



cutting through complexity

AUDIT

Wellington-Dufferin-Guelph Public Health

Audit Findings Report
For the year ended December 31, 2019

KPMG LLP

April 29, 2020

kpmg.ca



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connection with this report are:

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At KPMG, we are **passionate** about earning your **trust**. We take deep **personal accountability**, individually and as a team, to deliver **exceptional service and value** in all our dealings with you.

At the end of the day, we measure our success from the
only perspective that matters – yours.

Executive summary

Purpose of this report*

The purpose of this Audit Findings Report is to assist you, as a member of the audit committee, in your review of the results of our audit of the financial statements of Wellington-Dufferin-Guelph Public Health (WDGPH) as at and for the year ended December 31, 2019.

This Audit Findings Report builds on the Audit Plan we presented to the Audit Committee previously.

Changes from the Audit Plan

There have been no significant changes regarding our audit from the Audit Planning Report previously presented to you.

Audit risks and results

We discussed with you at the start of the audit areas of **significant risks** and other areas of audit emphasis.

These included a presumed risk of management override of controls and fraudulent revenue recognition (associated with cut-off). We are satisfied that our audit work has appropriately dealt with these risks.

See page 6.

Executive summary (continued)

Finalizing the audit

As of April 1, 2019 we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include amongst others:

- completing our discussions with the audit committee;
- Obtaining evidence of the Board's approval of the financial statements.
- receipt of signed management representation letter

We will update you on significant matters, if any arising from the completion of the audit, including the completion of the above procedures. Our auditors' report will be dated upon the completion of any remaining procedures.

Control and other observations

No significant deficiencies come to our attention.

Critical accounting estimates

Overall we are satisfied with the reasonability of **critical accounting estimates** taken. Note 2 in the financial statements refers to estimates which management believes are significant.

Independence

KPMG LLP is independent of Wellington-Dufferin-Guelph Public Health.

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Financial Highlights

Total Surplus (annual revenues over expenditures)	\$805K	Revenues increased by approximately \$510K, primarily driven by an increase in Ministry of Health base funding.
Long-Term Debt	\$5.6M	Decreased year-over year due to repayments made, significant repayments were made during the year, in excess of \$6M.
Tangible Capital Assets	\$22.4M	<p>Decreased year-over year, driven by lower level of capital additions in the current year, and due to the fact that amortization expense continues to exceed capital additions.</p> <p>The net book value of tangible capital assets approximates 64% of cost, with some categories such as equipment and technology and communication with net book values of 10-20% of cost. This may suggest that assets are being utilized at a rate greater than the re-investment.</p>
Cash Flows		<p>Net decrease in cash of \$4.9M for fiscal 2019.</p> <p>Cash flows from operations provided \$2.0M, while \$0.9M was used to acquire capital assets, and \$6.0M was used to repay long-term debt owed to the three municipalities.</p> <p>Cash balance at the end of the year, being December 31, 2019 amounted to \$2.5M.</p>

Audit risks and results

Inherent risk is the susceptibility of a balance or assertion to misstatement which could be material, individually or when aggregated with other misstatements, assuming that there are no related controls.

We highlight our significant findings in respect of significant financial reporting risks as identified in our discussion with you in the Audit Plan, as well as any additional risks identified.

Significant financial reporting risks

Why

Our significant findings from the audit

Management override of controls	A requirement under Canadian Audit Standards- risk of fraud.	<p>As outlined in our audit planning report we have evaluated the design and implementation of internal controls over manual journal entries, and the respective review that takes place.</p> <p>In addition we have performed substantive procedures on journal entries related to financial reporting. KPMG performed routines over journal entries that met criteria deemed to contain a risk of management override. KPMG used computer aided audit techniques to assist with this section of the audit.</p> <p>Routines were run whereby criteria would identify journal entries with identified risks. KPMG examined a sample of these entries to ensure there was appropriate business merit/support for the entry that was being recorded.</p> <p>No instances of management override were identified as a result of our engagement team's procedures performed.</p>
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Other areas of focus

Other areas of focus for our audit, as identified in our discussion with you in the Audit Plan, include the following:

Other areas of focus	Why	Our significant findings from the audit
Tangible Capital Assets	Significance of account balance	<ul style="list-style-type: none"> • We performed a number of testing procedures around tangible capital assets, testing a sample of additions made during the fiscal year and agreeing to invoice supporting documentation to ensure items were capital in nature • Overall a more capital intensive year than the previous year, with additions of \$880K • We performed analytical procedures on amortization expense recorded during the year • Repair & Maintenance expenditure testing performed to assist with the assessment of the completeness of capital assets during the fiscal year
Payroll Expenditures	Significance of account balance	<ul style="list-style-type: none"> • Analytical procedures were performed over payroll expenditures recorded in fiscal 2019 • In addition, specific salary expenditures on an individual basis were examined to ensure that classification was appropriate per individual's contract role. • Substantive audit procedures were performed over related payroll accruals as at December 31, 2019

