

## Appendix 3 to the Guide to the Middle Market Audit Approaches

### Algoma Nurse Practitioner LED Clinic

#### Inquiries with Management and Those Charged with Governance

March 31, 2016

Category	Detailed Description	Management Response	Audit implications and response, if any
Operations	Have there been, or does the entity expect, any significant changes in its business or environment, including internal control?	No	
Estimate	Have there been changes in circumstances that may give rise to new or the need to revise existing accounting estimates? Also, has there been or ought to have been a change from prior period in the methods for making the accounting estimates?	No	
Accounting Policies	Are there any accounting policies / practices used by the entity in preparing its (consolidated) financial statements that are not: <ul style="list-style-type: none"> <li>- in accordance with the applicable financial reporting framework</li> <li>- appropriate for its business</li> <li>- consistent with accounting policies used in the entity's industry?</li> </ul>	No	
Fraud	How does management communicate its views about acceptable business practices and ethical behavior to employees?	Management uses GAAP. Leadership demonstrates integrity and financial responsibility, accountability by adhering to financial policy, etc. There is continued education about roles and	

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		<p>responsibilities and policies.</p> <p>There are regular performance assessments to document performance and discuss accountability. Risk is discussed as part of Board governance.</p>	
Fraud	<p>What programs and controls has management established to prevent, detect, deter and mitigate fraud? How does management monitor these programs and controls?</p>	<p>The code of conduct and standards of practice are reinforced. Leadership demonstrates due diligence in day-to-day activity and proactive in QI activity to ensure risk reduction. There is also monthly/quarterly reporting to Board and MOHLTC. Financial policies are adhered to. There is annual principle oversight participation with</p>	

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		transparency. There is a culture of honesty and ethical behavior developed and it is encouraged.	
Fraud	Are there particular operating locations or business segments for which a risk of fraud may be more likely to exist? What is the nature and extent of management monitoring of operating locations or business segments for fraudulent activities, including fraudulent financial reporting?	No	
Fraud	What process has been established to identify and respond to fraud risks?	There are: the code of conduct, conflict of interest policy, signing authority policy, purchasing policy, and financial policies. Accountabilities listed in the job description and the division of job duties. There is principle oversight annually.	
Fraud	What is the nature and extent of the communications between management and those charged with governance regarding	There are regular board meetings and finance	

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	management's process for identifying and responding to fraud risks?	committee meetings as required. There is transparent and honest reporting. There is regular discussion of risk associated with Board items.	
Fraud	Are you aware of or have you identified any instances of actual, suspected, or alleged fraud, including misconduct or unethical behavior related to financial reporting or misappropriation of assets? If so, have the instances been appropriately addressed and how have they been addressed?	No	
Fraud	How does management assess the risks that the financial statements may be materially misstated due to fraud? What fraud risks have been identified?  What is the nature, extent, and frequency of such assessment?  What is the entity's response to identified fraud risks, including controls to mitigate the risks?	The ANPLC meets monthly with the bookkeeper. Visa statements reconciled by the bookkeeper and double checked by ANPLC administrative staff. Cheques are prepared by the bookkeeper, who does not have control of issuing purchase orders, after	

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		<p>administrative staff reviews and verifies invoices. There are two signatures required on all cheques. There is a monthly comparative report given to Board to approve against the monthly budget.</p> <p>There are monthly presentations of financial reports to the Board with projections. If there is fraud risk that has been identified, ANPLC would review mitigation and possible strategies to address it.</p>	
Financial Reporting	Has management been asked to record, or is management aware of, unusual or otherwise inappropriate journal entries or adjustments without adequate support or explanation for the entries or adjustments?	No	

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	<p>Have there been any instances of overrides of controls through recording of journal entries or other adjustments? Have there been any instances of journal entries or other adjustments initiated outside the normal course of business?</p>		
<p>Going concern</p>	<p>Has management made an assessment of the entity's ability to continue as a going concern?</p> <p>If so, what is management's assessment of the entity's ability to continue as a going concern?</p> <p>If not, what is management's basis for the intended use of the going concern assumption?</p>	<p>Yes, staff assumes that the clinic will remain in business for the foreseeable future with continued funding levels.</p> <p>ANPLC frequently performs an environmental scan to identify service potential.</p> <p>ANPLC is in receipt of a letter from the MOHLTC. ANPLC has no legal issues and have not been in a deficit or loan default position.</p>	
<p>Going concern</p>	<p>Are there any events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern during the period of assessment used by management or after such period?</p>	<p>No</p>	

