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May 26<sup>th</sup>, 2018

The Corporation of the Leeds, Grenville  
& Lanark District Health Unit  
458 Laurier Blvd.  
Brockville, ON K6V 7A3

Attention: Anne Warren, Board Chair

Dear Ms. Warren and Board Members:

We would like to thank Ms. Jackie Empey and the employees of the accounting and administration departments of the Health Unit for their assistance during the performance of the audit performed in respect of the Health Unit's December 31<sup>st</sup>, 2017 year end financial statements.

In planning and performing our audit of the financial statements, we obtained an understanding of internal control over financial reporting relevant to the Health Unit's preparation and fair presentation of the financial statement 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 the internal controls over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Health Unit's internal controls over financial reporting.

Our consideration of internal controls over financial reporting 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. As a result, any matters reported below are limited to those deficiencies in internal controls that we identified during the audit.

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.

Internal control may be broadly defined as processes which have been designed to ensure the orderly and efficient conduct of an entity's business including the discharge of statutory responsibilities, for example safeguarding of assets, prevention and detection of fraud and error, the reliability of accounting records and timely preparation of financial information.



Deficiencies in controls arise when the design of the control is not sufficient to prevent or detect misstatements on a timely basis.

Deficiencies in operations arise when the designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competency to perform the control effectively.

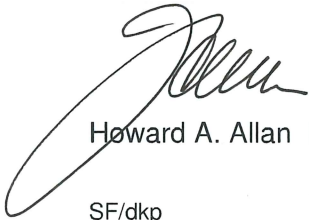
Significant control deficiencies could be identified during the course of the audit engagement. If it is our professional judgement that significant deficiencies exist that merit the attention of those charged with governance, we would address this as part of our year end management letter.

No new control deficiencies identified during the course of the 2017 audit. The status of issues identified in previous audits are outlined below.

It is our pleasure to be of service to the Health Unit in connection with the 2017 audited financial statements.

If you have any questions, please do not hesitate to contact us.

Yours truly,



Howard A. Allan FCPA, FCA

SF/dkp



Serena Fortin, CPA, CA

**Leeds, Grenville & Lanark District Health Unit  
2016 Management Comments Work Chart**

Comments from Previous Audits	Status at December 31 <sup>st</sup> , 2017
<p><b>Payroll Cycle</b></p> <p>During the course of the 2011 audit, we determined that the same employee is responsible for the entire payroll cycle. This employee is able to both add and delete employees to the system, alter wage rates, approve time as entered into the system by the employee, and release the payroll report to your off site payroll service. The employee has the ability to redirect funds from the Health Unit via alteration of wages rates, or creation of fictitious employees.</p>	<p>While we understand the payroll is reviewed by management after it is prepared, our key concern is that the one employee has access to the entire payroll cycle. We understand the issue has been discussed with the Board and the Board has determined they can accept the risk with the risk management procedures currently in place, however, we continue to recommend that one step require electronic approval by a member of the management team before wage rates can be altered, or an employee can be added to the system. Management of the health Unit has advised us that the electronic approval step should be changed during the current fiscal year.</p>
<p><b>Budgeting on a PSAB Basis</b></p> <p>We note that the budgeting process does not include amounts for amortization, or the activities fo the Ontario Works program</p>	<p>Recognizing that amortization is a non-cash outlay for the Health Unit, we recommend the preparation of the budget be prepared on the PSAB basis. This will provide comparable information on the audited financial statements. Similarly, the operations of the Ontario Works program should be included in the budget.</p>

Comments from Previous Audits	Status at December 31 <sup>st</sup> , 2017
<p><b>Long Term Financial Plan</b></p> <p>We have previously reviewed with staff the process for the development of capital budgets and acknowledge that a multi-year capital budget has been developed for major infrastructure as it relates to the buildings owned by the Health Unit.</p>	<p>In order to adequately fund the costs of infrastructure to manage the anticipated growth, we would recommend the continuing development of a long term financial plan. A long term financial plan is developed on an analysis of factors impacting capital and operating budgets. The plan includes assumptions with respect to growth, changes in funding sources, interest rates and debt policies. The goal is to ensure the Health Unit is in a sound financial position.</p> <p>The financial plan would ensure that adequate funding would be available to meet the full range of these costs. In this way, appropriate debt strategies and manageable user rates could be anticipated and provided for, allowing the Health Unit to ensure the future afford ability of the infrastructure.</p>
<p><b>Records Retention Policy</b> <b>Re: Electronic Records</b></p> <p>We have previously discussed the safeguards and protection of electronic documents. This is an issue that has arisen in many areas of government and as such requires careful planning to ensure electronic records retained will continue to be able to be accessed as new technology develops.</p>	<p>In our prior correspondence to you, we recommended that Health Unit review its processes regarding the security of electronic records. The review should consider the ability to archive and retrieve documents that are permanent records. In addition, the electronic storage should encompass processes to ensure the security of the documents from deletion, restrict the ability to change the document and provide levels of security to restrict access to confidential documents. We note the Health Unit has purchased new document management software that addresses the above mentioned electronic records topics.</p>