



Audit planning report

Shoreham Village Senior Citizens Association

March 2022 Audit

Prepared by Baker Tilly

May 18th, 2022



Overview and Audit

Purpose of this report

The purpose of this report is to communicate on matters we believe to be of interest to the Board of Directors related to the planning of our audit on the financial statements of Shoreham Village Senior Citizens Association ("the Association") in accordance with Canadian accounting standards for not-for-profit organizations for the year ending March 31, 2022.

Audit approach

Our dedicated long-term care client services team will offer invaluable hands-on experience in understanding your business model and the various audit risks that impact your organization. This knowledge allows us to customize our audit approach to ensure efficiency and focused effort on high-risk accounts.

Our audit of the financial statements will be conducted under generally accepted Canadian auditing standards and is designed to obtain reasonable, rather than absolute, assurance as to whether the financial statements are free of material misstatement. We develop our audit approach based on the risk assessment and understanding of control systems design and implementation. Our risk assessment is based on our understanding of the entity, industry and analysis of financial information provided prior to the start of the audit.

Key deliverables

We are committed to timely, two-way communication and ensuring adherence to audit deadlines is a priority. The following is our understanding of relevant deadlines for deliverables:

Present 2022 Audit Service Plan to the Board of Directors	May 18, 2022
Year-end field work	May 16 to 20, 2022
Draft financial statements to Management	June 1, 2022
Draft financial statements and Audit Results to the Board of Directors	June 8, 2022

Our Dedicated Long-term Care Engagement Team

At Baker Tilly, we take a holistic approach to our audit service delivery and invest time to understand your unique needs. We are committed to providing you with proactive advice, being accessible should you have any questions, and making your needs our priority.



Jamie Welsh, CPA, CA, Assurance & Advisory Services

Jamie will be responsible for all aspects of the client service delivery including planning, execution and reporting. Jamie will review all deliverables and meet with management and the Board of Directors.

Relevant Experience: Jamie leads the Baker Tilly Assurance & Advisory Practice and has over 24 years of public practice experience. He serves nationally on Baker Tilly's Professional Practice Advisory Committee. Jamie specializes in NPO audits, specifically leading all five of our long-term care clients. He is Engagement and Relationship Partner for many of the largest clients of our firm. Jamie is a member in good standing with the Chartered Professional Accountants of Nova Scotia.



Andrea Wilkie, CPA, CA, Senior Manager

As Senior Manager, Andrea will be responsible for overseeing the day-to-day activities and communication, ensuring the engagement is running smoothly and that deadlines are met. Andrea is the manager on all of Baker Tilly's long-term care engagements.

Relevant Experience: Andrea graduated from Dalhousie University in 2008 and earned her Chartered Professional Accountant (CPA) designation in 2011 from the Alberta institute. She has 15 years of experience working in the Calgary, Toronto and Halifax markets, specializing in audit and assurance. She is committed to giving back to her community and has served on numerous non-profit committees.

Our Dedicated Long-term Care Engagement Team (continued)



Gernic Soudine, Audit Senior

Gernic will be conducting the majority of the audit procedures as part of the overall engagement. She will work closely with Andrea to ensure that the audit stays on schedule and that questions that arise are promptly addressed.

Relevant Experience: Gernic graduated from Saint Mary's University in 2018 and successfully passed her common final exam (CFE) in 2021. Her primary focus at Baker Tilly is on audits, reviews and compilations of private and NPOs.



Manu Kuttikkat, Audit Staff

Manu will work closely with Andrea and Gernic in conducting the audit procedures.

Relevant Experience: Manu is a recent graduate from Acadia University (2021) and is currently pursuing his chartered professional accountant designation. Before pursuing accounting, Manu was a Licensed Practical Nurse (LPN) for 8 years, working in multiple long term care facilities.



Nathan Henderson, CA, Senior Data Analyst

As the Data Analytics Specialist, Nathan utilizes ACL software to extract, categorize and visualize financial information, increase engagement efficiencies, and provide statistical analysis on situational and financial data.

Relevant Experience: Nathan is in his 4th year of public practice experience. Prior to transitioning to Data Analytics, he was a senior staff accountant engaging in audits, reviews and compilations of private and NPOs. He became a designated member of the Chartered Professional Accountants of Nova Scotia in June 2021.

Audit Plan

Our risk-based approach focuses on obtaining sufficient appropriate audit evidence to reduce the risk of material misstatement in the financial statements to an appropriately low level. This means that we will focus our audit work on areas that have a higher risk of being materially misstated.

