



CARLETON UNIVERSITY STUDENT'S ASSOCIATION, INC.

AUDIT FINAL REPORT TO THE EXECUTIVE COMMITTEE

September 8, 2021



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SUMMARY

Our audit and therefore this report will not necessarily identify all matters that may be of interest to the Executive Committee in fulfilling its responsibilities. This report has been prepared solely for the use of the Executive Committee and should not be distributed without our prior consent. Consequently, we accept no responsibility to a third party that uses this communication.



Status of the Audit

As of the date of this report, we have substantially completed our audit of the 2021 financial statements, pending completion of the following items:

- ▶ Receipt of signed management representation letter
- ▶ Subsequent events review through to financial statement approval date
- ▶ Approval of financial statements by the Board of Directors

We conducted our audit in accordance with Canadian generally accepted auditing standards. The objective of our audit was to obtain reasonable, not absolute, assurance about whether the financial statements are free from material misstatement.

Except as described in this report, the scope of the work performed was substantially the same as that described in our Planning Report to the Executive Committee dated April 30, 2021.



Materiality

As communicated to you in our Planning Report to the Executive Committee, preliminary materiality was \$145,000. Final materiality was increased to \$148,000 to reflect the final results.



Audit Findings

Our audit focused on the risks specific to your business and key accounts. Our discussion points below focus on areas of significant risks of material misstatement, or the following items:

- ▶ Revenue Recognition
- ▶ Management Override of Controls
- ▶ Review of Payroll
- ▶ Review of Expenses
- ▶ Related Party Transactions
- ▶ Other area of interest - Impact of COVID-19 on the Association and its financial statements
- ▶ Other area of interest - Canadian Emergency Wage Subsidy



Internal Control Matters

We are required to report to you in writing, any significant deficiencies in internal control that we have identified. The specifics of this communication are included in our report below. No control deficiencies were noted that, in our opinion, are of significant importance to discuss with those charged with governance.



Independence

Our annual letter confirming our independence was previously provided to you. We know of no circumstances that would cause us to amend the previously provided letter.



Adjusted and Unadjusted Differences

We have disclosed all significant adjusted and unadjusted differences identified through the course of our audit engagement. Each of these items has been discussed with management. Management has determined that the unadjusted differences are immaterial both individually and in aggregate to the financial statements taken as a whole. Should the Executive Committee agree with this assessment, we do not propose further adjustments.

For purposes of our discussion, a summary of adjusted and unadjusted differences and disclosure omissions has been presented in Appendix A.



Fraud Discussion

Through our planning process, and current and prior years' audits, we have developed an understanding of your oversight processes. We are not currently aware of any fraud affecting the Association .

If you are aware of changes to processes or are aware of any instances of actual, suspected or alleged fraud affecting the Association since our discussions held at planning, we request that you provide us with this information.

Please refer to the Auditor's Responsibilities for Detecting Fraud in the Planning Report to the Executive Committee.



Management Representations

During the course of our audit, management made certain representations to us. These representations were verbal or written and therefore explicit, or they were implied through the financial statements. Management provided representations in response to specific queries from us, as well as unsolicited representations. Such representations were part of the evidence gathered by us to be able to draw reasonable conclusions on which to base our audit opinion. These representations were documented by including in the audit working papers memoranda of discussions with management and written representations received from management. We will provide you with a copy of the management letter which summarizes the representations we have requested from management.

AUDIT FINDINGS

As part of our ongoing communications with you, we are required to have a discussion on our views about significant qualitative aspects of the Association's accounting practices, including accounting policies, accounting estimates and financial statement disclosures. In order to have a frank and open discussion, these matters will be discussed verbally with you. A summary of the key discussion points are as follows:

