



Toronto District School Board
Report to the Audit Committee on
the results of the audit of the
consolidated financial statements for
the fiscal year ended August 31, 2020

For presentation on December 7, 2020

December 3, 2020

Private and confidential

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

**Report on audited consolidated financial statements for the fiscal year ended
August 31, 2020**

Dear Audit Committee members:

We are pleased to submit this report on the results of our audit of the consolidated financial statements of the Toronto District School Board (the "School Board" or "TDSB") for the fiscal year ended August 31, 2020. This report summarizes the scope of our audit, our findings and reviews certain other matters that we believe to be of interest to you.

As agreed in our Master Services Agreement for Professional Services dated April 3, 2019, we have performed an audit of the consolidated financial statements of the Toronto District School Board as at, and for the year ended August 31, 2020, in accordance with Canadian generally accepted auditing standards ("Canadian GAAS") and expect to issue our Independent Auditor's Report thereon dated December 9, 2020, upon approval of the financial statements by the Board of Trustees and completion of outstanding audit procedures.

Our audit has been conducted in accordance with the audit service plan that was presented to the Audit Committee at the meeting on June 22, 2020.

This report is intended solely for the information and use of the Audit Committee (the "Committee"), the Board of Trustees, management and others within the School Board and is not intended to be, and should not be, used by anyone other than these specified parties.

We would like to express our appreciation for the cooperation we received from employees of the School Board with whom we work during the performance of our audit engagement.

We look forward to discussing this report summarizing the outcome of our audit with you and answering any questions you may have.

Yours truly,



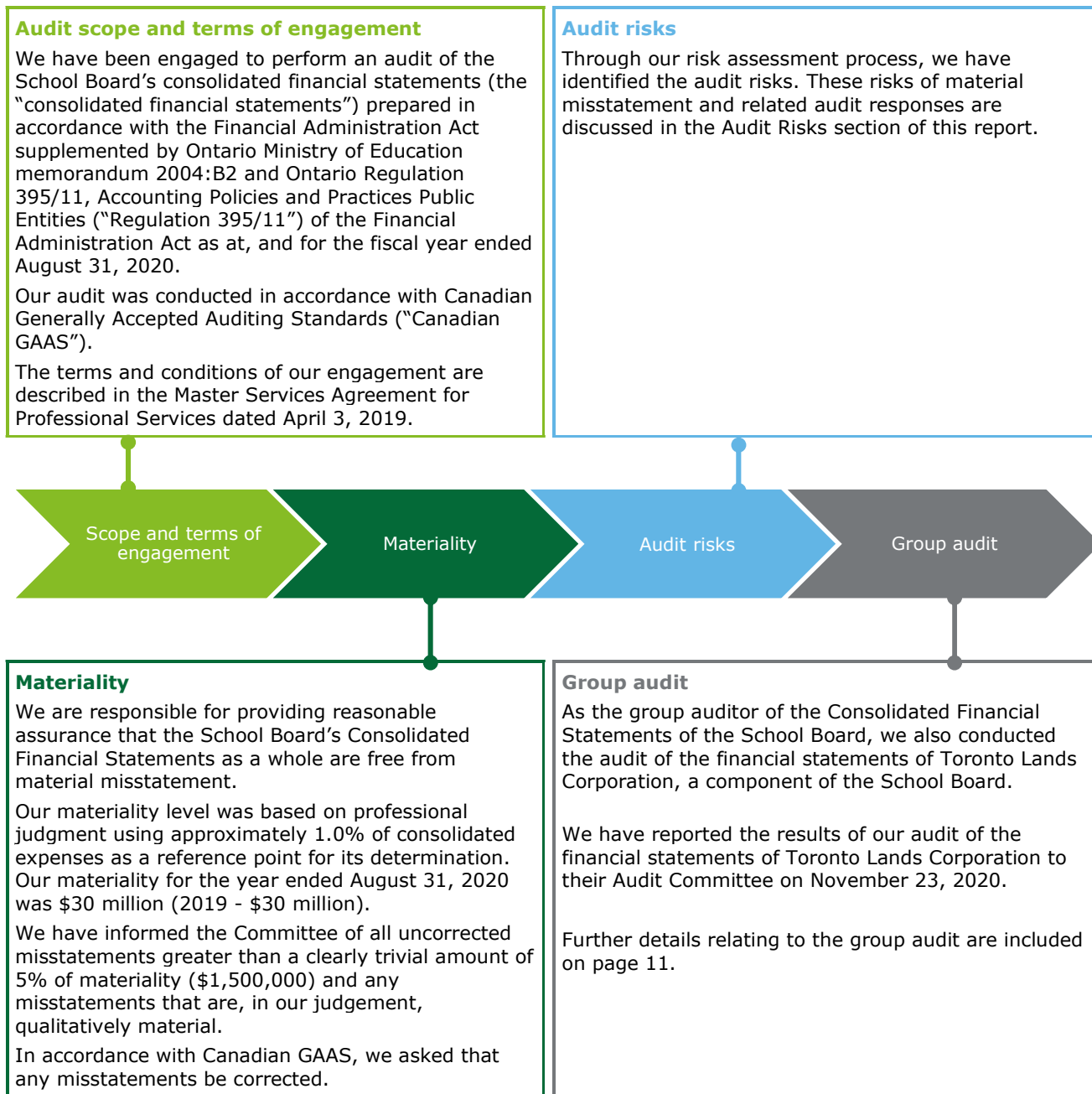
Chartered Professional Accountants
Licensed Public Accountants

