



# **The Canadian Mental Health Association, Alberta North East Region, 1994**

2021 Audit Findings

Report to the Board of Directors

March 31, 2021

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## OVERVIEW

We are pleased to submit to you this Audit Findings Report (the "Report") for discussion of our audit of the financial statements of The Canadian Mental Health Association, Alberta North East Region, 1994 (the "Association") as at March 31, 2021 and for the year then ended. In this report we cover those significant matters which, in our opinion, you should be aware of as members of the Board of Directors.

As auditors, we report to the members on the results of our examination of the financial statements of the Association as at and for the year ended March 31, 2021. The purpose of this Report is to assist you, as members of the Board of Directors, in your review of the results of our audit.

This Report is intended solely for the information and use of the Board of Directors and management and should not be distributed to or used by any other parties than these specified parties.

We appreciate having the opportunity to meet with you and to respond to any questions you may have about our audit, and to discuss any other matters that may be of interest to you.

## ENGAGEMENT STATUS

We have completed our audit of the financial statements of the Association which has been carried out in accordance with Canadian generally accepted auditing standards and are prepared to sign our Independent Auditor's Report subsequent to completion of the following procedures:

- Receipt of the signed management representation letter;
- Discussion of subsequent events with the Board of Directors;
- The Board of Directors' review and approval of the financial statements.

No significant limitations were placed on the scope or timing of our audit.

## INDEPENDENT AUDITOR'S REPORT



We expect to have the above procedures completed and to release our Independent Auditor's Report on November 23, 2021.






Unless unforeseen complications arise, our Independent Auditor's Report will provide a qualified opinion to the members of the Association. A draft copy of our proposed Independent Auditor's Report has been included with this report. The matters disclosed in the Independent Auditor's Report are discussed further in the relevant sections of the Report.



## AUDIT REPORTING MATTERS

Our audit was carried out in accordance with Canadian generally accepted auditing standards, and included a review of all significant accounting and management reporting systems, with each material year end balance, key transaction and other events considered significant to the financial statements considered separately.

### SIGNIFICANT AUDIT, ACCOUNTING AND REPORTING MATTERS

AREA		COMMENTS
	<b>CHANGES FROM AUDIT SERVICE PLAN</b>	There were no deviations from the Audit Service Plan previously presented to you.
	<b>FINAL MATERIALITY</b>	Final materiality used for our audit was \$40,000 for March 31, 2021, and \$44,000 for March 31, 2020.

AREA	COMMENTS
 <b>IDENTIFIED OR SUSPECTED FRAUD</b>	<p>While our audit cannot be relied upon to detect all instances of fraud, no incidents of fraud, or suspected fraud, came to our attention in the course of our audit.</p> <p>Verification of general ledger data integrity and testing of manual journal entries is a key audit step in understanding and addressing the risk of fraud. MNP utilizes a ground-breaking platform, Mindbridge Ai, in the completion of these steps.</p> <p>Mindbridge Ai is the world's first and only Ai powered auditing solution that leverages advanced machine learning and Ai techniques to augment human capacity and cope with the enormous amounts of financial data that exist within organizations. While other audit tools only look at accounts and entries in isolation, Mindbridge Ai identifies unusual transactions by also looking at the monetary flows between accounts, all credits and all debits. This helps MNP to provide you with an unparalleled view into the state of your data, arming you to better understand individual transactions and identify potential issues. An excerpt of our analysis is attached to this report.</p>
 <b>IDENTIFIED OR SUSPECTED NON-COMPLIANCE WITH LAWS AND REGULATIONS</b>	<p>Nothing has come to our attention that would suggest any non-compliance with laws and regulations that would have a material effect on the financial statements.</p>
 <b>MATTERS ARISING IN CONNECTION WITH RELATED PARTIES</b>	<p>No significant matters arose during the course of our audit in connection with related parties of the Association.</p>
 <b>AUDITOR'S VIEWS OF SIGNIFICANT ACCOUNTING PRACTICES, ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES</b>	<p>The application of Canadian accounting standards for not-for-profit organizations allows and requires the Association to make accounting estimates and judgments regarding accounting policies and financial statement disclosures.</p> <p>As auditors, we are uniquely positioned to provide open and objective feedback regarding your Association's accounting practices, and have noted that the accounting policies used by the Association are appropriate and have been consistently applied.</p> <p>The accounting policies used by the Association are appropriate and have been consistently applied.</p>
 <b>FINANCIAL STATEMENT DISCLOSURES</b>	<p>The disclosures made in the notes to the financial statements appear clear, neutral and consistent with our understanding of the entity and the amounts presented in the financial statements.</p>

