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September 17, 2024

Members of the Audit Committee
Association of Professional Executives of the Public Service of Canada
400-75 Albert Street
Ottawa, ON
K1P 5E7

Re: Audit of the Financial Statements of Association of Professional Executives of the Public Service of Canada

Dear Audit Committee members:

We, the "Firm", have been engaged to express an audit opinion on the financial statements of Association of Professional Executives of the Public Service of Canada, the "Association", for the year ended March 31, 2024. We have substantially completed our audit and are pleased to report on the following items.

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

Auditor Independence

Canadian Auditing Standards ("CAS") require communications with audit committees, or other appropriate parties responsible for governance, at least annually, regarding all relationships between the Association and our Firm that, in our professional judgement, may reasonably be thought to bear on our independence.

Through our planning process, we identify any potential independence threats and communicate any concerns we identify. The Association, management and the Audit Committee have a proactive role in this process, and are responsible for understanding the independence requirements applicable to the Association and its auditor. You must bring to our attention any concerns you may have, or any knowledge of situations or relationships between the Association, management, personnel (acting in an oversight or financial reporting role) and our Firm, its partners/principals and audit team personnel that may reasonably be thought to bear on our independence.

In determining which relationships to report, these standards require us to consider relevant rules and related interpretations prescribed by the Chartered Professional Accountants of Ontario and applicable legislation, covering such matters as:

(a) Holding a financial interest, either directly or indirectly, in a client;

(b) 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;

(c) Personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client;

(d) Economic dependence on a client; and

(e) Provision of services in addition to the audit engagement.

In accordance with our professional requirements, 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.

Accordingly, we hereby confirm that our audit engagement team, our Firm and the other Baker Tilly Canada offices are independent with respect to the Association within the meaning of the Code of Professional Conduct Rule 204 of the Chartered Professional Accountants of Ontario.

Our Responsibilities as Auditor

As stated in the engagement letter, our responsibility as auditor of the Association 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 Association 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 Association's ability to continue as a going concern; and
- 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 obtained a sufficient understanding of the business and internal control structure of the Association to plan the audit. This included 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.

The engagement team undertook a documented planning process prior to the commencement of the audit to identify concerns, address independence considerations, assess the engagement team requirements, and plan the audit work and timing.

An audit does not relieve management or those responsible for governance of their responsibilities for the preparation of the Association's financial statements.

The firm maintains a system of quality management that supports the consistent performance of quality audit engagements.

Audit Committee's 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 Auditor's 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; and
- Reviewing the draft financial statements prepared by management, including the presentation, disclosures and supporting notes and schedules, for accuracy, completeness and appropriateness, and to approve the same to be passed to the board of directors for approval.

At the end of our audit, we are required to evaluate, as part of our audit, whether the two-way communication between us and the audit committee has been adequate for the purpose of the audit.

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 Association of Professional Executives of the Public Service of Canada was to assess the risks of material misstatement in the financial statements and then respond by designing audit procedures.

Independent Auditor's Report

We anticipate that our Independent Auditor's Report will be issued without modification.

Our Independent Auditor's Report will be dated no earlier than the date on which we have obtained sufficient appropriate audit evidence on which to base our audit opinion on the financial statements, including evidence that all the statements and disclosures that comprise the financial statements have been prepared and the Board of Directors has approved the financial statements.

Illegal Acts, Fraud, Intentional Misstatements and Errors

Our auditing procedures, including tests of the Association's accounting records, were limited to those considered necessary in the circumstances and will not necessarily disclose all illegal acts should any exist. Under CAS, we consider the Association'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 communicate directly to the Audit Committee.

It is our responsibility to maintain professional skepticism throughout the audit. This recognizes the possibility that a material misstatement due to fraud could exist, notwithstanding our past experience of the honesty and integrity of the Association's management and 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 Association may have been involved in fraudulent, illegal or regulatory non-compliance situations, such circumstances must be disclosed to us.

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 the misappropriation of assets or misrepresentation of assets or misrepresentation of financial information.

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, the board of directors, committees thereof, their immediate family members, and entities with which these individuals have an economic interest.

There were no related party transactions identified during the audit that required disclosure in the notes to the financial statements.

Significant Accounting Principles and 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 significant accounting principles and policies are disclosed in the summary of significant accounting policies accompanying the financial statements.

