

University of Toronto Engineering Society

Audit report to the Members of the Board of
Directors for the year ended May 31, 2023

START



To the Members of the Board of Directors of University of Toronto Engineering Society

We are pleased to provide you with this report to highlight and explain key issues which we believe to be relevant to the audit of University of Toronto Engineering Society (the “Organization”) financial statements for the year ended May 31, 2023.

The enclosed report includes our approach to your audit, including: significant risks identified, the nature, extent, timing, and results of our audit work, and the terms of our engagement. We will also report any significant internal control deficiencies identified during our audit and confirm our independence.

During the course of our audit, management made certain representations to us—in discussions and in writing. We documented these representations in the audit working papers.

The business environment has changed for us all during the time of COVID-19. Cash flow, strategy, operations: each has received a rethink. As your auditors, we have relied on our digital audit suite to stay connected—among ourselves, with management, and with you.

We look forward to discussing our report with you. In the meantime, please feel free to contact us if you have any questions or concerns.

Yours truly,

BDO Canada LLP

September 19, 2023



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For the year ended May 31, 2023



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Audit at a glance

Your dedicated BDO audit team:

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Manager

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Auditor's responsibilities: financial statements

We are responsible for forming and expressing an opinion on the financial statements that have been prepared by management, with oversight by those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities. The scope of our work, as confirmed in our engagement letter, is set out below:

- ▶ Present significant findings to the Members of the Board of Directors including key audit and accounting issues, any significant deficiencies in internal control and any other significant matters arising from our work.
- ▶ Provide timely and constructive management letters. This includes deficiencies in internal control identified during our audit.
- ▶ Consult regarding accounting, income taxes, and reporting matters as requested throughout the year.
- ▶ Prepare and file applicable tax returns for the year ended May 31, 2023.
- ▶ Work with management to issue financial statements and tax returns in a timely manner.
- ▶ Identify and assess the risks of material misstatement due to fraud.
- ▶ Obtain sufficient and appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses.
- ▶ Respond appropriately to fraud or suspected fraud identified during the audit.



Auditor's responsibilities: fraud risks

We are responsible for planning and performing the audit to obtain reasonable assurance that the financial statements are free of material misstatements, whether caused by error or fraud, by:

- ▶ Identifying and assessing the risks of material misstatement due to fraud;
- ▶ Obtaining sufficient and appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and
- ▶ Responding appropriately to fraud or suspected fraud identified during the audit.

The likelihood of not detecting a material misstatement resulting from fraud is higher than the likelihood of not detecting a material misstatement resulting from error because fraud may involve collusion as well as sophisticated and carefully organized schemes designed to conceal it.

Behind the audit report



Learn how we audit your financial statements

[SEE OUR PROCESS](#)



Auditor's responsibilities: fraud risks

During the audit, we performed risk assessment procedures and related activities to obtain an understanding of the entity and its environment, including the Organization's internal control, to obtain information for use in identifying the risks of material misstatement due to fraud and made inquiries regarding:

- ▶ Management's assessment of the risk that the financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments;
- ▶ Management's process for identifying and responding to the risks of fraud in the Organization, including any specific risks of fraud that management has identified or that have been brought to its attention, or classes of transactions, account balances, or disclosures for which a risk of fraud is likely to exist;
- ▶ Management's communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud in University of Toronto Engineering Society; and
- ▶ Management's communication, if any, to employees regarding its view on business practices and ethical behavior.

During the year, a Café staff stole a total of \$1,402.98 worth of cash and inventory from the store. The Organization noted the cash was missing from cash register during cash reconciliation in October 2022 and identified the theft by setting up surveillance cameras pointing at the cash register in November 2022. On December 5, 2022, the employee returned \$1,642.66 to the Organization.

Other than the matter noted above, we were not aware of any other instances of fraud. If you are aware of any instances of actual, suspected, or alleged fraud, other than the two matters noted above, please let us know.



Audit at a glance

Materiality

We determined materiality to be \$35,000 for the year ended May 31, 2023 based on 3% of expenses.

Misstatements are considered to be material if they could reasonably be expected to influence the decisions of users based on the financial statements.

Judgments about materiality are made in light of surrounding circumstances and include an assessment of both quantitative and qualitative factors and can be affected by the size or nature of a misstatement, or a combination of both.

