



# University of Western Ontario Pension Plans

## **Audit Findings Report to the Joint Pension Board**

For the year ending December 31, 2010

**KPMG LLP**, Chartered Accountants

AUDIT

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## Executive Summary

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### Overview and Status

The purpose<sup>1</sup> of this Audit Findings Report is to assist the Joint Pension Board in your review of the financial statements of the University's Master Trust and Pension Plans for the year ended December 31, 2010.

We have completed the audit of the financial statements with the exception of the following remaining procedures:

- obtaining the signed management representation letter.
- completing our discussions with the Joint Pension Board.
- obtaining evidence of the Joint Pension Board's approval of the financial statements.

We will update the Joint Pension Board on any significant matters arising from the completion of the above procedures, as additional procedures or adjustments to the financial statements may be necessary.

Our audit report will be dated no earlier than the date on which we have obtained sufficient appropriate audit evidence on which to base our audit opinion on the financial statements, including evidence that:

- all the statements that comprise the financial statements, including the related notes, have been prepared
- the Joint Pension Board has approved the financial statements.

### Topics to Discuss

Below are topics identified from the audit that we have highlighted for discussion at the upcoming Joint Pension Board meeting. We believe these topics need to be brought to your attention, and we look forward to discussing our findings with you:

- Significant Qualitative Aspects of Accounting Practices
- Misstatements

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<sup>1</sup> This Audit Findings Report should not be used for any other purpose. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this Audit Findings Report has not been prepared for, and is not intended for, and should not be used by, any third party or any other purpose.

## Significant Qualitative Aspects of Accounting Practices

The following are the significant qualitative aspects of accounting practices that we will discuss:

<p><b>Significant Accounting Policies</b></p>	<ul style="list-style-type: none"> <li>• All significant accounting policies are disclosed in notes to the financial statements.</li> <li>• There were no new accounting policies adopted, and there were no changes made to existing accounting policies during the period.</li> <li>• KPMG reviewed accounting policies adopted by management, including management’s assessment of all accounting policies adopted by the entity, and all are considered appropriate.</li> </ul>
<p><b>Significant Accounting Estimates</b></p>	<ul style="list-style-type: none"> <li>• Management's identification of accounting estimates</li> <li>• Management's process for making accounting estimates</li> <li>• There are no indicators of management bias as a result of our audit over estimates</li> <li>• Disclosure of estimation uncertainty in the financial statements is included in all financial statements as <i>Use of Estimates</i>. This note provides information on areas in the financial statements that include estimates.</li> <li>• Management's evaluates these estimates on a regular basis to ensure they are appropriate.</li> </ul>
<p><b>Significant Disclosures</b></p>	<ul style="list-style-type: none"> <li>• Overall neutrality, consistency, and clarity of the disclosures in the financial statements</li> <li>• Potential effect on the financial statements of significant risks, exposures and uncertainties</li> <li>• Otherwise, all other disclosure is as required in accordance with GAAP and is not considered to be significant or sensitive in nature.</li> </ul> <p>Overall, the disclosures in the financial statements are clear and are consistent with prior periods.</p>

## Misstatements

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### Audit Misstatements – Identification

- Misstatements identified during the audit have been categorized as follows:
  - uncorrected audit misstatements, including disclosures
  - corrected audit misstatements, including disclosures

### Uncorrected Audit Misstatements

- Management has represented to us that the uncorrected audit misstatements, if any, individually and in the aggregate, are, in their judgement, not material to the financial statements.
- There were no unrecorded misstatements identified during the audit.

### Corrected Audit Misstatements

- Refer to the Summary of Corrected Audit Misstatements in Appendix 2.

## Appendices

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### Appendix 1 – Independence Letter

See attached.