AREA	COMMENTS
 <b>SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL</b>	<p>While our review of controls was not sufficient to express an opinion as to their effectiveness or efficiency, we have detected some areas where controls can be improved, which we have detailed in our management letter issued under separate cover.</p> <p>In common with most not-for-profit Associations, there is limited staff available to perform the many accounting-related duties required by the Association; therefore, the Association has a risk of loss as a result. When there is limited segregation of duties, there is a risk of loss to the Association since there is an opportunity to manipulate the records to cover any theft or error. This risk to the Association is offset by having the Board of Directors pay close attention to the financial results. It is imperative that the Board continue to perform this vital function. This risk is also offset by having the bookkeeping completed by a firm external to the Association.</p>
 <b>MATTERS ARISING FROM DISCUSSIONS WITH MANAGEMENT</b>	<p>There were no significant matters discussed, or subject to correspondence, with management that in our judgment need be brought to your attention.</p>

#### SIGNIFICANT RISK AREAS AND RESPONSES

SIGNIFICANT RISK AREA	RESPONSE AND CONCLUSION
<b>Grant and government funding</b>  Risk with respect to revenue recognition	<p>We agreed significant grant and government funding to the underlying agreement.</p> <p>A sample of expenditures were tested to assess whether eligible in accordance with funding agreement.</p> <p>We recalculated deferred revenue.</p>

#### OTHER AREAS

AREA	COMMENTS
<b>AUDITOR INDEPENDENCE</b>	<p>We confirm to the Board of Directors that we are independent of the Association. Our letter to the Board of Directors discussing our independence is included as part of the additional materials attached to this report.</p>
<b>MANAGEMENT REPRESENTATIONS</b>	<p>We have requested certain written representations from management, which represent a confirmation of certain oral representations given to us during the course of our audit. This letter, provided by management, has been included as additional material to this report.</p>

AREA	COMMENTS
<b>SUMMARY OF SIGNIFICANT DIFFERENCES</b>	Some significant differences were proposed to management with respect to the March 31, 2021 financial statements. A summary of significant differences has been included with this report.
<b>OTHER INFORMATION</b>	<p>Pursuant to our responsibilities under Canadian generally accepted auditing standards, we have reviewed other financial and non-financial information included in documents containing the financial statements and our auditor's report thereon. We review these documents for the purpose of ensuring their content does not contradict information derived from our audit procedures.</p> <p>Management will provide us with the annual report prior to its publication in order to perform these procedures. When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.</p>
<b>COVID-19 OUTBREAK AND IMPACT ON THE ASSOCIATION</b>	<p>During the year, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on organizations through the restrictions put in place by the Canadian federal, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders.</p> <p>At year-end, the full extent of the impact the COVID-19 outbreak may have on the Association was unknown as this was dependant on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.</p> <p>Our audit response in respect of COVID-19 included consideration of the following:</p> <ul style="list-style-type: none"> <li>Review with management to understand the impact of COVID-19 on the operations of the Association</li> <li>Review with management to understand changes in controls and processes previously followed by the Association</li> <li>Analyze management's assessment of going concern, including the existing and anticipated effect of COVID-19 on the Association's activities</li> <li>Assess the impact of COVID-19 on accounting estimates, such as collectability of accounts receivable</li> </ul>

AREA	COMMENTS
	<p>Inquire about the potential existence of any new provisions or contingencies that may arise due to breaches in contracts, litigation, etc. resulting from the impact of COVID-19</p> <p>Discuss the impact of COVID-19 with the Board of Directors to gain perspective on any changes to risks, particularly with respect to fraud</p> <p>Analyze the impact of COVID-19 on audit risk assessment and revise as appropriate.</p> <p>Assess the need for subsequent events disclosure in the financial statements.</p> <p>In addition to the audit impacts noted above, MNP has provided assistance to management through direct consultation, webinars and information circulars to help communicate the nature and process of accessing various government programs related to COVID-19 relief.</p>

## SUMMARY OF SIGNIFICANT DIFFERENCES

### SIGNIFICANT ADJUSTED DIFFERENCES

DIFFERENCES NOTED	ITEMS AFFECTED	STATEMENT OF FINANCIAL POSITION	EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES
To adjust vacation and OT accrual to actual.	Accounts payable and wages expense	\$ (4,592)	\$ 4,592
To record capital asset additions previously expensed.	Capital assets and repairs and maintenance expense	\$ (29,586)	\$ 29,586
To record current year amortization.	Capital assets and amortization expense	\$ 12,690	\$ (12,690)
To adjust net assets balance to actual.	Net assets accounts	\$ -	\$ -
To defer the Bouchier family donation to the Youth Hub program.	Revenue and deferred revenue	\$ (5,000)	\$ 5,000
To recognize \$75,000 donation from Suncor as revenue (was initially deferred)	Revenue and deferred revenue	\$ 75,000	\$ (75,000)

