You will make available to us information relating to any illegal or possibly, illegal acts, and all facts related thereto and will provide information to us relating to any known or probable instances of non-compliance with legislative or regulatory requirements, including financial reporting requirements.

Providing Information on a Timely Basis

You are responsible for making available to us, on a timely basis, all of your original accounting records and related information relevant to the preparation of the financial statements, additional information that we may request from you for the purposes of our audit and unrestricted access to your personnel who we may determine necessary to obtain evidence necessary to support our audits of the financial statements.

**Management Representation Letter
Previous Auditors**

You will provide us with written representations concerning representations made to us during the audits covering the financial statements.

To assist us in planning our audits, you will authorize your previous auditors, Collins Barrow, Freelandt, Caldwell and Reilly and KPMG LLP, to allow us to review its working papers and to respond fully to our inquiries.



As part of our process of assessing the quality of our services, you may receive questionnaires from us and visits from senior partners not directly involved in providing services to you. We appreciate the attention given to these questionnaires and visits and value your feedback.

If the services outlined herein are in accordance with your requirements and, if the above terms are acceptable, please have one copy of this letter executed in the spaces provided below and return it to us.

Yours very truly,

Chartered Accountants

The services and terms as set forth in this letter, including the provisions of the attached schedule and our standard terms of business, are agreed to.

The City of Greater Sudbury

By:

Ms. Lorella Hayes, Chief Financial Officer / Treasurer

Date

Schedule A

Fees and Billing Schedule

Our Fee Estimate

Our fees for the services as outlined in the RFP, Section 7.1 Summary of Audit Fees and in Appendix E – Mandatory Forms – Bid Forms (2011, 2012 and 2013) will be \$80,000 in 2011, \$82,000 in 2012 and \$84,000 in 2013. Our fees exclude HST.

Conditions Impacting our Time and Fee Estimates

Our time and fee estimates take into account the agreed level of preparation and assistance from you. We will let you know promptly when and if for any reason the schedules, information and assistance provided as outlined in this engagement letter, are not sufficient for our services. We will provide you with a separate listing of required schedules, information requests and the dates such items are needed. We will also discuss with you and the Audit Committee any other issues that will require extra time and effort to resolve in order to revise the fee estimate to reflect additional services, if any, required for us to complete our work.

The conditions impacting our time and fee estimates include, but are not limited to, the following:

- 1 Changes to the timing of the engagement at your request may result in the services being performed by staff at a higher rate than initially planned, or difficulty in reassigning individuals to other engagements, either of which may result in our incurring significant unanticipated costs.
- 2 All schedules are not (a) provided by you on the date requested, (b) completed in a format acceptable to us, (c) mathematically correct or (d) in agreement with your accounting records (e.g. general ledger accounts).
- 3 Your personnel are not readily available or there is a significant delay in providing adequate responses to our requests for information, such as reconciling variances or providing requested supporting documentation (e.g. invoices, contracts and other documents).
- 4 Significant number of adjustments posted by you after we start our work that result in our having to update previously completed work.
- 5 The financial statements are received late or there are a significant number of drafts or a significant number of changes identified as a result of our review.

Terms of business

1	Introduction
2	PwC firms and subcontractors
3	Your responsibilities
4	Confidentiality
5	Professional and Regulatory Oversight
6	Personal information
7	Working papers
8	Liability
9	Termination
10	Governing Law
11	General

1 Introduction

- 1.1 **Interpretation** - In this agreement the following words and expressions have the meaning given to them below:
services – the services set out in the engagement letter
the agreement – these terms and the engagement letter to which they relate (including any schedules)
we, us or our – refers to PricewaterhouseCoopers LLP, a limited liability partnership organized under the laws of the Province of Ontario
you, your – the party or parties, including their management, to the agreement
- 1.2 **Changes** – Either we or you may request a change to the services or this agreement. Any change will be effective only when agreed in writing.

2 PwC firms and subcontractors

- 2.1 **Our relationship with you** – We are a member of the global network of PricewaterhouseCoopers firms ("PwC Firms"), each of which is a separate and distinct legal entity.
- 2.2 **Subcontractors** – We may use other PwC Firms or subcontractors to provide the services. We remain solely responsible for the services.
- 2.3 **Restriction on claims** – You agree not to bring any claim or action against another PwC Firm (or its partners, members, directors or employees) or our subcontractors in respect of any liability relating to the services or the agreement.
- 2.4 **Group members** – You will ensure that no subsidiary, affiliate, parent, associated entity or holding company (unless a party to the agreement), both while they are a group member and thereafter, brings any claim or action against any PwC Firm (or its partners, members, directors or employees) or our subcontractors in respect of any liability relating to the services or the agreement.

