

**AUDIT
COMMITTEE**

Wednesday, June 15, 2016

6.00pm

SUB 0-48

AGENDA (AC-2016-01)

- 2016-01/1 INTRODUCTION**
- 2016-01/1a Call to Order**
- 2016-01/1b Approval of Agenda**
- 2016-01/1c Approval of Minutes**
- 2016-01/1d Chair's Business**
- 2016-01/2 QUESTION/DISCUSSION PERIOD**
- 2016-01/3 COMMITTEE BUSINESS**
- 2016-01/3a Committee Communication**
- 2016-01/4 Presentations**
- 2016-01/4a Audit Committee Presentation by Robyn Paches, Vice President Operations
Finance and Former Chair of Audit Committee**
- 2016-01/5 INFORMATION ITEMS**
- 2016-01/6 ADJOURNMENT**
- 2016-01/6a Next Meeting: June 30, 2016 at 6 p.m. in SUB 6-06.**

**AUDIT
COMMITTEE**

**Thursday May 18, 2016
6:00 pm
SUB 6-06**

ATTENDANCE

NAME	PROXY	PRESENT
Nicole Hammond (Chair)		Y
Anthony Nguyen		N
Brandon Prochnau		Y
Reed Larsen		Y
Saba Al Hammouri		Y
Sandy Brophy		Y
Umer Farooq		N

MINUTES (AC 2016-1)

2016-1/1 INTRODUCTION

2016-1/1a **Call to Order**

Meeting called to order at 6:03 pm.

2016-1/1b **Approval of Agenda**

AL HAMMOURI/BROPHY moved to approve the agenda for May 18, 2016 as tabled.

Vote 5/0/0

CARRIED

2016-1/1c Approval of Minutes

LARSEN/AL HAMMOURI moved to approve the minutes for April 28, 2016 as tabled.

Vote 5/0/0

CARRIED

2016-1/1d Chair's Business

HAMMOND: We'll be getting a presentation about the functions of the Audit Committee from Vice-president Paches. There are 3 overarching things as I understand. They are: overseeing the Students' Union Audit, overseeing the Students' Union transactions, and overseeing Faculty Associations. We'll be getting more presentations throughout the summer to educate us.

The committee members introduced themselves.

HAMMOND: Let me know if there's anything you want to learn about the Audit Committee or be presented upon.

2016-1/2 QUESTION/DISCUSSION PERIOD

2016-1/3 COMMITTEE BUSINESS

2016-1/3a Presentation by KPMG about the Students' Union Audit

KPMG AGENT: I'll walk through the Students' Union's (SU's) audit plan for the upcoming year. The audit involves going through the SU's financials and providing an expert opinion about the financials

on whether they are fairly stated and whether they comply with the Canadian accounting standards for a not-for-profit organization. The objective is to provide reasonable assurances on the financial statements instead of an absolute assurance. To that end, we test a sample of the transactions. Our audit is based on risks, and there are some risks applicable to the SU. The risks we have identified for the SU include completeness and accuracy of inventory in cash sales, completeness of accounts payable and crude liabilities adherence, and the risk of management overrides in control procedures.

Materiality is an important concept we set for the audit. This identifies the significance of a transaction or a discrepancy in a financial statement. So, we set an amount, and ensure that nothing is approaching this amount or going over this amount. The materiality has been determined to be \$550,000. We also do an audit over the Student Involvement Endowment Fund. We have determined the materiality of this to be \$100,000. These values are consistent over the previous years.

We will have a transparent communication process with you guys. We will do a presentation on audit findings later on.

There is a risk in the accuracy of inventory in cash sales. The risk is with regards to an error or misappropriation. We selected 2 random locations, and audited the inventory accounts for April 30 and May 1. We'll do an overall analysis of your revenue. For completeness of accounts payable and crude liabilities, we want to ensure the cut-off is achieved at the year end. There was also a loan with the University of Alberta for the building renovation. Because the University has a different year-end, there's a risk that the amounts may not agree. So, we want to confirm that amount with the University of Alberta. Regarding investment income, there's a risk that it might have been classified incorrectly. We contacted the investment manager to make sure that it's classified appropriately. There's also the risk of management overrides of controls. We make sure there are procedures in place to prevent management override of controls.

