



Chartered Professional
Accountants LLP

Grain and General Services Union (ILWU, Canada)
2334 McIntyre Street
Regina SK S4P 2S2

Attention: Hugh Wagner
General Secretary

Re: Audit Findings Letter

Good Day,

We have completed our yearend audit of Grain and General Services Union (ILWU, Canada) for the year ended December 31, 2021, in accordance with Canadian generally accepted auditing standards. In addition to providing our Independent Auditor's Report we are to communicate with management, and those charged with governance of the financial statements, our audit findings which include; the audit opinion, significant deficiencies in internal controls, materiality and summary of unadjusted differences for the engagement.

Financial Statement Audit Engagement

Our objectives, under a financial statement audit engagement, are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Under a financial statement audit engagement, we are obliged to report any significant audit findings, including any significant deficiencies in internal control that we identify, under the limitation of a general purpose financial statement audit.

Independent Auditor's Report

The Independent Auditor's Report is a standardized report provided by Canadian generally accepted auditing standards and must always include the following: i) the Auditor's Opinion, ii) the responsibilities of management and those charged with governance for the financial statements, and iii) the Auditor's responsibilities for the audit of the financial statements. The Independent Auditor's Report provides information on these items but we would like to draw your attention to some key items included in the report for the current year.

Audit Opinion

Our Auditor's Opinion provides a few significant items: i) a listing of the reported financial statements (which typically include the statement of financial position, statement of operations, net assets, cash flow, and the notes to the financial statements), ii) the year end date, iii) the financial statement standards used to prepare the statements, and iv) the specific Auditor's Opinion which is normally an unqualified opinion or may, in certain circumstances, be qualified based on a specific item or issues noted during the audit.

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Unqualified Opinion

After conducting our audit in accordance with Canadian generally accepted auditing standards we have provided an unqualified audit opinion. This means the summation of unadjusted differences noted during our testing did not result in a material misstatement to the financial statements, nor were we limited in the scope of our testing. An unqualified opinion is generally referred to as a "clean audit opinion".

Significant Audit Findings - including significant deficiencies in internal controls

Canadian generally accepted auditing standards require the Auditor to assess the risks present in an organization which could lead to a material misstatement occurring in the financial statement, whether due to fraud or error.

The Auditor must develop an understanding of the practices and controls an organization has in place to process transactions and report the financial results. The Auditor assesses whether these practices can be relied on to ensure the reported financial statements are free from material misstatement. If these are assessed as not being sufficient then the Auditor looks to obtain additional audit evidence from independent sources to support the reported figures.

Based on our audit testing we have identified the following significant audit findings:

Significant year end audit adjustments impacting Net Income

An item is determined to be significant if it is either large in dollar value or large in frequency. In this case we have significant dollar adjustments as part of the audit work. At the commencement of the audit the net income per the internal records of the Union was \$249,243.77 and after audit adjustments the net income was \$551,830.99. We have provided our audit adjustments to management and the board as part of our draft audit package in order to inform you of the various adjustments and to obtain approval as required by Canadian Audit Standards.

The majority of the change was associated with investment activity, which was left unrecorded by your book keeper this year. In the past there was investment activity recorded and adjustments were made to ensure that the Unions records agreed to the activity reported by the investment broker statements. While the investment entries could be considered "normal" audit adjustments the goal should be to have minimal audit adjustments.

Materiality and the Summary of Unadjusted Differences

As stated, the objective of the Auditor is to provide an opinion on whether the financial statements presented are free from "material" misstatement, whether due to fraud or error. Materiality is based on the Auditor's determination of a dollar amount that would impact the decision of a user of the financial statement. We have chosen materiality for the current year to be \$30,000 (2020 - \$30,000).

The Summary of Unadjusted Differences (SUD) gathers the dollar amount of items noted during our testing that have not been adjusted as they have been determined to not have a material impact on the financial statements. The SUD has three sections 1) estimated differences based on analytical testing, 2) specific identified items noted in current year testing, and 3) specific identified items from the prior year that impact the current year.

Based on our findings, we have reported that your financial statements are presented free from material misstatement, whether due to fraud or error.

Constructive Service Items

Per our mission statement MWC strives to be "an asset to our clients, not an expense". One way we accomplish this is by providing additional insight into items which we noted while conducting the audit engagement. Below are items that we have determined to not be a significant issue at this point in time, but could lead to significant issues if not addressed. Alternatively, they may be our commentary on current practices that we can provide a recommendation for improvement.

Prior Issues

Board Meeting Minutes

As noted in the prior year audit findings letters it was recommended that financial statements be generated directly from the accounting records and be signed by at least two Council members. In the current year there were only two occasions where financial information was discussed at meetings and it appears the reports are still being "handcrafted" rather than generated directly from the accounting system.

We recommend that financial information be generated directly from the accounting system and that a more frequent review of financial statements be completed. An industry standard is quarterly at the very least or more frequently if there is significant activity.

Taxable Employee Benefit

During the current year audit it was noted that pension, car allowances and health spending have been added as taxable benefits to employees T4's. We commend management for implementing the prior year recommendation.

Departmental Accounting

As noted in the prior year audit findings letter it was recommended that all revenues and expenses be assigned to departments upon entry. This was successfully implemented in the current year.

Current Issues

Invoice Approval

During our testing we noted several invoices which did not have a documented approval prior to cheque generation. In order to document that the invoice has been reviewed and should be paid we recommend all invoices be signed to document approval, or email approval be attached to the invoices.

Bank Transfers

For several years there has been an interfund transfer between the funds. With the majority owing from the Defense fund to the Operating fund. What this means is in the past there has been a transfer in excess of what was owed to the Defense fund. While we expect there to be some timing differences between funds because all amounts are received and paid out of the Operating fund, we would not expect to see such a significant amount owing between funds. We recommend that a transfer from the Defence fund bank be done to settle the amount owing to the Operating fund and that transfers be tracked to ensure that the correct amounts are being moved between bank accounts.

Conclusion

The audit findings report is prepared for the Board of Directors based on the operations of the organization up to the audit report date. Should a change to the operations occur subsequently, we encourage you to contact our office so we can provide timely input on the impact the changes may have on your next audit engagement.

It is recommended that management provide a response to the board of directors with an action plan to address the issues that we have identified in this letter if applicable. We recommend setting dates of implementation to changes in processes that may occur as part of the action plan. This not only establishes when a risk has been dealt with, but it also establishes when corrective action took place when assessing the processes in the subsequent audit.

We would like to thank the management team and the board for their assistance during the audit and we would be happy to discuss these and any other issues or concerns you may have. And, as always, please contact our office if there are questions that arise during the year.

Thank you,

Clint Ceholski, CPA CA
Partner

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