



January 13, 2021

Board of Directors
Lanark County Community Justice Program Inc.
Suite 10E, 8 Herriott Street
Perth, ON K7H 1S9

Dear Board of Directors:

Re: Audit Planning Letter for the Year Ending March 31, 2021

We have prepared this Audit Planning Letter in connection with our audit of the financial statements of the Lanark County Community Justice Program Inc. ("the Organization") for the year ending March 31, 2021.

Our purpose in writing is to ensure effective two-way communication between us in our role as auditors and yourselves with the role of overseeing the financial reporting process. In this Letter we will:

- a) Address our responsibilities as independent auditors and provide information about the planned scope and timing of our audit.
- b) Request a response to some audit questions and any additional information you may have that could be relevant to our audit.

Auditor Responsibilities

The respective responsibilities of ourselves and of management in relation to the audit of the financial statements are set out in the engagement letter dated May 24, 2017.

Planned Scope and Timing of Our Audit

Our objective as auditors is to express an opinion on whether the financial statements are prepared, in all material respects, in accordance with Canadian accounting standards for not-for-profit organizations.

In developing our audit plan, we worked with management to understand the nature of the Organization and to identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error. Our audit plan has been designed to focus on the identified areas of risk.



Materiality

The determination of materiality requires judgment and is based on a combination of quantitative and qualitative assessments including the nature of account balances and financial statement disclosures.

We determine materiality in order to plan and perform the audit and to evaluate the effects of identified misstatements on the audit and of any uncorrected misstatements on the financial statements. For the current period, we have determined a materiality amount of \$10,000.

We determine performance materiality (from materiality) in order to assess risks of material misstatement and to determine the nature, timing and extent of audit procedures.

We also determine an audit misstatement posting threshold (from materiality) in order to accumulate misstatements identified during the audit.

The materiality amount will be reassessed prior to the end of the engagement to ensure it remains appropriate.

Significant Changes During the Year

We did not any significant changes in entity operations and personnel, accounting and control systems and/or accounting and auditing standards when planning the audit for the year.

Internal Control

To help identify and assess the risks of material misstatement in the financial statements, we obtain an understanding of internal control relevant to the audit. This understanding is used in the design of appropriate audit procedures. It is not used for the purpose of expressing an opinion on the effectiveness of internal control. Should we identify any significant deficiencies in the internal control and accounting systems, we will communicate them to you in our audit findings report.

Significant Risks and Other Areas of Focus

In planning our audit, we identify significant financial reporting risks and other areas of focus that, by their nature, require special audit consideration. By focusing on these areas, we establish an overall audit strategy and effectively target our audit procedures. The significant risks and other areas of focus we have identified and our proposed audit response is outlined below:

Significant Risks	Why	Proposed Audit Response
<i>Revenue recognition and completeness</i>	<i>Professional standards presume there are risks of fraud in revenue recognition in all entities.</i>	<i>Perform analytical procedures Compare grants received to grants earned with reference to the related expenses to ascertain that appropriate amount of revenue recognized Test other revenues, as/where applicable Review of cut-off procedures</i>

Significant Risks	Why	Proposed Audit Response
<i>Management override of controls</i>	<i>Professional standards presume the risk of management override is present in all entities and requires the performance of specific procedures to address this presumed risk.</i>	<i>Inquire of management Review/test journal entries Review of related-party transactions and management estimates</i>
Other Areas of Focus	Why	Proposed Audit Response
<i>Accounts payable, accrued liabilities, expenses</i>	<i>Accounts payable, accrued liabilities and expenses may be understated due to improper cut-off.</i>	<i>Perform analytical procedures Perform tests of controls Select a sample of expenses to vouch to supporting documentation Perform a search for unrecorded liabilities at year-end Examine significant accrued liabilities and test supporting assumptions Review the outcome of prior year estimates and accruals</i>
<i>Accounts receivable</i>	<i>Accounts receivable may be over/understated due to improper cut-off. The allowance for doubtful accounts may be insufficient.</i>	<i>Perform analytical procedures Perform tests of controls Consider confirmation of a sample of receivable balances Review aging reports Examine payments received subsequent to year-end</i>
<i>Contingencies</i>	<i>Contingent liabilities may not be properly accrued for and commitments and contingencies may not be disclosed in the financial statements.</i>	<i>Review Board of Directors and Committee meeting minutes and discussions with Chairperson and/or Treasurer</i>
<i>Estimates</i>	<i>Management estimates may not be calculated in accordance with Canadian accounting standards for not-for-profit organizations or be properly supported.</i>	<i>Test supporting assumptions for estimates Review outcome of prior year estimates and accruals</i>
<i>Payroll</i>	<i>Payroll expense may not be accurately recorded.</i>	<i>Perform analytical procedures Perform tests of controls Reconcile salaries/wages general ledger accounts to T4 Summary</i>

