
**Tuesday, October 30, 2018
6:00PM
Council Chambers, University Hall**

LATE ADDITIONS (SC-2018-12)

2018-12/1 SPEAKERS BUSINESS

2018-12/2 PRESENTATIONS

2018-12/2a *Title:* Government of Alberta Tuition Framework

Abstract: Following October 29th the Government of Alberta will be in the process of implementing a tuition framework. This presentation will give council the most up-to-date information.

Presenter(s):

- Reed Larsen, President - Students' Union

LARSEN MOVES to do a presentation to council on the Government of Alberta Tuition Framework.

2018-12/3 EXECUTIVE COMMITTEE REPORT

2018-12/4 BOARD AND COMMITTEE REPORT

2018-12/5 OPEN FORUM

2018-12/6 QUESTION PERIOD

2018-12/7 BOARD AND COMMITTEE BUSINESS

2018-12/7a **KIM MOVES** to nominate one (1) member of Students' Council to the Bylaw Committee.

2018-12/7b **THIBAudeau/ FLAMAN MOVES** on behalf of Audit Committee to approve the KPMG audit findings.

See SC-2018-12.01.

2018-12/8 GENERAL ORDERS

2018-12/9 INFORMATION ITEMS

2018-12/9a KPMG Audit Findings, 2018-19

See SC-2018-12.01.



The Students' Union, The University of Alberta

**Audit Findings Report
For the year ended April 30, 2018**

KPMG LLP

Prepared for the Audit Committee on October 26, 2018

kpmg.ca/audit



The contacts at KPMG in connection with this report are:

John Stelter, FCPA, FCA
Engagement Partner
Tel: 780.429.6511
jstelter@kpmg.ca

Kirstin Dechant, CPA, CA
Senior Manager
Tel: 780.429.6056
kdechant@kpmg.ca

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Executive summary

Purpose of this report

The purpose of this Audit Findings Report is to assist you, as a member of the Audit Committee, in your review of the results of our audit of the consolidated financial statements of The Students' Union, The University of Alberta (the "SU") and our audit of the financial statements of Students' Involvement Endowment Foundation ("SIEF") as at and for the year ended April 30, 2018.

This Audit Findings Report builds on the Audit Plan we presented to the Audit Committee on July 3, 2018.

Areas of audit focus

There have been no significant changes regarding our audit from the Audit Planning Report previously presented to you. We are satisfied that our audit work has appropriately dealt with the areas of focus.

Adjustments and differences

We did not identify any adjustments that were communicated to management and subsequently corrected in the financial statements.

Control and other observations

We did not identify any control deficiencies that we determined to be significant deficiencies in ICFR.

Finalizing the audit

As of the date of this report, we have completed the audit of the consolidated financial statements, with the exception of certain remaining procedures, which include amongst others:

- completing our discussions with the Audit Committee;
- obtaining evidence of the Students' Council's approval of the financial statements;
- obtaining signed management representation letters; and
- updating our subsequent event procedures to the date of our auditors' report.

We will update the Audit Committee, and not solely the Chair (as required by professional standards), on significant matters, *if any*, arising from the completion of the audit, including the completion of the above procedures. Our auditors' report will be dated upon the completion of any remaining procedures.

Independence

We are independent with respect to the Company (and its related entities), within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any other standards or applicable legislation or regulation.

*This Audit Findings Report should not be used for any other purpose or by anyone other than the Audit Committee. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this Audit Findings Report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Areas of audit focus

Inherent risk of material misstatement is the susceptibility of a balance or assertion to misstatement which could be material, individually or when aggregated with other misstatements, assuming that there are no related controls. We highlight our findings in respect of areas of audit focus as identified in our discussion with you in the Audit Plan.

