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March 5, 2007

Mr. Frank Reilly, Chair
Wychwood Heights Business Improvement Arena

Mr. Reilly:

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

The audit of the financial statements of the Wychwood Heights 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 comments and recommendations on matters arising from the audit for your consideration.

EMPLOYER-EMPLOYEE RELATIONSHIP

Observation:

The BIA has retained a Coordinator 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 Coordinator could be interpreted as an employer-employee relationship.

Recommendation:

1. **The Board should review its current arrangement with the Coordinator, 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. In future all payments to the Coordinator will be subject to appropriate statutory deductions.

INSURANCE

Observation:

The BIA has no insurance coverage for Directors' and Officers' liability. The BIA board members are personally liable for any negligent act such as for the non-payment of employee deductions to Revenue Canada, breach of contractual obligations etc. In order to assist its members, the Toronto Association of Business Improvement Areas has obtained a competitive group rate for all BIA members of the Association.

Recommendation:

2. **In order to protect its directors, The Board should consider obtaining directors' liability insurance.**

Management Response:

As recommended we are in the process of obtaining directors' liability insurance through the Toronto Association of Business Improvement Areas.

Yours truly,


Rafiq Dosani