We communicated all corrected and uncorrected misstatements identified during our audit to the Board of Directors, other than those which we determined to be “clearly trivial.”

We encouraged management to correct any misstatements identified throughout the audit process.

Our independence



We have complied with relevant ethical requirements and are not aware of any relationships between University of Toronto Engineering Society and our Firm that may reasonably be thought to bear on our independence.

Status of the audit

We have substantially completed our audit of the year ended May 31, 2023 financial statements, pending completion of the following items:

- ▶ Receipt of signed management representation letter
- ▶ Subsequent events review through to the financial statements' approval date
- ▶ Approval of financial statements by the members of 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. See [Appendix A](#) for our final independent auditor's report.

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 Organization's accounting practices, including accounting policies, accounting estimates and financial statements disclosures. We look forward to exploring these topics in depth and answering your questions. A summary of the key discussion points are below:

Financial statement areas	Risks noted	Audit findings
Revenue	Fraud risk due to improper revenue recognition	Reviewed revenue recognition policy for consistency with the professional standards.
Management Override of Controls	<p>Fraud risk regarding management override of controls.</p> <p>Management, due to its authority, is in a unique position to override internal controls, which potentially results in misleading financial information</p>	<ul style="list-style-type: none">• We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.• We also obtained an understanding of the business rationale for significant transactions that we became aware of that were outside the normal course of operations for the Organization, or that otherwise appear to be unusual given our understanding of the Organization and its environment.• We reviewed accounting estimates for potential biases and, if any, evaluated whether they represented a risk of material misstatement.• All audit testing in this area was executed as planned and no errors or concerns were noted.



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We use BDO Global Portal to help you collaborate with your audit team in a seamless way—placing everything you need in one accessible, secure place.

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Internal control matters

During the audit, we performed the following procedures regarding the Organization'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.

We considered the results of these procedures in determining the extent and nature of audit testing required.



We are required to report to you in writing about any 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 merits the attention of those charged with governance.

The audit expresses an opinion on the Organization's financial statements. As a result, it does not cover every aspect of internal controls—only those relevant to preparing the financial statements and designing appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

During the course of our audit, the following significant weaknesses in the design or implementation of internal controls came to our attention:

Significant deficiencies in internal control

Deficiency	Issue and Impact
Control on cash on hand	Lack of timely reconciliation of cash on hand provides opportunity of cash theft. See management letter for further details.



Adjusted and unadjusted differences

Summary of unadjusted differences

There were two unadjusted differences noted during the course of our audit engagement:

- 1) Salary not accrued record and understated of \$2,923
- 2) Store and café revenue understated of \$15,590
- 3) Impact of carry forward misstatements from fiscal 2022 of \$2,705

The resulting net impact on income was \$12,056

Summary of adjusted differences

There were the standard eight adjusting journal entries proposed during the audit engagement as follows:

- 1) To record amortization for the year of \$148
- 2) Adjustment to retained earning to reconcile prior year of \$68,374 (balance sheet only)
- 3) Adjustment of inventory to final count listing of \$20,769
- 4) Adjustment of store cash balance to final count listing of \$11,771
- 5) Correct HST refund from misc income to accounts receivable of \$842
- 6) Adjustment of café cash balance to final count listing of \$200
- 7) Net adjustments to SEF restricted fund of \$33,455
- 8) Reclass Rhonda's RRSP match to payroll expense of \$145,000 (no net income effect)
- 9) Adjustment of software expense into income statement of \$75



Other required communications

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.

Issue	BDO response
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.	None that we are aware of.
The final draft of the representation letter.	This will be provided to management.
Material uncertainties related to events and conditions that may cast significant doubt on the Organization's ability to continue as a going concern.	None that we are aware of.
Disagreements with management about matters that, individually or in aggregate, could be significant to the Organization's financial statements or our audit report.	None that we are aware of.
Matters involving noncompliance with laws and regulations.	None that we are aware of.
Significant related party transactions that are not in the normal course of operations and that involve significant judgments made by management concerning measurement or disclosure.	None that we are aware of.
Subsequent events that have caused changes to the audit report.	None that we are aware of.
Modifications in opinion.	Please see our draft auditor's report included in Appendix A.
Emphasis of matters paragraphs or other matters paragraphs.	Please see our draft auditor's report included in Appendix A.