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Our audit explained

This report summarizes the main findings arising from our audit.



Audit scope and terms of engagement

We have been engaged to perform an audit of the School Board's consolidated financial statements (the "consolidated 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 ended August 31, 2020.

Our audit was conducted in accordance with Canadian Generally Accepted Auditing Standards ("Canadian GAAS").

The terms and conditions of our engagement are described in the Master Services Agreement for Professional Services dated April 3, 2019.

Audit risks

Through our risk assessment process, we have identified the audit risks. These risks of material misstatement and related audit responses are discussed in the Audit Risks section of this report.

Scope and terms of engagement

Materiality

Audit risks

Group audit

Materiality

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

Our materiality level was based on professional judgment using approximately 1.0% of consolidated expenses as a reference point for its determination. Our materiality for the year ended August 31, 2020 was \$30 million (2019 - \$30 million).

We have informed the Committee of all uncorrected misstatements greater than a clearly trivial amount of 5% of materiality (\$1,500,000) and any misstatements that are, in our judgement, qualitatively material.

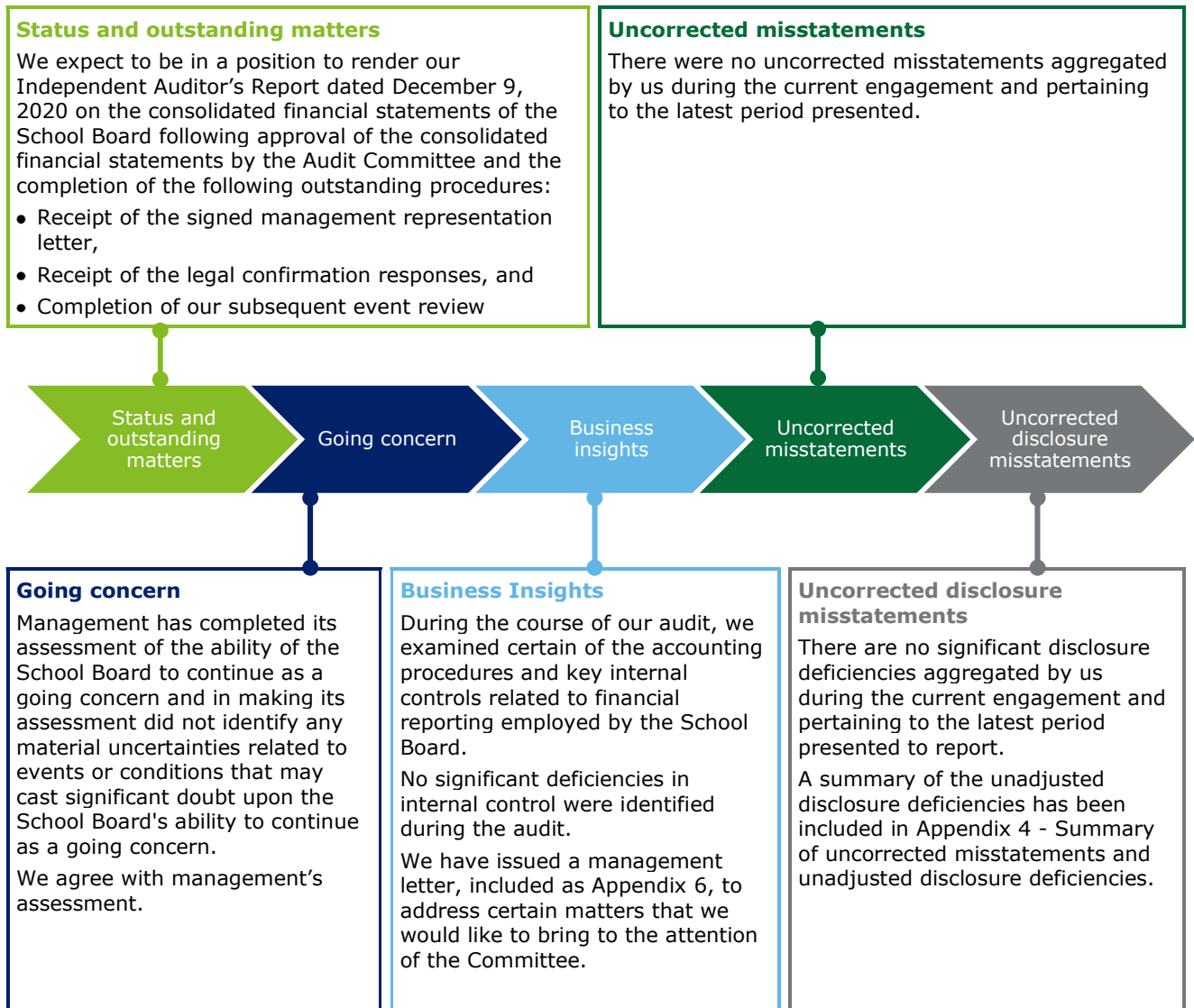
In accordance with Canadian GAAS, we asked that any misstatements be corrected.

