

March 10, 2015

Board of Management for Applegrove Community Complex  
60 Woodfield Road  
Toronto, Ontario  
M4L 2W6

Attention: Ms. Susan Fletcher

**PRIVATE AND CONFIDENTIAL**

Dear Madam:

**Re: Audit of the December 31, 2014 Financial Statements**

During the course of our audit of the financial statements for the year ended December 31, 2014, we identified some matters which may be of interest to management.

The objective of an audit is to obtain reasonable assurance whether the financial statements are free of material misstatement and it is not designed to identify matters that may be of interest to management in discharging its responsibilities. In addition, an audit cannot be expected to disclose defalcations and other irregularities and it is not designed to express an opinion as to whether the systems of internal control established by management have been properly designed or have been operating effectively.

As a result of our observations, we have outlined matters below along with some suggestions for your consideration.

Please note that under Canadian generally accepted auditing standards we must report significant deficiencies to those charged with governance.

This letter is not exhaustive, and deals with the more important matters that came to our attention during the audit. Minor matters were discussed verbally with your staff. We have discussed the matters in this report with the management and received her comments thereon.

## **OTHER DEFICIENCIES IN INTERNAL CONTROLS AND OTHER REPORTABLE MATTERS**

### **Issue – Unresolved amount payable to the City**

There is an unreconciled amount of \$9,727 included in the account surplus/deficit which has been carried forward from the 2012 fiscal year. We recommend that the Complex staff resolve this issue.

### **Management's Comments**

### **Issue – Significant unused vacation days**

The vacation liability has been increasing consistently every year. As at December 31, 2014 the Complex is carrying a vacation liability of \$48,000 related to the administration staff. One individual has an accumulated balance of unused vacation of over 600 hours, which is significant to the Complex. We acknowledge that it is difficult to reduce the unused vacation hours at a reasonable level due to the limited personnel resources. However, we want to bring this to your attention as there is risk as a result of carrying a vacation liability at a such large amount.

### **Management's Comments**

### **Issue – Lack of segregation of duties - cash receipts**

There is a lack of segregation of duties surrounding cash receipts. We acknowledge that this is common in small organizations due to the limited staff resources. However, we still want to bring this to your attention as there is risk as a result of lack of segregation of duties between the receipt of cash and recording the cash receipts in the accounting system.

### **Management's Comments**

We would like to express our appreciation for the co-operation and assistance which we received during the course of our audit from the management and their staff.

We shall be pleased to discuss with you further any matters mentioned in this report at your convenience.

This communication is prepared solely for the information of management and is not intended for any other purpose. We accept no responsibility to a third party who uses this communication.

Yours very truly,

**Welch LLP**

Per \_\_\_\_\_

**DRAFT**  
**For Discussion Purposes Only**