# Audit Committee

**Date:** October 21, 2016  
**Time:** 5:30 PM  
**Location:** SUB 6-06

## Agenda (AC-2016-09)

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<td>2016-09/5a</td>
<td><strong>Next Meeting:</strong> November 4, 2016 in SUB 6-06 at 5:30 pm or sooner if needed.</td>
</tr>
</tbody>
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ATTENDANCE

<table>
<thead>
<tr>
<th>NAME</th>
<th>PROXY</th>
<th>PRESENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nicole Hammond (Chair)</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td>Anthony Nguyen</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td>Brandon Prochnau</td>
<td>Y</td>
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<tr>
<td>Reed Larsen</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td>Saba Al Hammouri</td>
<td>Y</td>
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<tr>
<td>Sandy Brophy</td>
<td>Y</td>
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</tr>
<tr>
<td>Umer Farooq</td>
<td>Y</td>
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MINUTES (AC 2016-08)

2016-08/1 INTRODUCTION

2016-08/1a Call to Order

Meeting called to order at 6:00 pm.

2016-08/1b Approval of Agenda
*FAROOQ/AL HAMMOURI moved to approve the agenda for October 07, 2016 as tabled.*
*CARRIED*

**2016-08/1c** Approval of Minutes

*NGUYEN/AL HAMMOURI moved to approve the minutes September 23, 2016 as tabled.*
*CARRIED*

**2016-08/1d** Chair’s Business

**2016-08/2** QUESTION/DISCUSSION PERIOD

**2016-08/3** COMMITTEE BUSINESS

**2016-08/3a** KPMG Audit Findings Presentation

STELTER: This was a relatively uneventful year. When an auditor can report something as such, it’s a good story. I’ll go through our report and results. However we’ll not be going over the financial statements as we didn’t have to make any change to them. The executive summary summarizes the overall results of our audit. We look at two sets of different financial statements. One is for the Student Involvement Endowment Fund (S. I. E. F.), and the other is for the Students’ Union (SU) itself. S. I. E. F. is a separate legal entity, and the results there get accumulated with the overall SU results.

We conducted our audit exactly as we planned and intended. We don’t look at every transaction; only the ones we think may have a high chance of problems. We found no matters where adjustments should be made. Our audit opinion is dated for the date of approval of your financial statements. It’s our responsibility to keep up with any matters which may arise till that date. We ask for a letter from the management confirming that they have shared all the information with us.

Apart from the scorekeeping, we also look at your business processes. Therefore, we will report any aspects which may increase your efficiency or internal controls that are not functioning properly. We didn’t find
anything we were particularly concerned about. There are some matters we found, and we share that with the management via a letter. That letter is provided separately from this report.

Not every number in a financial statement is precise; estimates have to be made. The nature of the estimates you make here are not difficult ones to deal with. We also look at the accounting practices you employ. There’s not necessarily one way to do things. You must lay out those choices in the financial statements, and those choices must be made to best represent the information that you have.

This year, we looked in-depth at the inventory and cash. The SU is a broad organization. In addition to governance, you run an insurance plan and other businesses. In those businesses a fair amount of cash flows through. There’s a very low risk of a big discrepancy in one individual business as they’re quite small. However, when you put them together, there’s a lot more activity. It would hurt the SU’s credibility if there’s a problem in those businesses. We select a couple of such activities every year, and focus our attention on those. We looked at how those businesses took care of their cash count, and looked into their inventory at the end of the year. The results were good. We pick different places every year. For this year, it was the Daily Grind and SUBmart. We also make sure about the completeness of accounts payable and accrued liabilities by looking into whether all the bills are properly recorded. The next area we look into is your relationship with the University. A of today, the building is complete, and the fund you used for the renovation is fully drawn upon. You are now making regular payments on that. Furthermore, we look into your investments. You record your investments at fair value. We make sure the earnings are recorded on that basis as well. In addition, we look at the potential of management override of controls. We didn’t see any occasion where somebody stepped out of the boundaries of established processes.

Regarding adjustments, there are two things. First, we find if there is some instance where there’s a deviation. Then, we talk with the management about how we should fix that. The concept of materiality is used here. We try to quantify how much of a difference can be tolerated before it starts to affect your decisions. If we find something trivial, it may not need to be changed.

HAMMOND: Under investment income it said that there were two errors identified with S. I. E. F. I’m curious to know what those are.
STELTER: It was the way the accounting was put together and only needed a reclassification. An unrealized gain was recorded as an interest/dividend. However, it had no impact on the overall results.

BROPHY: You also described about a separate letter you give to the management. Is it an elaborate version of the observations on Page 7?

STELTER: Yes.

BROPHY: I would appreciate if it was shared with the committee as well.

STELTER: For sure. We haven’t provided that letter yet.

MCEWAN: We noted that journal entries can be made by five different people. They always have to be reviewed by somebody different. Somebody else reviewing is a good control procedure. But, the best practice is to have a more senior person in charge of all the reviewing. That’s one recommendation for future improvement.

STELTER: A journal entry takes results from your ledger, and moves them around. It’s good practice to have more senior people looking at that kind of activities. Having said that, we didn’t find any control issues.

There are a series of appendices. Appendix 1 describes the list of communications we provide. Appendix 2 contains a copy of the representation letter. Appendix 3 and 4 contains a bit of background about KPMG’s quality control processes, our internal regulations, and standards.

We also ask that our statements be faithfully reproduced in your reports. To summarize, we are issuing an audit opinion saying that your financial statements fairly tell the story according to the accounting standards.

