



Audit Findings Report

Shoreham Village Senior Citizen Association

March 31, 2022 Audit

Prepared by Baker Tilly

June 8, 2022



Purpose of the report

To the Board of Shoreham Village Senior Citizens Association:

We have been engaged to express an audit opinion on the financial statements of Shoreham Village Senior Citizens Association ("the Association") in accordance with ASNPO for the year ended March 31, 2022, as outlined in our engagement letter dated May 24, 2022.

The purpose of this report is to assist you in your review of the financial statements and to summarize certain aspects of the audit that we believe to be of interest to you. This report should be read in conjunction with the draft financial statements and our report thereon.

This report is confidential and is intended solely for the information and use of the Board of Directors and management.

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.

Yours very truly,

Baker Tilly
Chartered Professional Accountants

We look forward to discussing the contents of this report and answering any questions you may have.



Overview and audit approach

Auditors' report

In common with many not-for-profit organizations and consistent with the prior year auditors' report, we anticipate that our Independent Auditors' Report will be issued with a qualified opinion relating to completeness of donation revenues.

We did not identify any material uncertainties related to events or conditions that may cast significant doubt upon the Association's ability to continue.

Audit approach

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

Our audit approach was comprised primarily of substantive analytical procedures as well as tests of details and tests of controls surrounding the payroll functions. We focus our audit work on areas that have a higher risk of being materially misstated.

Audit plan

We did not make any significant changes to our audit plan during the course of the audit.



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 in the particular circumstances.

Materiality was 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 Auditors' Report.

We set our materiality at \$210,000 based on our audit planning, and it remained unchanged throughout the audit. Materiality was calculated as a percentage of expenses. The clearly trivial error threshold was \$10,500.

In prior year, Grant Thornton calculated materiality as a percentage of revenues, resulting in a value of \$200,000 and a clearly trivial error threshold of \$10,000.



Data analytics

We 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're 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.
Two-way communication with your team	By gaining insight through our ability to analyze greater volume of transactions, we engage your team in focused discussions about your operations.
Reporting	Where deemed relevant, we provide a summary of results obtained through application of various data analytics tools to you.



Significant audit and accounting matters

Accounting policies

Management is responsible for the appropriate selection and application of accounting policies.

Our role is to review the appropriateness and application as part of our audit.

The board has a responsibility to review the accounting policies adopted by the Association, and where alternative policies are available, make determinations as to the most appropriate policies to be adopted in the circumstances.

Our comments

There were no new accounting policies adopted or changes to the application of accounting policies of the Association during the year.

There are no controversial policies or those unique to the industry.

In our judgment, the significant accounting practices selected and applied by management are, in all material respects, acceptable under Accounting standards for not-for-profit organizations and are appropriate to the particular circumstances of the Association.



Significant audit and accounting matters

Areas of audit emphasis

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 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.

Areas of audit emphasis included:

- Revenue
- Deferred revenue
- Payroll
- Residents' funds held in trust



Misstatements

Misstatements are categorized as corrected audit misstatements and uncorrected audit misstatements. These include disclosure deficiencies as well.

Corrected misstatements

One adjusting journal entry was identified (**Appendix B**)

Uncorrected misstatements

We have not found any material misstatements or unadjusted items that exceed materiality.



Other matters

Related party transactions

Related party transactions are disclosed in note 12 to the financial statements. No unusual transactions or transactions outside of the normal course of business were identified.

Management Agreement with Northwood

We have reviewed the management agreement between the Association and Northwood. As auditors of the Association, we express no comfort on the terms of the agreement, however no concerns were noted in our review. Management fees paid to Northwood in 2021-22 were \$215,000 (2020-21 - \$215,000).

Internal control

We have not identified any internal control matters that we wish to bring to your attention.

Fraud and illegal acts

Testing during our audit did not reveal any illegal, improper or questionable payments or acts, nor any acts committed with the intent to deceive involving either misappropriation of assets or misrepresentation of financial information.