How we audit financial statements: Our audit process

IDENTIFY AND ASSESS RISK

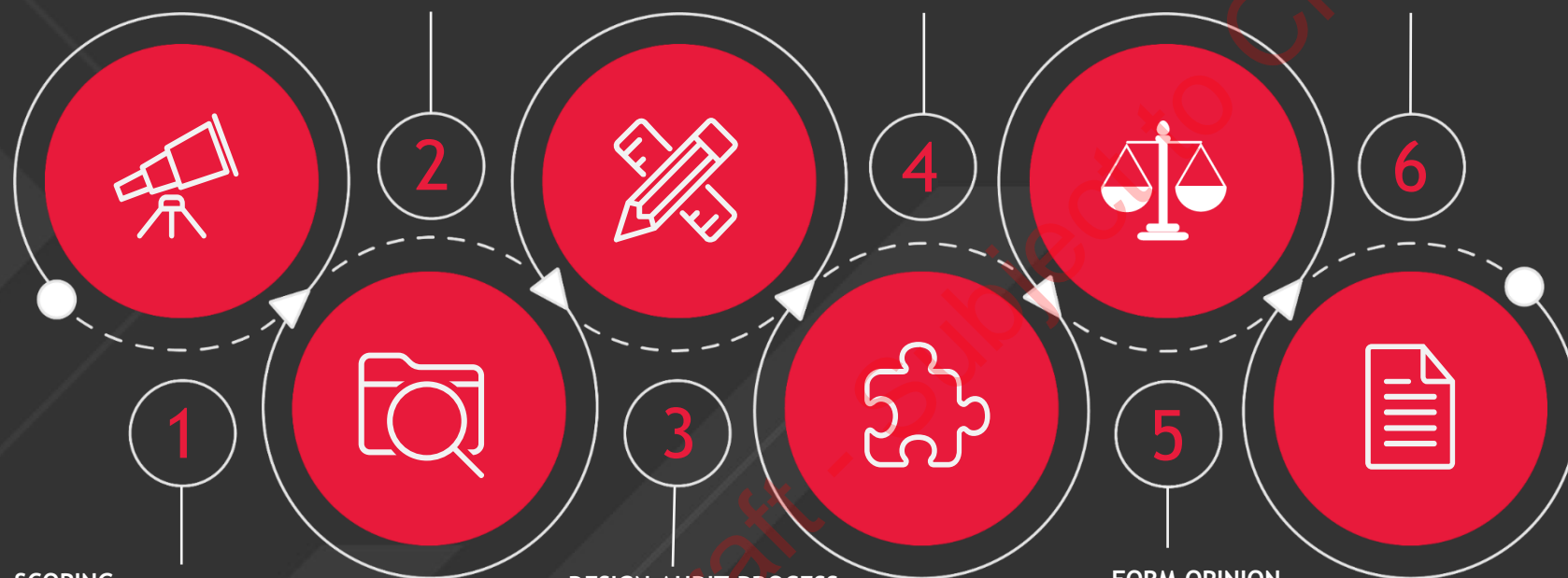
Focus on those areas of financial statements that contain potential material misstatements as a consequence of the risks you face

OBTAIN AUDIT EVIDENCE

Perform audit procedures while maintaining appropriate degree of professional skepticism, to conclude whether or not the financial statements are presented fairly

REPORT

Communicate our opinion and details of matters on which we are required to report



SCOPING

Complete a preliminary review to plan the audit, determine the materiality level, and define the audit scope

DESIGN AUDIT PROCESS

Design an appropriate audit strategy to obtain sufficient assurance and enable us to report on the financial statements

FORM OPINION

Evaluate whether we have enough evidence to conclude that the financial statements are free from material misstatement, and consider the effect of any potential misstatements found