**KPMG LLP**  
**Chartered Accountants**  
140 Fullarton Street Suite 1400  
PO Box 2305  
London, ON N6A 5P2

Telephone (519) 672-4880  
Fax (519) 672-5684  
Internet [www.kpmg.ca](http://www.kpmg.ca)

Joint Pension Board  
The University of Western Ontario  
Stevenson Lawson Building  
London, ON N6A 5B8

May 10, 2011

To the members of the Board:

We have been engaged to express an opinion on the financial statements of The University of Western Ontario Pension Plan for Members of the Academic Staff, Pension Plan for Members of the Administrative Staff, Retirement Income Funds Program, and Master Trust for the Pension Plans for the Academic and Administrative Staff and Retirement Income Funds Program ("the Funds") as at and for the year ended December 31, 2010.

Professional standards specify that we communicate to you in writing, at least annually, all relationships between the Funds (and its related entities) and our firm, that may reasonably be thought to bear on our independence.

In determining which relationships to report, we are required to consider relevant rules and related interpretations prescribed by the Institute of Chartered Accountants of Ontario and any applicable legislation or regulation, covering such matters as:

- a) provision of services in addition to the audit engagement
- b) other relationships such as:
  - holding a financial interest, either directly or indirectly, in a client
  - holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client
  - personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client
  - economic dependence on a client.

We have prepared the following comments to facilitate our discussion with you regarding independence matters arising since the date of our last letter.



**PROVISION OF SERVICES**

There are no other professional services rendered by us to the Funds (and its related entities) for the period ended May 10, 2011.

**OTHER RELATIONSHIPS**

We are not aware of any relationships between our firm and the Funds (and its related entities) that may reasonably be thought to bear on our independence during the period from May 17, 2010 to May 10, 2011.

**CONFIRMATION OF INDEPENDENCE**

Professional standards require that we confirm our independence to you in the context of the Rules of Professional Conduct/Code of Ethics of the Institute of Chartered Accountants of Ontario.

Accordingly, we hereby confirm that we are independent with respect to the Funds (and its related entities) within the meaning of the Rules of Professional Conduct/Code of Ethics of the Institute of Chartered Accountants of Ontario as of May 10, 2011.

**OTHER MATTERS**

This letter is confidential and intended solely for use by those with oversight responsibility for the financial reporting process in carrying out and discharging their responsibilities and should not be used for any other purposes. No responsibility for loss or damages, if any, to any third party is accepted as this letter has not been prepared for, and is not intended for, any other purpose. This letter should not be distributed to others outside the Funds without our prior written consent.

We look forward to discussing with you the matters addressed in this letter as well as other matters that may be of interest to you. We will be prepared to answer any questions you may have regarding our independence as well as other matters.

Yours very truly,

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Accountants, Licensed Public Accountants



**Appendix 2 – Management Representation Letter**

See attached.

KPMG LLP  
Chartered Accountants  
140 Fullarton Street, Suite 1400  
London, ON  
N6A 5P2

May 18, 2011

Ladies and Gentlemen:

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the financial statements of The University of Western Ontario Pension Plan for Members of the Academic Staff, Pension Plan for Members of the Administrative Staff, and the Master Trust for the Pension Plans for the Academic and Administrative Staff (the "Plans") as at and for the year ended December 31, 2010.

Certain representations in this letter are described as being limited to matters that are material. Items are considered to be material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the decision of a person who is relying on the financial statements, and who has a reasonable knowledge of business and economic activities, would be changed or influenced by such omission or misstatement. We understand that the determination of materiality involves qualitative as well as quantitative considerations.

We acknowledge that we are responsible for the fair presentation in the financial statements of the Plans' statement of net assets available for benefits and the statements of changes in net assets available for benefits.

We have approved the financial statements.

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:

**GENERAL:**

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated January 26, 2011, for:
  - a) the preparation and fair presentation of the financial statements
  - b) providing you with all relevant information and access

- c) such internal control as management determined is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error
- d) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.

**ACCOUNTING POLICIES:**

- 2) The accounting policies selected and applied are appropriate in the circumstances.

**INTERNAL CONTROL OVER FINANCIAL REPORTING:**

- 3) We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over financial reporting of which management is aware.

