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March 26, 2007

Mr. Scott Ciniello, Treasurer  
West Queen West Business Improvement Area  
877 Queen Street West  
TORONTO, ON  
M6J 1G5

Dear Mr. Ciniello:

**MANAGEMENT LETTER  
YEAR ENDED DECEMBER 31, 2006**

The audit of the financial statements of the West Queen West Business Improvement Area (BIA) for the year ended December 31, 2006 has recently been completed. The primary purpose of the audit was to express an opinion on the financial position of the BIA as at that date and on the results of its operations for the year then ended.

Given the test nature of my audit, you will appreciate that reliance must be placed on adequate methods of internal control as the Board's principal safeguard against irregularities which a test examination may not disclose. This letter provides my observations and recommendations on matters arising from the audit for your consideration.

**EMPLOYER-EMPLOYEE RELATIONSHIP**

**Observation:**

The BIA has retained a Co-ordinator to assist in the general administration of the BIA activities. The remuneration is paid without any statutory deductions.

According to Canada Customs and Revenue Agency (CCRA) guidelines an employer-employee relationship exists when there is "a verbal or written agreement in which an employee agrees to work on a full-time or part-time basis for an employer for a specified or indeterminate period of time, in return for salary or wages. The employer has the right to decide where, when, and how the work will be done. In this type of relationship, a contract of services exists." The CCRA guidelines also provide other criteria to be used in analysing the terms and conditions of employment.

Where an employer-employee relationship exists, the employer must withhold income tax, Canada Pension Plan (CPP) contributions and Employment Insurance (EI) premiums on amounts paid to employees and report the employees' income and deductions on the appropriate return. Failure to do so could result in penalties and interest charges.

In my view, the current arrangement with the Co-ordinator could be interpreted as an employer-employee relationship.

**Recommendation:**

**The Board review its current arrangement with the Co-ordinator, with a view to ensuring that, where an employer-employee relationship exists, its obligations under the Canada Customs and Revenue Agency regulations are met.**

**Management Response:**

Agreed with the recommendation. Effective next month the BIA will be making payments to its co-ordinator net of statutory deductions and as recommended these deductions will be remitted monthly to the Revenue Canada Agency.

Yours truly,

  
Rafiq Dosani