New Standard for Audit Quality



ISQM 1

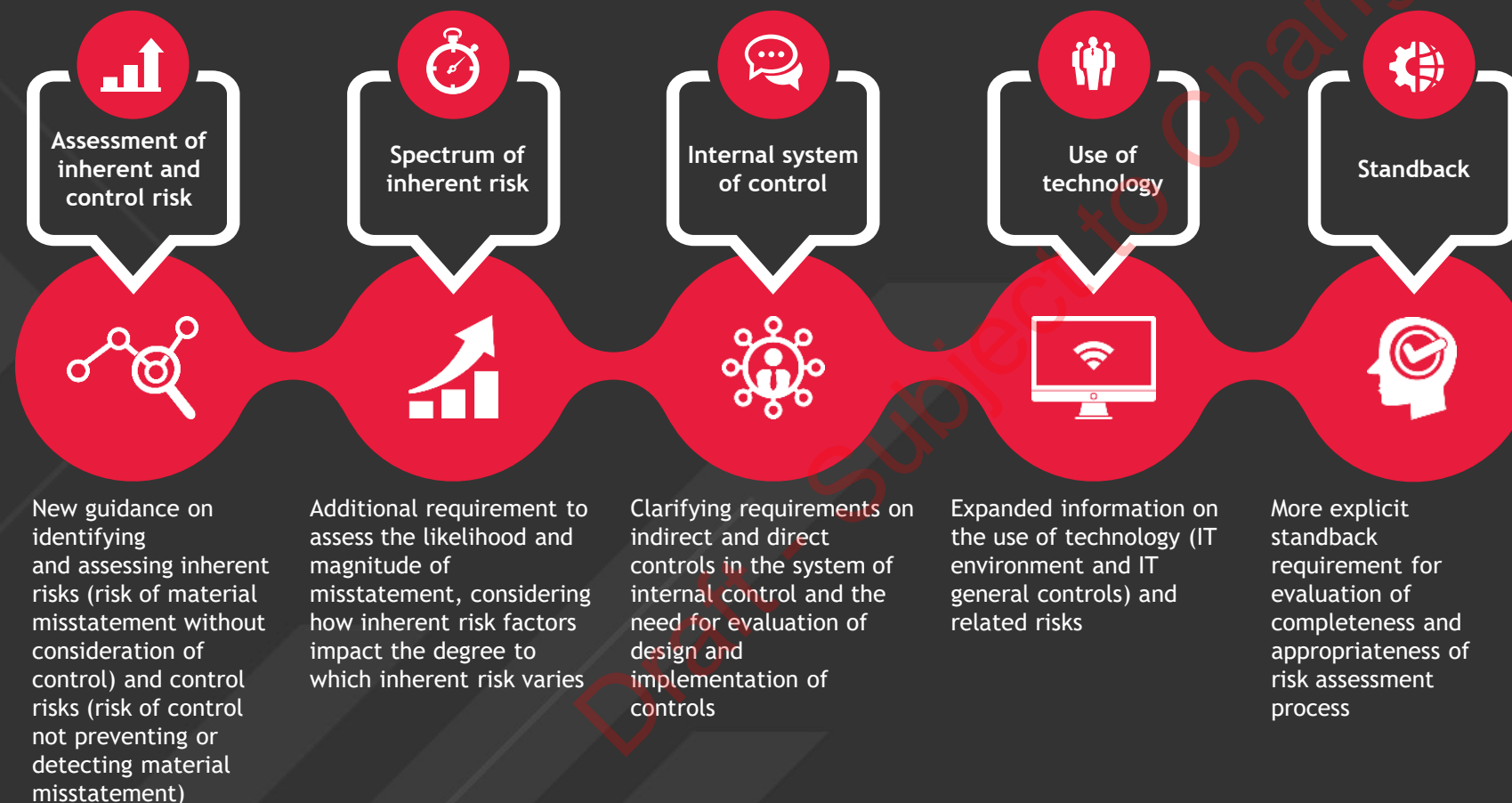
The quality of an audit depends not only on the people conducting it—but also on the systems underpinning it. These new rules up the ante for your audit quality.

[SEE THE STANDARD](#)



Updates to our audit process

Canadian Auditing Standard 315, *Identifying and Assessing the Risks of Material Misstatement*, was significantly revised with a greater focus on more robust risk identification, assessment and response procedures. The standard is effective for periods beginning on or after December 15, 2021. Key enhancements include:



What's the impact to you?

More inquiry, observation, and inspection procedures, especially for risks related to the use of technology

No change to communicating significant risks

Audit procedures focused on addressing risks identified

More consistent and effective audits with improved responses to identified risks improving audit quality for all stakeholders



Our audit approach: Responsiveness in action

Our firm is deliberately structured to allow one partner to every six staff members. This means easy access to senior staff and the lead partner throughout your audit. It also helps our team gain a better understanding of your organization.

Our audit process differs from the typical audit in our use of in-field reviews, subject to COVID-19 safety protocols. The benefit of these in-field reviews is that final decision-makers are on site ensuring issues are resolved and files closed quickly.