Areas of focus	Relevant assertions	Our response and significant findings
Cash and inventory	Completeness, existence and accuracy	<ul style="list-style-type: none"> – Obtained external confirmation of year-end cash balances; – Vouched reconciling items to supporting documentation; and – Attended a year-end inventory count, including performed a cash count.
Investments and investment income	Completeness, existence, accuracy and valuation	<ul style="list-style-type: none"> – Obtained external confirmation of year-end balances and investment income; – Performed substantive analytical procedures over investment income; – Recalculated gains/losses; and – Assessed any investments for indicators of impairment.
Deferred revenue and deposits	Completeness, existence and accuracy	<ul style="list-style-type: none"> – Agreed additions in the year to supporting documentation to ensure deferral is appropriate; and – Agreed deferred revenue recognized in the year to supporting documentation to ensure that revenue recognition criteria has been met.
Capital assets and amortization	Completeness, existence and accuracy	<ul style="list-style-type: none"> – Agreed additions/dispositions to supporting documentation and recalculated any gains/losses; and – Recalculated the amortization of capital assets.
Accounts payable and accrued liabilities	Completeness, existence and accuracy	<ul style="list-style-type: none"> – Performed a search for unrecorded liabilities; and – Vouched accrued liabilities to supporting documentation.
University of Alberta loan payable	Completeness, existence, accuracy and presentation	<ul style="list-style-type: none"> – Confirmed year-end loan balance with the University of Alberta; – Recalculated current and long-term portion; and – Recalculated any accrued interest.

Areas of audit focus (continued)

Areas of focus	Relevant assertions	Our response and significant findings
Student fees	Completeness, existence and accuracy	<ul style="list-style-type: none"> – Confirmed student fees with the University of Alberta; and – Performed substantive analytical procedures over student fees.
Departmental revenues	Completeness, existence, accuracy and presentation	<ul style="list-style-type: none"> – Performed substantive analytical trend analysis over revenues disaggregating by month; – Performed substantive analytical procedures over key operating lines; and – On a sample basis, vouched individual revenue transactions to supporting documentation.
Departmental expenses	Completeness, existence and accuracy	<ul style="list-style-type: none"> – Performed substantive analytical procedures over each category of expense; and – Performed gross margin analysis by key operating lines.
Salaries, wages and benefits	Completeness, existence and accuracy	<ul style="list-style-type: none"> – Performed substantive analytical procedures over salaries, wages and benefits.

Areas of audit focus (continued)

Professional requirements	Our response and significant findings
Fraud risk from revenue recognition	<p>As this risk has been rebutted, we did not perform additional procedures to address a risk of material misstatement of revenue due to fraudulent financial reporting by management. We obtained sufficient and appropriate audit evidence over existence and accuracy of revenue through analytical procedures, review of recognition of amounts subject to external restrictions and external confirmation of significant inflows.</p> <p>No audit misstatements or findings were identified.</p>
Risk of management override of controls	<p>During the course of the audit, we performed testing over journal entries and other adjustments, performed retrospective review of estimates and assessed the existence of any significant unusual transactions.</p> <p>No audit misstatements or findings identified.</p>

Adjustments and differences

Adjustments and differences identified during the audit have been categorized as “Corrected adjustments” or “Uncorrected differences”. These include disclosure adjustments and differences. Professional standards require that we request of management and the Audit Committee that all identified differences be corrected. We have already made this request of management.

Corrected adjustments

We did not identify any adjustments that were communicated to management and subsequently corrected in the financial statements.

Uncorrected differences

We did not identify differences that remain uncorrected.

Financial statement presentation and disclosure

The presentation and disclosure of the financial statements are, in all material respects, in accordance with the relevant financial reporting framework. We are satisfied that the financial statements for the year ended April 30, 2018 are appropriate.

Control matters and other observations

In accordance with professional standards, we are required to communicate to the Audit Committee any control deficiencies that we identified during the audit and have determined to be significant deficiencies in ICFR.

Significant deficiencies

We did not identify any control deficiencies determined to be significant deficiencies in ICFR.

Other observations identified in the current year

We did not identify any new observations in the current year.