Our inquiries of management, board members and others within the entity, as appropriate, did not reveal any fraud or illegal acts.

Non-compliance with laws and regulations

Our procedures did not identify any non-compliance with laws and regulations.



Other matters

Significant difficulties

We did not encounter any difficulties during the audit.

Significant matters discussed with management

There were no significant matters arising from the audit discussed with management.

Consultations with other accountants

We are not aware of any consultations that management has undertaken with other accountants with respect to any auditing or accounting matters.

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.

Responsibilities

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



**Data
Analytics
Review**

Snapshot indicators



Revenues **-4.4%**



Salaries & Benefits **-10.1%**

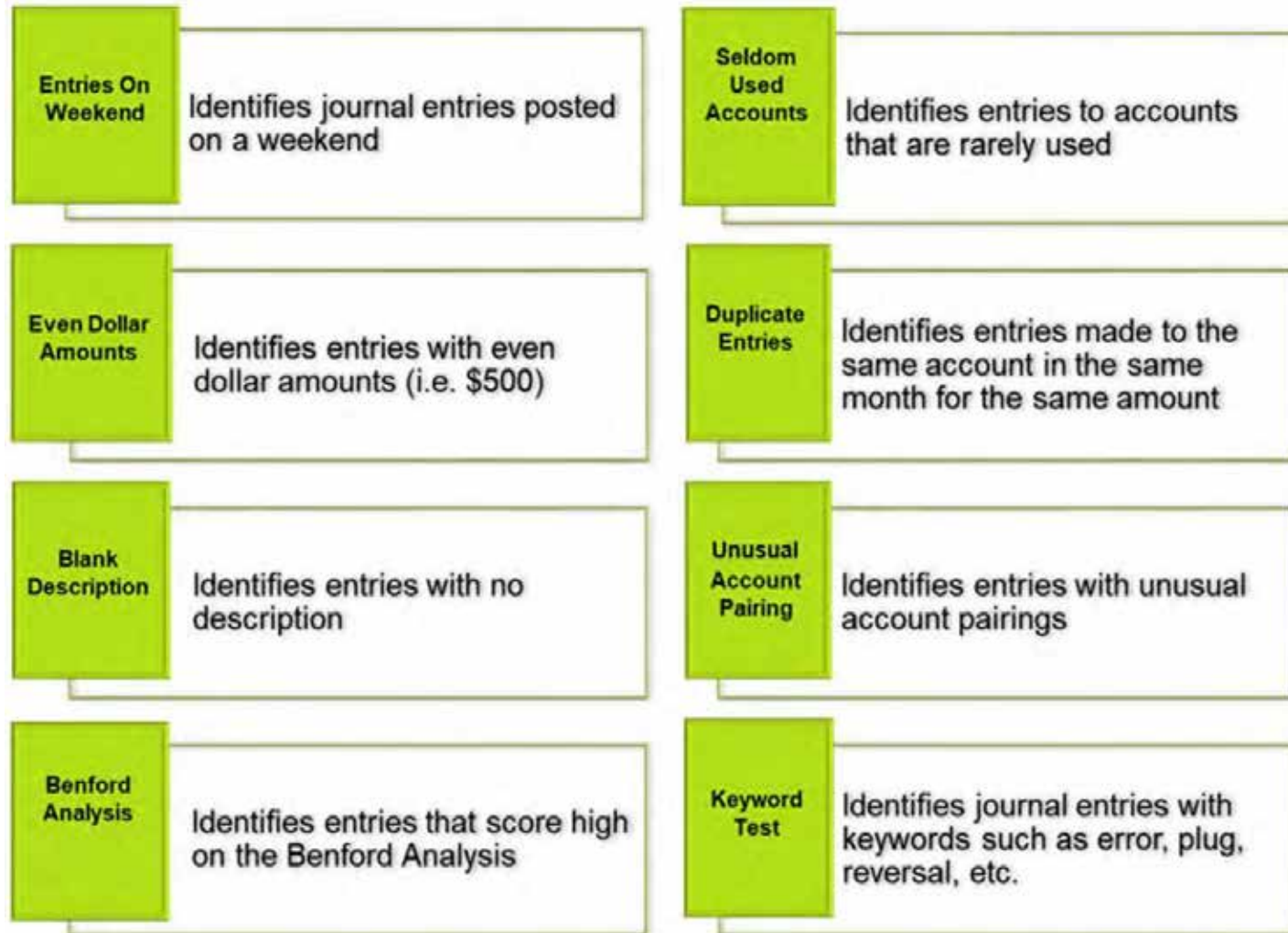


Current Ratio **1.1:1**

Journal Entry Testing

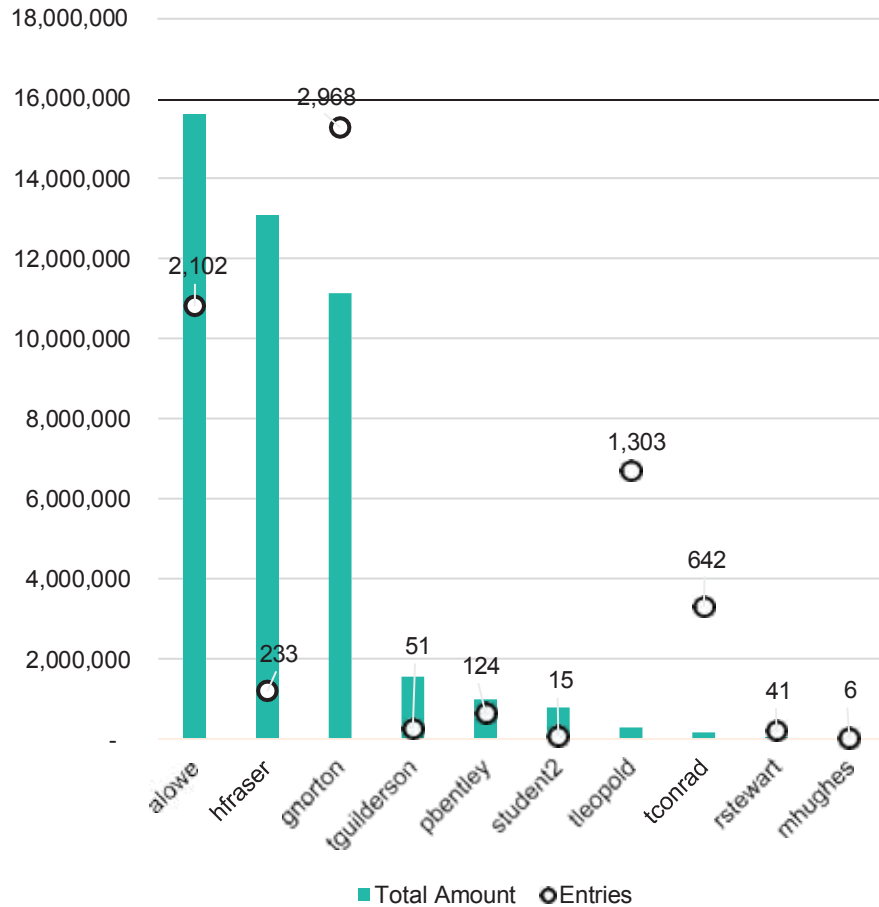
Description	2022
Number of Journal Entries	7,485
Number of Journal Entry Lines	23,090
Dollar amount of Journal Entries	\$43,578,494
Number of Correcting / Adjusting Entries	12 (0.2% of total entries)