We offer clients the full-service expertise of a national firm. Yet we maintain a local community focus. The comprehensive range of services we deliver is complemented by a deep industry knowledge gained from over 100 years of working within local communities.



Discover how we're accelerating audit quality



Audit Quality Report

We collected our core beliefs around audit quality, the very practical steps we take to sustain it, and the progress we have made to accelerate its quest.

[Follow our progress](#)

BDO's digital audit suite

Our digital audit suite of technologies enables our engagement teams to conduct consistent risk-based audits, both domestically and internationally, with maximum efficiency and minimal disruption to our clients' operations and people.



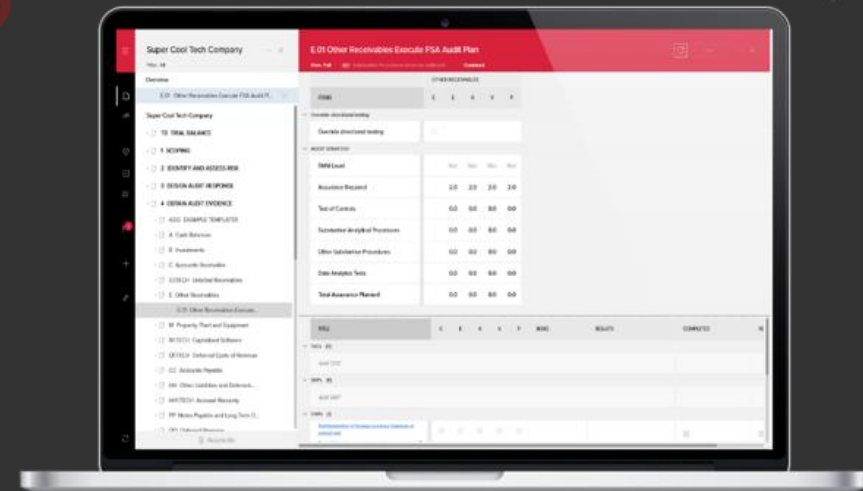
APT Next Gen

Our audit software and documentation tool, APT, is an integral part of our audit methodology. Our professionals engage APT to devise and perform appropriate, risk-based audit procedures and testing based on applicable Canadian Auditing Standards (CASs), as well as to factor in engagement and industry-specific objectives and circumstances.

APT enables us to deliver an audit that fits your organization—whether large or small; complex or basic.

This sophisticated tool also amplifies two key attributes of our audits: consistency and quality. The quality framework that we developed measures our audit performance with hard quality indicators and reflects our indispensable culture for quality. To see our audit quality and consistency in action, look no further than how our teams share best audit practices for continuous improvement.

