



# **Community Living Ontario**

Planning Report to the Board of Directors

April 17, 2020



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BDO Canada LLP  
60 Columbia Way, Suite 300  
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April 17, 2020

Members of the Board of Directors  
Community Living Ontario  
1 Valleybrook Drive, Suite 201  
Toronto, Ontario  
M3B 2S7

Dear Board of Director Members:

We are pleased to present our audit plan for the audit of the financial statements of Community Living Ontario (the "Organization") for the year ended March 31, 2020.

Our report is designed to highlight and explain key issues which we believe to be relevant to the audit including audit risks, the nature, extent and timing of our audit work and the terms of our engagement. The audit planning report forms a significant part of our overall communication strategy with the Board of Directors and is designed to promote effective two-way communication throughout the audit process. It is important that we maintain effective two-way communication with the Board of Directors throughout the entire audit process so that we may both share timely information. The audit process will conclude with the preparation of our final report to the Board of Directors.

This report has been prepared solely for the use of the Board of Directors and should not be distributed without our prior consent. Consequently, we accept no responsibility to a third party that uses this communication.

The Board of Directors plays an important part in the audit planning process and we are available to meet with you to discuss our audit plan as well as any other matters that you consider appropriate.

Yours truly,

A handwritten signature in black ink, appearing to read 'Nigel A.C. Allen'. The signature is fluid and cursive, written over a light grey rectangular background.

Nigel A.C. Allen, CPA, CA  
Partner through a corporation  
BDO Canada LLP  
Chartered Professional Accountants, Licensed Public Accountants

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## TERMS OF REFERENCE

Our overall responsibility is to form and express an opinion on the financial statements. These financial statements are prepared by management, with oversight by those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities. The scope of our work, as confirmed in our engagement letter, is set out below.

### ENGAGEMENT OBJECTIVES

- Form and express an audit opinion on the financial statements.
- Present significant findings to the Board of Directors including key audit and accounting issues, any significant deficiencies in internal control and any other significant matters arising from our work.
- Provide a timely and constructive management letter. This will include deficiencies in internal control identified during our audit (if any).
- Consult regarding accounting, excise tax and other reporting matters as requested throughout the year.
- Prepare applicable information returns for the year ended March 31, 2020
- Work with management towards the timely issuance of financial statements and information returns.

## INDEPENDENCE

At the core of the provision of external audit services is the concept of independence. Canadian generally accepted auditing standards require us to communicate to the Board of Directors at least annually, all relationships between BDO Canada LLP and its related entities and Community Living Ontario that, in our professional judgment, may reasonably be thought to bear on our independence for the forthcoming audit of the Organization. Please refer to Appendix A.

## RESPONSIBILITIES

It is important for the Board of Directors to understand the responsibilities that rest with the Organization and its management, those that rest with the external auditor and the responsibilities of those charged with governance. BDO's responsibilities are outlined within the engagement letter. The oversight and financial reporting responsibilities of management and the Board of Directors are summarized below.

### MANAGEMENT'S RESPONSIBILITIES

- Maintain adequate accounting records and maintain an appropriate system of internal control for the Organization.
- Select and consistently apply appropriate accounting policies.
- Prepare the annual financial statements.
- Safeguard the Organization's assets and take reasonable steps for the prevention and detection of fraud and other irregularities.
- Make available to us, as and when required, all of the Organization's accounting records and related financial information.

### BOARD OF DIRECTORS' RESPONSIBILITIES

- Oversee the work of the external auditor engaged for the purpose of issuing an independent auditor's report.
- Facilitate the resolution of disagreements (if any) between management and the external auditor regarding financial reporting matters.
- Pre-approve all non-audit services to be provided to the Organization by the external auditor.
- Review the financial statements and Annual Report before the Organization publicly discloses this information.

## AUDIT STRATEGY

Our overall audit strategy involves extensive partner and manager involvement in all aspects of the planning and execution of the audit and is based on our overall understanding of the Organization.

We will perform a risk based audit which allows us to focus our audit effort on higher risk areas and other areas of concern for management and the Board of Directors.

To assess risk accurately, we need to gain a detailed understanding of the Organization's business and the environment it operates in. This allows us to identify, assess and respond to the risks of material misstatement.

To identify, assess and respond to risk, we obtain an understanding of the system of internal control in place in order to consider the adequacy of these controls as a basis for the preparation of the financial statements, to determine whether adequate accounting records have been maintained and to assess the adequacy of these controls and records as a basis upon which to design and undertake our audit testing.



Based on our risk assessment, we design an appropriate audit strategy to obtain sufficient assurance to enable us to report on the financial statements.

We choose audit procedures that we believe are the most effective and efficient to reduce audit risk to an acceptable low level. The procedures are a combination of testing the operating effectiveness of internal controls, substantive analytical procedures and other tests of detailed transactions.