Management is responsible for the accounting estimates included in the financial statements. Estimates and the related judgements and assumptions are based on management's knowledge of the business and past experience about current and future events.

In response to our risk assessment and based on our understanding of internal controls and discussions with management, we plan to use a **combined approach** for the audit, meaning we will perform substantive procedures combined with test of control.

The objective of the tests of controls is to evaluate whether certain controls operated effectively. The objective of the tests of details is to detect material misstatements in the account balances and transaction streams. Substantive analytical procedures are used to identify differences between recorded amounts and predictable expectations in larger volumes of transactions over time.

Area of Audit Emphasis	Planned Procedures
Revenue	Budgeted 2021-22 revenue is \$7.9M, of which \$6.1M or 77% is funding received from the Department of Health & Wellness (DHW). We will send a confirmation to DHW to confirm funding received in the year and reconcile the amounts to the Association's reported revenue.

(Continued)

Audit Plan

Area of audit emphasis	Planned procedures
Salaries & Benefits	<p>Salaries & benefits are the most significant expense incurred by the Association and were budgeted at approximately 77% of total expenses for 2021-22.</p> <p>We plan to test controls relating to the payroll process to gain comfort over occurrence, accuracy and completeness of payroll expenses. As 2021-22 is the first year that we will be the auditors of the Association, we will test a total sample of 30 employees. We will ensure that employment contracts were approved and entered into the system properly, that employees are paid for the correct number of hours based on approved time entry, that source deductions and benefits are calculated appropriately, and that the employee received the appropriate net salary payment.</p> <p>If we are awarded the audit in future years, and no control errors are noted in 2021-22, the number of samples will decrease to 10 as we will have a basis for no expectation of error.</p>
Remaining Income Statement Accounts	<p>Based on the value of the account balances, we will perform a substantive analytic or reasonability calculation, coupled with a test of detail.</p>
Balance Sheet Accounts	<p>As discussed with management, our audit approach for balance sheet accounts will be determined once we have analyzed the nature and extent of transactions within these accounts, with consideration of risk and efficiency.</p>
Residents' trust funds held in trust	<p>Tested through test of detail.</p>

(Continued)

Audit Plan

Area of audit emphasis	Planned procedures
<p>Management Agreement with Northwood</p>	<p>In 2015-2016, the Association entered into a fee for service management contract with Northwood Support Services Incorporated (Northwood). Under the terms of the agreement, Northwood provides operational support to the Association.</p> <p>We will obtain a copy of the management agreement and perform procedures to gain assurance over the completeness and accuracy of the management fee recorded by the Association.</p>
<p>Related Party Transactions</p>	<p>During our audit, we conduct various tests and procedures to identify transactions considered to involve related parties. We are aware of the shared well water agreement with Shoreham Village Senior Citizens Apartments Association for wells, pump house and water distribution system. No other related party transactions have been disclosed to us.</p> <p>Related parties exist when one party has the ability to exercise, directly or indirectly, control, joint control or significant influence over the other. Two or more parties are related when they are subject to common control, joint control or common significant influence. Related parties also include management, directors and their immediate family members and companies with which these individuals have an economic interest.</p> <p>We will ensure that any related party transactions that are identified during the audit have been represented by management to have been disclosed in the notes to financial statements and have been reviewed with you. Management is required to advise us if any related party transactions have occurred that have not been disclosed to us. The Board of Directors is required to advise us if they are aware of or suspect any other related party transactions have occurred which have not been disclosed in the financial statements.</p>