Other observations identified in the prior year

We noted other observations were identified in the prior year that have been resolved in the current year. The following is a summary of our observations and insights identified in the prior year that remain in progress:

Description	Potential effect
IT management	<p>Observation and recommendation:</p> <p>Prior to the 2017 audit, the SU experienced a server failure which wiped out all data within the Company's accounting system. The last backup the SU had of the data was over one year ago. Fortunately, the servers were sent offsite where experts were able to recover all of this data, and as a result there was no impact on our auditors' report. We recommended that the SU take steps to formalize a policy for data management that includes regularly scheduled back-ups and review of back-ups to ensure they are complete and accurate.</p> <p>2018 Update:</p> <p>The SU has performed a full causation analysis and implemented new procedures in order to improve backup frequency and quality of backup data. A formal data management policy is in the process of being formalized to be included in the Operating Policies Manual.</p> <p>Status:</p> <p>In progress.</p>

Appendices

Appendix 1: Required communications

Appendix 1A: Management representation letters

Appendix 1B: Draft auditors' reports

Appendix 2: Audit quality and risk management

Appendix 3: Background and professional standards

Appendix 1: Required communications

In accordance with professional standards, there are a number of communications that are required during the course of and upon completion of our audit. These include:

- **Auditors' report** – the conclusion of our audit is set out in our draft auditors' report as attached.
- **Management representation letter** –In accordance with professional standards, copies of the management representation letters are provided to the Audit Committee. The management representation letters is attached.

Appendix 1A: Management representation letters

(Letterhead of Client)

KPMG LLP
2200, 10175 – 101 Street
Edmonton, AB
Canada
T5J 0H3

October 30, 2018

Ladies and Gentlemen:

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the consolidated financial statements (hereinafter referred to as “financial statements”) of The Students’ Union, The University of Alberta (“the Entity”) as at and for the period ended April 30, 2018.

General:

We confirm that the representations we make in this letter are in accordance with the definitions as set out in [Attachment I](#) to this letter.

We also confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Responsibilities:

- 1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated April 6, 2018, including for:
 - a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework.
 - b) providing you with all information of which we are aware that is relevant to the preparation of the financial statements, such as all financial records and documentation and other matters, including:
 - (i) the names of all related parties and information regarding all relationships and transactions with related parties; and
 - (ii) the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of shareholders, board of directors and committees of the board of directors that may affect the financial statements. All significant actions are included in such summaries.
 - c) providing you with unrestricted access to such relevant information.

- d) providing you with complete responses to all enquiries made by you during the engagement.
- e) providing you with additional information that you may request from us for the purpose of the engagement.
- f) providing you with unrestricted access to persons within the Entity from whom you determined it necessary to obtain audit evidence.
- g) such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We also acknowledge and understand that we are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.
- h) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.
- i) ensuring that internal auditors providing direct assistance to you, if any, were instructed to follow your instructions and that management, and others within the entity, did not intervene in the work the internal auditors performed for you.

Internal control over financial reporting:

- 2) We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over financial reporting of which we are aware.

Fraud & non-compliance with laws and regulations:

- 3) We have disclosed to you:
 - a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
 - b) all information in relation to fraud or suspected fraud that we are aware of that involves: management, employees who have significant roles in internal control over financial reporting, or others, where such fraud or suspected fraud could have a material effect on the financial statements.
 - c) all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements, communicated by employees, former employees, analysts, regulators, or others.
 - d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements, whose effects should be considered when preparing financial statements.
 - e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Subsequent events:

- 4) All events subsequent to the date of the financial statements and for which the relevant financial reporting framework requires adjustment or disclosure in the financial statements have been adjusted or disclosed.

Related parties:

- 5) We have disclosed to you the identity of the Entity's related parties.
- 6) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.
- 7) All related party relationships and transactions/balances have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

Estimates:

- 8) Measurement methods and significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

Going concern:

- 9) We have provided you with all information relevant to the use of the going concern assumption in the financial statements.
- 10) We confirm that we are not aware of material uncertainties related to events or conditions that may cast significant doubt upon the Entity's ability to continue as a going concern.

Non-SEC registrants or non-reporting issuers:

- 11) We confirm that the Entity is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission ("SEC") Issuer (as defined by the Sarbanes-Oxley Act of 2002). We also confirm that the financial statements of the Entity will not be included in the consolidated financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

Yours very truly,

THE STUDENTS' UNION, THE UNIVERSITY OF ALBERTA

By: Mr. Marc Dumouchel, General Manager

By: Mr. Peter Ta, Manager, Finance and Administration

cc: Audit Committee

Attachment I – Definitions

Materiality

Certain representations in this letter are described as being limited to matters that are material. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both.

Fraud & error

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization.

