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The North York Performing Arts Centre Corporation (operating as The Toronto Centre for the Arts)

2012 Year-end report to the Audit Committee

Prepared as of April 29, 2013

April 29, 2013

Members of the Audit Committee of the Board of Management
Toronto Centre for the Arts

Dear Members of the Audit Committee:

We have substantially completed our audit of the financial statements (the financial statements) of Toronto Centre for the Arts (the Centre) prepared in accordance with Canadian public sector accounting standards for not-for-profit organizations (PSAS) for the year ended December 31, 2012. We propose to issue an unqualified report on those financial statements, pending resolution of outstanding items outlined on page 3. Our draft auditor's report is included in Appendix B.

We have issued the accompanying report to assist you in your review of the financial statements. It includes an update on the status of our work, as well as a discussion on the significant accounting and financial reporting issues dealt with during the audit process.

We propose to review the key elements of this report at the upcoming meeting and discuss with you our key findings.

We would like to express our sincere thanks to the management and the staff of the organization who have assisted us in carrying out our work and we look forward to our meeting on May 6, 2013. Should you have any questions or concerns prior to the Audit Committee meeting, please do not hesitate to contact me in advance.

Yours very truly,

PricewaterhouseCoopers LLP

Michael Nicoló
Partner
Audit and Assurance Group

cc: Pim Schotanus, General Manager

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Contents | Page

1. Executive summary 1
2. Audit administration 3
3. Scope of our services 4
4. How we performed the audit 5
5. Significant audit, accounting and financial reporting matters 9
6. Summary of unadjusted and adjusted items 10
7. Other required communications 11
8. Internal control recommendations 12
9. Our commitment to audit quality 17

Appendices

Appendix A: Engagement letter
Appendix B: Draft auditor’s report
Appendix C: Management representation letter
Appendix D: Independence letter
Appendix E: Financial Reporting Release
Appendix F: PwC publications: “Helping You to Make a Difference”; “Audit Committee Connect App”

The matters raised in this and other reports that will flow from the audit are only those that have come to our attention arising from or relevant to our audit that we believe need to be brought to your attention. They are not a comprehensive record of all the matters arising and, in particular, we cannot be held responsible for reporting all risks in your business or all internal control weaknesses. This report has been prepared solely for your use and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted, as the report has not been prepared for, and is not intended for, any other purpose. Comments and conclusions should only be taken in context of the financial statements as a whole as we do not mean to express an opinion on any individual item or accounting estimate.

1. *Executive summary*

a. Status of the audit

We have substantially completed our audit of the 2012 financial statements. Our auditor's report will be issued once we receive and have completed our audit work on the outstanding items noted below.

This document includes the required communications between an auditor and the Audit Committee, as required by Canadian generally accepted auditing standards (Canadian GAAS).

The following items will need to be completed/received prior to the issuance of our opinion. We will provide an update on the status of these items at our upcoming meeting.

Outstanding item	**Status as at May 6, 2013**
i. Receipt of legal letter responses from lawyers and update with lawyers to the financial statement approval date	
ii. Subsequent events update with management	
iii. Receipt of signed management representation letter	
iv. Approval of the financial statements by the Audit Committee / Board of Directors	

b. Key issues for discussion

Discussion item	Summary	For further reference
Client service team	• Michael Nicoló is your engagement leader; Natalia Glavina is your engagement manager.	Page 3
Independence	• We are independent of the Centre as at April 29, 2013. • Our independence letter can be found in Appendix D.	Page 3
2012 audit fees	• Our estimated audit fees for 2012 are $12,500 (2011 - $11,650).	Page 3
Service deliverables	• The scope of our services remains consistent with the prior year: an audit of financial statements of the Centre and the expression of an opinion on the Centre's financial statements.	Page 4
Audit approach	• Our audit approach consisted of a mixture of key controls reliance and substantive detail testing. • Consistent with Canadian Auditing Standards, we also implement a level of unpredictability into our procedures each year.	Page 5
Materiality	• We have calculated materiality to be $123,700. • Unadjusted and adjusted items over $6,100 will be reported to the Audit Committee.	Page 7
Items discussed with management	• During the course of our work we discussed the following items with management: - Treatment of related party transactions - Management estimates - Conversion to Public Sector Accounting Standards - Internal control recommendations	Page 9 Page 12
Summary of unadjusted items	• As a result of our audit, we did not identify any unadjusted and adjusted items. • In our opinion, the financial statements, taken as a whole, are free of material misstatement.	Page 10
Fraud	• No instances of fraud were noted as part of our audit procedures	Page 8
Management representations	• Under Canadian GAAS, we are required to inform you of the representations we are requesting from management. A copy of the management representation letter is included in Appendix C.	Page 9

