

Client Services Procedure Manual

Procedure: 701.00
Subject: Assessment Audits

701.01 Introduction

Assessment audits are a means of ensuring that employers are meeting their assessment obligations under the Workplace Health, Safety and Compensation Act (the Act). This procedure outlines the employer's responsibility, for audit purposes, to maintain and make available for examination, detailed and accurate records of all earnings paid to their workers, as well as details of contracts awarded. For employers who have two or more accounts (firm numbers) with WorkplaceNL, this includes maintaining separate records for each account.

Section 17 of the Act gives WorkplaceNL the authority to make inquiries that WorkplaceNL considers necessary for the purpose of the Act, including examining the books and accounts of any employer and making inquiries to ascertain whether an employer is classified correctly and has made an accurate payroll report.

701.02 Definitions

Estimated Audit Adjustment: A supplementary assessment applied to an account when the employer does not provide the information to WorkplaceNL to complete an audit. The employer is bound by this assessment.

701.03 Who is Audited?

Employers are selected to be audited for various reasons. Situations where an employer may be selected for an audit include, but are not limited to:

- The employer is involved in a legal transaction. A lawyer will request a clearance, which is required to finalize all legal transactions, including financing.
- The employer has requested a refund from WorkplaceNL that is greater than \$1,000.
- The employer is part of an industry group being reviewed by WorkplaceNL.
- The employer and/or an employee has reported an injury and additional information is required.
- WorkplaceNL may refer an employer for an audit in order to verify account information, such as: correct balance owing, status of operations, description of industry, ability to pay the balance owing, subcontractor reporting and related firms.
- The employer is randomly selected by WorkplaceNL.

701.04 Required Information

WorkplaceNL may review all records that it considers necessary for the purpose of the Act. Total assessable earnings as reported by the employer on the employer payroll statement should reconcile to the financial statements. The employer must ensure that all assessable earnings are reported.

Records reviewed may include:

- T4s, T4As, T5s and associated summaries;
- trial balance, general ledger and journal entries;
- financial statements and/or statements of business activity;
- personal and corporate income tax returns;
- employee payroll records;
- cheque disbursement journals, bank statements and cancelled cheques;
- accounts payable journal and supplier invoices;
- accounts receivable journal and sales invoices;
- contracts for government funding programs and payment details;
- invoices from workers compensation boards outside of Newfoundland and Labrador and annual reports of wages reported to other provinces;
- record of casual labour;
- record of contract labour, contracts and invoices;
- fish buyers - T4s and summary, fish purchase journals, fish landing reports, Department of Fisheries and Land Resources documentation and detailed listings for requested accounts within the general ledger; and
- timber harvesters – logging permits, Department of Fisheries and Land Resources production history reports and logging payroll journal.

This is not an all-inclusive list. All accounting records must be available for review if requested, including original source documents.

WorkplaceNL may take possession of, examine, remove, take extracts from, or obtain reproductions of any information that is relevant to an audit. Any original documents will be copied and the originals will be returned to the employer immediately. After the audit is completed, any copies of employers' documents will be destroyed by WorkplaceNL.

701.05 The Audit Process

The frequency, scope and periods audited will vary from employer to employer, and to some degree are dependent on the type of operation and categories of labour or contractors engaged by the employer.

WorkplaceNL requires that an employer retain six years of all financial records and supporting information. The usual period of time that WorkplaceNL will audit is three years. However, WorkplaceNL may decide to audit more than three years in certain circumstances, which include but are not limited to:

- The employer did not meet the requirement to provide accurate assessable earnings information to base the assessment on.
- The employer misrepresented assessable earnings information.
- Misreporting of assessable earnings or allowable deductions by the employer is suspected by WorkplaceNL to have occurred previously, resulting in under or overpayments.

Employers who conduct operations in industries covered under the Act must report all assessable earnings and contractors to WorkplaceNL.

When an employer is selected for an assessment audit the employer is notified and a time and place to conduct the audit are arranged. The audit will normally involve an on-site visit. If an on-site visit is not possible, financial records can also be sent to WorkplaceNL. The auditor will review the financial records, update demographic information and review business activity to ensure industry classification is correct.

The time it takes to complete an audit can vary. The size and complexity of the operation will determine how long it takes to complete the audit of financial records and classification. In addition, time will vary directly with the number of issues found during an audit.

701.06 Audit Results

The auditor will review preliminary findings with the employer or their designate at the end of the audit. If an audit results in a change in the employer's assessment, the amount and reason for the change will be communicated to the employer, or the employer's representative and noted in the record of the audit. Any questions or concerns can be addressed at that time.

If the employer chooses to dispute matters further after an explanation of the audit adjustments has been provided, the employer must communicate the concerns in writing to WorkplaceNL's Assessment Services Department. The department's final decision will be provided to the employer in writing.

If the employer disagrees with the written decision, the employer may seek a formal review of the decision, subject to WorkplaceNL's internal review process. The internal review process is outlined in Policy AP-01, Internal Review. Policy AP-01 and the Request for Internal Review form are available on WorkplaceNL's website at workplacenl.ca.

WorkplaceNL's Policy GP-01, Information Protection, Access and Disclosure, specifies how an employer, or the employer's authorized representative can access their file. Policy GP-01 and the Request for File Information form are available on WorkplaceNL's website at workplacenl.ca.

701.07 Audit Delays

The majority of audits are straight-forward. However there are some instances where alternate action is required when an audit cannot be completed. This section outlines some different situations that may be encountered.

Timely Audit Appointment cannot be scheduled

The key to an effective audit function is the timely completion of audits. When an auditor calls to book an audit appointment it is expected that the audit will be booked, processed and usually completed within three weeks of the date of the first call.

The following are examples of reasons why it may not be possible to book a timely audit:

- The employer does not respond to contact attempts.
- The employer does not commit to an audit appointment.
- The employer refuses to provide all necessary information required for an audit.

When the auditor has made two attempts to contact an employer and no resulting audit appointment is booked, the auditor will send a letter to the employer outlining the need for an audit, with a request to call the auditor to set the appointment. A response to the letter is required within 10 days from the date of the letter.

If the auditor is not contacted within the 10 day timeframe, the employer is considered to be non-compliant under the reporting requirements of the Act and the account will be reviewed to determine the next steps. Action can include, but is not limited to the following:

- The employer will not receive clearance letters until compliance can be confirmed through an audit. Recent clearances may be rescinded.
- Estimated audit adjustments will be placed on the file until compliance can be confirmed through an audit.

Records do not exist

In some cases, records never existed or have been inadvertently lost or destroyed. Any information that is available or can be reproduced, such as bank statements, cancelled cheques and Canada Revenue Agency filings will be requested for review. Each situation will be reviewed independently to determine the course of action. Refunds will not be processed without adequate documentation to review and audit. If WorkplaceNL considers there to be unreported assessable earnings, an estimated audit adjustment may be applied to the account.

Audit Partially Complete

In some cases, audits are partially complete. However, despite WorkplaceNL's request, the remaining records or answers to outstanding questions are not provided by the employer. The audit will be completed to the extent possible and estimated audit adjustments may be applied. Clearances may also be suspended.

701.08 Exceptional Circumstances

In cases where individual circumstances are such that the provisions of the procedure cannot be applied, or to do so would result in an unfair or unintended result, WorkplaceNL will decide the case based on its individual merits and justice. Such a decision will be considered for that specific case only and will not be precedent setting.

Reference: Workplace Health, Safety and Compensation Act, Sections 17 and 101
Policies: AP-01, Internal Review
GP-01, Information Protection, Access and Disclosure

Amendment History

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