Having planned our audit, we will perform audit procedures, maintaining an appropriate degree of professional skepticism, in order to collect evidence to support our audit opinion.

## MATERIALITY

Misstatements, including omitted financial statement disclosures, are considered to be material if they, individually or in aggregate, 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 include an assessment of both quantitative and qualitative factors and can be affected by the size or nature of a misstatement, or a combination of both.

We have concluded that a materiality level based on 3% of expenses is appropriate for the purposes of planning the audit.

We will communicate all corrected and uncorrected misstatements identified during our audit to the Board of Directors, other than those which we determine to be “clearly trivial”. Misstatements are considered to be clearly trivial for purposes of the audit when they are inconsequential both individually and in aggregate.

We encourage management to correct any misstatements identified throughout the audit process.

## FRAUD DISCUSSION

Canadian generally accepted auditing standards require us to communicate with the Board of Directors regarding fraud risk on an annual basis. We have prepared the following comments to facilitate this communication and ask that you contact us if you have any knowledge regarding actual, suspected or alleged fraud affecting the Organization.

Required Discussion	BDO Response	Question to Board of Directors
Details of existing oversight processes with regards to fraud.	Through our planning process, and based on prior years’ audits, we have developed an understanding of your oversight processes including: <ul style="list-style-type: none"> <li>• Discussions at Board of Directors meetings and our review of minutes of those meetings; and,</li> <li>• Consideration of tone at the top</li> </ul>	<b>Are there any new processes or changes in existing processes relating to fraud that we should be aware of?</b>
Knowledge of actual, suspected or alleged fraud.	Currently, we are not aware of any fraud.	<b>Are you aware of any instances of actual, suspected or alleged fraud affecting the Organization?</b>

## AUDITORS' 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, by:

- Identifying and assessing the risks of material misstatement due to fraud;
- Obtaining sufficient and appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and
- Responding appropriately to fraud or suspected fraud identified during the audit.

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 the audit, we will perform risk assessment procedures and related activities to obtain an understanding of the entity and its environment, including the entity's internal control, to obtain information for use in identifying the risks of material misstatement due to fraud and will make inquiries of management regarding:

- Management's assessment of the risk that the financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments;
- Management's process for identifying and responding to the risks of fraud in the entity, including any specific risks of fraud that management has identified or that have been brought to its attention, or classes of transactions, account balances, or disclosures for which a risk of fraud is likely to exist;
- Management's communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud in the entity; and
- Management's communication, if any, to employees regarding its view on business practices and ethical behaviour.

In response to our risk assessment and our inquiries of management, we will perform procedures to address the assessed risks, which may include:

- Inquire of management, the Board of Directors, and others related to any knowledge of fraud, suspected fraud or alleged fraud;
- Perform disaggregated analytical procedures and consider unusual or unexpected relationships identified in the planning of our audit;
- Incorporate an element of unpredictability in the selection of the nature, timing and extent of our audit procedures; and
- Perform additional required procedures to address the risk of management's override of controls including:
  - Testing internal controls designed to prevent and detect fraud;
  - Testing the appropriateness of a sample of adjusting 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 misstatements due to fraud, including a retrospective review of significant prior years' estimates; and
  - Evaluating the business rationale for significant unusual transactions.



## APPENDIX A Independence Letter



April 17, 2020

Members of the Board of Directors  
Community Living Ontario  
1 Valleybrook Drive, Suite 201  
Toronto, Ontario  
M3B 2S7

Dear Board of Directors Members:

We have been engaged to audit the financial statements of Community Living Ontario (the "Organization") for the year ended March 31, 2020.

Canadian generally accepted auditing standards (GAAS) require that we communicate at least annually with you regarding all relationships between the Organization and our Firm that, in our professional judgment, may reasonably be thought to bear on our independence.

In determining which relationships to report, we have considered the applicable legislation and relevant rules of professional conduct and related interpretations prescribed by the appropriate provincial institute/order, covering such matters as:

- Holding a financial interest, either directly or indirectly in a client;
- Holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client;
- Personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client;
- Economic dependence on a client; and
- Provision of services in addition to the audit engagement.

We have prepared the following comments to facilitate our discussion with you regarding independence matters arising since May 31, 2019, the date of our last letter.

We are not aware of any relationships between the Organization and our Firm that, in our professional judgment, may reasonably be thought to bear on independence that have occurred from May 31, 2019 to April 17, 2020.

We hereby confirm that we are independent with respect to the Organization within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario as of April 17, 2020.



This letter is intended solely for the use of the Board of Directors, Management and others within the Organization and should not be used for any other purposes.

Yours truly,

A handwritten signature in black ink, appearing to read 'Nigel Allen'. The signature is fluid and cursive, with a large initial 'N' and 'A'.

Nigel A.C. Allen, CPA, CA  
Partner through a corporation  
BDO Canada LLP  
Chartered Professional Accountants, Licensed Public Accountants