2. *Audit administration*

a. Your team

Your client service team comprises the following individuals:

Name	Role	Number of years on engagement	Phone number	Email address
Michael Nicoló	Engagement leader	1	416 218 1395	michael.nicolo@ca.pwc.com
Natalia Glavina	Engagement manager	2	416 218 1456	natalia.glavina@ca.pwc.com

b. Independence

Generally accepted auditing standards require that we confirm our independence to the Audit Committee annually. We are not aware of any relationships that may reasonably be through to bear on our independence. Our independence letter is set out in Appendix D.

c. Our fees

Our estimated fees were based on the expected time required to complete the audit. Our fees excluded taxes and out-of-pocket costs, as outlined in our engagement letter.

Service description	Estimated fees 2013 $	Estimated fees 2012 $	Actual fees 2011 $
Audit of the financial statements	$13,360	$12,500	$11,650
Assistance with resolution of accounting issues	-	1,000	3,300
Total audit and audit related services	**$13,360**	**$13,500**	**$14,950**

3. *Scope of our services*

a. Our audit objectives

As the Centre's auditor, our primary responsibility is to form and express an opinion on the Centre's financial statements as at December 31, 2012 and for the year then ended in accordance with Canadian Public Sector Accounting Standards for not-for-profit organizations (PSAS). The financial statements are prepared by management with the oversight of those charged with governance (the Audit Committee). An audit of the financial statements does not relieve management or the Audit Committee of its responsibilities.

We conducted our audit in accordance with Canadian GAAS. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

In addition, we are committed to being a trusted advisor to management and to the Audit Committee. Where appropriate, we will discuss standards, provide management our views and insights and also advise management of other services we feel could be helpful - at all times staying within the realms of our independence rules.

b. Engagement terms

Our engagement letter (included in Appendix A) sets out the terms and conditions for our engagement as the independent auditor of the Centre for the above mentioned year.

In addition, our engagement letter outlines our responsibilities as the auditor and the responsibilities of management.

c. Our service deliverables

Our audit and audit related service deliverables with respect to 2012 are:

	Audit and audit related services	**Timing/status**
Audit opinions	• Financial statement audit for the Centre.	• April 2013
Control recommendations	• Report significant weaknesses in control and our recommendations to the Audit Committee.	• May 6, 2013
Other services	• Final report on the results of the audit to the Audit Committee.	• May 6, 2013

4. How we performed the audit

a. Our audit approach

Our audit approach is designed to allow us to execute a quality and efficient audit. We do this by:

i. gaining an understanding of the business by focusing on new developments and key business issues affecting the Centre as well as management's monitoring of controls and business processes;
ii. identifying significant audit risks, sharing our perspectives, obtaining your feedback and ensuring our audit is tailored to these risks;
iii. using well-reasoned professional judgment, especially, in areas that are subjective or require estimates; and
iv. leveraging reliance where possible on the Centre's internal controls and information technology and data systems.

In the current year, our work included testing of key controls in the following areas:

- Purchases, payables and disbursements
- Payroll

All other areas were subject to tests of detail and substantive analytical testing.

Throughout the audit, we scale our work based on the size of an account balance, its complexity and its impact on the financial statements. As a result, you will always hear us talking to you about the key issues.

b. Risk analysis

Significant risks are those risks of material misstatement that, in our judgment, require special audit consideration. We have identified the following significant audit risks and other risks, including business risks with a potential audit impact, as part of our planning process.

These risks were identified based on discussions with management, our knowledge of the business and current developments in your industry and the economy.

They are the most important risks from our perspective. We request your input on the following significant risks and whether there are any other areas of concern that the Audit Committee has identified.