Cash	Significance of account balance	<ul style="list-style-type: none"> • WDGPB has significant cash balances • We confirmed directly with the entity's financial institution, to confirm cash balance as at year end to ensure consistent with balances per the general ledger reconciliations • Testing procedures on outstanding cheques were performed at year end in addition to deposits in transit at year end. • A correction was identified in connection with held payment at year-end. Amounts had been recorded in the general ledger as being paid (reduction to cash and reduction to associated payable) however the transfers or cheques were not actually issued until Fiscal 2020. This correction has been made to the financial statements.
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Long Term Debt	Significance of account balance	<ul style="list-style-type: none"> • As at year end WDGPB has \$5.6M dollars of debt, held by the three municipalities. KPMG confirmed balances directly with each municipality
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Revenue	Significance of account balance	<ul style="list-style-type: none"> • We confirmed funding directly with MOHLTC • We confirmed funding directly with municipalities • Agreement of funding agreements for specific programs (HBHC, PSL etc.)
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Expenses	Significance of account balance and impact on program revenue	<ul style="list-style-type: none"> • Considered to be the expenses other than salary, wages, benefits • We performed sampling over program expenses agreeing expenses to supporting documentation
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Payables &
Accruals

- Specific item testing of significant accruals
- Performance of search for unrecorded liabilities
- KPMG identified an audit difference which has remained uncorrected related to the MaRs challenge. During Fiscal 2019 the Health Unit was awarded prize funds of \$50,000, which was unrestricted. The Health Unit recorded these funds as deferred revenue as the utilization of the funds internally had not been specified, however internal restrictions would not result in a deferred revenue, and accordingly KPMG has recorded an uncorrected difference for Fiscal 2019. The impact of this uncorrected difference will reverse in Fiscal 2020.

Financial
Statement
Preparation

- In connection with the preparation of the financial statements it was noted that there was an entry double booked in connection with revenues and expenditures associated with PSL and HBHC. There was an entry in Caseware that shouldn't have been made (as the underlying transactions were already within the entity's accounting system) which initially resulted in an overstatement of revenues and expenses which was corrected in the financial statements.
- It appeared as though the process of compiling financial statements could be enhanced moving forward. The management team experienced some difficulties with the financial statement processing and the 3rd party consultant resulting in some delays and additional corrections. This was exacerbated by the challenges of the current environment and the impact of unexpected staff leaves.
- Management has acknowledged the challenges in the current year and has initiated processes to address these on a go forward basis.

Significant accounting policies and practices

There have been no initial selections of, or changes to, significant accounting policies and practices to bring to your attention.

Significant accounting policies and practices are disclosed in Note 2 to the financial statements.

Audit adjustments and differences

Audit adjustments and differences identified during the audit have been categorized as Corrected audit adjustments; or Uncorrected audit differences. These include disclosure adjustments and differences.

Although the uncorrected differences have no effect on our auditors' report, these uncorrected differences or the underlying matters regarding adjustments or differences (e.g., control deficiencies) could potentially cause future annual or interim financial statements to be materially misstated or have an implication on the financial reporting process.

Corrected audit adjustments

Please refer to the management representation letter.

Uncorrected audit differences

Please refer to the management representation letter.

Appendices

Appendix 1: Required communications

Appendix 2: Management Representation Letters

Appendix 3: Audit Quality and Risk Management

Appendix 4: Background and professional standards

Appendix 1: Required communications

In accordance with professional standards, there are a number of communications that are required during the course of and upon completion of our audit. These include:

- **Auditors' report** – the conclusion of our audit is set out in our draft auditors' report attached to the draft financial statements
- **Management representation letter** – we will obtain from management at the completion of the annual audit. In accordance with professional standards, copies of the representation letter will be provided to the Audit Committee.

Appendix 2: Management Representation Letter

KPMG LLP
115 King Street South
2nd floor
Waterloo, ON N2J 5A3
Canada

May 11, 2020

Ladies and Gentlemen:

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the financial statements (hereinafter referred to as "financial statements") of Wellington Dufferin Guelph Public Health Unit ("the Entity") as at and for the period ended December 31, 2019.

GENERAL:

We confirm that the representations we make in this letter are in accordance with the definitions as set out in **Attachment I** to this letter.

We also confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

RESPONSIBILITIES:

- 1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated January 16, 2019, including for:
 - a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework.
 - b) providing you with all information of which we are aware that is relevant to the preparation of the financial statements ("relevant information"), such as financial records, documentation and other matters, including:
 - the names of all related parties and information regarding all relationships and transactions with related parties;
 - the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of shareholders, board of directors and committees of the board of directors that may affect the financial statements. All significant actions are included in summaries.
 - c) providing you with unrestricted access to such relevant information.
 - d) providing you with complete responses to all enquiries made by you during the engagement.
 - e) providing you with additional information that you may request from us for the purpose of the engagement.