Other Areas of Focus	Why	Proposed Audit Response
<i>Deferred revenue</i>	<i>Deferred revenue may not be recorded in accordance with the Organization's accounting policies.</i>	<i>Test revenue recognized to ensure in accordance with the Organization's accounting policies and Canadian accounting standards for not-for-profit organizations</i>

If there are specific areas that warrant our particular attention during the audit or where you would like us to undertake some additional procedures, please advise us accordingly.

Uncorrected Misstatements

Where we identify uncorrected misstatements during our audit, we will communicate them to management and request that they be corrected. If not corrected by management, we will then request that you correct them. If not corrected by you, we will also communicate the effect that they may have individually, or in aggregate, on our audit opinion.

Timing

The proposed timing of our audit (as discussed with management) is as follows:

Key Deliverables	Expected Date(s)
Conduct interim audit work	July 2021
Conduct year-end audit work	July/August 2021
Present audit findings report, management letter and draft financial statements to Board of Directors	Summer 2021
Approval of financial statements by Board of Directors	Summer 2021
Provide financial statements including our audit opinion	AGM September 2021

Engagement Team

Our engagement team for this audit will include the following personnel:

Name	Role	Contact Details
Howard A. Allan, FCPA, FCA	Partner	hallan@allanandpartners.com
Carole Fuller, CPA, CGA	Manager	cfuller@allanandpartners.com
Tricia Mierau	Audit Assistant	tmierau@allanandpartners.com

Audit Findings

At the conclusion of our audit, we will prepare an audit findings report to assist you with your review of the financial statements. This report will include our views and comments on matters such as:

- significant matters, if any, arising from the audit that were discussed with management;
- significant difficulties, if any, encountered during the audit;

- qualitative aspects of the Organization’s accounting practices, including accounting policies, accounting estimates and financial statement disclosures;
- uncorrected misstatements; and
- any other audit matters of governance interest.

Audit Questions and Requests

Fraud

Professional standards require that during the planning of our audit we obtain your views on the risk of fraud. We make similar inquiries to management as part of our planning process. Responses to these questions will assist us in planning our overall audit strategy and audit approach accordingly. We have prepared the comments below to facilitate our audit planning. We would ask that you review the following discussion points with the Board members and communicate with our firm any concerns you may have.

Required Discussion	Auditor Response	Questions to Board of Directors
Details of existing oversight processes with regards to fraud.	<p>Through our planning process, and based on prior years’ audits, we have developed an understanding of your oversight processes as follows:</p> <ul style="list-style-type: none"> • Discussions at Board of Directors’ meetings and our attendance at those meetings, when required/requested; • Review of related party transactions; and • Consideration of tone at the top. 	<p>What oversight, if any, do you provide over management’s processes for identifying and responding to fraud risks?</p> <p>(Examples:</p> <ul style="list-style-type: none"> • Have you implemented preventative measures such as Codes of Conduct, segregation of duties, dual signatures on cheques, procurement policy with spending authorities and limits, defined roles and responsibilities, etc.? • Do you receive and review timely financial reports (internal and external)? • Do you review the annual management letter and follow up on the status of issues identified in the letter? • Have you implemented a risk management plan?)
Knowledge of actual, suspected or alleged fraud (including misappropriation of assets or manipulation of the financial statements affecting the entity).	Currently, we are not aware of any fraud.	Are you aware of any instances of actual, suspected or alleged fraud affecting the Organization?

Other Matters

Please bring to our attention any significant matters or financial reporting risks of which you are aware that may not have been specifically addressed in our proposed audit plan. This could include such

matters as future plans, contingencies, events, decisions, non-compliance with laws and regulations, potential litigation, specific transactions (such as with related parties or outside of the normal course of business) and any additional sources of audit evidence that might be available.

Fees

In determining the fees for our services, we have considered the nature, extent and timing of our planned audit procedures. The fees are based on the assumptions described in the engagement letter.

We recognize your significant role in the oversight of the audit and would welcome any observations on our audit plan.

This Letter was prepared for the sole use of those charged with governance of the Organization to carry out and discharge their responsibilities. The content should not be disclosed to any third party without our prior written consent, and we assume no responsibility to any other person.

Yours truly,



Allan and Partners LLP
Chartered Professional Accountants
Licensed Public Accountants