SIGNIFICANT RISKS OF MATERIAL MISSTATEMENT	RISKS NOTED	AUDIT FINDINGS
Revenue Recognition	Presumption that there is ordinarily a risk of fraud in revenue recognition as required in all audits by CAS 240.	We reviewed the appropriateness of the revenue recognition accounting policy and ensured that revenue was properly recognized and deferred as appropriate.
Management Override of Controls	Management override of controls, standard significant risk in all audits as required by CAS 240.	We performed a review of journal entries and performed the fraud steps documented in our report and summarized in the next section. No discrepancies were encountered.
Review of Payroll	Review of payroll is no longer performed consistently.	We increased our testing on payroll and ensured that additional risk of error is considered. No significant discrepancies were encountered in our testing.
Review of Purchases	Review of purchases is not performed consistently.	We increased our testing on purchases and ensured that additional risk of error is considered. No significant discrepancies were encountered in our testing.
Related Party Transactions	Risk that the related party transactions are not properly measured and disclosed in the financial statements.	We enquired with management to identify related party transactions and assessed whether the accounting treatments and disclosure are appropriate. We also included related party transactions in our journal entry testing. No discrepancies were encountered.

SIGNIFICANT RISKS OF MATERIAL MISSTATEMENT	RISKS NOTED	AUDIT FINDINGS
Other area of interest - Impact of COVID-19 on the Association and its financial statements	<p>The impact of COVID-19 is far reaching and continuously evolving. The virus could have an impact on the Association in the following areas:</p> <ul style="list-style-type: none"> - Collectability of receivables - Impairment of investments - Impairment of inventories - Valuation of inventories - Revenue recognition - Subsequent events - Going concern 	<p>We discussed the areas of concern with management, extended our inquiries and testing as applicable to key areas and assessed if there are any adjustments required or subsequent events to disclose, as well as, assessed the going concern principle for the Association and no discrepancies were found.</p> <p>An additional disclosure was added to the financial statement where COVID-19 has an impact or potential impact.</p>
Other area of interest - CEWS	Risk that the amounts claimed are not in agreement with the legislation in this regard.	We reviewed the claims made including the documentation to support the amount claimed (revenues and salary costs) for adherence to the legislation and ensured the amount have been properly recorded.

INTERNAL CONTROL MATTERS

During the course of our audit, we performed the following procedures with respect to the Association 's internal control environment:

- ▶ Documented operating systems to assess the design and implementation of control activities that were relevant to the audit.
- ▶ Discussed and considered potential audit risks with management.

The results of these procedures were considered in determining the extent and nature of substantive audit testing required.

We are required to report to you in writing, significant deficiencies in internal control that we have identified during the audit. A significant deficiency is defined as 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.

As the purpose of the audit is for us to express an opinion on the Association 's financial statements, our audit cannot be expected to disclose all matters that may be of interest to you. As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

Even though no control deficiencies were noted that, in our opinion, are of significant importance to discuss with those charged with governance, we provided a management letter to management which can be found in Appendix B.

OTHER REQUIRED COMMUNICATIONS

Potential effect on the financial statements of any material risks and exposures, such as pending litigation, that are required to be disclosed in the financial statements.

- BDO Response: None

Material uncertainties related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern.

- BDO Response: No material uncertainties related to events and conditions that may cast significant doubt on the Association's ability to continue as a going concern.

Disagreements with management about matters that, individually or in the aggregate, could be significant to the entity's financial statements or our audit report.

- BDO Response: No disagreements with management.

Matters involving non-compliance with laws and regulations.

- BDO Response: No evidence of matters involving non-compliance with laws and regulations

Significant related party transactions that are not in the normal course of operations and which involve significant judgments made by management concerning measurement or disclosure.

- BDO Response: None

Management consultation with other accountants about significant auditing and accounting matters.

- BDO Response: None

Other Matters

- BDO Response: None

Professional standards require independent auditors to communicate with those charged with governance certain matters in relation to an audit. In addition to the points communicated within this letter, the attached table summarizes these additional required communications.

APPENDIX

Appendix A: Adjusted and unadjusted differences

Appendix B: Management letter

Appendix C: BDO resources

APPENDIX A: Adjusted and unadjusted differences

Carleton University Students' Association, Inc

Year End: April 30, 2021

Journal Entries

Date: 01/12/1999 To 04/30/2021

0.10

Prepared by KZ 07/14/2021	Detail Rev	Gen Rev AJB 08/16/2021	Quality Rev
4th Level Rev	Tax Rev	IS Audit Rev	Other Rev