Journal Entry Testing

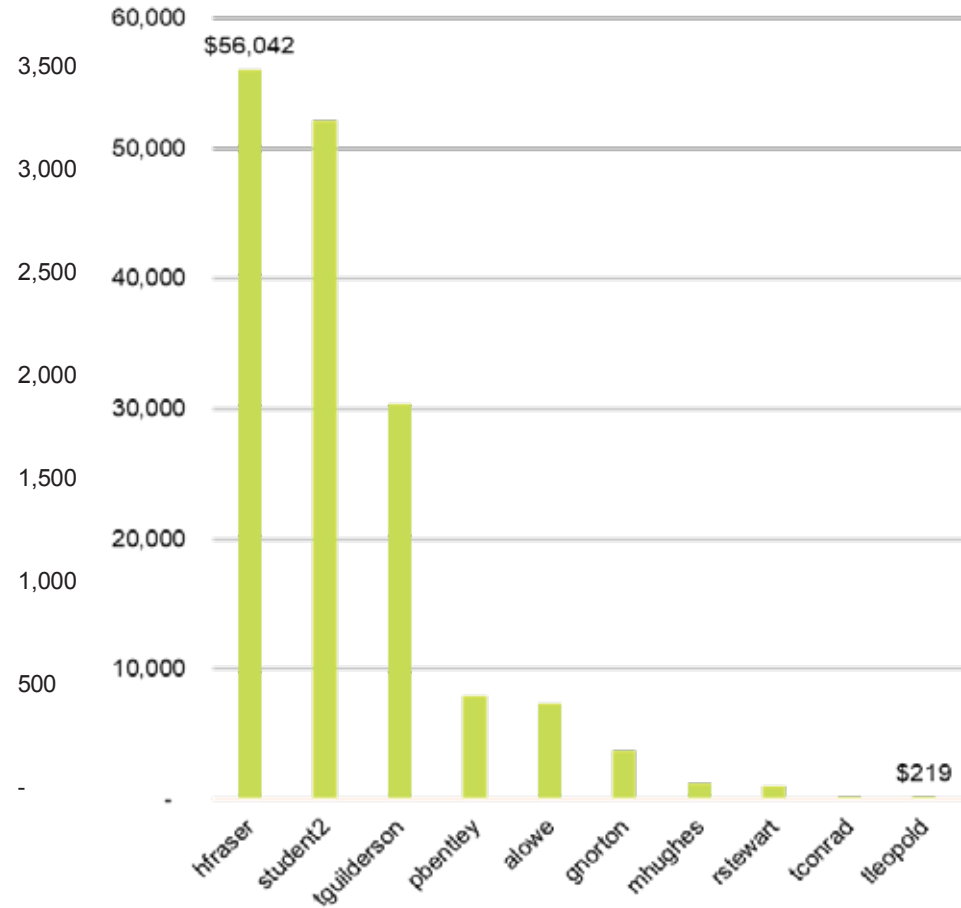


Journal Entry User Statistics