KPMG AGENT: I will elaborate on materiality. The overall materiality for the SU is \$550,000. We also set a few other thresholds. One of them is performance materiality which is 75%. The goal of this is so that we catch anything approaching materiality. There's also something called the audit misstatement posting threshold. We will report to you any discrepancies over this posting threshold. We will consider anything lower this as trivial. This threshold is set at \$27,500.

Moving on to the Student Involvement Endowment Fund (SIEF), the materiality and performance materiality are \$100,000 and \$75,000. The audit misstatement posting threshold is \$5,000.

DUMOUCHEL: Does everybody understand the difference between the SU and SIEF? It's legally a separate organization, and is a charity. Charities have a different set of rules. It's board is made up of the executives and the senior management of the SU. It controls a number of assets, and its primary function is to fund student awards.

KPMG AGENT: Moving on to our fees, they are subject to change if something significant comes up which makes us do a lot of extra work. But, this is what you should expect our fees to be.

Regarding our timetable, we'll be completing our field work in August (August 15-26). Then, we'll have a meeting with you to discuss our findings in the audit. Then, we'll issue our reports by October.

In the appendices, we have our engagement letter, a management representation letter, and information about audit approaches, risk management, etc.

HAMMOND: Do you guys look for employee theft or shrinkage?

KPMG AGENT: We wouldn't directly look into that. However, if we find something odd in our procedures, we'll investigate it further. If we do identify something, we will communicate that.

DUMOUCHEL: The general idea is that our control procedures should catch things like that. KPMG has recommended how we should change our catch control to minimize chances of theft. They are mainly looking at whether we have appropriate mechanisms and control procedures to catch mistakes and/or thefts.

AL HAMMOURI: Can you clarify the difference between materiality, and performance materiality?

KPMG AGENT: The overall materiality is the level at which you have to adjust, without which we'll not give you a clean opinion. Performance materiality is a threshold we set internally to check which balances we have to test in order to ensure there's nothing coming close to materiality.

AL HAMMOURI: When you say adjust, what do you specifically mean?

KPMG AGENT: You will have to change your financial statements to match our findings. Otherwise, we will not give a clean opinion.

DUMOUCHEL: There was a case several years ago on how we handled accruals in vacation timings. The auditors said that we should be recording a cash value on the vacations that weren't being taken in our statements. Because we hadn't been doing that, we had to change our statements accordingly.

HAMMOND: The materiality has apparently jumped from \$500,000 to \$550,000 from last year to this year. Is there any specific reason for that?

KPMG AGENT: Not really. It's based on prior numbers. The revenue of the SU has continued to increase.

2016-1/4 **INFORMATION ITEMS**

2016-1/5 **ADJOURNMENT**

HAMMOND: In the next meeting, I wanted to get a presentation from Vice-president Paches. But, he's away next week. SO, next week's meeting will be cancelled.

***AL HAMMOURI/BROPHY moved to adjourn the meeting.
Vote 5/0/0
CARRIED***

2016-1/5a **Next Meeting:** June 8, 2016 at 6:00 pm.

2016-1/5b Meeting adjourned at 6:25 pm.

SUMMARY OF MOTIONS

MOTION	VOTES
<i>AL HAMMOURI/BROPHY moved to approve the agenda for May 18, 2016 as tabled.</i>	5/0/0 - CARRIED
<i>LARSEN/AL HAMMOURI moved to approve the minutes for April 28, 2016 as tabled.</i>	5/0/0 - CARRIED
<i>AL HAMMOURI/BROPHY moved to adjourn the meeting.</i>	5/0/0 - CARRIED