Materiality

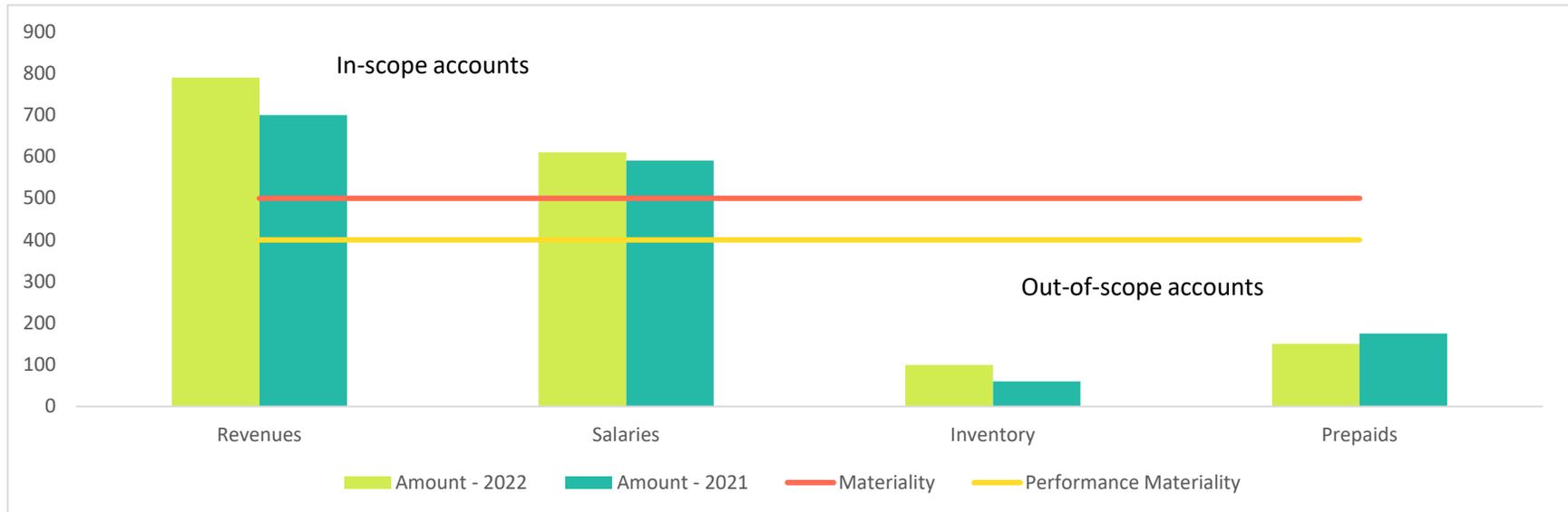
Materiality is the term used to describe the significance of financial statement information to decision makers. An item of information, or an aggregate of items, is material if it is probable that its omission or misstatement would influence or change a decision.

Materiality is a matter of professional judgement and will be used throughout the audit and, in particular, when:

- Identifying and assessing risk of material misstatement;
- Determining the nature, timing and extent of further audit procedures; and
- Evaluating the effect of uncorrected misstatements, if any, on the financial statements and in forming an opinion in the auditor's report.

We plan to base overall materiality on total expenses of the Association, using 1-3% as a basis. We expect to use 2%. Performance materiality, which drives our extent of testing, will be based on 75% of overall materiality.

For illustrative purposes, below is a chart to depict the concept of materiality and how it guides our audit procedures and areas of emphasis:



Data Analytics

We will integrate various automated tools and techniques throughout our audit, owing to our continuing dedication to enhancing the relevance and value of the audit process. By incorporating data analytics into our audit process, we are better able to identify potential risks around financial reporting, including fraud and error. Through the use of analytics, we are able to enhance the quality of our audits by relying less on sampling while reviewing complete data sets.

We are always looking for innovative ways to evolve our current practices to better equip our staff, improve your experience through the various audit phases and help support your business success.

Specific areas where we may choose to use these tools:

Planning and risk assessment

We may leverage data analytics tools to identify risk areas, unusual transactions and trends through an improved understanding of your operations and associated risks, including the risk of fraud. This allows us to more effectively design procedures to specifically target the identified risks.

Journal entry testing

We may leverage data analytics tools to identify transactions more susceptible to management override of controls by applying processes designed to analyze multiple criteria at once.

Identification of misstatements

By examining 100% of the items in certain populations, where deemed relevant, we are able to lower the risk of missing possible misstatements.

