

November 14, 2021

Condominium Corporation No. 9710795
Operating as Signal Hill Villas

Attention: Board of Directors

Re: Audit Planning Letter

We have been engaged to audit the financial statements of Condominium Corporation No. 9710795 for the period ending October 31, 2021. Canadian generally accepted auditing standards require that we communicate the following information with you in relation to your audit.

Management is responsible for establishing and maintaining an adequate internal control structure and procedures for financial reporting. This includes the design and maintenance of accounting records, recording transactions, selecting and applying accounting policies, safeguarding of assets and preventing and detecting fraud and error.

Our Responsibility as Auditors

As stated in the engagement letter dated November 14, 2021, our responsibility as auditors of your organization 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 organization 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 misstatements that, individually or in the aggregate, are material to the financial statements taken as a whole; and
- Examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements.

As part of our audit, we will obtain a sufficient understanding of the business and the internal control structure of Condominium Corporation No. 9710795 to plan the audit. This will include management's assessment of:

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

Board of Directors Members' Responsibilities

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

The board of directors 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 auditors with appropriate levels of management, and reporting back to the auditors their findings;
- Making known to the auditors 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 auditor's report;
- Providing guidance and direction to the auditors on any additional work they feel should be undertaken in response to issues raised or concerns expressed;
- Making such enquiries as appropriate into the findings of the auditors with respect to corporate governance, management conduct, cooperation, information flow and systems of internal controls; and
- Reviewing the draft financial statements prepared by management, including the presentation, disclosures and supporting notes and schedules, for accuracy, completeness and appropriateness, and approve same to be passed to directors for approval.

Audit Approach

Outlined below are certain aspects of our audit approach which are intended to help you in discharging your oversight responsibilities. Our general approach to the audit of Condominium Corporation No. 9710795 is to assess the risks of material misstatement in the financial statements and then respond by designing audit procedures.

We determined, based on our understanding of internal controls, that limited reliance will be placed on the system of internal controls. The relative size of the entity, management structure and the nature of the volume of transactions processed during the past year does not lend itself to control-based compliance procedures in conduct of our audit. The testing of such controls would not, in our view, be cost efficient for the level of assurance such tests may provide. Accordingly, a primarily substantive audit approach for the current year has been adopted.

The audit methodology is based on fundamental concepts of:

- materiality;
- audit risk by financial statement area and assertion; and
- the optimum combination of tests of controls, substantive analytical procedures, and/or other substantive procedures.

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 would not necessarily disclose all illegal acts, fraud, intentional misstatements or errors should any exist. We will conduct the audit under Canadian auditing standards (CAS), which include procedures to consider (based on the control environment, governance structure and circumstances encountered during the audit), the potential likelihood of fraud and illegal acts occurring.

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

It is management's responsibility to detect and prevent illegal actions. If such acts are discovered or those charged with governance become aware of circumstances under which the entity 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.

We will ensure that all related party transactions that are identified during the audit will be represented by management and disclosed in the notes to financial statements, and recorded in accordance with Canadian accounting standards for not-for-profit organizations. All gains and losses occurring as a result of transactions with related parties will be recorded in accordance with the recommendations of the Chartered Professional Accountants (CPA) Canada Handbook. Management and those charged with governance are 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.

Risk Assessment

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 of the financial statements that have a higher risk of being materially misstated.

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 judgment in the particular circumstances.

Materiality in an audit is used to:

- Guide planning decisions on the nature and extent of our audit procedures;
- Assess the sufficiency of the audit evidence gathered; and
- Evaluate any misstatements found during our audit.

We plan to use a materiality of \$2,055 for this engagement.

Audit Procedures

In responding to our risk assessment, we will use a combination of tests of controls, tests of details and substantive analytical procedures. 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.

Other Matters

This communication is prepared solely for the information of the board of directors and is not intended for any other purpose. We accept no responsibility to a third party who uses this communication. Our goal is to prepare draft audited statements within four weeks of receiving materials.

Yours truly,

A handwritten signature in blue ink, consisting of several overlapping loops and a final horizontal stroke.

C&E LLP Chartered Professional Accountants