- f) providing you with unrestricted access to persons within the Entity from whom you determined it necessary to obtain audit evidence.
- g) such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We also acknowledge and understand that we are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.
- h) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.
- i) ensuring that internal auditors providing direct assistance to you, if any, were instructed to follow your instructions and that we, and others within the entity, did not intervene in the work the internal auditors performed for you.

INTERNAL CONTROL OVER FINANCIAL REPORTING:

- 2) We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over financial reporting of which we are aware.

FRAUD & NON-COMPLIANCE WITH LAWS AND REGULATIONS:

- 3) We have disclosed to you:
 - a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
 - b) all information in relation to fraud or suspected fraud that we are aware of that involves:
 - management;
 - employees who have significant roles in internal control over financial reporting; or
 - otherswhere such fraud or suspected fraud could have a material effect on the financial statements.
 - c) all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements, communicated by employees, former employees, analysts, regulators, or others.
 - d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements, whose effects should be considered when preparing financial statements.
 - e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

SUBSEQUENT EVENTS:

- 4) All events subsequent to the date of the financial statements and for which the relevant financial reporting framework requires adjustment or disclosure in the financial statements have been adjusted or disclosed.

RELATED PARTIES:

- 5) We have disclosed to you the identity of the Entity's related parties.
- 6) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.

- 7) All related party relationships and transactions/balances have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

ESTIMATES:

- 8) Measurement methods and significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

GOING CONCERN:

- 9) We have provided you with all information relevant to the use of the going concern assumption in the financial statements.

MISSTATEMENTS:

- 10) The effects of the uncorrected misstatements described in Attachment II are immaterial, both individually and in the aggregate, to the financial statements as a whole.
- 11) We approve the corrected misstatements identified by you during the audit described in Attachment II.

NON-SEC REGISTRANTS OR NON-REPORTING ISSUERS:

- 12) We confirm that the Entity is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission ("SEC") Issuer (as defined by the Sarbanes-Oxley Act of 2002).
- 13) We also confirm that the financial statements of the Entity will not be included in the group financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

Yours very truly,

By: Mr. David Kingma, MBA, MA, Director, Administrative Services

By: Dr. Nicola Mercer, MD, MBA, MPH, FRCPC, Medical Officer of Health & CEO

By: Mr. Rob Cunnington CPA, CA, Manager, Finance

Attachment I – Definitions

MATERIALITY

Certain representations in this letter are described as being limited to matters that are material. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both.

FRAUD & ERROR

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization.

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Attachment II - Uncorrected Audit Misstatements

Company Wellington Dufferin Guelph Public Health
 Summary of Uncorrected Audit Misstatements
 For Year End: [Dec19]
 12/31/2019
 Amounts in CAD
 Method Used to Quantify Audit Misstatements Income Statement Method (Roll Over)
 Final Materiality 675,000

Detailed instructions on automatically populating the audit misstatements from the Tracker are provided in the "Instructions" tab.

Correcting Entry Required at Current Period End						Income Statement Effect - Debit(Credit)			Balance Sheet Effect - Debit (Credit)					Cash Flow Effect - Increase (Decrease)			
ID	Description of misstatement	Type of misstatement	Accounts	Debit	(Credit)	Income effect of correcting the balance sheet in prior period (carryforward from prior period)	Income effect of correcting the current period balance sheet	Income effect according to Rollover (Income Statement) method	Equity	Current Assets	Noncurrent Assets	Current Liabilities	Noncurrent Liabilities	Operating Activities	Investing Activities	Financing Activities	
				A		B	C=A (Only Income Statement accounts)	C-B									
SAM 3	Item was classified as being deferred revenue due to internal restrictions; however, it is unreasonable to internally restrict oneself from funds therefore the funds must be classified as revenue.	Factual	Deferred revenue	50,000	0	0	0	0	0	0	0	50,000	0	(50,000)	0	0	
			Revenue	0	(50,000)	0	(50,000)	(50,000)	(50,000)	0	0	0	0	50,000	0	0	
	Aggregate effect of uncorrected audit misstatements (before tax):					0	(50,000)	(50,000)	(50,000)	0	0	50,000	0	0	0	0	
	Aggregate effect of uncorrected audit misstatements (after tax):					0	(50,000)	(50,000)	(50,000)	0	0	50,000	0	0	0	0	
Financial statement amounts (per final financial statements) (after tax):									(804,968)	(17,778,018)	3,724,963	22,364,367	(2,724,263)	(5,587,049)	1,994,228	(880,355)	(6,031,011)
Uncorrected audit misstatements as a percentage of financial statement amounts (after tax):									6.21%	0.28%	0.00%	0.00%	(1.84%)	0.00%	0.00%	0.00%	0.00%

Attachment II - Corrected Audit Misstatements

Company Wellington Dufferin Guelph Public Health (Dec19)
 Summary of Corrected Audit Misstatements
 For Year Ended 12/31/2019
 Amounts in CAD
 Method Used to Quantity Audit Misstatements Income Statement Method (Roll Over)

Detailed instructions on automatically populating the audit misstatements from the Tracker are provided in the "Instructions" tab.

