



The Students' Union, The University of Alberta

**Audit Findings Report
for the year ended April 30, 2023**

KPMG LLP

Prepared for the Audit Committee meeting on December 14, 2023

kpmg.ca/audit



KPMG contacts

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The purpose of this 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 the Students' Involvement Endowment Foundation ("SIEF") as at and for the year ended April 30, 2023. This report is intended solely for the information and use of Management, the Audit Committee, and the Students' Council and should not be used for any other purpose or any other party. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this 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.



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Click on any item in the table of contents to navigate to that section.



Audit highlights

<p>Status of the audit</p> <p>We have completed the audit of the consolidated financial statements ("financial statements"), with the exception of certain remaining outstanding procedures, which are highlighted on slide 5 of this report.</p>	<p>Audit risks and results – other significant findings</p> <p>Other significant findings are discussed on slides 9-13.</p>	<p>Control deficiencies</p> <p>We did not identify any control deficiencies that we determined to be significant deficiencies in internal control over financial reporting. See slide 14 for certain required communications regarding control deficiencies</p>
<p>Materiality</p> <p>Refer to slides 6 and 7 for our determination of materiality.</p>	<p>Uncorrected audit misstatements</p> <p>No matters to report.</p>	<p>Accounting policies and practices</p> <p>No matters to report.</p>
<p>Audit risks and results – significant risks</p> <p>Significant findings related to significant risks are discussed on slide 8.</p>	<p>Corrected audit misstatements</p> <p>The management representation letter includes all misstatements identified as a result of the audit, communicated to management, and subsequently corrected in the audited financial statements.</p>	<p>Other financial reporting matters</p> <p>No matters to report.</p>
<p>Audit risks and results – going concern assessment</p> <p>No matters to report.</p>	<p>Significant unusual transactions</p> <p>No matters to report.</p>	<p>Specific topics</p> <p>We met the new audit standard, CAS 315, and do not have any matters to report.</p>

Status of the audit

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

- Completing our discussions with the audit committee;
- Obtaining evidence of the Council's approval of the financial statements;
- Obtaining signed management representation letters; and
- Updating our subsequent events procedures to the date of our reports.

We will update the Audit Committee, and not solely the Chair, on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures.

Our auditor's report, a draft of which is provided in Appendix: Draft Auditor's Report, will be dated upon the completion of any remaining procedures.

KPMG Clara for Clients (KCfc)

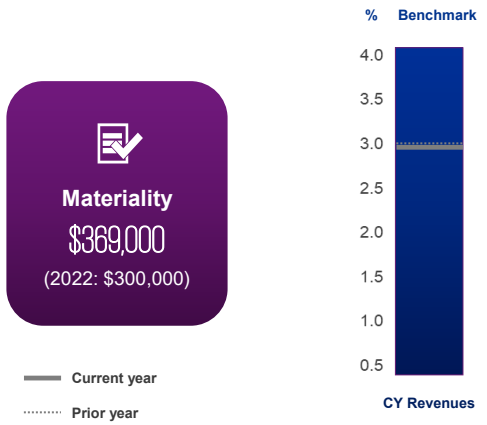


Real-time collaboration and transparency
 We leveraged **KCfc** to facilitate real-time collaboration with your team and provide visual insights into the status of the audit!

On your audit we used KCfc to coordinate PBC requests from SU employees.

[▶ Learn more](#)

Materiality - the SU



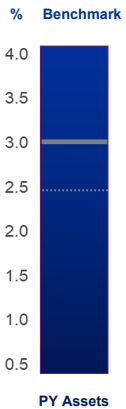
Current year total revenues	\$12,435,702 (2022: \$10,000,000)
Performance materiality	\$313,000 (2022: \$225,000)
Audit misstatement posting threshold	\$18,400 (2022: \$15,000)



Materiality - SIEF


Materiality
\$119,000
 (2022: \$102,500)

— Current year
 Prior year



Prior year total assets
\$3,971,138
 (2022: \$4,100,000)


Performance materiality
\$101,000
 (2022: \$76,500)

Audit misstatement posting threshold
\$5,950
 (2022: \$5,500)



Significant risks and results


We highlight our significant findings in respect of significant risks identified.