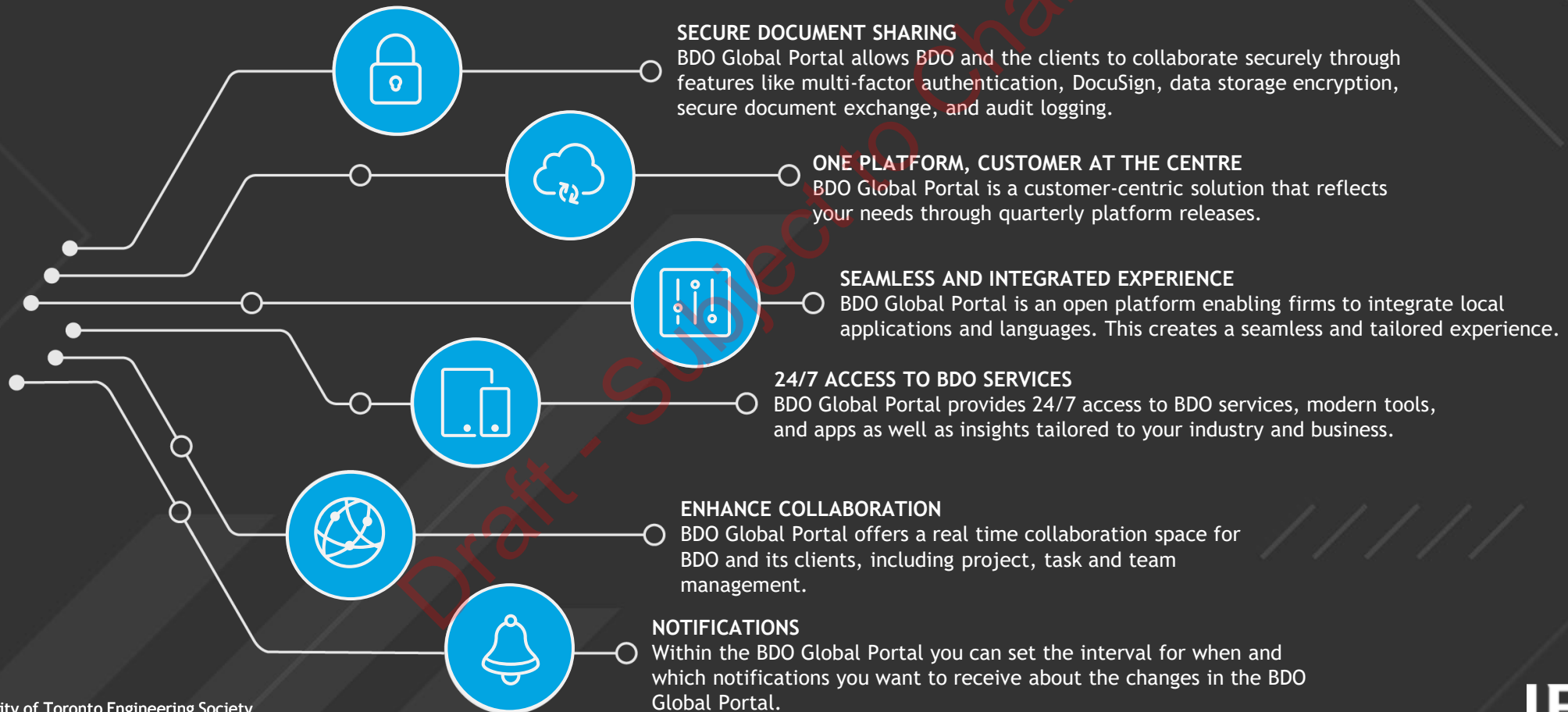
Through a strategic alliance with Microsoft and the introduction of new technology, this global, cloud-based application can now streamline and focus the audit process in even more ways for BDO professionals and their clients.





BDO Global Portal

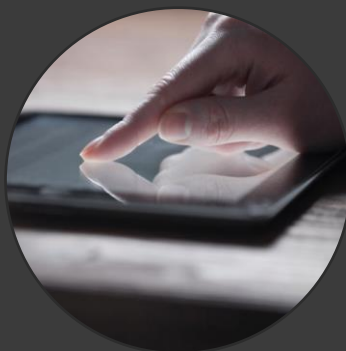
BDO Global Portal transforms and enhances your digital experience with your BDO advisors. Available at any time, Portal enables you to access all services, tools, apps, and information and to collaborate with your advisors in a seamless way through a flexible, appealing, and secure environment.





Recommended resources

Key changes to financial reporting



When the rules of reporting change, you may need to fine-tune how to present financial statements and govern the organization.

**ACCESS OUR
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2023 Federal Budget



Understand the key elements of the 2023 Federal Budget and how it will impact you and your business

STAY ON TOP OF TAXES

7 powerful steps to financial audit readiness



Getting and staying prepared for an audit simplifies the process, cuts turnaround time, and improves your chances of overall success. Learn how you can be audit ready.

7 STEPS



Spotlight on ASPNO

AcSB Exposure Draft “Contributions – Revenue Recognition and Related Matters



OBJECTIVE OF CHANGE

- ▶ Improve financial reporting by not-for-profit organizations (NPOs) by creating guidance that will result in financial statements that are less complex and more comparable.



PROPOSED STANDARD

- ▶ One single approach for recognizing revenue from restricted contributions.
- ▶ Specific guidance on special types of contributions including endowments, capital asset contributions and contributed materials and services.
- ▶ Includes amendments to current guidance in Section 4400 Financial Statement Presentation by NPOs.



PROPOSED EFFECTIVE DATE

- ▶ Fiscal years beginning on or after January 1, 2026 with earlier application permitted.
- ▶ Retrospective application with transitional relief provisions.