3 Your responsibilities

- 3.1 **Your obligations** – The performance of our services depends on you performing your obligations under the agreement. We are not responsible for any consequences arising from you not fulfilling your obligations.
- 3.2 **Solicitation and hiring of PwC personnel** - Our auditor independence related to assurance engagements may be impaired if you solicit or hire certain PwC personnel. This may either delay the provision of the services or cause us to resign from the engagement. You agree not to offer or permit your related parties to offer employment to or hire the lead engagement partner, the quality review partner or any other PwC partner and/or employee who has provided more than ten (10) hours of audit or review services until a period of twelve (12) months has passed from the date the applicable financial statements were filed with the relevant securities regulator or stock exchange.
- 3.3 **Oral advice and draft deliverables** – You may rely on our final written deliverables, but should not rely on oral advice or draft deliverables provided during the term of this agreement. If you wish to rely on something we have said to you, please let us know and if possible, we will prepare a written deliverable on which you may rely.

4 Confidentiality

- 4.1 **Confidential information** – We and you agree to use the other party's confidential information only in relation to the services, and not to disclose it, except where required by law, regulation or professional obligation. However, we may give confidential information to other PwC Firms or our subcontractors as long as they are bound by reasonable confidentiality obligations given the sensitivity of the information provided.

5 Professional and Regulatory Oversight

- 5.1 **Reviews of us** – We are required to meet certain professional standards in the performance of our services. As such, we are regulated or overseen by various professional and regulatory bodies both in Canada and abroad (which bodies will depend on the nature of the services performed under this agreement). These professional and regulatory bodies have the right to inspect our files, including working papers and other work product(s) relating to these services or the services provided in prior years to determine whether professional standards have been met. We may, from time to time, receive requests or orders from such bodies to provide them with information and copies of such working

papers. We intend to provide such information and working papers in response to such requests.

- 5.2 **Reviews of you** - Certain regulatory bodies may also have the right to conduct investigations of you, including the services provided by us. To the extent practicable, we will advise you of any such investigation request or order prior to providing our working papers, except where we are prohibited by law from doing so.
- 5.3 **Privileged information** - Except where providing working papers is required by the laws of any jurisdiction that you or we are governed by, we will use all reasonable efforts to refuse access to any document over which you have expressly informed us that you assert privilege. You must mark any document over which you assert privilege as "PRIVILEGED".
- 5.4 **Reimbursement of costs incurred** - You agree to reimburse us for our professional time and expenses, as well as the fees and expenses of our legal counsel, incurred by us in responding to any investigation that is requested or authorized by you or of you required by government regulation, subpoena or other legal process.

6 Personal information

- 6.1 **Personal information** - We may collect, use, transfer, store or otherwise process information disclosed by you of a personal nature (personal information). We may process such personal information in various jurisdictions in which we or applicable PwC Firms operate. Such personal information will be at all times processed in accordance with the applicable laws and professional regulation. In addition, we will require any service providers that process personal information on our behalf to adhere to such requirements. You confirm that you have the authority to provide the personal information to us in connection with the performance of services and that the personal information provided to us has been disclosed in accordance with applicable law.

7 Working papers

- 7.1 **Ownership** - Any documents prepared by us or for us in connection with this agreement belong to us.

8 Liability

- 8.1 **Misrepresentation by you** - You agree to release and indemnify us and our agents, partners and employees, and hold us and them harmless from all claims, liabilities, losses and costs arising in circumstances where there has been a misrepresentation by a member of your management or board of directors, regardless of whether such person was acting in your interest. This release indemnification does not apply where we reasonably should have uncovered the misrepresentations through other procedures performed but did not due to the negligence, wilful

misconduct or dishonesty of our partners and/or employees.

- 8.2 **No claims against individuals** - You agree claims or actions relating to the delivery of services shall be brought against us alone, and not against any individual. Where our individuals are described as partners, they are acting as one of our members.

9 Termination

- 9.1 **30 days' notice** - In the event either party fails to fulfil their responsibilities, the other may end the agreement on 30 days written notice.
- 9.2 **10 days' notice** - Upon completion of the services, either we or you may end the agreement on 10 days' written notice.
- 9.3 **Fees payable on termination** - You agree to pay us for all services we perform up to the date of termination, including services performed, work-in-progress and expenses incurred.

10 Governing Law

- 10.1 **Law and jurisdiction** - The agreement and any dispute arising from it, whether contractual or non-contractual, will be governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein and is subject to the exclusive jurisdiction of the courts of the Province of Ontario.

11 General

- 11.1 **Matters beyond reasonable control** - No party will be liable (other than payment obligations) to the other if it fails to meet its obligations due to matters beyond its reasonable control.
- 11.2 **Entire agreement** - The agreement, once executed by both parties, forms the entire agreement between the parties in relation to the services. It replaces any earlier agreements, representations or discussions.
- 11.3 **Your actions** - Where you consist of more than one party, an act or omission of one party will be regarded as an act or omission of all.
- 11.4 **Assignment** - Without written consent, neither of us may assign any of our rights, obligations or claims under this agreement.
- 11.5 **Survival** - Any clause that is meant to continue to apply after termination of this agreement will do so.
- 11.6 **Severability** - If a court or regulator with proper jurisdiction determines that a provision of this agreement is invalid, then that provision will be interpreted in a way that is valid under applicable law or regulation. If any provision is invalid, the rest of this agreement will remain effective.