 Fraud Risks		
Significant risk	Our response	Significant findings
<p>Presumption of the risk of fraud resulting from management override of controls.</p> <p>This is a presumed fraud risk. We have not identified any specific additional risks of management override relating to this audit.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> • Performing testing over journal entries and other adjustments. • Evaluating the business rationale of significant unusual transactions, if any. 	<p>We have no significant findings to report.</p>
<p>Presumption of the risk of fraud involving improper revenue recognition.</p>	<p>We have rebutted this risk as revenue is relatively straightforward to recognize and does not involve elements of significant estimation or judgement.</p>	<p>Not applicable.</p>




Other significant findings and results

We highlight **other significant findings** as follows:


 Cash and cash equivalents; Merchandise inventories; Investments and investment income		
Areas of focus	Our response	Significant findings
There is potential that cash and cash equivalents have not been appropriately valued or disclosed in the financial statements.	<ul style="list-style-type: none"> We obtained external confirmations of year-end cash balances and vouched reconciling items to supporting documentation. 	We have no significant findings to report.
There is a potential that merchandise inventories may be missing due to either error or misappropriation.	<ul style="list-style-type: none"> We gained an understanding of the processes used by management to manage its inventories, support the year-end balances and related inventory counts. We attended the year-end inventory count at SUBprint. 	We have no significant findings to report.
There is potential that investments and related income have not been appropriately valued or disclosed in the financial statements.	<ul style="list-style-type: none"> We obtained external confirmation of year-end balances and investment income. We performed substantive analytical procedures over investment income and recalculated realized and unrealized gains/losses. We assessed any investments for indicators of impairment. 	We have no significant findings to report.




Other significant findings and results

 Accounts payable and accrued liabilities; Deferred revenue and student fee deposits; Capital assets and amortization		
Areas of focus	Our response	Significant findings
Appropriate cut-off of accounts payable and accrued liabilities is not achieved.	<ul style="list-style-type: none"> Our year-end procedures included performing a search for unrecorded liabilities (primarily through review of unprocessed transactions and payments subsequent to year-end), and a detailed analysis of key accruals. 	We have no significant findings to report.
<p>There is the potential that deferred revenues received are not appropriately recorded and presented in the financial statements.</p> <p>In addition, there are significant deposits (student fee flowthroughs for the SU health and dental plan and other student organizations) and deferred capital contributions.</p>	<ul style="list-style-type: none"> We agreed additions in the year to supporting documentation to ensure deferrals are appropriate and agreed deferred revenue recognized in the year to supporting documentation to assess that revenue recognition criteria have been met. In addition, the SU collects and distributes student fees on behalf of certain organizations and some of these relationships are indicative of an agency relationship. We tested all inflows (students fees received during the year) as well as the outflows (student fees distributed during the year). 	We have no significant findings to report.
Capital asset additions and disposals and amortization may not have been appropriately recorded in the financial statements.	<ul style="list-style-type: none"> We selected a sample of capital asset additions and disposals to ensure they have been appropriately recorded by agreeing additions/dispositions to supporting documentation and recalculated any gains/losses. We recalculated the amortization of capital assets. We assessed whether there were any indicators of impairment. 	<p>We did identify a change in accounting estimate related to capital assets that should have been recognized in the current period through net income; however it was recognized through net assets.</p> <p>Refer to the Additional Matters section of this report and Management Representation Letter in Appendix 3.</p> <p>We have no other significant findings to report.</p>

Other significant findings and results


 Loans payable to the University of Alberta and related amounts due from the University of Alberta; Deferred capital contributions and amortization; Student fees		
Areas of focus	Our response	Significant findings
There is a potential that the loan is not appropriately recorded in the SU's books due to different year-ends between the University and the SU.	<ul style="list-style-type: none"> We confirmed the year-end loan balances with the University of Alberta and related proceeds due from the University of Alberta and recalculated the current and long-term portions. We recalculated interest expense and any accrued interest at year-end. 	We have no significant findings to report.
Deferred capital contributions with related amortization may not have been appropriately recorded in the financial statements. Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of donations, grants, and student fee contributions.	<ul style="list-style-type: none"> We tested the capital contributions received from student fees (including substantive analytical procedures with respect to the allocations of student fees transferred from the University of Alberta) for the purchase of capital assets. 	We have no significant findings to report.
Student fees may not have been appropriately recorded and presented in the financial statements.	<ul style="list-style-type: none"> We confirmed student fees with the University of Alberta. We performed substantive analytical procedures over student fees (assessing allocations of student fees transferred from the University of Alberta). We assessed the inflows and outflows of student fee deposits. 	We have no significant findings to report.