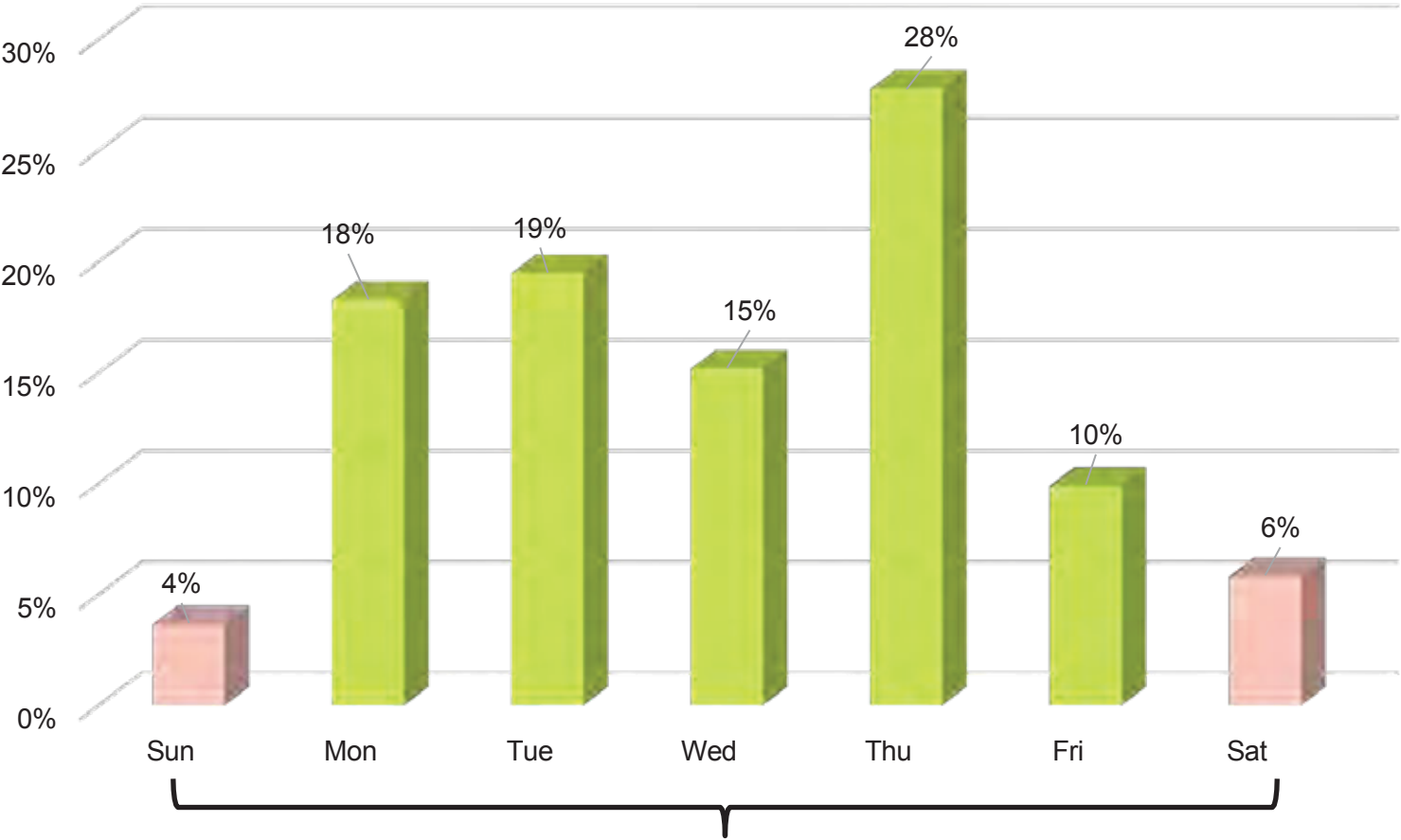
Number of Entries + Dollar Value of Entries by User