**FRAUD & NON-COMPLIANCE WITH LAWS AND REGULATIONS:**

- 4) We have disclosed to you:
  - a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
  - b) all information in relation to fraud or suspected fraud that we are aware of and that affects the Plans 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.
  - c) all information in relation to allegations of fraud, or suspected fraud, affecting the Plans' financial statements, communicated by employees, former employees, analysts, regulators, or others.
  - d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements, whose effects should be considered when preparing financial statements.
  - e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

**COMMITMENTS & CONTINGENCIES:**

- 5) There are no:
  - a) other liabilities that are required to be recognized and no other contingent assets or contingent liabilities that are required to be disclosed in the financial statements in accordance with the relevant financial reporting framework, including liabilities or

contingent liabilities arising from illegal acts or possible illegal acts, or possible violations of human rights legislation

- b) other environmental matters that may have an impact on the financial statements

**SUBSEQUENT EVENTS:**

- 6) All events subsequent to the date of the financial statements and for which the relevant financial reporting framework requires adjustment or disclosure in the financial statements have been adjusted or disclosed.

**RELATED PARTIES:**

- 7) We have disclosed to you the identity of the Plans' related parties and all the related party relationships and transactions of which we are aware and all related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

**ESTIMATES:**

- 8) Measurement methods and significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

**NON-SEC REGISTRANTS OR NON-REPORTING ISSUERS:**

- 9) We confirm that the Plans are not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission ("SEC") Issuer (as defined by the Sarbanes-Oxley Act of 2002). We also confirm that the financial statements of the Plans' will not be included in the consolidated financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

**MISSTATEMENTS:**

- 10) We approve the corrected misstatements identified by you during the audit described in Attachment II.

Yours very truly,

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Jane O'Brien  
Assistant Vice President, Human Resources

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Louise Koza  
Director, Human Resources (Total Compensation)

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Martin Bélanger  
Director, Investments

## **Attachment I – Definitions**

### **MATERIALITY**

Certain representations in this letter are described as being limited to matters that are material. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both.

### **FRAUD & ERROR**

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of a Plan's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization.

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

**The University of Western Ontario Pension Plans**  
**Year ended December 31, 2010**  
**Summary of Uncorrected Audit Differences**

Description	Statement of net assets effect if corrected \$ DR(CR)			Statement of changes in net assets effect, if corrected \$
	Assets	Liabilities	Net Assets	
None noted				

**Summary of Corrected Audit Differences**

Description	Statement of net assets effect of correction \$ DR(CR)			Statement of changes in net assets effect of correction \$
	Assets	Liabilities	Net Assets	
To reduce the transaction costs with a corresponding decrease to realized gains.	-	-	(2,993)/2,993	-

**Summary of Omissions and Other Errors in Presentation and Disclosure**

Description of omission or other error	Resolution corrected/uncorrected
None noted.	

KPMG LLP  
Chartered Accountants  
140 Fullarton Street, Suite 1400  
London, ON  
N6A 5P2

June 23, 2011

Ladies and Gentlemen:

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the financial statements of The University of Western Ontario Retirement Income Fund (the "Plan") as at and for the year ended December 31, 2010.

Certain representations in this letter are described as being limited to matters that are material. Items are considered to be material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the decision of a person who is relying on the financial statements, and who has a reasonable knowledge of business and economic activities, would be changed or influenced by such omission or misstatement. We understand that the determination of materiality involves qualitative as well as quantitative considerations.

We acknowledge that we are responsible for the fair presentation in the financial statements of the Plan's statement of net assets available for retirement income payments and the statements of changes in net assets available for retirement income payments.

We have approved the financial statements.

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:

**GENERAL:**

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated January 26, 2011, for:
  - a) the preparation and fair presentation of the financial statements
  - b) providing you with all relevant information and access



- c) such internal control as management determined is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error
- d) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.

**ACCOUNTING POLICIES:**

- 2) The accounting policies selected and applied are appropriate in the circumstances.

