

Request for Proposal Name: 2020-14-P External Audit Services

To All Applicants:

General:

- This addendum shall be read in conjunction with the original Proposal documents.
- Where inconsistent with the above, this addendum shall govern.
- No consideration shall be allowed for increases (extras) to the Proposal Price, or otherwise to modify the Proposal Submission, due to any failure of the Vendors being familiar with this addendum.
- The Applicant should insert in the Bid Submission the numbers of addenda received by her/him during the Proposal period. This addendum forms an integral part of the Proposal Submissions and is included therein.
- It is the Applicant's responsibility to ensure all addenda have been received by the Applicant prior to Proposal closing.

Scope of this Addendum:

Please note answers/clarification to Questions from prospective Applicants:

1. In the 2018 annual report, historical records were corrected for previous errors in claim counts. Did this error have any direct impact on the benefit liability as calculated by Morneau Shepell? Or was the error isolated to the reporting of the number of claims vs the expected future amounts to settle all claims?

Response: This error did not impact the benefit liability; it impacted reported annual claim numbers only.

2. Is the investment fund manager (OCIO) independent from CIBC Mellon?

Response: Yes.

3. If CIBC Mellon is both the custodian and the OCIO, is a service auditor report available to allow us to take reliance on them as a service provider?

Response: No, there is no report available, but WorkplaceNL and the external auditor will receive a service auditor report from CIBC Mellon in their role as custodian.

4(a). How many applications, in addition to JD Edwards, are used as sources for information included in the financial statements (i.e. how many systems feed into the general ledger)?

Response: There are three (3) applications that feed into General Ledger.

4(b). What are the business functions for each of these applications?

Response: [1] Payroll; [2] Claims costs (via data warehouse) - reporting of claims cost and payments; and [3] Assessments – reporting of revenues (AR), bad debt, collections, etc.)

5. Are there formalized access management procedures in place?

Response: Yes.

6. Are there formalized change management procedures in place?

Response: Yes.

7. Are there formalized computer operations procedures in place?

Response: Yes.

8. How many users of IT systems are on the “business” side of the organization?

Response: There are approximately 380 positions with 35 positions in the IT Department.

9. How many IT “function” employees are there – by role?

Response: 29 positions:

- 5 Technical Analyst
- 1 Administrative Support
- 3 Computer Support
- 12 (Programmer, Senior Programmer, Programmer Analysts)
- 5 Application Analysts
- 2 Records Analysts
- 1 Information Management Analyst

10. Do you have a list of IT policies and procedures in place that can be shared?

Response: WorkplaceNL does not release IT policies and procedures.

11. Have there been any significant changes in systems over the year under audit?

Response: No.

12. Can you indicate whether there have been any adjustments arising from the external audit in the 2019 audit? If so, how many?

Response: None.

13. We noted that the financial statements were approved by the Board of Directors on March 27, 2019, but the audit opinion was signed on April 18, 2019. Can you provide a reason for the delay?

Response: The signing of the audit opinion was delayed to April 18, 2019 because we were waiting for a statement regarding a direct infrastructure investment.

14. Can you provide a breakdown of the fees charged by the incumbent with respect to the performance of the external audit services?

Response: In 2019, the base audit fee was \$95,000.

15. Given the current limitations of the pandemic and required social distancing measures implemented by the government, does WorkplaceNL envision that the audit will be required to be done remotely and will there be any restrictions placed on the audit team in performing the audit?

Response: It will depend on status of public health directives at the time, but we anticipate that it will be a combination of remote and in-person activity, while adhering to directives regarding masking, physical distancing, hand hygiene, etc.

16. The 2018 annual report mentions the implementation of a new Information Technology Strategic plan. Could you please provide further details on this plan, specifically whether there are any significant changes to claims administration and/or ERP systems that may impact financial reporting?

Response: There have been no significant systems changes implemented in 2019.

17. Are there currently any significant control deficiencies that are unremediated with regards to financial reporting that we should be aware of that would impair an audit firm from relying on your internal controls over financial reporting?

Response: No.

18. What is management's approach to assessing and implementing new accounting standards, for example IFRS 17?

Response: Internal staff working with colleagues from other workers' compensation boards across Canada.

19. Can you describe the setting of actuarial assumptions and whether management or internal experts assist the Morneau Shepell actuary?

Response: Management determines the key assumption, including the discount rate and inflation rate, and provisions for occupational disease, firefighter presumptive cancer and future administration expense based on periodic studies.

20. Can you describe the reporting and oversight relationship of internal audit and the Director of Enterprise Risk Management (ERM)? Do they report to Management or the Board? How large is the Internal Audit function and can you provide the key areas of focus for 2020?

Response: The Director of ERM and Internal Audit reports to the CEO, although this position is currently vacant. In the interim, the Internal Auditor has reported to the Director of Finance. Areas of focus for 2020 include: Quality Assurance function, Labour Market Re-entry / Return to Work, Review of Claim Access Monitoring, Assessments – Auditing, Prevention Priority Employer, Board Expenses 2019 (Regular Annual Audit), Monitoring of Health Care Billings (Follow-up).

21. The RFP has a standard engagement template. Given the various independence and regulatory requirements placed on a CPA firm would WorkplaceNL be willing to use a contractor's standard contract and Terms of Business (a copy can be provided to WorkplaceNL)

Response: WorkplaceNL would consider using a contractor's standard contract and Terms of Business, but the intention is to negotiate a contract which is acceptable to WorkplaceNL.

22. With respect to Investments as disclosed in Note 6 to the December 31, 2018 financial statements, has there been a material change to the mix of investments between Levels, 1, 2 & 3 of the Fair Value Hierarchy? In particular can you disclose the most recent fair value and cost for Level 3 investments as well as the most recent unrealized gain/loss on these investments?

Response: The value of investments in direct global infrastructure which are categorized as Level 3, was \$45.7 million at December 31, 2019. The unrealized gain was \$1.1 million.

23. With respect to accounting standards issued but not yet effective as disclosed in Note 3 of the December 31, 2018 financial statements:

(a) Was there a material impact on the financial statements related to the adoption of IFRS 16 Leases?

Response: No. WorkplaceNL recognized right of use assets with respect to leased office premises in Grand Falls-Windsor and Corner Brook.

(b) We recognize that the implementation of IFRS 17 Insurance Contracts has been deferred to an effective date of January 1, 2023. Is WorkplaceNL able to disclose key components of its project plan in relation to the implementation of this new standard?

Response: WorkplaceNL's internal staff are working in collaboration with colleagues at other workers' compensation boards across Canada with respect to the implementation of this standard.

(c) Has WorkplaceNL determined the impact of the implementation of IFRS 9 Financial Instruments?

Response: As disclosed in the Notes to the 2018 Financial Statements, WorkplaceNL early adopted IFRS 9 (2010) in 2011 and there was no material impact from adopting the final standard.

24. Can you provide an update on your Enterprise Resource Planning project - particularly as it relates to the financial system components? What is the anticipated implementation date? The RFP notes that WorkplaceNL currently uses JD Edwards for its financial systems – is this changing as a result of the ERP project (ie: what system will be used going forward)?

Response: The ERP implementation was put on hold for a portion of 2020 due to the COVID-19 pandemic. It is anticipated that WorkplaceNL will move forward with the design and implementation of the financial system and human resource components of Oracle ERP Cloud late 2020 into 2021. There will be no change to the financial reporting systems for the year ended December 2020.

Procurement Officer: Carla Reid

Date: August 19, 2020