Risk area (including key judgments and estimates)	Management's response	Our audit approach
Treatment of related party transactions A high amount of activity occurs between the Centre and the City. This includes transactions such as receipt of operating funding and the other charges.	Management separately tracks and monitors amounts received from the City to ensure that they are spent in accordance with funding arrangements.	We confirmed all year-end balances with the City related to the grant and others payables to ensure they have been accurately and completely reflected in the accounts of the Centre**.**

Risk area (including key judgments and estimates)	Management's response	Our audit approach
License agreement with Dancap Productions The Organization has a license agreement with Dancap Productions (Dancap). Under this agreement, management is obligated to pay or credit to the licensee certain rebates based on the number of performance days and revenue. Revenues from Dancap represent a significant portion of Organization's total revenue from operations.	Management reviews the calculation of amounts paid or credited to Dancap on a regular basis.	We have reviewed management calculation of revenue from Dancap and have confirmed minimum revenue directly with Dancap.
Deferred capital contributions and ticket sales Certain revenues relate to future performance, and have therefore not yet been earned, or to unspent capital ticket surcharges and are deferred as at the year end.	Management monitors restricted revenues to ensure that they are in accordance with revenue recognition criteria and funding arrangements.	We tested amounts which have been deferred to ensure that deferral is appropriate, and in accordance with funding arrangements (i.e. rental revenue deposits, capital contributions).We also tested amounts recognized as revenue in the year.
Payroll Salaries and benefits comprise a significant portion of the Centre's expenditures. It is important that control procedures in this area are effective and function properly on a continuous basis.	There are various controls in place to ensure the accuracy of the payroll, including hires, terminations, and changes to salaries and benefit amounts.	We validated key management controls around the payroll cycle and substantially tested payroll reconciliation for the current year.
Management estimates The preparation of financial statements includes the use of estimates in areas such as amortization, accruals and provisions. Due to their nature, estimates carry a higher inherent risk and therefore require additional consideration as part of an audit examination.	Management reviews its estimates on a regular basis and applies a consistent methodology to estimate the amounts, unless there has been a change in circumstances.	For all material estimates, we reviewed management's methodology in arriving at these estimates, to ensure that it is reasonable and has been consistently applied year over year.

c. Materiality

Misstatements, including omissions, are considered to be material if they (individually or in aggregate with other misstatements) 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. A common measure for setting materiality for a not-for-profit organization is to use 1/2% to 2% of revenue or expenditures.

Accordingly, we set our materiality for the audit as follows:

	Basis	**Amount**	**Prior year's amount**
Overall materiality	2% of expenditures	$123,700	$100,000
Unadjusted and adjusted items in excess of this amount are reported to the Audit Committee	5% of overall materiality	$6,100	$5,000

d. Discussion on fraud risk

Canadian GAAS requires us to discuss fraud risk annually with the Audit Committee. We understand that part of your governance role is also to consider the fraud risks facing the Centre and the responses to those risks.

Required discussion 1	• Through our audit process (and prior years' audits), we have developed an understanding of your oversight processes including: o Code of conduct o Audit Committee charters o Discussion at Audit Committee meetings and our attendance at those meetings o Business performance reviews o Review of related party transactions o Consideration of tone at the top • Are there any new processes or changes to the above that we should be aware of?
Required discussion 2	We are not aware of any fraud at the current time. We would like to ask whether you are aware of instances of actual, suspected or alleged fraud affecting the organization.

An auditor's responsibilities for detecting fraud

We are responsible for planning and performing the audit to obtain reasonable assurance that the financial statements are free of material misstatements, whether caused by error or fraud.

The likelihood of not detecting a material misstatement resulting from fraud is higher than the likelihood of not detecting a material misstatement resulting from error, because fraud may involve collusion as well as sophisticated and carefully organized schemes designed to conceal it.

During our audit, we performed the following procedures in order to fulfill our responsibilities:
- inquiries of management, the Audit Committee and others related to any knowledge of fraud or suspected fraud;
- performed disaggregated analytical procedures and considered unusual or unexpected relationships identified in planning the audit;
- incorporated an element of unpredictability in the selection of the nature, timing and extent of our audit procedures;
- performed additional required procedures to address the risk of management's override of controls, including:
  - testing internal controls designed to prevent and detect fraud;
  - examining journal entries and other adjustments for evidence of the possibility of material misstatement due to fraud;
  - reviewing accounting estimates for biases that could result in material misstatement due to fraud, (including a retrospective review of significant prior years' estimates); and
  - evaluating the business rationale of significant unusual transactions.

We would be pleased to discuss any other procedures or suggestions the Audit Committee may have.

5. Significant audit, accounting and financial reporting matters

Preparation of the financial statements requires management to select accounting policies, as well as make critical accounting estimates and disclosures that may involve significant judgment and measurement uncertainty. These matters can significantly impact the Centre's reported results.

We are responsible for discussing with the Audit Committee our views about the significant qualitative aspects of the Centre's accounting practices, including accounting policies, the accounting estimates, and financial statement disclosures in accordance with the requirements of GAAP.