Group audit

As the group auditor of the Consolidated Financial Statements of the School Board, we also conducted the audit of the financial statements of Toronto Lands Corporation, a component of the School Board.

We have reported the results of our audit of the financial statements of Toronto Lands Corporation to their Audit Committee on November 23, 2020.

Further details relating to the group audit are included on page 11.



Fraud risk

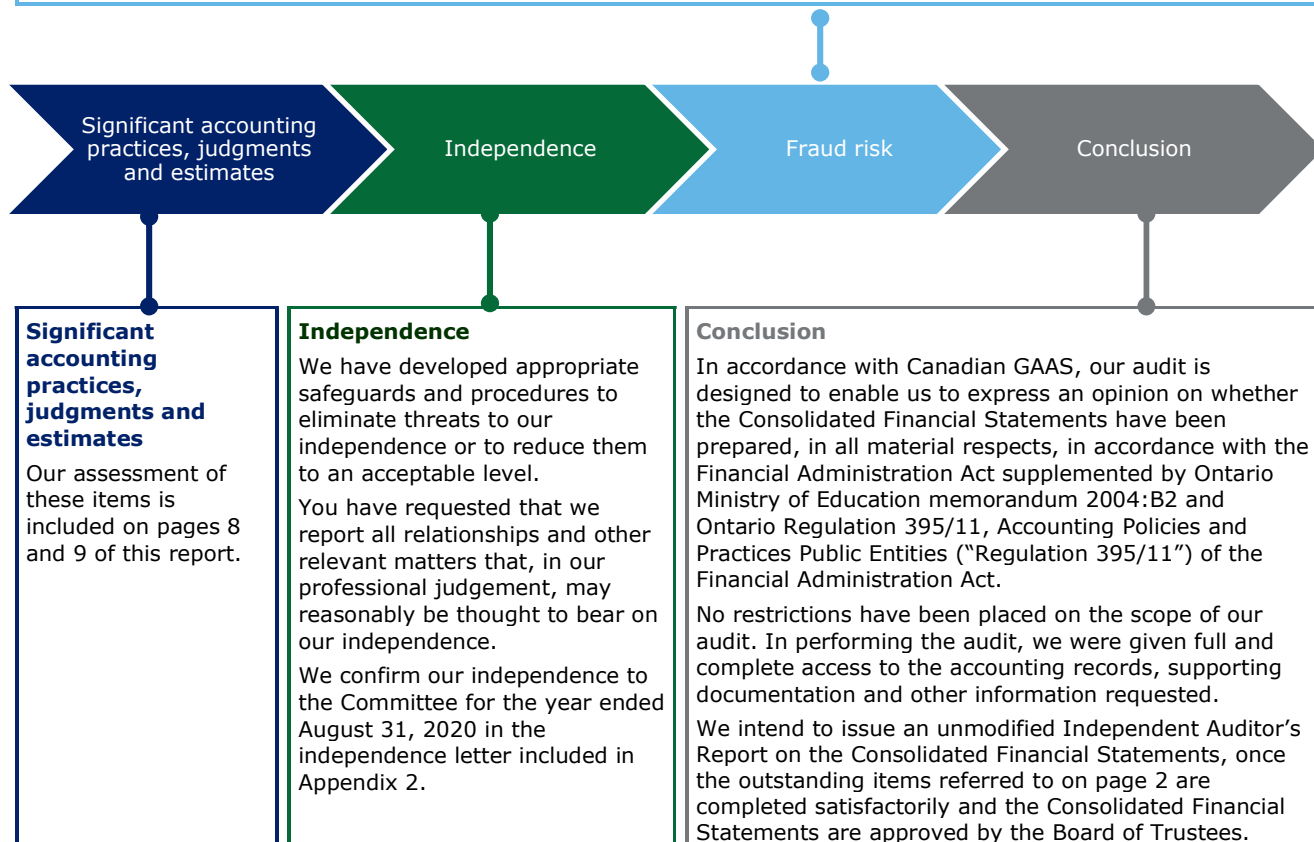
As discussed with you when we presented our Audit Service Plan, we developed our audit strategy to address the assessed risks of material misstatement due to fraud. Developing this strategy involved:

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 the School Board’s accounting policies may be indicative of fraudulent financial reporting resulting from management’s effort to manage results.
5. Evaluating whether the judgements and decisions related to management estimates indicate a possible bias.
6. Incorporating an element of unpredictability in selecting our audit procedures.

In addition, we asked the Committee for their views about the risk of fraud, whether they knew of any actual or suspected fraud affecting the School Board and their role in the oversight of management’s anti-fraud programs.

A summary of the results of our audit procedures designed to address the risk of material misstatement in the financial statements relating to fraud is provided in the Audit risks section of this report. We identified a risk of material misstatement relating to fraud in the areas of both revenue recognition and management override of controls.

Based on the audit evidence obtained, our assessment of the risks of material misstatement due to fraud remain appropriate.



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 impacted our audit plan.

Developments in your business/industry/economy in which you operate	Impact on our 2020 audit
<p>COVID-19</p>	<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. 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 School 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"> • 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"> • Changes in Ministry funding allocated towards COVID-19 • Changes in expenditures associated with COVID-19 response and preparation for school recommencement, and also decreases in supplies and services obtained as a result of school closures commencing in March 2020 • Changes in school instruction and staffing levels as a result of school closures commencing in March 2020 • Impact on school generated funds revenue and expenses • Given physical distancing and remote working, assess whether there have been any changes to internal controls and processes, and whether sufficient segregation of duties and other measures continue to be in place. • Considered the effect of recent events on our risk assessment and planned audit procedures <ul style="list-style-type: none"> • Our audit procedures were adjusted to reflect any changes in revenues and expenses as noted above • For any changes in internal controls and processes as a result of pandemic physical distancing measures, we performed testing to ensure that the changes in internal controls are properly designed and implemented and have not resulted in any control deficiencies. <p><i>Impact on our audit logistics</i></p> <p>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 October.</p> <p>All audit procedures, including the school visits were conducted virtually with the assistance of school financial services staff, including the observation of any physical access internal controls.</p>

Audit risks

The audit risks identified as part of our risk assessment, together with our planned responses and conclusions, are described below.

Significant risk dashboard

Audit risk	Fraud risk	Assessment of the design and implementation of internal controls	Results of the testing of the operating effectiveness of internal controls	Results of the substantive testing	Results of the use of experts	Overall conclusion
Management override of controls						Satisfactory
Revenue recognition						Satisfactory



Addressed during the audit



An issue was identified



Not applicable

Revenue recognition *

Audit risk – Significant

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

- 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

Audit results

We obtained sufficient audit evidence in this area and are satisfied with the results of the audit procedures performed.

Management override of controls*

Audit risk - Significant

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 audit response

- Our audit tests the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the consolidated 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 judgements and assumptions.
- Professional skepticism will be maintained throughout the audit.

Audit results

Our audit testing did not identify any instances of management override of controls.