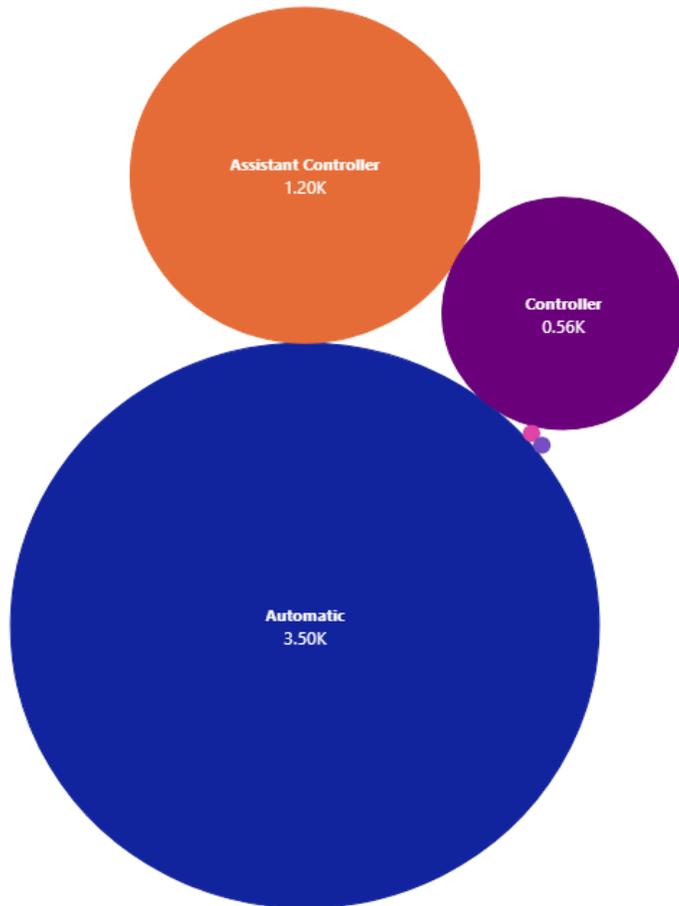
Reporting

Where deemed relevant, we will provide a summary of results obtained through application of various data analytics tools to you.

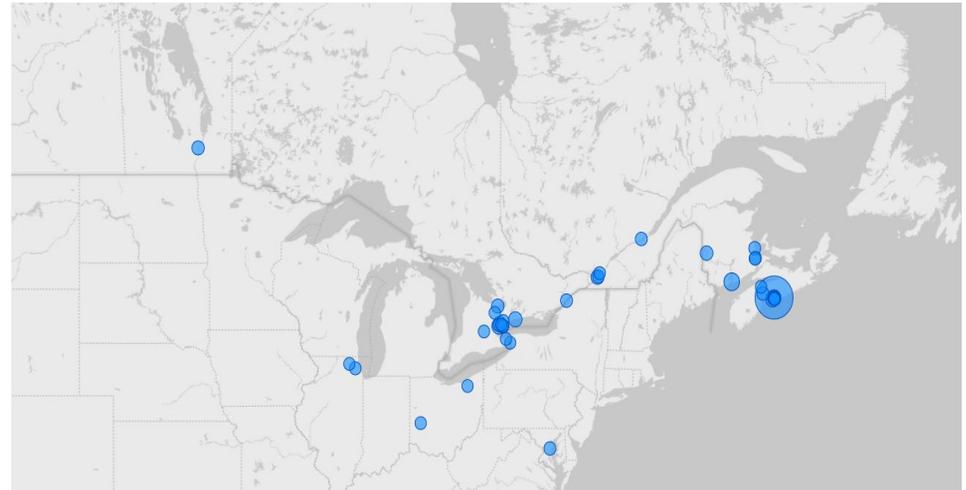
Data Analytics (continued)

We leverage technology and the use of data analytics to supplement our audit procedures, providing relevant insights to management and the Board of Directors. Below are examples of our findings reports.

of Journal Entries (color coded by position) to show who posts entries, to compare to who is approved to post entries and also to show postings by \$ amount



AP Balance by Postal Code – shows where your organization is spending its money (support local concept)



Other Matters

Our Fees

Our fees for the audit of the March 31, 2022, financial statements of the Association will be in the quoted range of \$15,500 and \$17,000.

Independence

We advise you that we are not aware of any relationships between the Association and our firm that, in our professional judgement, may reasonably be thought to bear on our independence.

We confirm we are independent of the Association.

Fraud Discussion

Our procedures with respect to fraud and illegal acts are outlined in **Appendix A**.

If you have any knowledge of actual, suspected or alleged fraud or illegal acts, we ask that you inform us.

Responsibilities

Refer to **Appendix A** for discussion on responsibilities.



Appendices

Appendix A – Responsibilities
Appendix B – Acknowledgement



Appendix A – Responsibilities

Our responsibilities as auditor

As stated in the engagement letter, our responsibility as auditor of the Association is to express an opinion on whether the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the Association in accordance with Canadian Accounting Standards for Not-for-profit Organizations.

An audit is performed to obtain reasonable but not absolute assurance as to whether the financial statements are free of material misstatement. Due to the inherent limitations of an audit, there is an unavoidable risk that some misstatements of the financial statements will not be detected (particularly intentional misstatements concealed through collusion), even though the audit is properly planned and performed.