Average Entry Dollar Value per User



Journal Entries by Day of Week

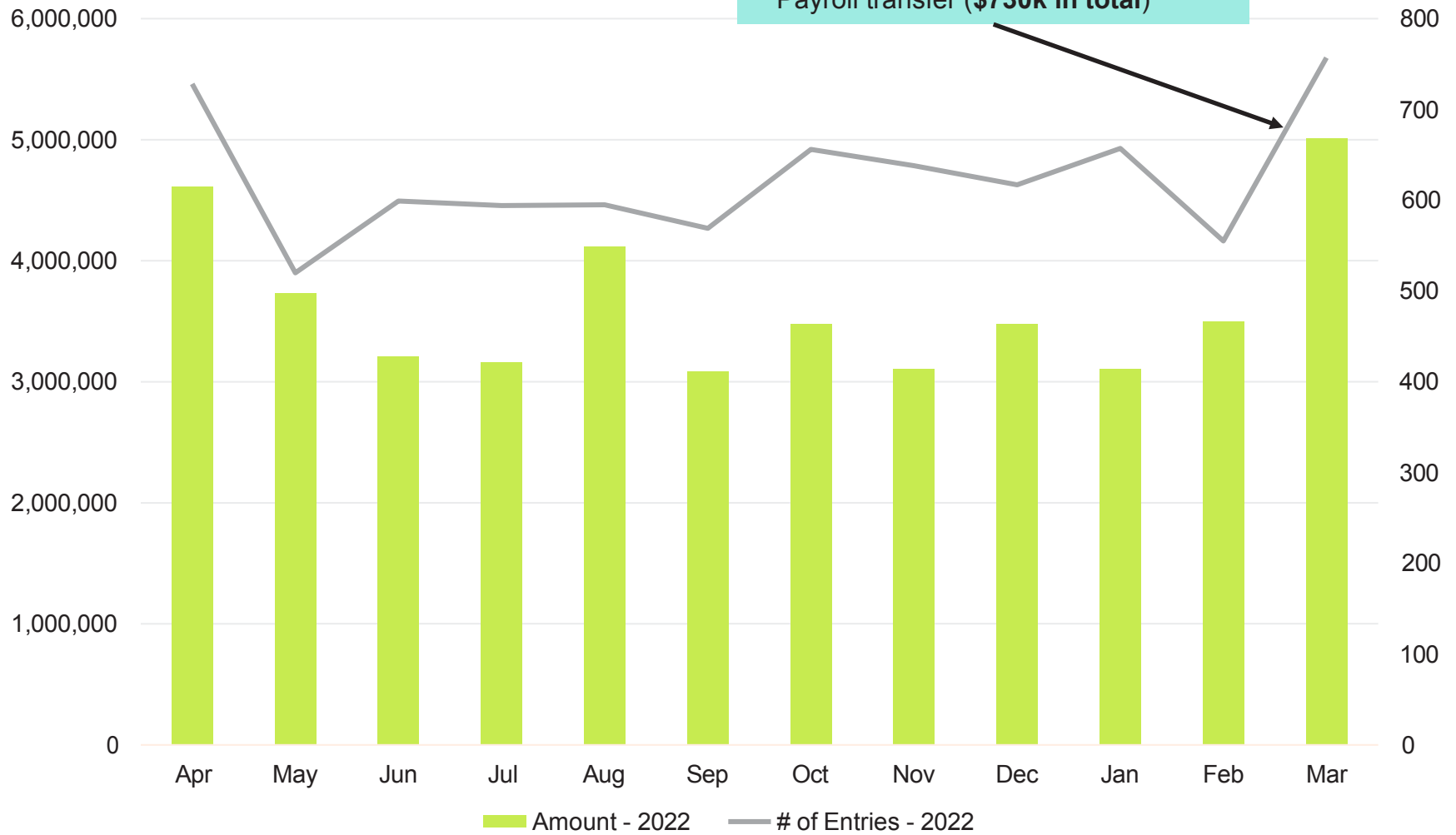


90% of entries occur during work week

Journal Entries by Month

Mar 2022 \$ Amount spike due to:

- Recognition of Department of Health revenues (\$524k)
- Bank transfer from "Dep" account and Payroll transfer (\$730k in total)



