



## **Toronto District School Board** **2020 Audit service plan**

For the year ending August 31, 2020  
For presentation to the Audit Committee  
June 22, 2020



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**Private and confidential**

To the Chair and Members of the  
Audit Committee  
Toronto District School Board  
5050 Yonge Street  
Toronto ON M2N 5N8

**2020 Audit service plan**

Dear Audit Committee members,

We are pleased to provide you with our Audit Service Plan for the Toronto District School Board (the "Board") for the fiscal year ending August 31, 2020. This document describes the key features of our plan including our audit scope, our audit approach and our planned communications with you.

Our commitment to you is straightforward: we will provide you with outstanding professional services delivered by an experienced and dedicated team of professionals. Our professionals will continue providing you with best practices and insights to face the increasingly complex array of issues and challenges encountered by school boards in Ontario.

We are providing this audit service plan to the Audit Committee on a confidential basis. It is intended solely for the use of the Audit Committee and the Board of Trustees to assist you in discharging your responsibilities with respect to the financial statements and is not intended for any other purpose. We accept no responsibility or obligation to any third party who may rely on this report.

We look forward to discussing our audit service plan with you and answering any questions you may have.

Yours truly,

Chartered Professional Accountants

Licensed Public Accountants

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# Our audit explained

## Audit scope and terms of engagement

We have been engaged to perform an audit of the Board's consolidated financial statements (the "Financial Statements") prepared in accordance with the Financial Administration Act supplemented by Ontario Ministry of Education memorandum 2004:B2 and Ontario Regulation 395/11, Accounting Policies and Practices Public Entities ("Regulation 395/11"), of the Financial Administration Act as at, and for the fiscal year ending August 31, 2020. In addition, we have also been engaged to perform the audit of the Board's Trust Funds ("Trust Funds"), the Toronto Lands Corporation ("TLC") and certain government funded programs, as required. Our audits will be conducted in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Deloitte also performs specified procedures on the Board's March year-end reporting to the Ontario Ministry of Education.

The terms and conditions of our engagement are described in the master services agreement for professional services dated April 3, 2019. The fees for services are based on our proposal submitted on January 7, 2019 and/or fees agreed with management should the scope of services change.

## Audit scope and terms of engagement

## Materiality

## Audit risks

## Materiality

We are responsible for providing reasonable assurance that the Board's Financial Statements as a whole are free from material misstatement.

Our materiality levels are based on professional judgment. We expect to use approximately 1.0% of expenses (2019 – 1.0%) as a reference point for determining materiality for the audit of the consolidated financial statements.

We will inform the Audit Committee of all uncorrected misstatements greater than a clearly trivial amount of 5% of materiality and any misstatements that are, in our judgment, qualitatively material. In accordance with Canadian GAAS, we will ask that any misstatements, greater than a clearly trivial amount, be corrected.

## Audit risks

Through our preliminary risk assessment process, we have highlighted certain of the audit risks. These risks of material misstatement and related audit responses are described in the "Audit risks" section of this report.

### Fraud risk

We will develop our audit strategy to address the assessed risks of material misstatement due to fraud. Determining this strategy will involve:

1. Enquiry of those involved in the financial reporting process about inappropriate or unusual activity.
2. Testing a sample of journal entries throughout the period as well as adjustments made at the end of the reporting period.
3. Identifying and obtaining an understanding of the business rationale for significant or unusual transactions that are outside the normal course of business.
4. Evaluating whether your accounting policies may be indicative of fraudulent financial reporting resulting from management's effort to manage results.
5. Evaluating whether the judgments and decisions related to management estimates indicate a possible bias.
6. Incorporating an element of unpredictability in selecting our audit procedures.

We will also ask the Audit Committee for their views about the risk of fraud, whether they know of any actual or suspected fraud affecting the Board and their role in the oversight of management's antifraud programs.

If we suspect fraud involving management, we will immediately inform The Audit Committee of our suspicions and discuss the nature, timing, and extent of audit procedures necessary to complete the audit.

### Complete engagement reporting

#### Audit reporting

Under Canadian GAAS, we are required to communicate certain matters to the Audit Committee. The primary reports and formal communications through which we will address these matters are:

- This Audit Service Plan
- Year End Communication, and
- Our Independent Auditor's Report on the Financial Statements.

#### Business Insights

We will provide you with insights and offer meaningful suggestions for improvement that we identify during the audit. Appendix 2 summarizes the Communication Requirements.