Other significant findings and results

 Departmental revenues; Departmental expenses; Salaries, wages, and benefits		
Areas of focus	Our response	Significant findings
Departmental revenues may have not been appropriately recorded and presented in the financial statements, or they may have been inaccurately allocated between departments.	<ul style="list-style-type: none"> We performed substantive analytical trend analysis over revenues disaggregating by month and performed substantive analytical procedures over key operating lines. On a sample basis, we vouched individual revenue transactions to supporting documentation. 	We have no significant findings to report.
Departmental expenses may have not been appropriately recorded and presented in the financial statements, or they may have been inaccurately allocated between departments.	<ul style="list-style-type: none"> We performed substantive analytical procedures over each category of expense and performed a gross margin analysis. 	We have no significant findings to report.
Salaries, wages and benefits may have not been appropriately recorded and presented in the financial statements.	<ul style="list-style-type: none"> We performed substantive analytical procedures over salaries, wages, and benefits. We considered the impact of work-force adjustments. 	We have no significant findings to report.



Other significant findings and results

 Transactions and balances with the University of Alberta		
Areas of focus	Our response	Significant findings
Transactions and balances with the University of Alberta.	<ul style="list-style-type: none"> We verified all significant outstanding transactions and balances with the University of Alberta and confirmed significant grants and other contributions during the year. 	We have no significant findings to report.



Control deficiencies

Consideration of internal control over financial reporting (ICFR)



In planning and performing our audit, we considered ICFR relevant to the Entity's preparation 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 ICFR.

Our understanding of internal control over financial reporting was for the limited purpose described above and was not designed to identify all control deficiencies that might be significant deficiencies. The matters being reported are limited to those deficiencies that we have identified during the audit that we have concluded are of sufficient importance to merit being reported to those charged with governance.

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. Had we performed more extensive procedures on internal control over financial reporting, we might have identified more significant deficiencies to be reported or concluded that some of the reported significant deficiencies need not, in fact, have been reported.

A deficiency in internal control over financial reporting



A deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed, or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

Significant deficiencies in internal control over financial reporting



A significant deficiency in internal control over financial reporting is a deficiency, or combination of deficiencies, in internal control that, in the auditor's professional judgment, is of sufficient importance to merit the attention of those charged with governance.

Specific topics

We have highlighted the following that we would like to bring to your attention:



Capital assets sub-ledger and revaluation of capital assets

In the prior year, we noted that the SU does not maintain a fully updated sub-ledger of all its capital assets.

We recommend management do an inventory of all capital assets, specifically furniture and office equipment and computer equipment, and remove all fully depreciated assets and any assets that no longer exist. Management should conclude on what is no longer in service and do a final write-off.

In the current year, management reviewed their fixed asset listing to remove fully depreciated assets and also reassessed assets that were purchased over the last 5 years (back to 2019) resulting in a writeoff of certain capital assets purchased prior to 2019. This is was recognized through net assets, however this is a change in accounting estimate and therefore should have been recognized in the current period through net income.

Prior to the conclusion of the current year audit, management made this adjustment. Refer to the Management Representation Letter in Appendix 3.



Audit quality: How do we deliver audit quality?

Quality essentially means doing the right thing and remains our highest priority. Our **Global Quality Framework** outlines how we deliver quality and how every partner and staff member contributes to its delivery.

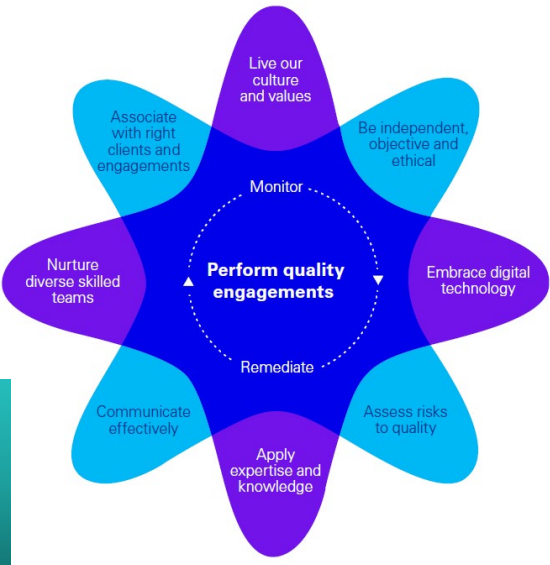
Perform quality engagement sits at the core along with our commitment to continually monitor and remediate to fulfil on our quality drivers.

Our **quality value drivers** are the cornerstones to our approach underpinned by the **supporting drivers** and give clear direction to encourage the right behaviours in delivering audit quality.

[▶ KPMG 2022 Audit Quality and Transparency Report](#)

We define 'audit quality' as being the outcome when:

- audits are **executed consistently**, in line with the requirements and intent of **applicable professional standards** within a strong **system of quality controls**; and
- all of our related activities are undertaken in an environment of the utmost level of **objectivity, independence, ethics and integrity**.





Appendices

A1

Draft auditor's reports and financial statements

A2

Other required communications

A3

Management representation letters

A4

Prior year observations

A5

Audit and assurance insights

A6

Technology