Gross vs Net Payroll by Pay Period



Data Findings Summary



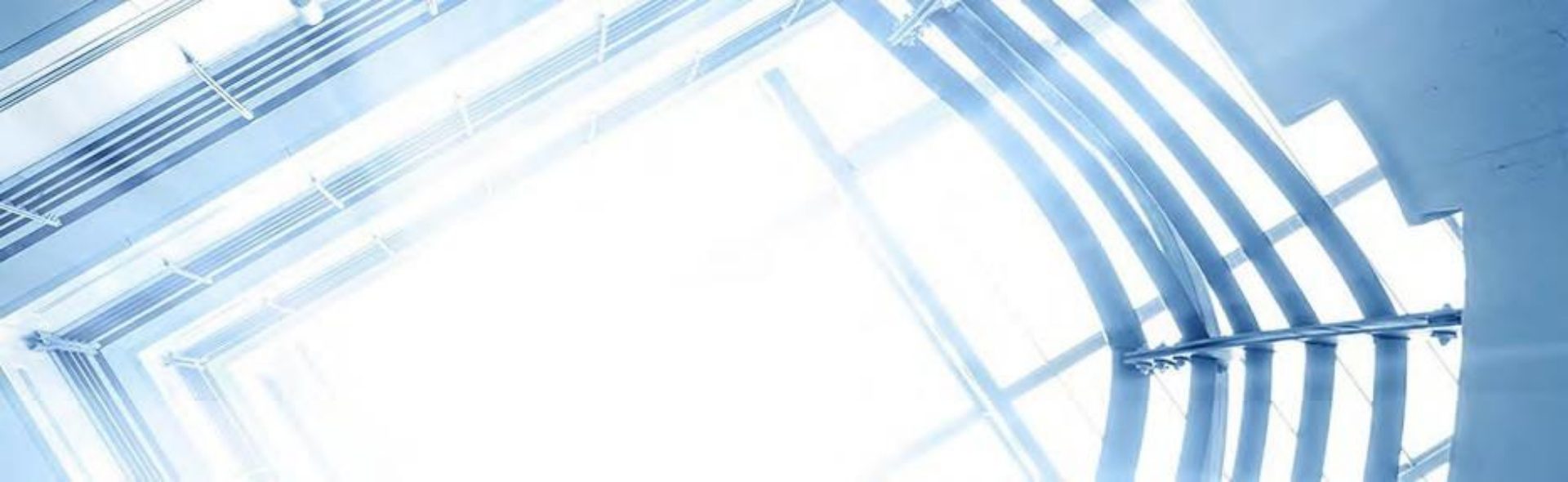
Correction rate on entries is very low
(0.2% of all entries in 2022)



Users “gnorton”, “alowe” and “hfraser” post the most journal entries in the association



Risk level assessed as moderate



Appendices

Appendix A – Responsibilities

Appendix B – Misstatements

Appendix A – Responsibilities

Our responsibilities as auditor

As stated in the engagement letter, our responsibility as auditor of your company 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 company 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 company'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.

As part of our audit, we obtain a sufficient understanding of the business and internal control structure of the company 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 company's financial statements.

Appendix A – Responsibilities (continued)

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 company'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 Audit Committee.

It is management's responsibility to detect and prevent illegal action. If such acts are discovered or the Audit Committee members become aware of circumstances under which the company 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.

Appendix A – Responsibilities (continued)

Audit committee responsibilities

The audit committee's role is to act in an objective, independent capacity as a liaison between the auditor, management and the board of directors to ensure the auditor has a facility to consider and discuss governance and audit issues with parties not directly responsible for operations. The audit committee's responsibilities include:

- Being available to assist and provide direction in the audit planning process when and where appropriate;
- Meeting with the auditor 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 auditor 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 Auditors' 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.