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Laws and regulations	<p>What legal and regulatory frameworks are applicable to the entity? What laws and regulations have a direct effect on the determination of material amounts or disclosures in the financial statements?</p> <p>How is the entity complying with the legal and regulatory framework?</p>	<p>ANPLC follows GAAP. There is a MOHLTC Funding Agreement. The Acts followed by ANPLC include: Not for Profit Corporations Act, Public Sector Salary Disclosure Act, Occupational Health and Safety Act, and Corporations Tax Act. ANPLC follows CRA guidelines.</p> <p>ANPLC also follows all relevant legislation regarding the provision of Health Care in Ontario.</p> <p>Best business practices include: GAAP, practice audits, leadership monitors regulations, regular reporting to the Board and MOHLTC,</p>	

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		the Board requests review and attestation of adherence.	
Laws and regulations	Are there directives issued by the entity or periodic representations obtained by the entity from management at appropriate levels of authority, concerning compliance with laws and regulations?	Yes, there are regular board meetings and reporting to MOHLTC. ANPLC follows GAAP.	
Laws and regulations	What policies, procedures, and controls has management established to prevent instances of noncompliance with laws and regulations, including illegal acts?	Policies and procedures include: annual review of legislation, GAAP, retaining the bookkeeper as an integral component of the financial process, and annual principle oversight.	
Laws and regulations	Have you received any correspondence from the relevant licensing or regulatory authorities, reports of investigations and enforcement actions where noncompliance should be considered when preparing the financial statements?	No	
Laws and regulations	Is the entity in compliance with laws and regulations?	Yes	
Litigation,	What policies, procedures, and controls has management	Incident reports are used to	

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claims and assessments	established for identifying, evaluating, accounting for and disclosing litigation, claims and assessments?	investigate, then summary given to insurance broker for record and preparedness in case of possible litigation.	
Litigation, claims and assessments	<ul style="list-style-type: none"> <li>- Is the entity involved in any litigation, claims or assessments (including those defended by insurance companies)?</li> <li>- What is management's assessment of such matters?</li> <li>- Which litigation, claims and assessments involving the entity may have a material effect on the financial statements and/ or may require disclosure in the financial statements?</li> </ul>	No	
Related parties	<p>Who are the entity's related parties?</p> <p>Are there any changes in related parties from the prior period?</p> <p>If there are related parties, what is the nature of the relationship between the entity and each related party?</p>	None	
Related parties	<p>What are the processes and controls that management has established to:</p> <ul style="list-style-type: none"> <li>a. identify, account for, and disclose related party relationships and related party transactions</li> <li>b. authorise and approve significant transactions and arrangements with related parties?</li> </ul>	N/A	

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Related parties	Have there been any transactions with the identified related parties during the period, including with management or those charged with governance?  - If so, who are the parties, what are the transactions and what is the business rationale or purpose for the transactions?	N/A	
Financial Reporting	Are there any newly implemented or changed accounting policies that took effect in the current period and/or policies that will need to be implemented in the future?	No	
Significant unusual transactions	Has the entity entered into any significant unusual transactions?	No	
Significant unusual transactions	What are the controls that management has established to authorize and approve significant unusual transactions?	Follow the Financial Management Policy	

Category	Detailed Description	Those Charged with Governance Response	Audit implications and response, if any
Fraud	What are your views about fraud risks at the entity?	The Board views the fraud risk as low. They have	

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		<p>policies in place that are reviewed and have defined roles and responsibilities with as much segregation of duties as possible with our staff complement. The Board regularly reviews operations and has established a Finance Committee.</p>	
Fraud	<p>How do those charged with governance exercise effective oversight of management's processes for identifying and responding to the risk of fraud in the entity and internal controls management has established to mitigate these fraud risks?</p>	<p>The Board has established a Finance Committee. The Board has the management make a monthly operational and financial report. Policies are in place. Board recruitment is based upon skills and ANPLC has financial acumen on the Board.</p>	
Fraud	<p>Are you aware of or have you identified any instances of actual,</p>	<p>No</p>	

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	suspected, or alleged fraud, including misconduct or unethical behavior related to financial reporting or misappropriation of assets? If so, have the instances been appropriately addressed and how have they been addressed?		
Significant unusual transactions	Has the entity entered into any significant unusual transactions?	ANPLC employs GAAP and has annual audits. ANPLC has regular reporting to the Board and a third party bookkeeper. ANPLC retains additional expertise as required.	