### Group audit controlled entity

The Board is a component of the Group Audit of the Province of Ontario's consolidated financial statements. Deloitte provides information relating to the audit of the Board to the Office of the Auditor General of Ontario ("OAGO") in conjunction with the audit by the Auditor General of Ontario for the Government of Ontario's consolidated financial statements.

Canadian Auditing Standard ("CAS 600") Group Audits require certain procedures to be carried out for significant components of Group Audits and we are required to comply with the requests of the Group Auditor. The Board is assessed as a significant component by the OAGO.

# Significant event

The design of our audit plan began with a reassessment of risk areas from last year's audit. We have identified an additional significant development since our prior year risk assessment. This is an overview of how this additional development is anticipated to impact our audit plan. For a complete summary of the audit risks and the audit procedures planned, please refer to the Audit Risks section of this report.

| Significant development | Impact on our 2020 audit   |
|-------------------------|--|
| <b>COVID-19</b>         | <p>On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus.</p> <p>The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the Board in future periods.</p> <p><i>Impact on our risk assessment</i></p> <p>To assess the impact these economic events may have on our audit, we:</p> <ul style="list-style-type: none"> <li>• Asked management about the impact of recent economic conditions on their financial results or future financial results, such as: <ul style="list-style-type: none"> <li>- The impact on certain revenue streams (i.e. lease rentals and permit revenue) as a result of cancellations of contracts and/or bookings due to the pandemic. We will also consider whether there are any changes in demand that may impact international student tuition fees.</li> <li>- Additional expenditures incurred in response to the pandemic, such as the purchase of personal protective equipment, IT equipment, and other additions to tangible capital assets in preparation for school reopening (i.e. physical barriers and Plexiglas enclosures, additional laptops, etc.)</li> <li>- Given physical distancing and remote working, assess whether there have been any changes to key internal controls and processes at the Board, and whether sufficient segregation of duties and other measures continue to be in place.</li> </ul> </li> <li>• Considered the effect of recent events on our risk assessment and planned audit procedures <ul style="list-style-type: none"> <li>- Our audit procedures will be adjusted to reflect any changes in revenues and expenditures as noted above.</li> <li>- As the plans for provincial reopening evolve, we will consider whether or not there will be any impact on our conduct of school visits for the audit of school generated funds revenue and expenses, and whether any modifications of procedures will be necessary if on-site visits are not feasible.</li> </ul> </li> </ul> |

## Significant development

### Impact on our 2020 audit

- For any changes in internal controls and processes as a result of pandemic physical distancing measures, perform testing to ensure that the changes in internal controls are properly designed and implemented, and have not resulted in any control deficiencies.

### *Impact on our audit logistics*

Our audit typically occurs over two on-site visits in June (for interim procedures) and October (for year-end procedures). Additionally, we also conduct one week of school visits in September/October. Given the current pandemic and social distancing measures, we have been in discussion with management with respect to our audit logistics. At present, we anticipate the interim audit will likely occur remotely, but will continue to monitor as the situation evolves.

# Audit risks

The following table sets out certain of the audit risks, including the significant risks that we identified during our preliminary planning activities, and our proposed response to each area.

## Revenue/deferred revenue\*

### Audit risk

Appropriate recognition of revenue in accordance with Canadian Public Sector Accounting Standards supplemented by Ontario Government regulations

We understand that as a result of the COVID-19 pandemic, that there will be changes to certain revenue streams (for example, lease rentals and permit revenues) that will be affected. Our audit response will be tailored accordingly to address these changes in circumstances.

### Our proposed audit response

- Testing of Government transfers received through confirmation with the Ministry of Education
- Detailed substantive testing of revenue supplemented by analytical review procedures
- Review of grant stipulations
- Review any modifications in previous agreements as a result of COVID-19 (such as permit and rental cancellations) and ensure they have been properly reflected in the financial statements.
- Review of related disclosure

## Management override of controls\*

### Audit risk

Management override of controls is a presumed area of risk in a financial statement audit due to management's ability to override controls that otherwise appear to be operating effectively.

### Our proposed audit response

- Our audit tests the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of financial statements.
- We obtain an understanding of the business rationale for significant transactions that we become aware of that are outside of the normal course of business, or that otherwise appear to be unusual given our understanding of the Board and its environment.
- We review accounting estimates for bias and evaluate whether the circumstances producing the bias, if any, represented a risk of material misstatement.
- In addition, experienced Deloitte personnel will be assigned to the testing and review of journal entries and areas of estimates that require management judgments and assumptions.
- Professional skepticism will be maintained throughout the audit.

