

Practice Directive Number 1-88-1 (A)

Audit: Examination of Books and Records, and Inquiry

Effective August 22, 2005

INTRODUCTION

Under the *Workers Compensation Act*, the Workers' Compensation Board has the authority to conduct an audit, ask for and inspect employers' records and information, and hold an inquiry. This allows the Board to maintain the accident fund, which is used to fund compensation payments and the Board's administrative costs.

RECORDS AND INFORMATION

Employers are required to keep complete and accurate payroll records at a location within the province and to disclose that location to the WCB. If the WCB asks to see these records, employers must produce them within a reasonable timeframe. Payroll and other financial records must be sufficiently detailed and organized.

AUDIT: EXAMINATION OF BOOKS AND RECORDS, AND INQUIRY

When the Board is conducting an audit, an employer must supply all relevant records, documents, and other information on request. Although the Assessment Department does not specify which documents and records the employer must supply, it requires that the payroll/financial records be of sufficient detail to allow for reasoned analysis or determination of:

- The employer's classification(s)
- The status (e.g. worker, independent operator) of each person that contracts with the employer
- Remuneration to each person who contracts with the employer and whose status may impact the employer's assessable payroll
- The source documents that verify the particulars of the employer's payroll

An employer who is audited must supply payroll documentation and other financial records in a comprehensive and organized manner for the year(s) being audited. This documentation may include:

1. An Employer Payroll and Contract Labour Report (Form 1810) or Employer's Remittance Forms (Form 1820), along with supporting working papers
2. The trial balance and general ledger
3. Any document necessary to support the entries in the trial balance or general ledger, including invoices, contracts or agreements, fish slips, delivery slips, deposit slips, work orders, cheques, bank statements, tax returns, and general correspondence
4. The synoptic journal, cheque register or cheque books
5. The most recent fiscal year-end financial statements (usually completed by an external accountant)

6. Records of individual earnings including Canada Revenue Agency statements (T4 Statements of Remuneration Paid; T4A Statements of Pension, Retirement, Annuity and Other Income; T5 Statements of Investment Income, T5018 Statements of Contract Payments)
7. Individual Income Tax Return (T1 General) of each active shareholder, proprietor, or partner
8. Year-end workers' compensation reports from other jurisdictions, if applicable

Electronic payroll/financial records must be readable and able to be related back to the supporting source documents. They must also be supported by a system capable of producing accessible and readable copy.

RETENTION PERIOD

The Board requires employers to retain payroll records and source documents for a minimum of six years from the end of the last year to which the particulars relate. This is consistent with other federal and provincial acts.

FAILURE OF PERFORMANCE

A Board officer may unilaterally adjourn the audit and reschedule it on a mandatory basis if an employer or representative fails to:

- Attend at the time or place of a scheduled audit
- Provide documentation in a comprehensive and organized manner
- Respond in a forthright and honest manner to an inquiry

REMEDY

If an employer or representative does not attend at the rescheduled audit or fails with respect to any of the above, a Board officer may:

- Estimate the employer's payroll (which may lead to a loss of experience rating) and assess thereon
- Impose a penalty
- Refer the matter to an Audit manager or to the Board's Legal Division for further action