Number	Date	Name	Account No	Reference	Debit	Credit	Recurrence	Misstatement
1	04/30/2021	Miscellaneous	9900-BU	CASEWARE €	1,330.97			
1	04/30/2021	Prior Periods Profit (Loss)	TB-RE-OPENING	CASEWARE €		1,330.97		
To adjust the opening retained earnings to agree with prior year.								
PBC 1	04/30/2021	CKCU internal	1150	PBC 1		5,888.49		
PBC 1	04/30/2021	Accrued Payables	2399	PBC 1	5,888.49			
Client adjustment.								
PBC 2	04/30/2021	Other Receivables DO NOT USE THIS ACCOUI	1180	PBC 2	17,408.00			
PBC 2	04/30/2021	Other income	5900	PBC 2		17,408.00		
Client adjustment #2.								
PBC 3	04/30/2021	Accrued Payables	2399	FSD. 03		11,978.02		
PBC 3	04/30/2021	Accrued Payables	2399	FSD. 03		5,992.83		
PBC 3	04/30/2021	Web Management	6500-CM	FSD. 03	5,992.83			
PBC 3	04/30/2021	Salaries 3011	8200-AD	FSD. 03	11,978.02			
Client adjustment #3 & 4.								
					42,598.31	42,598.31		
Net Income (Loss)			782,149.64					

Carleton University Student Association, Inc.
 Summary of Unadjusted Misstatements
 Friday, April 30, 2021

Description of Misstatement	Identified Misstatements	Projections of Identified Misstatements	Estimates	Proposed Adjustments			
				Assets Dr(Cr)	Liabilities Dr(Cr)	Opening R/E Dr(Cr)	Income Dr(Cr)
Prior year overstatement of revenue from GSA (prior year adjustment to be carried forward until the agreement is terminated)	20,000				(20,000)	20,000	
Understatement of amortization expense and accumulated amortization	14,170			(14,170)			14,170
Overstatement of receivable balances (uncollectible accounts and documents missing)	3,038	18,531		(18,531)			18,531
Overstatement of other revenues - due to cleaning revenue	69,655						69,655
Overstatement in expense - due to cleaning revenue	69,655						(69,655)
Understatement of inventory provision	1,573	72,759		(72,759)		72,759	
Extrapolated error found in purchase testing	1,466	34,499		5,470		29,029	(34,499)
Credit balances shown as account receivable	18,665			18,665	(18,665)		
Employee benefits balance that does not have sufficient audit evidence to test	15,648		15,648		15,648		(15,648)
ITC overclaimed			32,276		(32,276)		32,276
Likely Aggregate Misstatements Before Effect of Previous Year's Errors and Estimates	213,870	125,789	47,924	(81,325)	(55,293)	121,788	14,830
Effect of Previous Year's Errors				-	-	(27,786)	27,786
Likely Aggregate Misstatements				(81,325)	(55,293)	94,002	42,616

Details of why no adjustment has been made to the financial statements for the above items: Amounts are not significant and/or result from extrapolations.

APPENDIX B: Management letter



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180 Kent St. Suite 1700
Ottawa, ON
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September 8, 2021

Carleton University Students' Association, Inc.
1125 Colonel By Drive
Ottawa, ON
K1S 5B6

Dear Ms. Yu, Finance Manager

During the course of our audit of the financial statements of Carleton University Students' Association, Inc. for the year ended April 30, 2021, we identified matters which may be of interest to management. The objective of an audit is to obtain reasonable assurance whether the financial statements are free of any material misstatement and it is not designed to identify matters that may be of interest to management in discharging its responsibilities. Accordingly an audit would not usually identify all such matters.

The responsibility for producing financial statements and ensuring adequate internal controls and sound business practices is the responsibility of the Board of Directors through management and is a part of management's overall responsibility for the ongoing activities of the Association. Policies and procedures developed by the Association to safeguard its assets and to provide reasonable assurance that errors and irregularities or illegal acts are promptly identified, must be properly monitored to ensure that all staff are complying with the guidelines provided. Where we determined, from our testing, that there exists a need for improvement in existing systems of internal control or if we detected that the Association's staff are not complying with the critical accounting policies and procedures provided by management, we increased our year-end testing of account balances to ensure that audit risk was kept to an appropriately low level.