Our comments and views included in this report should only be taken in the context of the financial statements as a whole and are not meant to express an opinion on any individual item or accounting estimate. We are sharing our views with you to facilitate an open dialogue of these matters.

Issue	Discussion
Related party transactions – City of Toronto	As a significant amount of activity occurs between the City and the Centre, we confirmed all year-end balances directly with the City, related to the grant received in the year, the year-end receivable balance and loan payable balance to the City. Based on our review of the confirmation received, all amounts have been accurately and completely reflected in the financial statements and accounts of the Centre.
Significant management estimates	During the course of our work, we noted the following areas of management judgment or estimate: *Payroll Accrual:* o As part of testing of payroll accruals, we noted that payroll accrual of approximately $44,000 (2011 - $170,000) was properly recorded in the financial statements. *Vacation Accrual:* o As a part of testing of vacation accrual, we noted that vacation accrual of approximately $3,200 (2011 - $5,500) was properly recorded in the financial statements.

Issue	Discussion
Conversion to Public Sector Accounting Standards with section 4200	During 2012 management elected to adopt PSAS. The accounting policies selected under this framework have been applied consistently and retrospectively as if these policies had always been in effect. The Centre did not utilise any transitional exemptions on the adoption of PSAS. There were no adjustments to the statements of financial position or the statements of operations, changes in net assets and cash flows. Following are the areas where the changes were noted due to the conversion: • Presentation of the statement of financial position for the three years ended December 31, 2012, December 31, 2011 and January 1, 2011. • Requirement to include a "statement of remeasurement gains and losses" • Note disclosure noting adoption of PSAS • Changes in note disclosures relating to Financial Instruments and Impairment of Long-lived Assets (currently titled as 'write-down of tangible capital assets') • Capital management note is no longer required We reviewed management's conversion program and noted no exceptions. We reviewed the selected policies and concluded that the statements are fairly presented in accordance with the newly adopted standards.

6. *Summary of unadjusted and adjusted items*

We have concluded that the financial statements taken as a whole are free of material misstatement and (pending the completion, to our satisfaction, of the outstanding matters identified in section 1), we are prepared to issue an unqualified opinion on the financial statements.

Our responsibility is to issue an opinion as to whether the financial statements are free of material misstatement.

Under Canadian GAAS, we are required to communicate to you the unadjusted items and the effect that they may have on our opinion and to request that unadjusted items be corrected.

We are also required to communicate the effects of any unadjusted items that relate to prior periods. We did not identify any such adjustments.

There are no unadjusted or adjusted items in the current year.

7. Other required communications

Canadian GAAS requires that the external auditor communicate certain matters to the Audit Committee that may assist you in overseeing management's financial reporting and disclosure process.

Below, we summarize these required communications as they apply to you:

Matter to be communicated	PwC's response
Management's representations	• Under Canadian GAAS, we are required to inform you of the representations we are requesting from management. A copy of the management representation letter is included in Appendix C.
Significant deficiencies in internal control	• Recent changes to Canadian GAAS require us to communicate to the Audit Committee internal control weaknesses identified as part of our audit that are considered to be significant deficiencies. • A significant deficiency is defined as an internal control deficiency that we consider merits the attention of the Audit Committee. • These are summarized in Section 8.
Significant difficulties or disagreements that occurred during the audit	• No difficulties or disagreements occurred while performing our audit that requires the attention of the Audit Committee.
Fraud and illegal acts	• No fraud or illegal acts came to our attention as a result of our audit procedures.

8. Internal control recommendations

The purpose of our audit was to enable us to express an opinion on the financial statements. The audit included consideration of 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 internal control.

During our audit, we did not identify any new control recommendations; however, we would like to provide you with an update of the control recommendations identified in prior year.

Items requiring further action:

Observation	Recommendation	Management's response
Management expense report approval and written policies As noted previously, during our testing of the authorization of management expense reports, we noted one instance where a manager had approved his own American Express (Amex) expense report. Although our review indicated that the nature of the expense approved was in accordance with the Centre's expense policy, there is a risk of misappropriation of assets where expense reports can be self-approved.	2010 Recommendation: We recommend that all expense reports, including Amex expenses, be approved by someone other than the manager who has incurred the expense. Management has already developed a policy with respect to the use and approval of credit card related expenses. We recommend that this policy be updated to include the appropriate signature authorization policy. 2011 and 2012 Update: Partial Implementation: We noted that the all expenses were appropriately approved. However, there is no written management expense policy. We recommend that management develop a management expense policy.	2010 Response: Management agrees that no manager will be able to approve their own Amex expense reports going forward. The new credit card policy will also be updated to include the appropriate signature authorization policy. 2011 Response: Although there have been no questionable management expenses to date, management agrees that the development of a management expense policy is consistent with good financial oversight and will take steps to develop such policy. 2012 Update: The Centre is currently working with the Centre's Finance and Audit Committee to develop and implement a management expense policy based on guidelines provided by the City of Toronto , the Amex credit card use policy was updated to ensure that no manager can approve their own Amex expense reports.