The accounting policies adopted may be acceptable policies under Canadian Accounting Standards for Not-for-Profit Organizations; however, alternative policies may also be acceptable under Canadian Accounting Standards for Not-for-Profit Organizations. The Association and the Audit Committee have a responsibility to not adopt extreme or inappropriate interpretations of Canadian Accounting Standards for Not-for-Profit Organizations that may have inappropriate or misleading results. Alternative policies, if adopted, may produce significant changes in the reported results of the operations, financial position and disclosures of the Association.

The Audit Committee 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. If members of the Audit Committee believe that the adoption or change in accounting policy may produce an inappropriate or misleading result in financial reporting or disclosure, this concern must be discussed with management and us.

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

Accounting Estimates

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.

Our responsibility as auditor is to obtain sufficient appropriate evidence to provide reasonable assurance that management's accounting estimates are reasonable within the context of the financial statements as a whole. An audit includes performing appropriate procedures to verify the:

- Calculation of accounting estimates;
- Analyzing of key factors such as underlying management assumptions;
- Materiality of estimates individually and in the aggregate in relation to the financial statements as a whole;
- Estimate's sensitivity to variation and deviation from historical patterns;
- Estimate's consistency with the entity's business plans; and
- Other audit evidence.

Risk-Based

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.

Materiality

Materiality is used throughout the audit and in particular when:

a) Identifying and assessing risk of material misstatement;

b) Determining the nature, timing and extent of further audit procedures; and

c) Evaluating the effect of uncorrected misstatements, if any, on the financial statements and in forming an opinion in the Auditor's Report.

Materiality is defined as:

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.

We used an overall materiality of $46,000 and a performance materiality of $36,800.

Audit 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.

In response to our risk assessment and based on our understanding of internal controls, we adopted a substantive approach for the audit.

Evaluation of Internal Controls

Audits include a review and evaluation of the system of internal controls to assist in determining the level of reliance that may or should be placed on the system in assessing the nature and extent of audit procedures to be undertaken.

During the course of our audit, we encountered the following specific internal control matters that we wish to bring to your attention:

Accounts payable

Observation and implication

During the audit, we noted that the accounts payable listing per Sage (accounting software) was not reconciled to the trial balance.

Additionally, we noted that some transactions were being incorrectly booked as accounts payable and prepaid expenses resulting in accounts payable being overstated.

Recommendation

We recommend that monthly or quarterly reconciliations are performed to ensure the account balances per Sage agree to the client listings being tracked separately.

Additionally, the accountant should be made aware of how to record accounts payable to ensure expenses are not being recorded as payable and prepaid.

This will ensure the Association has proper records and help avoid the possibility of overpayments.

Prepaid expenses

Observation and implication

During the audit, we noted that the prepaid expenses were being tracked internally. However, the journal entries were not being recorded correctly. This resulted in an accurate prepaid listing but the expenses being expensed incorrectly and requiring numerous adjustments.

Additionally, it was noted that the method of recording prepaids was not always consistent as some prepaids included sales taxes (HST) whereas others did not. Further, some prepaids on the listing had not yet been paid and were therefore incorrectly included in the listing.

Recommendation

We recommend that monthly or quarterly reconciliations are done to ensure the account balances per Sage agree to the client listings being tracked separately.

Additionally, the accountant should be made aware of and refer to the management listing to ensure expenses are being recorded appropriately and in a consistent manner.

Accounts receivable

Observation and implication

During the audit, we noted that the accounts receivable listing per Sage (accounting software) was not reconciled to the trial balance. This is an ongoing issue that arises from previous adjustments to receivables being recorded to a general account receivable account rather than the auxiliary accounts. This results in the trial balance being updated correctly but the receivable report not being affected accordingly.

Addtionally, during our testing, it was noted that many significantly overdue balances remained as receivable without any write-offs made during the year.

Recommendation

We recommend that management review the accounts being used to record journal entries to ensure they reflect the listings appropriately.

Additionally, we recommend that monthly or quarterly reconciliations should be performed to ensure all accounts and subledgers are up to date and accurate. This will also ensure the Association has proper records.

We also recommend that management review old receivable balances periodically and follow up with these amounts to help reduce overall bad debts. This can also help with budgetting as management will be aware of a more accurate future inflows.