The comments and concerns expressed herein did not have a material effect on the Association's financial statements and, as such, our opinion thereon was without reservation. However, in order for the Association to ensure the safeguarding of its assets and the accuracy of its records, we believe our comments and concerns should be taken into consideration by management. Our comments are not intended to reflect upon the honesty or competence of the Association's employees.

The matters we have identified are discussed in Appendix 1.

This communication is prepared solely for the information of management and is not intended for any other purposes. We accept no responsibility to a third party who uses this communication.

We would like to express our appreciation for the cooperation and assistance which we received during the course of our audit from Duncan McEachern, Karen Gordan, and Jean Cheng.

We shall be pleased to discuss with you further any matters mentioned in this report at your convenience.



Yours truly,

A handwritten signature in black ink that reads 'Annik Blanchard'. The signature is written in a cursive, flowing style.

Annik Blanchard, CPA, CA
Partner
BDO Canada LLP
Chartered Professional Accountants, Licensed Public Accountants



Appendix 1

Current year points

Cybersecurity related controls

There has been a significant increase in occurrence of cybersecurity breaches, intrusions and attacks since the COVID-19 pandemic as it facilitated changes in the working environment (i.e. remote work). Furthermore, the not-for-profit sector has been frequently targeted in the last few years. Cyber-attacks in the not-for-profit sector represents 42.9% of all cyber-attacks in the country. The data accumulated by the subject matter experts in the cybersecurity space indicate that the not-for-profit sector has become and continues to be a primary target of cyber-attacks. Some common risks include:

- unauthorized access to personal data and financial information;
- loss of organizational and financial data if the attack prohibits file access and /or wipes backups; and
- interruptions to services and operations.

We understand that the Association has put in place some protection measures. However, we recommend that the Association review all its platforms and systems to make sure that all data (confidential and proprietary) is properly protected from cyber-attacks. In addition, since the server was down at Haven Bookstore and Café, BDO recommend the Association to establish data backup systems as well as a recovery plan in case of system crash in the future.

Expense Control Process

During the course of our audit, we noted the expense control process was not followed consistently throughout the year. In the absence of approval of expenses/payments, the Association has an increased risk of having illegitimate expenses being paid out. In addition, we noted cheques were pre-signed in some situations, pre-signed cheques could increase the risk for the Association's fund to be lost, stolen or misused.

We therefore recommend that the Association follow the controls that are in place consistently. In addition, we understand the Association is looking to automate the expense payment process (i.e. direct deposits) and we recommend to consider proper segregation of duties when setting up the process.

Payroll Control Process - No approval being performed

During the course of our audit, we reviewed the payroll control process and noted that the evidence of the payroll review for each pay period was not always present. In the absence of control evidence, the Association has an increased risk of having inaccurate salaries and benefits paid out to its employees. In addition, we also noticed that the leave requests were tracked but without any evidence of approval.

We therefore recommend to document the review of payroll and leave request with a signature on the document, or an email confirmation that the review was undertaken. We understand the Association is in the process to automate the payroll process and we recommend to consider proper segregation of duties when setting up the process. We also recommend the Association to consider integrating the request tracking system with the automated payroll process to reduce manual data



entry error. Furthermore, the approved leave requests could serve as a better proof if the employee decides to challenge it.

Obsolete Inventories

During the course of the audit, BDO noted there are certain inventories (i.e. books) that haven't been sold for more than two consecutive years. Currently these inventories are still being held on-site and taking up storage space that could be considered to be used for products or occupied by businesses that are more profitable. In addition, holding excessive inventories could increase the risk of obsolescence which could lead to an overstatement in inventories.

We therefore recommend the Association to establish a policy regarding obsolete and slow-moving inventory, whether it be to donate or to dispose of it and to forward these instructions to appropriate personnel to ensure that they are properly taken care of and reflected when recording the inventory provision at the end of the year. This will generate a more accurate sales history which will help the Association to optimize their funds and resources in handling and selling the inventories that are more in demand.

Public Image Management

During the course of the audit, BDO encountered some negative comments from the public against the Association through the Internet. Although it is completely normal for any form of government bodies to receive negative feedbacks, whether or not those comments were factual the end result of a media campaign could be unfavourable. Therefore, it is recommended that the Association regularly monitor, assess and respond to the press that could negatively impact its public image.