Our audit includes:

- Assessing the risk that the financial statements may contain material misstatements that, individually or in the aggregate, are material to the financial statements taken as a whole;
- Examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- Assessing the accounting principles used, and their application;
- Assessing the significant estimates made by management;
- Concluding on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern;
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Our responsibilities as auditor (continued)

As part of our audit, we obtain a sufficient understanding of the business and internal control structure of the Association to plan the audit. This includes management's assessment of:

- The risk that the financial statements may be materially misstated as a result of fraud and error;
- The internal controls put in place by management to address such risks.

The engagement team undertakes a documented planning process prior to commencement of the audit to identify concerns, addresses independence considerations, assesses the engagement team requirements, and plans the audit work and timing.

An audit does not relieve management or those responsible for governance of their responsibilities for the preparation of the Association's financial statements.

Illegal acts, fraud, intentional misstatements and errors

Our auditing procedures, including tests of your accounting records, are limited to those considered necessary in the circumstances and will not necessarily disclose all illegal acts should any exist. Under CAS, we consider the Association's control environment, governance structure, circumstances encountered during the audit and the potential likelihood of fraud and illegal acts occurring.

These procedures are not designed to test for fraudulent or illegal acts, nor will they necessarily detect such acts or recognize them as such, even if the effect on the financial statements is material. However, should we become aware that an illegal or possibly illegal act or act of fraud may have occurred, other than one considered clearly inconsequential, we will communicate directly to the Board of Directors.

It is management's responsibility to detect and prevent illegal action. If such acts are discovered or the Board of Directors members become aware of circumstances under which the Association may have been involved in fraudulent, illegal or regulatory non-compliance situations, such circumstances must be disclosed to us.

Related party transactions

During our audit, we conduct various tests and procedures to identify transactions considered to involve related parties. Related parties exist when one party has the ability to exercise, directly or indirectly, control, joint control or significant influence over the other. Two or more parties are related when they are subject to common control, joint control or common significant influence. Related parties also include management, directors and their immediate family members and companies with which these individuals have an economic interest.

Board of Directors responsibilities

The Board of Directors role is to act in an objective, independent capacity as a liaison between the auditor, management and the board of directors to ensure the auditors have a facility to consider and discuss governance and audit issues with parties not directly responsible for operations.

Responsibilities include:

- Being available to assist and provide direction in the audit planning process when and where appropriate;
- Meeting with the auditors as necessary and prior to release and approval of financial statements to review audit, disclosure and compliance issues;
- Where necessary, reviewing matters raised by the auditor with appropriate levels of management, and reporting back to the auditors their findings;
- Making known to the auditor any issues of disclosure, corporate governance, fraud or illegal acts, non-compliance with laws or regulatory requirements that are known to them, where such matters may impact the financial statements or Independent Auditor's Report;
- Providing guidance and direction to the auditor on any additional work the auditor feels should be undertaken in response to issues raised or concerns expressed;
- Making such enquiries as appropriate into the findings of the auditor with respect to corporate governance, management conduct, cooperation, information flow and systems of internal controls;
- Reviewing the draft financial statements prepared by management, including the presentation, disclosures and supporting notes and schedules for accuracy, completeness and appropriateness, and approving same to be passed to directors for approval.

Management's responsibilities

Management is responsible for:

- The preparation and fair presentation of the financial statements;
- Establishing and maintaining an adequate internal control structure and procedures for financial reporting, including the design and maintenance of accounting records, recording transactions, selecting and applying accounting policies, safeguarding of assets and preventing and detecting fraud and error;
- Ensuring completeness of information with regards to financial records and data and providing us with information on non-compliance, illegal acts, related party transactions;
- Ensuring proper recognition, measurement and disclosure with respect to selection of accounting policies, significant assumptions, future plans, related party transactions, any claims and possible claims, contingent gains and losses and subsequent events;
- Providing to us a written confirmation of significant representations.

Management's responsibilities are outlined in detail in our engagement letter.

Appendix B – Acknowledgement

Should the Board of Directors wish to discuss or review any matter addressed in this report or any other matters related to financial reporting, please do not hesitate to contact us at any time.

Acknowledgement of the Board of Directors:

We have read this report.

Name

Date

Thank you

Thank you for allowing us the opportunity to provide your organization our services and share our expertise with you.

This report is confidential and is intended solely for the information and use of the Board. 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, and should not be used by, any third party or for any other purposes.