**INTERNAL CONTROL OVER FINANCIAL REPORTING:**

- 3) We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over financial reporting of which management is aware.

**FRAUD & NON-COMPLIANCE WITH LAWS AND REGULATIONS:**

- 4) We have disclosed to you:
  - a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
  - b) all information in relation to fraud or suspected fraud that we are aware of and that affects the Plan 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.
  - c) all information in relation to allegations of fraud, or suspected fraud, affecting the Plan's financial statements, communicated by employees, former employees, analysts, regulators, or others.
  - d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements, whose effects should be considered when preparing financial statements.
  - e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

**COMMITMENTS & CONTINGENCIES:**

- 5) There are no:
  - a) other liabilities that are required to be recognized and no other contingent assets or contingent liabilities that are required to be disclosed in the financial statements in accordance with the relevant financial reporting framework, including liabilities or

contingent liabilities arising from illegal acts or possible illegal acts, or possible violations of human rights legislation

- b) other environmental matters that may have an impact on the financial statements

**SUBSEQUENT EVENTS:**

- 6) All events subsequent to the date of the financial statements and for which the relevant financial reporting framework requires adjustment or disclosure in the financial statements have been adjusted or disclosed.

**RELATED PARTIES:**

- 7) We have disclosed to you the identity of the Plan's related parties and all the related party relationships and transactions of which we are aware and all related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

**ESTIMATES:**

- 8) Measurement methods and significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

**NON-SEC REGISTRANTS OR NON-REPORTING ISSUERS:**

- 9) We confirm that the Plan is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission ("SEC") Issuer (as defined by the Sarbanes-Oxley Act of 2002). We also confirm that the financial statements of the Plan will not be included in the consolidated financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

**MISSTATEMENTS:**

- 10) We approve the corrected misstatements identified by you during the audit described in Attachment II.

Yours very truly,

---

Jane O'Brien  
Assistant Vice President, Human Resources

---

Louise Koza  
Director, Human Resources (Total Compensation)

---

Martin Bélanger  
Director, Investments

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### **FRAUD & ERROR**

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Misappropriation of assets involves the theft of a Plan's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization.

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

**The University of Western Ontario Retirement Income Fund**  
**Year ended December 31, 2010**  
**Summary of Uncorrected Audit Differences**

Description	Statement of net assets effect if corrected \$ DR(CR)			Statement of changes in net assets effect, if corrected \$
	Assets	Liabilities	Net Assets	
None noted				

**Summary of Corrected Audit Differences**

Description	Statement of net assets effect of correction \$ DR(CR)			Statement of changes in net assets effect of correction \$
	Assets	Liabilities	Net Assets	
None noted	-	-	-	-

**Summary of Omissions and Other Errors in Presentation and Disclosure**

Description of omission or other error	Resolution corrected/uncorrected
None noted.	

## Appendix 3 – KPMG's Audit Committee Resources

### General

- *Focus on Financial Reporting – 2010 Annual Update*  
<http://www.kpmg.com/Ca/en/IssuesAndInsights/ArticlesPublications/Pages/FOCUS-ON-FINANCIAL-REPORTING-2010-ANNUAL-UPDATE.aspx>
- *Audit Committee Update*, Issue 2010-01, Audit Committee Institute  
<http://www.kpmg.ca/auditcommittee/update.html>
- Audit Committee Roundtables held each spring and fall, Audit Committee Institute  
<http://www.kpmg.ca/auditcommittee/roundtables.html>
- *Shaping the Canadian Audit Committee Agenda* (2006 edition), Audit Committee Institute  
<http://www.kpmg.ca/auditcommittee/shaping.html>
- *Accountability e-Lert* – periodic electronic newsletter. Subscribe at  
[www.kpmg.ca/accountability](http://www.kpmg.ca/accountability)
- Audit Committee Institute Web site – [www.kpmg.ca/auditcommittee](http://www.kpmg.ca/auditcommittee)