FAROOQ: You recommend that management should implement a year-end report on the investment income. Can you elaborate on that?

STELTER: We ask management to conduct a formal review to make sure the investment income is clearly in the financial statements. We made some disclosure changes.

PACHES: Would you be able to prepare a short high-level PowerPoint presentation to be used by the Audit Committee at Council? We’ll attach this report as an information item.

STELTER: Sure.
FAROOQ: Peter, wasn’t there an issue with the interest for the SUB project a few years ago because we borrowed the money as a single sum, and paying it as separate sums?

TA: The only issue we had was them not paying us completely till the project was completed. They have transferred everything to us now.

FAROOQ: For next year’s audit, would you recommend staying with KPMG?

TA: I can’t say anything which will influence your decision. As a personal opinion, I’m fine working with them. When we first switched over to them, it was a long process to get them in sync with us. It takes a while to get that done. Their work has become easier over the years they have worked with us. However, their rates have gone up as well. Having said that, they didn’t increase their rate this year and two years prior.

HAMMOND: The recommendation is 5 years for public companies.

TA: I have a comment to make about having a supervisor sign off on the journal entries. From our standpoint, it’s not feasible with our staffing level. There’s only the General Manager above me. Otherwise, you’ll have to hire another person to do that, and I don’t think it’s worth it.

HAMMOND: Do they just make the recommendation?

TA: They will recommend, and state whether that warrants a change to the audit statement. We would then reply with our opinion on that; whether we think it’s fair or not. If the recommendation is major enough to change the auditor’s opinion, the management will have to decide on whether to follow the recommendation or not. Right now, they are only recommending, and not telling us to do that.

**HAMMOND/FAROOQ moved that Audit Committee recommends the Students’ Union’s audit report to Council.**

*Vote 7/0/0*

*CARRIED*

2016-08/3b  

**NUA Audit Spring/Summer 2016**

AL HAMMOURI: They had a deficit on one of the lines for merchandise. It turns out that they had refunded a couple of their merchandise, and they
provided 2 reimbursement checks. They also showed us bank account statements to verify that that amount. It all lined up. I’m comfortable approving their budget for Spring/Summer.

HAMMOND: It was a good one to double check.

_AL HAMMOURI/HAMMOND moved to approve the Nursing Undergraduate Association’s Spring/Summer financial report._
_Vote 6/0/1 (Abstention by PROCHNAU)_
_CARRIED_

2016-08/3c MSA Audit Spring/Summer 2016

HAMMOND: We conditionally approved this before. They got back to me about the taxi expenses, and it was printing and taxi together. I think we should be good to approve that. It’s not our job to not approve budgets because we don’t agree with the way they spend their money.

BROPHY: We can still give recommendations.

_HAMMOND moved to approve the Medical Students’ Association’s Spring/Summer financial report._
_Vote 7/0/0_
_CARRIED_

2016-08/3d RSJ Audit Spring/Summer 2016

BROPHY: I don’t really want to move this until the next time. I’m not comfortable. There’s literally nothing on their Spring/Summer statements, and they don’t have the Winter ones.

PROCHNAU: We can then strike it from the agenda.

HAMMOND: I feel that it should be conditionally approved because they need their money. It’s a new process for them, and they hadn’t collected fees before. Although it’s not our job to audit their previous budget, it would be nice to see for context.

FAROOQ: I’m not comfortable conditionally approving this without any information.

_HAMMOND/AL HAMMOURI moved to conditionally approve the Residence Saint-Jean’s Spring/Summer financial report._
**Vote 5/1/1 (Abstention by PROCHNAU)**
*CARRIED*

2016-08/3e BSA Audit Spring/Summer 2016

BROPHY: I was initially a bit confused as there were charges in the receipts which weren’t reflected in the financial reports. They said that as the payment was made after a certain date, it’s going to be reflected in the Fall budget. I’m good with approving this.

HAMMOND: That makes sense.

*BROPHY/FAROOQ moved to approve the Business Students’ Association’s Spring/Summer financial report.*

Vote 7/0/0
*CARRIED*

2016-08/4 INFORMATION ITEMS

2016-08/5 ADJOURNMENT

*BROPHY/NGUYEN moved to adjourn the meeting.*

Vote 7/0/0
*CARRIED*

2016-08/5a Next Meeting: Friday October 21, 2016 at 5:30 pm.

2016-08/5b Meeting adjourned at 6:30 pm.

**SUMMARY OF MOTIONS**

<table>
<thead>
<tr>
<th>MOTION</th>
<th>VOTES</th>
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<tbody>
<tr>
<td>FAROOQ/AL HAMMOURI moved to approve the agenda for October 07, 2016 as tabled.</td>
<td>CARRIED</td>
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<tr>
<td>NGUYEN/AL HAMMOURI moved to approve the minutes as tabled.</td>
<td>CARRIED</td>
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<tr>
<td>Proposal</td>
<td>Vote</td>
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<tr>
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<td>CARRIED 7/0/0</td>
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<td>CARRIED 6/0/1 (Abstention by PROCHNAU)</td>
</tr>
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<td>CARRIED 7/0/0</td>
</tr>
<tr>
<td>HAMMOND/AL HAMMOURI moved to conditionally approve the Residence Saint-Jean’s Spring/Summer financial report.</td>
<td>CARRIED 5/1/1 (Abstention by PROCHNAU)</td>
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</tr>
<tr>
<td>BROPHY/NGUYEN moved to adjourn the meeting.</td>
<td>CARRIED 7/0/0</td>
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