Carry forward from Prior Years

HST Claims - Carried forward from 2020

During the audit, it was noted that for some expenses the Association did not claim the appropriate HST amount as per the CRA HST Rules. We therefore recommend the Association to review the ITCs rate used each year and ensure it is consistent with taxable and non-taxable activities.

Trustee Meeting Minutes - Carried forward from 2019

During the audit, it was noted that no formal minutes are kept for the Trustee meetings.

It is recommended that written minutes be kept to show important discussions and decisions being made. It is recommended that these be formalized, at minimum, on a quarterly basis.

Tracking of Leave Requests - Carried forward from 2019

During the year it was noted that leave requests for some employees are not tracked, reviewed or approved by another person.

Per the Ontario Employment Standards Act, employers are required to keep records of employee's personal information, hours of work including overtime and vacation, wages and leaves (<http://www.ontario.ca/document/your-guide-employment-standards-act-0-/record-keeping>).

Another reason it is important to record/track vacation earned and used is to ensure that the Association is complying with the legislated time and pay required per the ESA. If an employer cannot prove that they have provided their staff with the required vacation time and pay (two different things under the ESA), they may be liable/at risk if an employee decides to challenge it.

Additionally, there is a risk that employees tracking their own time may underreport their leave time, which can go unnoticed without proper reviews in place. It is therefore recommended that all leave requests be formally tracked, reviewed and approved by another person.

APPENDIX C: BDO RESOURCES

BDO is a leading provider of professional services to clients of all sizes in virtually all business sectors. Our team delivers a comprehensive range of assurance, accounting, tax, and advisory services, complemented by a deep industry knowledge gained from nearly 100 years of working within local communities. As part of the global BDO network, we are able to provide seamless and consistent cross-border services to clients with global needs. Commitment to knowledge and best practice sharing ensures that expertise is easily shared across our global network and common methodologies and information technology ensures efficient and effective service delivery to our clients.

Outlined below is a summary of certain BDO resources, which may be of interest to the Executive Committee.

PUBLICATIONS, KNOWLEDGE AND RESOURCE CENTRE

ASNPO Knowledge Centre

Our ASNPO Knowledge Centre is a website that links to all of BDO's publications dedicated to NPOs to help you stay up-to-date on issues and changes in standards at the following link: [ASNPO | BDO Canada](#)

Not-for-Profit Resource Centre and Publications

Our Not-for-Profit Resource Centre, on the other hand, is a dedicated digital hub for our NPO sector clients and their board members - with a focus on addressing key issues across the NPO sector, including crisis management, financial literacy, governance best practices, strategic planning and managing fraud. It includes access to Webinars on Demand, Infographics, Articles, Guides, and Surveys, among other resources. More information can be found at: [ASNPO Insights | BDO Canada](#)

EVENTS

BDO also hosts a number of live and web-based events throughout the year. Many of our events are eligible for professional development hours (MyPDR) for individuals with a financial professional designation.

A comprehensive list of events is available at: [Events | BDO Canada](#)

ACCOUNTING STANDARDS IMPROVEMENTS FOR NPOs

It was a busy year for the Accounting Standards Board (AcSB or the Board) and for Part III of the CPA Canada Handbook - Accounting: Accounting Standards for Not-for-Profit Organizations (ASNPO). As was the case with many during the COVID-19 pandemic, the Board had to pivot and make quick decisions to address stakeholder needs during these unprecedented times. These decisions include the deferral of the effective date of some amendments and new standards. Whilst the pandemic has caused many changes, the Board was still hard at work advancing the progress of various ongoing not-for-profit organization (NPO) projects, including its projects on combinations of NPOs and recognition of contributions.

For more information: [ASNPO Update | BDO Canada](#)

COVID-19 RESOURCES

As global reactions and responses to coronavirus (COVID-19) continue to evolve and change, BDO Canada has issued a number of publications on the financial reporting and tax implications resulting from the outbreak to assist companies in navigating these challenging times. This includes publications on the accounting implications arising from changing economic conditions, understanding available government assistance, crisis management and responding to liquidity changes.

For additional information on the impact of COVID-19 can have on all aspects of a company's operations, refer to the following link: [COVID-19 Resources | BDO Canada](#)