Purchases

Observation and implication

During the audit, we noted multiple instances where entries were posted, reversed and re-posted. This resulted in classification errors in some instances where the reversal did not match the original entry.

In addition, during our testing, it was noted that many entries relating to the summit were being expensed as miscellaneous. This resulted in inconsistent balances on the income statement as prior years used specific accounts for each expense.

Recommendation

We recommend that the Association implements controls surrounding the journal entries such as monthly review of income statements accounts to detect any irregularities. If any inappropriate journal entries were made, they would be caught at the point of reconciliation. This control would be designed to detect any error that could potentially arise from a mistake when posting an entry or any error that could result in recording an unauthorized entry.

Significant Matters Discussed With Management

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

Written Representations Requested From Management

As part of our audit, we request that management prepare a letter to us to re-affirm various representations that they have provided to us and we have relied upon. A copy of this letter is attached for your convenience.

Audit Adjustments

As part of our audit, adjustments were made. For a detailed list of entries made please see the list of adjusting journal entries attached to the representation letter.

Uncorrected Misstatements

In the course of our audit, we have aggregated uncorrected non-trivial financial statement misstatements which are summarized in the accompanying schedule. Management has deemed the effects of these misstatements to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. To date, management has not corrected these misstatements. Under CAS, we are required to request that the Audit Committee consider the correction of these misstatements.

Significant Unusual Transactions

We are not aware of any significant transactions entered into by the Association that you should be informed about.

Disagreements with Management

We are required to communicate any disagreements with management, whether or not resolved, about matters that are individually or in aggregate significant to the Association's financial statements or Auditor's Report. Disagreements may arise over:

- Selection or application of accounting principles;
- Assumptions and related judgements for accounting estimates;
- Financial statement disclosures;
- Scope of the audit; or
- Wording of the Auditor's Report.

In the course of our audit, we did not have any significant disagreements with management, nor were we under any significant time pressures or poor working conditions. We are not aware of any cause for concern as to management's attitude, competence or credibility with respect to matters affecting the financial statements.

Difficulties Encountered During the Audit

We encountered no significant difficulties during our audit that should be brought to the attention of the Audit Committee other than the impact of not having a bookkeeper throughout the year and the reconciliations indicated in the evaluation of internal controls section of this letter.

Management Letter

We have submitted to management a letter on internal controls and any other matters that we feel should be brought to the attention of management.

Conclusion

We wish to express our appreciation for the co-operation we received during the audit from the Association's management.

Should any member of the Audit Committee wish to discuss or review any matter addressed in this letter or any other matters related to financial reporting, please do not hesitate to contact us at any time.

For the purpose of documentation in our files, we ask that two members of the Audit Committee sign their acknowledgement on behalf of the Audit Committee in the spaces provided below.

Yours very truly,

Baker Tilly Ottawa LLP

Chartered Professional Accountants, Licensed Public Accountants

per: Benoit Groulx, CPA, CA, Licensed Public Accountant
Partner

Acknowledgement on behalf of the Audit Committee:

We have read the above disclosures.

Association of Professional Executives of the Public Service of Canada

Liane Sauer Digitally signed by Sauer, Liane Date: 2024.09.18 19:54:06 -04'00'

Signature

Name

Title

Stubbs, Tabitha Digitally signed by Stubbs, Tabitha Date: 2024.09.18 14:17:17 -04'00'

Signature

Name

Title

Schedule of Uncorrected Misstatements

Description of Misstatement	Proposed Adjustments Dr (Cr)				
	Statement of Operations		Statement of Financial Position		
	Identified Misstatements	Likely Aggregate Misstatements	Assets	Liabilities	Opening Net Assets
Unknown prepaid balance	5,303	5,303	(5,303)	-	-
a) Totals		5,303	(5,303)	-	-
b) Misstatements corrected by management		-	-	-	-
c) Likely aggregate misstatements net of corrections (a - b)		5,303	(5,303)	-	-
d) Effect of unadjusted misstatements from previous year's errors		-	-	-	-
e) Aggregate likely misstatements (c + d)		5,303	(5,303)	-	-
f) Final overall materiality		46,000	46,000	46,000	46,000
g) Amount remaining for further possible misstatement (f - e)		40,697	40,697	46,000	46,000