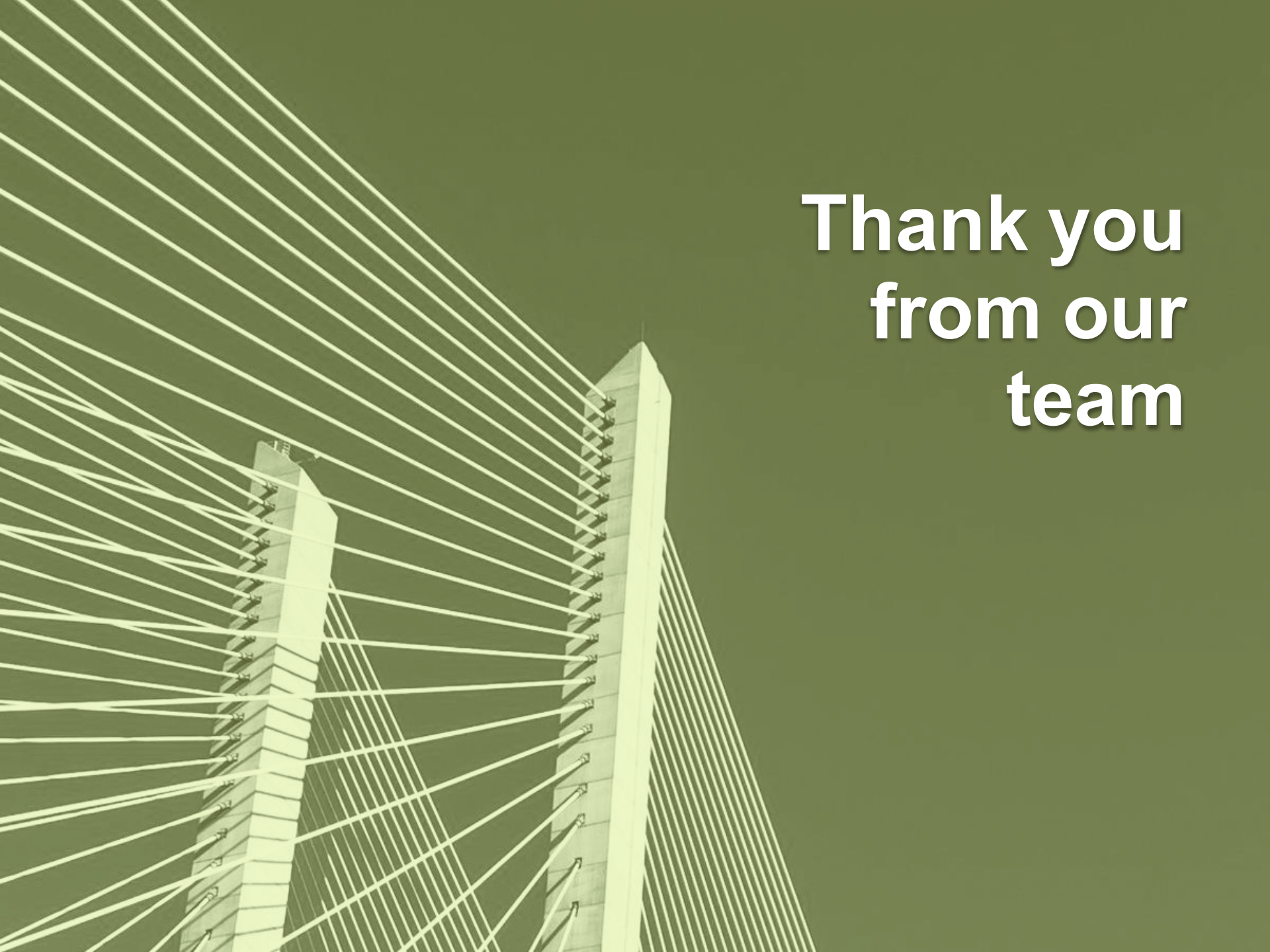
Management's responsibilities are outlined in detail in our engagement letter.

Appendix B – Misstatements

Schedule of Mis statements

Description of Misstatement	Proposed Adjustments Dr (Cr)					
	Statement of Income		Balance Sheet			
	Identified Misstatements	Likely Aggregate Misstatements	Assets	Liabilities	Opening Equity	
To adjust accrued liabilities to actual per client.	(44,033)	(44,033)	-	44,033	-	C
a) Totals		(44,033)	-	44,033	-	
b) Misstatements corrected by management		44,033	-	(44,033)	-	
c) Likely aggregate misstatements net of corrections (a - b)		-	-	-	-	
d) Effect of unadjusted misstatements from previous year's errors		-	-	-	-	
e) Aggregate likely misstatements (c + d)		-	-	-	-	
f) Final overall materiality		210,000	210,000	210,000	210,000	
g) Amount remaining for further possible misstatement (f - e)		210,000	210,000	210,000	210,000	

Note: C - Corrected by management, N - Not corrected by management



**Thank you
from our
team**