\* Identified as area of significant risk, in accordance with Canadian Auditing Standards



## Payroll

### Audit risk

Significance and volume of transactions

### Our proposed audit response

- Review and test the design, implementation and operating effectiveness of key internal controls related to the payroll cycle.
- Detail test payroll transactions for appropriate pay in accordance with employment agreements and other relevant documentation
- Overall analytical review of payroll amounts.

## Accounting for Government Transfers in accordance with Ministry of Education directives and Ontario government regulations as it relates to capital contributions

### Audit risk

Requires certain accounting which has been prescribed by the Ministry and can be complex given the significance of transactions and balances impacted at the Board.

### Our proposed audit response

- Attend Ministry of Education training for school business officials and auditors to understand any new directives and reporting requirements.
- Detailed testing of transactions and balances impacted and determine that the Board has accounted for these transactions in accordance with regulations and relevant policies.
- Ensure adequate disclosure of the basis of accounting in the notes to the consolidated financial statements.

As we perform our audit procedures, we will inform you of any changes to the audit risks discussed above and the reasons for those changes. We will also inquire of the Audit Committee of any additional areas of interest which we should consider as part of our audit.

# Appendix 1 – Audit approach

Deloitte's audit approach is a systematic methodology that enables us to tailor our audit scope and plan to address the unique issues facing the Board.

The following steps are not necessarily sequential nor are they mutually exclusive. For example, once we have developed our audit plan and the audit is being performed, we may become aware of a risk that was not identified during the planning phase. Based on that new information, we would reassess our planning activities and adjust the audit plan accordingly.

## 1. Initial planning

The Deloitte audit approach begins with an extensive planning process that includes:

- Assessing your current business and operating conditions
- Understanding the composition and structure of your business and organization
- Understanding your accounting processes and internal controls
- Understanding your information technology systems
- Reviewing the work undertaken by internal audit and the Regional Internal Audit Team (RIAT) during the year
- Identifying potential engagement risks
- Planning the scope and timing of internal control and substantive testing that take into account the specific identified engagement risks.

## 2. Assessing and responding to engagement risk

Our Audit approach combines an ongoing identification of risks with the flexibility to adjust our approach when additional risks are identified. Since these risks may impact our audit objectives, we consider materiality in our planning to focus on those risks that could be significant to your financial reporting.

### Consideration of the risk of fraud

When we identify a misstatement or control deficiency, we consider whether it may be indicative of fraud and what the implications of fraud and significant error are in relation to other aspects of the audit, particularly the reliability of management representations.

In determining our audit strategy to address the assessed risks of material misstatement due to fraud, we will:

- Assign and supervise personnel, taking into account the knowledge, skill and ability of individuals with significant engagement responsibilities and our assessment of the risks of material misstatement due to fraud for the engagement.
- Evaluate whether the Board's selection and application of accounting policies, particularly those related to subjective measurements and complex transactions, may be indicative of fraudulent financial reporting resulting from management's effort to manage results.
- Incorporate an element of unpredictability when selecting the nature, timing and extent of our audit procedures.

**We will inquire directly of the Audit Committee regarding:**

- Its views about the risk of fraud,
- Whether it has knowledge of any actual or suspected fraud affecting the Board, and
- The role it exercises in the oversight of fraud risk assessment and the establishment of mitigating controls.

We will also inquire if the Audit Committee is aware of tips or complaints regarding the Board's financial reporting including those received through the Board's internal whistleblower program and, if so, the Audit Committee's responses to such tips and complaints and whether it is aware of matters relevant to the audit, including, but not limited to, violations or possible violations of laws or regulations.

If we suspect fraud involving management, we will communicate these suspicions to the Audit Committee and discuss the nature, timing, and extent of audit procedures necessary to complete the audit.

**Information technology**

An important part of our audit planning process involves gaining an understanding of:

1. The importance of the computer environment relative to the risks to financial reporting
2. The way in which that environment supports the control procedures we intend to rely on when conducting our audit, and
3. The computer-based information that supports our substantive procedures.

The objective of our review of computer controls is to identify potential areas of risk and assess the relevance, reliability, accuracy and completeness of the data produced by the systems. To accomplish this, we gain an up-to-date understanding of your organization's computer processing environment and our understanding of the relevant general computer controls. We then assess the design and operating effectiveness of controls considered relevant to the audit.

