

# Audit Information Bulletin

The WSIB maintains a collective liability insurance system for most employers in Ontario. Employers who are covered under Schedule 1 of the Workplace Safety and Insurance Act (the Act) fund the system. These employers must contribute their fair share in premiums and comply with all responsibilities under the Act and its Regulations.

Our employer audit program aims to educate and inform our employers, improve communication with our employer community and prevent irregular reporting. Our goal is to ensure that the insurance fund for injured worker benefits remains adequately funded. At the same time we try to maintain a fair and level playing field among employers operating similar businesses.

## Who is audited?

Employers are chosen for an audit using various means, including:

- random selection
- requests received from other WSIB branches
- special industry reviews
- analysis of individual employer's reporting compared to their industry norm
- information sharing with the Canada Revenue Agency (CRA)

## What should I expect from an auditor?

We require our audit staff to:

- conduct themselves in a professional and business-like manner
- be knowledgeable about the WSIB system
- be used as a reference source
- educate employers about their reporting obligations
- be a liaison between employers and the WSIB
- protect the privacy and confidentiality of all information received

## How should I prepare for an audit?

A WSIB field auditor will contact an employer in writing notifying them of their scheduled audit. The auditor will outline the information that is required at the audit. Employers should have an individual present who can respond to questions that arise during the audit.

The following is information that is generally required to complete an audit.

- payroll records
- financial statements
- income statements
- records of payments to any sub-contractors
- contracts, invoices
- clearance certificates for any sub-contractors not reported as workers
- records of any independent operator numbers issued by the WSIB
- general ledger or cancelled cheques
- minute books and other ownership records
- WSIB files and working papers used to calculate payroll remittances

## How many prior years do you audit?

Generally, an auditor will examine the payroll records and other documents for the two years prior to the current year. If the auditor discovers irregular reporting, the audit may extend up to five prior years, plus the current year.

## How long should an audit take?

The length of time to complete an audit will vary from employer to employer. Generally, the size of an employer's operations will determine the time required to review the records. Also, the time taken will vary with the number of issues that arise before and during an audit.

## **The Audit**

An audit requires an on-site visit by a field auditor. The auditor will review payroll information including T-4 summaries, verify the status of executive officers and review the employer's business activity to ensure the employer is properly classified. The auditor will also review and make decisions on the status of any unreported contractors. The auditor's preliminary findings are discussed with employers and the employer may request a copy of these findings. Once the auditor's decision is approved, the employer will receive an audit findings letter explaining the reasons for the decision.

**NOTE:** Audit adjustments are due for payment upon receipt of the letter advising that the audit has been processed.

## **Sections of the Act relating to audits**

- section 2 – definition of a worker and independent operator
- section 78 – an employer shall provide timely and accurate statement of wages
- section 80 – payroll records to be maintained and accessible in Ontario
- section 135 – right of the Board or a person authorized by the Board to examine books or inspect premises
- section 141 – principal liable if sub-contractor hires help and doesn't register as employer, or sub-contractor's account not in good standing

## **Sections of the Act of interest to an employer**

- section 75 – an employer has 10 days to register
- section 76 – notify within 10 days of ceasing to be an employer
- section 77 – failure to notify of material change within 10 days
- section 120 – objection to decision must be filed within six months of decision
- section 146 – a successor employer may be held responsible for monies owed before disposal

## **Failure to comply with the Act**

A person or corporation who does not comply with the provisions of the Act is liable for fines and/or imprisonment. Sections 149 to 157 of the Act set out the offense provisions. For example, under section 155, an employer cannot deduct from a worker's wages to cover the cost of WSIB premiums. On conviction, an individual is liable to a fine not exceeding \$25,000 and a term of imprisonment not exceeding six months, or both. A company is liable to a fine not exceeding \$100,000. Administrative penalties may also apply.

If you require more information you may contact Employer Audit Services,  
toll free at 1-800-387-5674,  
local at 416-344-3626 or 416-344-3628  
fax at 416-344-6508.