ID	Description of misstatement	Type of misstatement	Identified During	Accounts	Debit	(Credit)	Income Statement Effect - Debit (Credit)	Balance Sheet Effect - Debit (Credit)					Cash Flow Effect - Increase (Decrease)		
							Income Effect Debit (Credit)	Equity	Current Assets	Noncurrent Assets	Current Liabilities	Noncurrent Liabilities	Operating Activities	Investing Activities	Financing Activities
SAM 1	The client included the items in the Outstanding Withdrawals Listing but the EFTs were not paid until a week into January.	Factual	Final	Cash	81,289	0	0	0	81,289	0	0	0	0	0	0
				Accounts payable and accrued liabilities	0	(81,289)	0	0	0	0	(81,289)	0	81,289	0	0
SAM 2	Client rebooked entries in CW when revenue was already recorded in SAGE	Factual	Final	Revenue	3,479,818	0	3,479,818	0	0	0	0	0	3,479,818	0	0
				Salaries and wages	0	(2,315,707)	(2,315,707)	0	0	0	0	0	(2,315,707)	0	0
				Operating expenses	0	(1,164,111)	(1,164,111)	0	0	0	0	0	(1,164,111)	0	0
				Total income effect of corrected audit misstatements – Final			0	0	81,289	0	(81,289)	0	81,289	0	0

Appendix 3: Audit Quality and Risk Management

KPMG maintains a system of quality control designed to reflect our drive and determination to deliver independent, unbiased advice and opinions, and also meet the requirements of Canadian professional standards.

Quality control is fundamental to our business and is the responsibility of every partner and employee. The following diagram summarises the six key elements of our quality control systems.

Visit <http://www.kpmg.com/Ca/en/services/Audit/Pages/Audit-Quality-Resources.aspx> for more information.

- Other controls include:
 - Before the firm issues its audit report, Engagement Quality Control Reviewer reviews the appropriateness of key elements of publicly listed client audits.
 - Technical department and specialist resources provide real-time support to audit teams in the field.
- We conduct regular reviews of engagements and partners. Review teams are independent and the work of every audit partner is reviewed at least once every three years.
- We have policies and guidance to ensure that work performed by engagement personnel meets applicable professional standards, regulatory requirements and the firm's standards of quality.



- All KPMG partners and staff are required to act with integrity and objectivity and comply with applicable laws, regulations and professional standards at all times.
- We do not offer services that would impair our independence.
- The processes we employ to help retain and develop people include:
 - Assignment based on skills and experience;
 - Rotation of partners;
 - Performance evaluation;
 - Development and training; and
 - Appropriate supervision and coaching.
- We have policies and procedures for deciding whether to accept or continue a client relationship or to perform a specific engagement for that client.
- Existing audit relationships are reviewed annually and evaluated to identify instances where we should discontinue our professional association with the client.

Appendix 4: Background and professional standards

Internal control over financial reporting

As your auditors, we are required to obtain an understanding of internal control over financial reporting (ICFR) relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on internal control. Accordingly, we do not express an opinion on the effectiveness of internal control.

Our understanding of ICFR was for the limited purpose described above and was not designed to identify all control deficiencies that might be significant deficiencies and therefore, there can be no assurance that all significant deficiencies and other control deficiencies have been identified. Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing, and extent of audit procedures performed, as well as other factors.

The control deficiencies communicated to you are limited to those control deficiencies that we identified during the audit. During the 2016 audit we did not identify any control deficiencies.

Documents containing or referring to the audited financial statements

We are required by our professional standards to read only documents containing or referring to audited financial statements and our related auditors'

report that are available through to the date of our auditors' report. The objective of reading these documents through to the date of our auditors' report is to identify material inconsistencies, if any, between the audited financial statements and the other information. We also have certain responsibilities, if on reading the other information for the purpose of identifying material inconsistencies, we become aware of an apparent material misstatement of fact.

We are also required by our professional standards when the financial statements are translated into another language to consider whether each version, available through to the date of our auditors' report, contains the same information and carries the same meaning.

Consenting to the use of the auditors' report

When specifically engaged in the engagement letter, we will provide our consent, in writing, to the use of our auditors' report, once we have completed all of the procedures required under professional standards and no unresolved matters exist.

If there are any unresolved matters arising from the performance of the above procedures, we will inform the Audit Committee and the Board of Directors of such matters.

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