**3. Developing and executing the audit plan**

The performance of an audit includes evaluating the design and determining the implementation of internal controls relevant to the audit, testing the operational effectiveness of the controls we intend to rely on, and performing substantive audit procedures.

### **Audit procedures**

The timing of our audit procedures is dependent upon a number of factors including the need to coordinate with management for the provision of supporting analysis and other documentation. Generally, we perform our audit procedures to allow us sufficient time to identify significant issues early, thereby allowing more time for analysis and resolution.

### **Tests of controls**

As part of our audit, we will review and evaluate certain aspects of the systems of internal control over financial reporting to the extent we consider necessary in accordance with Canadian GAAS. The main objective of our review is to enable us to determine the nature, extent and timing of our audit tests and establish the degree of reliance that we can place on selected controls. An audit of the Financial Statements is not designed to determine whether internal controls were adequate for management's purposes or to provide assurance on the design or operational effectiveness of internal control over financial reporting.

The extent to which deficiencies in internal control may be identified through an audit of Financial Statements is influenced by a variety of factors including our assessment of materiality, our preliminary assessment of the risks of material misstatement, our audit approach, and the nature, timing and extent of the auditing procedures that we conduct. Accordingly, we gain only a limited understanding of controls as a result of the procedures that we conduct during an audit of Financial Statements.

We will inform the Audit Committee and management of any significant deficiencies that are identified in the course of conducting the audit.

### **Substantive audit procedures**

Our substantive audit procedures consist of a tailored combination of analytical procedures and detailed tests of transactions and balances. These procedures take into account the results of our controls tests and are designed to enable us to obtain reasonable assurance that the Financial Statements are free from material misstatements. To obtain this assurance, misstatements that we identify while performing substantive auditing procedures will be considered in relation to the Financial Statements as a whole. Any misstatements that we identify, other than those that are clearly trivial (the threshold has been set at 5% of materiality), will be reported to management and the Audit Committee. In accordance with Canadian GAAS, we will request that misstatements be corrected.

### **Use of the work of specialists**

The Deloitte Audit is distinguished by the use of a broad range of industry and functional specialists who are integral to the audit team and carry a deeper understanding of specific topics. These specialists augment the core engagement audit team in understanding business processes and related risks, and help the audit engagement team apply an appropriate level of professional skepticism to challenge significant management assumptions.

Deloitte will use internal IT specialists for the testing of IT general controls in our audit.

In addition, we will use the work of external specialists as follows:

- The Board's Actuary – with respect to the valuation of retirement and other post-employment benefits liabilities, and
- External Legal Counsel – with respect to the assessment of claims and possible claims against the Board.

#### 4. Reporting and assessing performance

##### **Perform post-engagement activities**

We will analyze the results of the audit procedures performed throughout the year and, prior to rendering our report, we will conclude whether:

- The scope of the audit was sufficient to support our opinion, and
- The misstatements identified during the audit do not result in the Financial Statements being materially misstated.

##### **Independence**

We have developed important safeguards and procedures to protect our independence and objectivity. If, during the year, we identify a breach of independence, we will communicate it to you in writing. Our communication will describe the significance of the breach, including its nature and duration, the action taken or proposed to be taken, and our conclusion as to whether or not the action will satisfactorily address the consequences of the breach and have any impact on our ability to serve as independent auditor to the Board.

We are independent of the Board and we will reconfirm our independence in our final report to the Audit Committee.

#### 5. Leveraging technology

Our audit approach utilizes fully automated, paperless audit software where information and supporting schedules are prepared and exchanged electronically. Our audit software facilitates leveraging what the Board already prepares as part of account analysis and financial closings and allows us to share files and work papers with our engagement team members. We use other web-based connectivity tools and file interrogation software to quickly and comprehensively analyze data.

Our audit software supports the full lifecycle of an audit engagement. The proprietary software we use is globally connected and allows for real-time tracking, ultimately providing better status reporting to our clients. Our software leverages industry guidance and knowledge so that we tailor our approach in a meaningful way to reflect the nuances of our clients' businesses. Our ability to customize our software to each client's specific situation enables us to have more engaging business conversations. In addition, our software allows us to track findings and observations noted throughout the course of our audits, enabling us to provide our clients with more meaningful insights and discuss any issues as they arise with fewer surprises.