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Related parties

In accordance with Canadian accounting standards for not-for-profit organizations, *related party* is defined as:

- when one party has the ability to exercise, directly or indirectly, control, joint control or significant influence over the other. Two or more parties are related when they are subject to common control, joint control or common significant influence. Two not-for-profit organizations are related parties if one has an economic interest in the other. Related parties also include management and immediate family members.

In accordance with Canadian accounting standards for not-for-profit organizations, a *related party transaction* is defined as:

- a transfer of economic resources or obligations between related parties, or the provision of services by one party to a related party, regardless of whether any consideration is exchanged. The parties to the transaction are related prior to the transaction. When the relationship arises as a result of the transaction, the transaction is not one between related parties.

(Letterhead of Client)

KPMG LLP
2200, 10175 – 101 Street
Edmonton, AB
Canada
T5J 0H3

October 30, 2018

Ladies and Gentlemen:

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the financial statements (hereinafter referred to as “financial statements”) of Students’ Involvement Endowment Fund (“the Entity”) as at and for the period ended April 30, 2018.

General:

We confirm that the representations we make in this letter are in accordance with the definitions as set out in [Attachment I](#) to this letter.

We also confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Responsibilities:

- 1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated April 6, 2018, including for:
 - a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework.
 - b) providing you with all information of which we are aware that is relevant to the preparation of the financial statements, such as all financial records and documentation and other matters, including:
 - (i) the names of all related parties and information regarding all relationships and transactions with related parties; and
 - (ii) the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of shareholders, board of directors and committees of the board of directors that may affect the financial statements. All significant actions are included in such summaries.
 - c) providing you with unrestricted access to such relevant information.

- d) providing you with complete responses to all enquiries made by you during the engagement.
- e) providing you with additional information that you may request from us for the purpose of the engagement.
- f) providing you with unrestricted access to persons within the Entity from whom you determined it necessary to obtain audit evidence.
- g) such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We also acknowledge and understand that we are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.
- h) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.
- i) ensuring that internal auditors providing direct assistance to you, if any, were instructed to follow your instructions and that management, and others within the entity, did not intervene in the work the internal auditors performed for you.

Internal control over financial reporting:

- 2) We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over financial reporting of which we are aware.

Fraud & non-compliance with laws and regulations:

- 3) We have disclosed to you:
 - a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
 - b) all information in relation to fraud or suspected fraud that we are aware of that involves: management, employees who have significant roles in internal control over financial reporting, or others, where such fraud or suspected fraud could have a material effect on the financial statements.
 - c) all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements, communicated by employees, former employees, analysts, regulators, or others.
 - d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements, whose effects should be considered when preparing financial statements.
 - e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Subsequent events:

- 4) All events subsequent to the date of the financial statements and for which the relevant financial reporting framework requires adjustment or disclosure in the financial statements have been adjusted or disclosed.

Related parties:

- 5) We have disclosed to you the identity of the Entity's related parties.
- 6) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.
- 7) All related party relationships and transactions/balances have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

Estimates:

- 8) Measurement methods and significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

Going concern:

- 9) We have provided you with all information relevant to the use of the going concern assumption in the financial statements.
- 10) We confirm that we are not aware of material uncertainties related to events or conditions that may cast significant doubt upon the Entity's ability to continue as a going concern.

Non-SEC registrants or non-reporting issuers:

- 11) We confirm that the Entity is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission ("SEC") Issuer (as defined by the Sarbanes-Oxley Act of 2002). We also confirm that the financial statements of the Entity will not be included in the consolidated financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

Yours very truly,

THE STUDENTS' UNION, THE UNIVERSITY OF ALBERTA

By: Mr. Marc Dumouchel, General Manager

By: Mr. Peter Ta, Manager, Finance and Administration

cc: Audit Committee

Attachment I – Definitions

Materiality

Certain representations in this letter are described as being limited to matters that are material. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both.

Fraud & error

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization.

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Related parties

In accordance with Canadian accounting standards for not-for-profit organizations, *related party* is defined as:

- when one party has the ability to exercise, directly or indirectly, control, joint control or significant influence over the other. Two or more parties are related when they are subject to common control, joint control or common significant influence. Two not-for-profit organizations are related parties if one has an economic interest in the other. Related parties also include management and immediate family members.