DIFFERENCES NOTED	ITEMS AFFECTED	STATEMENT OF FINANCIAL POSITION	EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES
To record the CERS received for the year		\$ 3,197	\$ (3,197)
<b>Total Adjusted Differences (Income Effect)</b>			<b>\$ (51,709)</b>

#### SIGNIFICANT UNADJUSTED DIFFERENCES

DIFFERENCES NOTED	ITEMS AFFECTED	STATEMENT OF FINANCIAL POSITION	EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES
To reverse uncollected golf tournament proceeds recorded as deferred revenue	Accounts receivable and deferred revenue	\$ 9,500	\$ -
To adjust for factual difference when comparing bank reconciliation to the general ledger amount.	Cash and expenses	\$ (7,597)	\$ 7,597
Uncorrected opening differences		\$ (13,641)	\$ 13,641
<b>Total Unadjusted Differences (Income Effect)</b>			<b>\$ 21,238</b>

We appreciate having the opportunity to meet with you and respond to any questions you may have about our audit, and to discuss any other matters that may be of interest to you.

Sincerely,

*MNP LLP*

**Chartered Professional Accountants**

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## **APPENDIX A - MINDBRIDGE**

### **SUMMARY OF TRANSACTIONAL RISK**

Please see attached excerpt from our artificial intelligence software, Mindbridge Ai.



# Summary of Transactional Risk

Organization: The Canadian Mental Health Association, Alberta North East Region

Engagement: CMHAWB Mar 21

Analysis period: Apr 1, 2020 - Mar 31, 2021

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## Overview

MindBridge was used to analyze 100% of the transactions in your organization's financial data to provide a summarized assessment of risk.

MindBridge uses business rules, statistical methods, and machine learning based tests to risk score each transaction to provide more visibility into unusual trends or anomalies within the ledger detail. Each of these tests are referred to as control points within MindBridge.

Examples of key control points used within the analysis, across the three main categories referred to above:

Business rules:

- Suspicious Keywords, Sequence Gaps, Duplicates, Reversals, Cash Expenditures.

Statistical methods:

- High Monetary Value, Benford's Law, Unusual Amount.

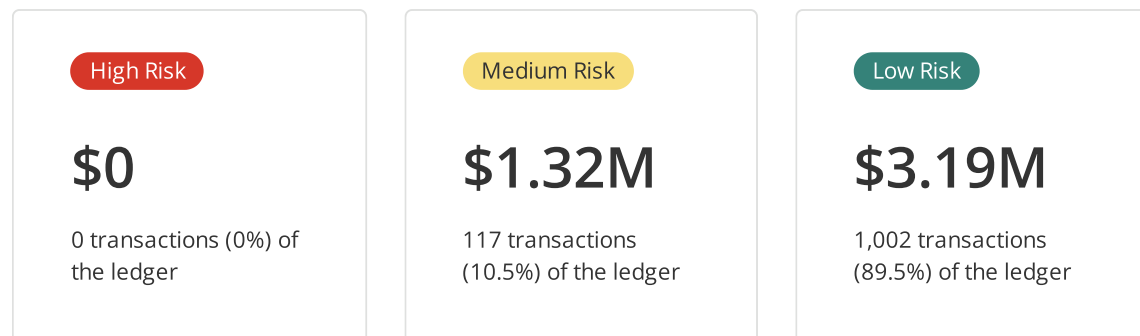
Machine learning:

- Rare Flow, Outlier Anomaly, Expert Score, Flow Analysis.