The tools described in the following table help us determine our audit scope, prepare consistent audit work papers and files, conduct analytical procedures, select data for testing, accumulate audit results, and monitor progress to provide for the timely completion of tasks. In addition, we intend to make full use of the Board's own technologies to gain further efficiencies.

| Technology                          | Description   | Benefits  |
|-------------------------------------|---|---|
| <b>Engagement Management System</b> | Deloitte's audit software, incorporating audit-specific templates, reference materials, support documents, and management insights  | Rapid and effective electronic transfer of information among the audit team members   |
| <b>Deloitte Technical Library</b>   | A comprehensive online compilation of accounting and financial disclosure literature that allows Deloitte to research specific accounting issues and functions through access to authoritative literature from pertinent regulatory bodies, as well as our own interpretations and guidance | The extensive accounting and reporting guidance helps support the quick and efficient research of complex accounting matters                |
| <b>Deloitte Connect</b>             | A secure, interactive knowledge-sharing and project collaboration platform for our engagement teams and clients   | Allows information, leading practices, and ideas to be disseminated; supports efficient access, interactive productivity, and communication |

# Appendix 2 – Communication requirements

| Required communication  | Reference                      |
|---|--------------------------------|
| <b>Audit service plan</b>   |                                |
| 1. Our responsibilities under GAAS, including forming and expressing an opinion on the Financial Statements.  | CAS 260.14.                    |
| 2. An overview of the overall audit strategy, addressing: <ul style="list-style-type: none"> <li>a) Timing of the audits</li> <li>b) Significant risks, including fraud risks, and</li> <li>c) Nature and extent of specialized skill or knowledge needed to perform the planned audit procedures related to significant risk.</li> </ul> | CAS 260.15.                    |
| 3. Significant transactions outside of the normal course of business, including related party transactions.   | CAS 260 App. 2,<br>CAS 550.27. |
| <b>Enquiries of those charged with governance</b>   |                                |
| 4. How those charged with governance exercise oversight over management's process for identifying and responding to the risk of fraud and the internal control that management has established to mitigate these risks.   | CAS 240.20.                    |
| 5. Any known suspected or alleged fraud affecting the Board.  | CAS 240.21.                    |
| 6. Whether the Board is in compliance with laws and regulations   | CAS 250.14.                    |
| <b>Year end communication</b>   |                                |
| 7. Fraud or possible fraud identified through the audit process.  | CAS 240.40-.42.                |
| 8. Significant accounting policies, practices, unusual transactions, and our related conclusions.   | CAS 260.16 a.                  |
| 9. Alternative treatments for accounting policies and practices that have been discussed with management during the current audit period.   | CAS 260.16 a.                  |
| 10. Matters related to going concern.   | CAS 570.25                     |
| 11. Management judgments and accounting estimates.  | CAS 260.16 a.                  |
| 12. Significant difficulties, if any, encountered during the audits.  | CAS 260.16 b.                  |
| 13. Material written communications between management and us, including management representation letters.   | CAS 260.16 c.                  |
| 14. Other matters that are significant to the oversight of the financial reporting process.   | CAS 260.16e.                   |

| Required communication  | Reference      |
|---|----------------|
| 15. Modifications to our Independent Auditor's Reports.   | CAS 260.A21.   |
| 16. Our views of significant accounting or auditing matters for which management consulted with other accountants and about which we have concerns. | CAS 260.A22.   |
| 17. Significant matters discussed with management.  | CAS 260.A22.   |
| 18. Illegal or possible illegal acts that come to our attention.  | CAS 250.23.    |
| 19. Significant deficiencies in internal control, if any, identified by us in the conduct of the audit of the Financial Statements.                 | CAS 265.       |
| 20. Uncorrected misstatements and disclosure items.   | CAS 450.12-13. |
| 21. Any significant matters arising during the audits in connection with the Board's related parties.   | CAS 550.27     |



# Appendix 3 – 2020 Summary audit timeline

This estimated audit timetable indicates our various audit activities and release of our communications as planned throughout the year:

| Activity  | Timing                      |
|---|-----------------------------|
| Presentation of Audit Service Plan to the Audit Committee | June 22, 2020               |
| Interim audit   | Week of July 6, 2020        |
| School visits   | September/October 2020      |
| Year-end audit  | Commencing mid-October 2020 |
| Review the result of our audit                            | December 2020               |