In accordance with Canadian accounting standards for not-for-profit organizations, a *related party transaction* is defined as:

- a transfer of economic resources or obligations between related parties, or the provision of services by one party to a related party, regardless of whether any consideration is exchanged. The parties to the transaction are related prior to the transaction. When the relationship arises as a result of the transaction, the transaction is not one between related parties.

Appendix 1B: Draft auditors' reports



KPMG LLP
2200, 10175 – 101 Street
Edmonton AB T5J 0H3
Canada
Telephone (780) 429-7300
Fax (780) 429-7379

INDEPENDENT AUDITORS' REPORT

To the Members of The Students' Union, The University of Alberta

We have audited the accompanying consolidated financial statements of The Students' Union, The University of Alberta ("The Students' Union"), which comprise the consolidated statement of financial position as at April 30, 2018, the consolidated statements of operations, changes in fund balances and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of The Students' Union as at April 30, 2018, and the consolidated results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Chartered Professional Accountants

DRAFT
Edmonton, Canada

DRAFT



KPMG LLP
2200, 10175 – 101 Street
Edmonton AB T5J 0H3
Canada
Telephone (780) 429-7300
Fax (780) 429-7379

INDEPENDENT AUDITORS' REPORT

To the Members of The Students' Union, The University of Alberta

We have audited the accompanying financial statements of the Students' Involvement Endowment Foundation ("The Foundation"), which comprise the statement of financial position as at April 30, 2018, the statements of operations, changes in fund balances and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Foundation as at April 30, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Chartered Professional Accountants

DRAFT
Edmonton, Canada

DRAFT

Appendix 2: Audit quality and risk management

KPMG maintains a system of quality control designed to reflect our drive and determination to deliver independent, unbiased advice and opinions, and also meet the requirements of Canadian professional standards. Quality control is fundamental to our business and is the responsibility of every partner and employee. The following diagram summarises the six key elements of our quality control systems.

Visit our [Audit Quality Resources page](#) for more information including access to our audit quality report, [Audit quality: Our hands-on process](#).

- Other controls include:
 - Before the firm issues its audit report, the Engagement Quality Control Reviewer reviews the appropriateness of key elements of publicly listed client audits.
 - Technical department and specialist resources provide real-time support to audit teams in the field.
- We conduct regular reviews of engagements and partners. Review teams are independent and the work of every audit partner is reviewed at least once every three years.
- We have policies and guidance to ensure that work performed by engagement personnel meets applicable professional standards, regulatory requirements and the firm's standards of quality.
- All KPMG partners and staff are required to act with integrity and objectivity and comply with applicable laws, regulations and professional standards at all times.



- We do not offer services that would impair our independence.
- The processes we employ to help retain and develop people include:
 - Assignment based on skills and experience;
 - Rotation of partners;
 - Performance evaluation;
 - Development and training; and
 - Appropriate supervision and coaching.
- We have policies and procedures for deciding whether to accept or continue a client relationship or to perform a specific engagement for that client.
- Existing audit relationships are reviewed annually and evaluated to identify instances where we should discontinue our professional association with the client.

Appendix 3: Background and professional standards

Internal control over financial reporting

As your auditors, we are required to obtain an understanding of internal control over financial reporting (ICFR) relevant to the preparation and fair presentation of the financial statements 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 internal control. Accordingly, we do not express an opinion on the effectiveness of internal control.

Our understanding of ICFR 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. 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.

The control deficiencies communicated to you are limited to those control deficiencies that we identified during the audit.

Documents containing or referring to the audited financial statements

We are required by our professional standards to read only documents containing or referring to audited financial statements and our related auditors' report that are available through to the date of our auditors' report. The objective of reading these documents through to the date of our auditors' report is to identify material inconsistencies, if any, between the audited financial statements and the other information. We also have certain responsibilities, if on reading the other information for the purpose of identifying material inconsistencies, we become aware of an apparent material misstatement of fact.

We are also required by our professional standards when the financial statements are translated into another language to consider whether each version, available through to the date of our auditors' report, contains the same information and carries the same meaning.

kpmg.ca/audit



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