

**Calgary Arts Development Authority Ltd.**  
**2018 Audit Findings Summary**  
**Prepared by KPMG with regards to the audit of the financial**  
**statements as at and for the year ended December 31, 2018**

**Audit scope**

***Our responsibilities***

- Our responsibilities in carrying out our audit, as well as management's responsibilities, are set out in the engagement letter dated November 26, 2018.

***Independence***

- Professional standards require that we communicate our independence on an annual basis. We confirm that we are independent with respect to Calgary Arts Development Authority Ltd. within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation.

To the date of this report we have not performed any advisory or other services that would threaten our independence.

***Materiality***

- We determine materiality in order to plan and perform the audit and to evaluate the effects of identified misstatements on the audit and of any uncorrected misstatements on the financial statements;
- For the current year, materiality of \$ 200,000 (2017 - \$ 294,000) and an audit misstatement posting threshold of \$10,000 (2017 - \$14,700) have been determined.

**Annual inquiries related to risks of fraud**

Professional standards require that we ask you questions in connection with your oversight of management's process for identifying and responding to the risks of fraud:

- What are your views about fraud risks in Calgary Arts Development Authority Ltd.?
- How do you provide effective oversight of programs and controls to prevent, detect and deter fraud, including oversight of internal controls management has established to mitigate fraud risks?
- Are you aware of, or have you identified any instances of, actual, suspected or alleged fraud, including misconduct or unethical behavior related to financial reporting or misappropriation of assets? If so, have the instances been appropriately addressed and how have they been addressed?

## Specific topics

- Significant risks:
  - Professional standards presume the risk of fraudulent revenue recognition and the risk of management override of controls exist in all entities.
  - The risk of fraudulent revenue recognition can be rebutted, and we have done so. However the risk of management override of control cannot be rebutted, since management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

No issues were noted

- We enquired with no issues noted with regards to related party transactions, subsequent events, commitments and contingencies, fraud, non-compliance with rules and regulations, lawsuits or completeness of liabilities.
- We did not identify, during our financial statement audit, any illegal acts or possibly illegal acts.
- We did not identify, during our financial statement audit, any:
  - matters that pose questions regarding the honesty and integrity of management;
  - fraud or suspected fraud involving employees who have significant roles in internal control over financial reporting;
  - fraud or suspected fraud (whether caused by management or other employees) that results, or may result, in a non-trivial misstatement of the financial statements; and
  - matters that may cause future financial statements to be materially misstated.
- We received the full cooperation of management and employees of Calgary Arts Development Authority Ltd. and, to our knowledge, had complete access to the accounting records and other documents that we needed in order to carry out our audit.

## Summary of audit differences

- We noted one uncorrected misstatement in current year relating to the incorrect treatment of a leasehold inducement to increase income and decrease liability to actual year-end values in the amount of \$3,416.

## Performance improvement observations

- We perform a substantive audit, which means we do not place reliance on controls to reduce our level of audit work. With that, as we become of opportunities for improvements in financial, accounting or operational processes during our audit, we communicate those with management. During the course of our audit, we become aware of such opportunities and have discussed them with management and provided our recommendations for performance improvement. None were considered significant control deficiencies.