MAIN IMPACT ON CURRENT ACCOUNTING

- ▶ NPOs would be required to defer recognition of revenue for a restricted contribution until the external restriction(s) associated with the contribution are met, provided the contribution is measurable and collection is reasonably assured.
- ▶ Elimination of the existing accounting policy choice for restricted contributions (restricted fund method vs deferral method) will result in a change in practice for many NPOs.



FEEDBACK TO ACSB

- ▶ Comments deadline: September 30, 2023
- ▶ Response options:
 - Response letter via [online form](#).
 - Round table attendance - details on the [Contributions](#) project page.
 - Complete the [Connect.FRASCANADA.ca](https://connect.frascanada.ca) survey.



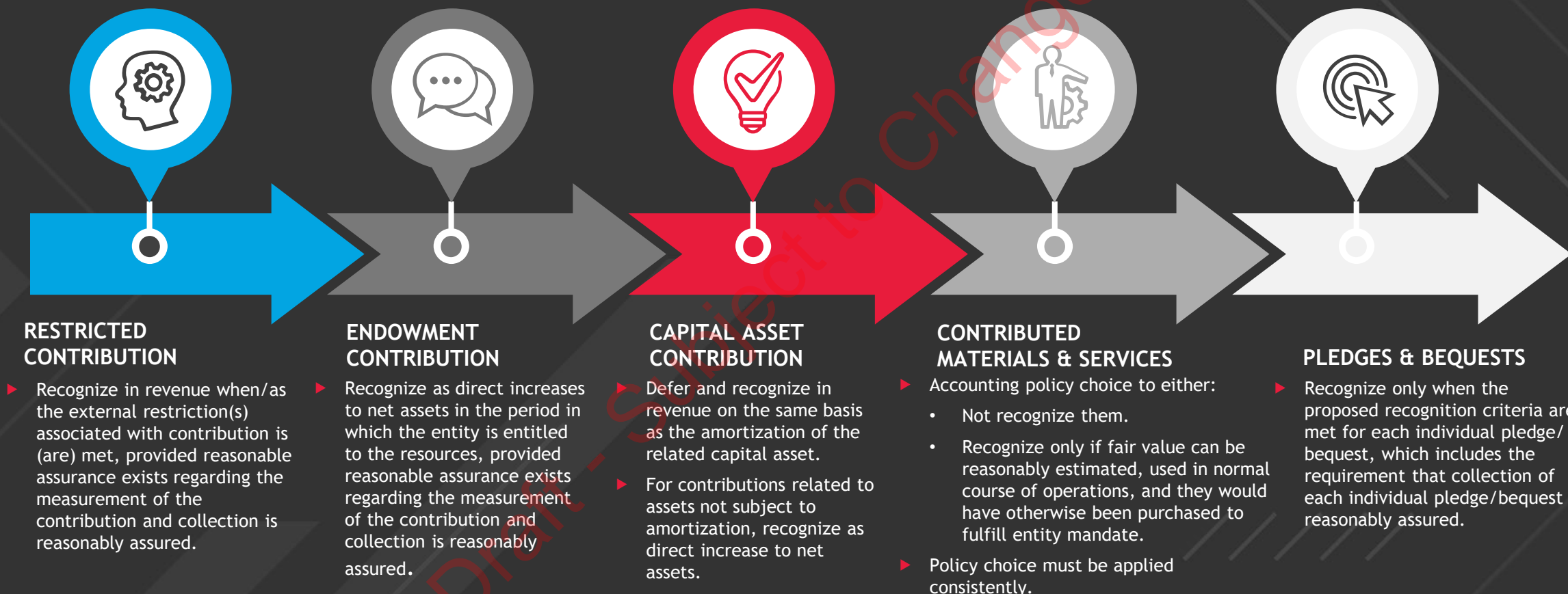
RESOURCES

- ▶ [Exposure Draft & In Brief](#) documents
- ▶ [Webinar](#)



Spotlight on ASPNO

In Depth: Proposed Accounting



Spotlight on sustainability

Fast-moving world events are pushing sustainability up the agenda of Canadian organizations. Now organizational leaders, investors, and customers are responding on three fronts: environmental, social, and governance (ESG).

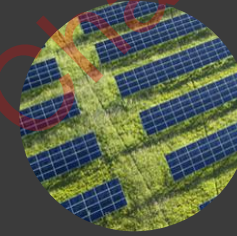
Regulators and issuers of standards are doing their part by supporting sustainability in the reporting ecosystem. Increasingly, organizations will need to go beyond the financials—and demonstrate sustainability with non-financial metrics.