## MindBridge Results

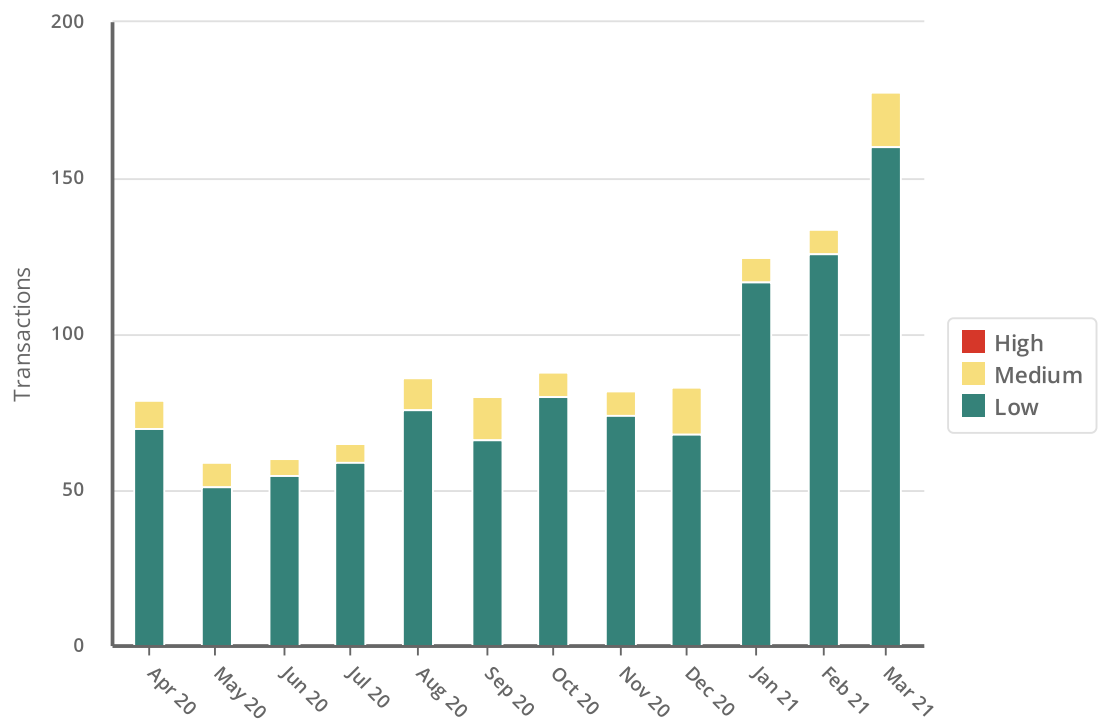
### Overall Transaction-Level Risk Summary

MindBridge classifies risk into three distinct categories: High, Medium and Low Risk:

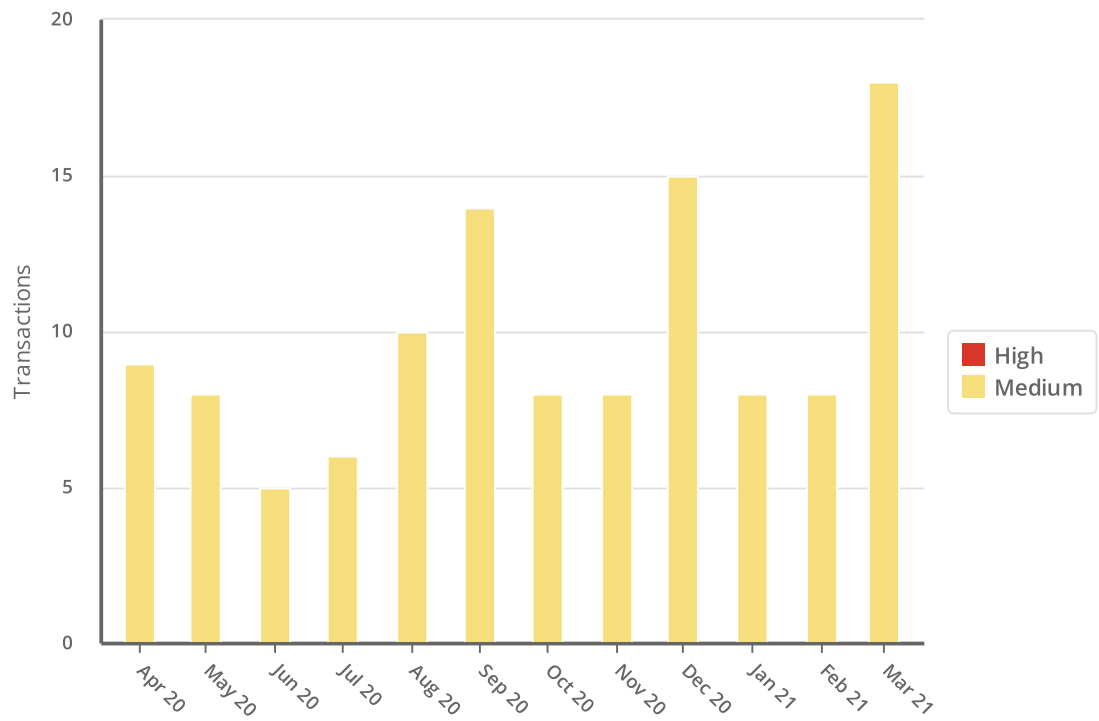


Risk Breakdown by Month

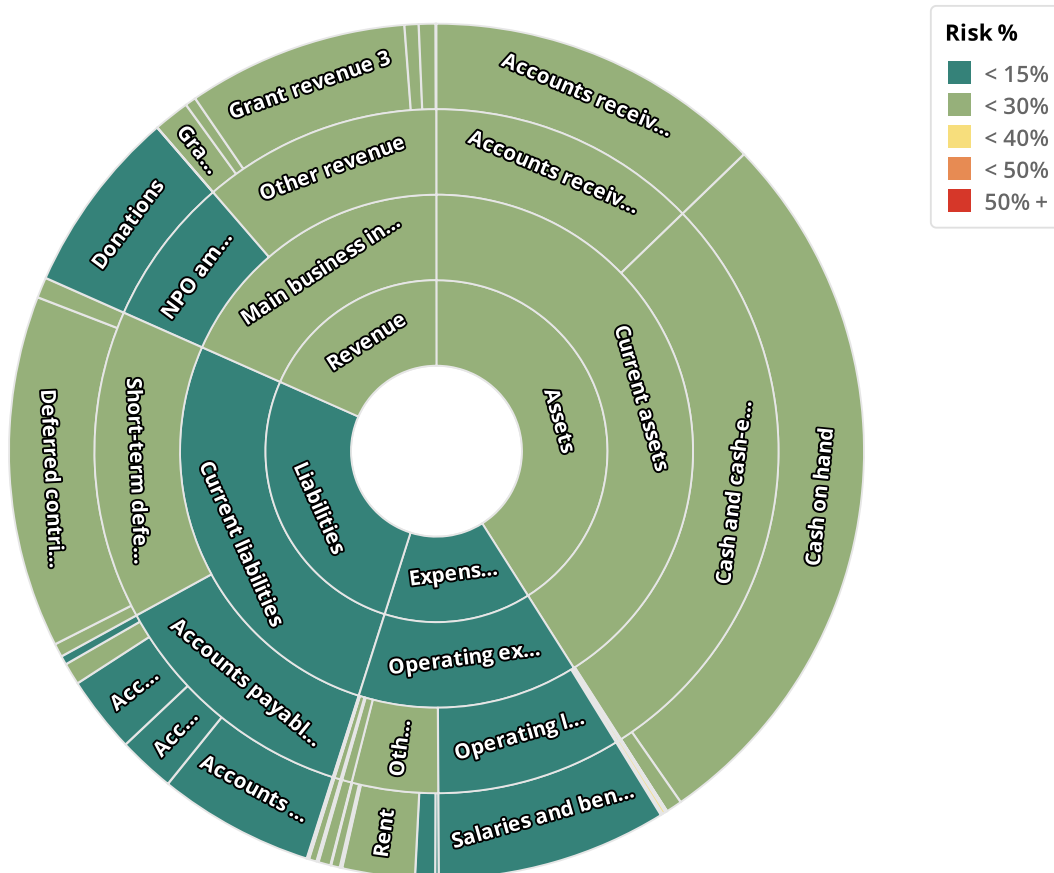
Transaction Risk Over Time:



High and Medium Risk Transactions Over Time:



## Risk Breakdown by Financial Statement Area



## Detailed Results by Control Point

<b>5</b> Empty Text Field	<b>126</b> Rare Flows
<b>22</b> Start of Reporting Period	<b>245</b> Last 3 Digits
<b>22</b> Start of Analysis Period	<b>262</b> Outlier Anomaly
<b>25</b> Unusual Amount	<b>431</b> Expense Flurry
<b>26</b> Flow Analysis	<b>443</b> Duplicate
<b>37</b> Suspicious Keyword	<b>513</b> Cash Expenditures
<b>39</b> Reversal	<b>0</b> Weekend Post
<b>39</b> Reversed	<b>0</b> Sequence Gap
<b>41</b> High Monetary Value	<b>0</b> Zero Entry
<b>77</b> End of Analysis Period	<b>0</b> Unbalanced Debits and Credits
<b>77</b> End of Reporting Period	<b>0</b> Reporting Period Adjustment
<b>83</b> Manual Entry	<b>0</b> Complex Structure
<b>100</b> Expert Score	<b>0</b> Complex Instrument
<b>121</b> 2 Digit Benford	<b>0</b> Analysis Period Adjustment

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