Observation	Recommendation	Management's response
Overall segregation of duties Due to the small size of the Centre's finance team, we noted many areas where the reporting and accounting functions are being performed by the General Manager (GM), rather than being subject to his review. This means that a review is not being performed of the work that he is performing, which increases the risk of error and possibility for management override of controls. It also means that a large proportion of his time is being taken up with detailed accounting work, rather than providing oversight to the finance team and driving the strategic priorities of the organization.	2010 Recommendation: We recommend that the General Manager delegate certain responsibilities to the Director of Finance and Administration, the Director of Operations, and/or other capable staff, with the appropriate training. This will enable the General Manager to independently review the work prepared by these staff and to focus on other strategic priorities. We noted instances where this delegation was beginning to happen. We encourage a full review of all roles and responsibilities to ensure this ability has been maximized. 2011 and 2012 Update: Control weakness is still noted. Due to the small size of the Centre's finance team a significant proportion of the GM's time is being taken up with detailed accounting work, rather than providing oversight to the finance team and driving the strategic priorities of the organization. We recommend that the GM delegate some of his responsibilities to other capable staff with appropriate training.	2010 Response: Management has already begun to delegate responsibilities where possible. For example, the Director of Finance and Administration took on a much larger role in preparing the audit requirements, as well as certain accounting processes. However, the GM's ability to delegate is restricted by the small finance team and the lack of available resources. Management would like to be able to spend more time on the strategic planning and direction of the Centre; therefore, the potential addition of a qualified staff member would be required in order to refocus effort on driving the strategy of the organization. 2011 Update: Management agrees with this recommendation. 2012 Update: Managements request through the 2013 budget process for an additional staff resources was turned down due to the overall budget pressure facing the City and the fact that the Centre's 2013 base operating budget request was already increased by 98% as a result of Dancap's departure from the Main Stage during 2012. The Centre continues to balance the need to minimize overhead expenses while striving to segregate accounting duties as recommended during the 2010 audit.

Items that have been fully resolved in the current year:

Internal control observation	Recommendation	Management's response
Manual Journal Entries related to period 13 and period 12 As part of financial statement close process management records all late adjustments to period 13 which is normally defined as December 1 to December 31. In 2011, period 13 was defined in the system as January 1 to January 31 that resulted in the accounting system AP subledger posting entries relating to period 1 of 2012 to default to period 13 of 2011. This impacted accounts payable line item as 2012 payables were included in 2011 balance. Prior to the 2011 year-end audit management corrected 4 accounts payable entries in the amount of approximately $500,000.	2011 Recommendation: We recommend management to ensure period 13 is defined as December 1 to December 31 to avoid this issue from re-occurring. 2012 Update: We did not note any cut off instances as a part of our year-end audit. We concluded that the weakness has been resolved and no further action is required.	2011 Response: Management agrees with recommendation and will contact software provider to fix this problem and ensure this error will not re-occur. 2012 Update: Management has contacted the software provider and resolved the issue. Period 13 dates are now defined in the system as December 1 to December 31 of the relevant year. Accounts Payable postings for period 12 and 13 are posted correctly to the relevant year. Period 1 postings of the following year are posted to the correct year and period. No manual corrections were required in the current year.
Recording of prior year audit adjustments As part of our audit we noted that we were unable to agree prior year trial balance numbers to audited financial statements. This was due to prior year identified and agreed upon adjusted misstatements not being recorded in the accounting system of the Centre.	2011 Recommendation: We recommend that management record agreed upon late adjustments in a timely fashion. This will ensure that accounting records are complete and accurate at any point of time. 2012 Update: We did not note any reconciliation issues as part of our year-end audit. We concluded that the weakness has been resolved and no further action is required.	2011 Response: Management agrees with this recommendation. 2012 Response: This issue has been fully resolved. Late adjustment entries are entered in a timely fashion. The EBMS year-end balances are reconciled to the audited financial statement balances in a timely fashion, the relevant fiscal year is closed in EBMS resulting in the correct starting balances for the following year.