5 reasons why businesses should care about ESG



[SEE 5 REASONS](#)

How climate change became a business issue worth reporting



[READ ARTICLE](#)

10 Questions about sustainability reporting



[EXPLORE QUESTIONS](#)

Accounting for going green



[LEARN MORE](#)

Why CFOs should make sustainability a part of their financial reporting today



[BUILD BACK SUSTAINABLY](#)

Rethinking sustainability: the ESG roadmap



[SEE ROADMAP](#)



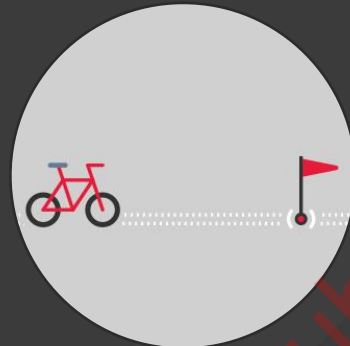
Spotlight on not-for-profit

Sector insights to shape your organization

Our not-for-profit leaders are thinking about the big questions facing the sector—from fulfilling your mission with limited resources to staying compliant with regulation. Our team combines sector-leading assurance, advisory, and tax expertise to bring you key insights.

For more on these and other key issues facing your business, please reach out to your engagement partner. They will be happy to put you in touch with the BDO professional who can best help you.

Navigating your non-profit



Your strategic roadmap to success

[READ REPORT](#)

Board guide to strategic planning



Building a roadmap for your non-profit

[READ REPORT](#)

The BDO Not-for-Profit Resource Centre



Sector insights at your convenience

[EXPLORE NOW](#)

Appendices

- ▶ Appendix A: Independent auditor's report
- ▶ Appendix B: Representation letter

Draft - Subject to Changes



Appendix A: Independent auditor's report

Please see the independent auditor's report included in the draft financial statements sent under separate cover



Appendix B: Representation letter

Draft - Subject to Changes

The University of Toronto Engineering Society
Room B740 Sanford Fleming Building
10 King's College Road
Toronto, ON
M5S 3G4

Approval Date: _____

BDO Canada LLP
Chartered Professional Accountants
222 Bay Street, Suite 2200
Toronto, ON M5K 1H1

This representation letter is provided in connection with your audit of the financial statements of The University of Toronto Engineering Society for the year ended May 31, 2023, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

We 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:

Financial Statements

We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated July 10, 2023, for the preparation of the financial statements in accordance with Canadian Accounting Standards for Not-for-Profit Organizations; in particular, the financial statements are fairly presented in accordance therewith.

- The methods, significant assumptions, and data used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement and/or disclosure that are reasonable in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Canadian Accounting Standards for Not-for-Profit Organizations.
- All events subsequent to the date of the financial statements and for which Canadian Accounting Standards for Not-for-Profit Organizations require adjustment or disclosure have been adjusted or disclosed.
- The financial statements of the entity use appropriate accounting policies that have been properly disclosed and consistently applied.
- The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter.
- We have reviewed and approved all journal entries recommended by the practitioners during the audit. A list of the journal entries is attached to the representation letter.

Information Provided

- We have provided you with:
 - access to all information of which we are aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters;

- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- We are responsible for the design, implementation and maintenance of internal controls to prevent, detect and correct fraud and error, and have communicated to you all deficiencies in internal control of which we are aware.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

Fraud and Error

- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators, or others.

General Representations

- We confirm that there are no derivatives or off-balance sheet financial instruments held at year end that have not been properly recorded or disclosed in the financial statements.
- There have been no plans or intentions that may materially affect the recognition, measurement, presentation or disclosure of assets and liabilities (actual and contingent).
- There were no direct contingencies or provisions (including those associated with guarantees or indemnification provisions), unusual contractual obligations nor any substantial commitments, whether oral or written, other than in the ordinary course of business, which would materially affect the financial statements or financial position of the entity, except as disclosed in the financial statements.

Other Representations Where the Situation Exists

- We have informed you of all known actual or possible litigation and claims, whether or not they have been discussed with legal counsel. Since there are no actual, outstanding or possible litigation and claims, no disclosure is required in the financial statements.

Yours truly,



VP Finance
Bo Zhao

Signature

Position



President
Parker Johnston

Signature

Position

Draft - Subject to Changes