Internal control observation	Recommendation	Management's response
Completeness of accruals During our testing of payroll accrual, we requested management to check the crew labour expenses associated with recoverable labour revenues. Management determined that there were two payroll periods with pay period ending date within 2011 were posted to the 2012 pay date and were not accrued for. Payroll periods affected were crew pay period 26 and front of house staff pay period 25. Front of house pay period 26 bridged year end and was properly accrued for. This resulted in understatement of the deficiency of revenues over expenses by approximately $170,000.	2011 Recommendation: We recommend that management develops a checklist for the closing process so that no accruals and other items are omitted during preparation of the final financial statements. 2012 Update: We did not note any reconciliation issues as part of our year-end audit. We concluded that the weakness has been resolved and no further action is required.	2011 Response: Management agrees with this recommendation. 2012 Update: The year-end accrual process was updated to ensure both the first and second payrolls posted in the year following the year-end are fully reviewed to ensure that work related to the prior year is properly accrued.
Cash held in trust The agreement with Dancap requires that the Centre's box office sales received relating to Dancap sales be segregated in a bank trust account. Based on the Ticket Master box office report for year-end, the amount expected in-trust is approximately $47,000. We understand that this is usually performed by the Director of Finance and Administration, but in his absence during the year-end vacation, this transfer was delayed.	2010 Recommendation: We recommend that the amount in-trust be reviewed, in the absence of the Director of Finance and Administration, by either the General Manager or the Director of Operations. This will ensure that the appropriate funds are transferred to the trust account on a timely basis, and that the financial statements reflect the interests of one of its key users, Dancap Productions Inc. 2011 Update: We noted that cash held in trust account was reconciled as part of audit request and not done as part of year end close process by management. This account should be reconciled as part of year end close process.	2010 Response: Management agrees with this recommendation. 2011 Response: Management agrees with this recommendation and will include the procedure to segregate cash and cash held in trust as of December 31 as a part of year end checklist.

Internal control observation	Recommendation	Management's response
	2012 Update: We concluded that the weakness has been resolved and no further action is required.	2012 Response: The year-end process has been updated to ensure cash held in trust is transferred and reconciled in a timely fashion. This was not applicable for year-end 2012 as there is no cash held in trust due to the departure of Dancap shows from the Centre's main Stage after July of 2012.

9. Our commitment to audit quality

We are proud of PwC's long history of delivering high quality and recognize that quality in everything we do is paramount. We know that you expect our people to be competent, objective and embody the right level of professional skepticism - while at all times maintaining an open dialogue with your management team. We believe our core values described below ensure that we achieve audit quality and quality service at the same time.

Core value	How it helps us execute a high quality audit
Investing in relationships	• We believe that the professional relationships we foster with management and the Audit Committee allow us to have open and candid dialogue over issues including, when necessary, asking those difficult questions. • Relationships also allow us to provide timely advice and enable us to better understand the organization's business.
Sharing and collaborating	• Tackling today's complex business issues requires the collaboration of different team members from various areas of our firm such as tax or valuation experts. • Our experts will work with members of your team to help solve complex issues and bring forward best practices.
Putting ourselves in others' shoes	• Listening to and understanding others' perspectives allows for enhanced dialogue and allows us to think about issues from various points of view. • We consider issues from multiple perspectives, starting with the standards, and including the views of management and the Audit Committee as well as our assessment of what financial statement users expect. While we will express our views or preferences, we do not impose them on you unless we believe that there are no other alternatives within the standards.
Enhancing value	• Our understanding of the business and execution of a quality audit allows us to identify issues that are important to the Audit Committee and management. • Within the realms of our independence rules, it also offers opportunities to provide recommendations and insight on improvements in controls, operations and other areas of business that can enhance shareholder value.

These core values govern how we operate - the audit work and documentation of procedures in our files are also always of the same high standard. Our people are subject to continuous training to ensure that they are equipped with the right tools and best practices to achieve quality and a focus on continuous improvement.

Although our audits are planned to focus on the key risks, our professional audit standards and regulators require us to ensure that we have sufficient evidence in all areas of our files. While we strive to achieve high quality in a cost effective manner, the reality is that we are being required to do more to comply with existing standards and to meet our regulator's interpretations of what audit quality is. This means that you will see us performing procedures in areas that you might consider lower risk.

As always we welcome your feedback on our performance and your views on how we achieve quality. You have our commitment that audit quality is paramount and you can have the confidence that the audit work performed by PwC will stand up to the scrutiny of contributors and other stakeholders.

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