Payroll

Audit risk

Significance and volume of transactions

Our audit response

- Review and test the design, implementation and operating effectiveness of 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.

Audit results

We obtained sufficient audit evidence in this area and are satisfied with the results of the audit procedures performed.

Accounting for Government Transfers in accordance with Ministry 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 TDSB.

Our audit response

- Review materials prepared in conjunction with Ministry 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 TDSB 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.

Audit results

We obtained sufficient audit evidence in this area and are satisfied with the results of the audit procedures performed.

***Area of significant audit risk**

Significant accounting practices, judgements and estimates

Significant accounting policies are those that are most important to the portrayal of the School Board’s financial condition and financial performance.

In the course of our audit of the Consolidated Financial Statements, we considered the qualitative aspects of the financial reporting process, including items that have a significant impact on the relevance, reliability, comparability and understandability of the information included in the Consolidated Financial Statements.

Significant accounting policies

In our judgement, the significant accounting policies, selected and applied by management are, in all material respects, acceptable under the basis of accounting described in Note 1(a) to the consolidated financial statements and the reporting framework is acceptable given the particular circumstances of Ontario school boards.

During the year, management advised us that there have been no changes to significant accounting policies adopted by the School Board.

We noted that the School Board does not capitalize interest incurred during the construction period of tangible capital assets, as is required by the Ministry of Education’s School Board Tangible Capital Assets Guide, due to the fact that the interest amounts are not material and would also require an allocation to numerous capital projects creating an administrative burden.

Management judgement and accounting estimates

The following areas were impacted by management’s use of estimates and have been addressed during our audit:

Accounting Estimate	Description
Employee future benefits liability	Employee Future Benefits liabilities in the amount of \$334.3 million (2019 - \$339.9 million) were estimated with the assistance of the School Board’s Independent Actuaries and are assessed as reasonable.
Incurred but not reported claims liability	<p>Annually, the School Board records a liability for health and dental claims incurred but not yet reported by employees as at the fiscal year end. We have reviewed management’s estimate for this liability and noted the assumptions and methodology used and consider them to be reasonable.</p> <p>We noted that with the transition of all active employee groups into the Employee Life and Health Trusts (ELHTs) has significantly reduced this liability in the past few years.</p>

Accounting Estimate	Description
Pay equity	<p>The School Board continues to negotiate a number of pay equity claims with certain employee groups. Management believes that a settlement is likely and is continuing the process of estimating the range of possible settlement. The School Board records a pay equity liability in the fiscal year in which the liability is settled, or earlier, if the amount is determined to be likely and the liability is measurable.</p> <p>In the 2014 fiscal year, an estimated accrual was recorded relating to employee groups for which pay equity negotiations were ongoing. For the 2015 through to 2020 fiscal years, the provision for pay equity has been increased annually to reflect the passing of each additional year prior to any settlement taking place.</p> <p>We have assessed the assumptions and methodology used in management's estimate and consider them to be reasonable.</p>
Legal claims	<p>The School Board has recorded an accrual in the consolidated financial statements for a legal claim related to a particular incident. The estimate was based on an assessment by internal legal counsel related to the likelihood of payout. This estimate also considered the insurance coverage during the time of the incident. We relied on representations from management (including internal legal counsel) in terms of the measurement of this contingent liability.</p> <p>We have assessed the assumptions and methodology used in management's estimate and consider them to be reasonable.</p>
Accrued wages and vacation pay	<p>An accrual of approximately \$36.2 million (2019 - \$14.9 million) was made for accrued wages and \$19.0 million (2019 - \$15.0 million) for accrued vacation pay. The accounting estimates based primarily on payroll calculations were assessed as reasonable.</p>
Other accounts requiring management judgement and accounting estimates	
Allowance for doubtful accounts receivable	<p>The estimate of the allowance in the amount of \$6.1 million (2019 - \$6.1 million) used pertinent information and is considered to be reasonable in the circumstances.</p>
Tangible capital assets	<p>The estimate of useful lives of tangible capital assets was applied consistently in accordance with the School Board's accounting policy. Total amortization in the year was \$222.6 million (2019 - \$191.2 million).</p>
Deferred capital contributions	<p>Deferred capital contributions are recognized as revenue over the period during which the tangible capital asset is used to provide service at the same rate that amortization is recognized in respect of the related tangible capital asset. Total deferred capital contributions recognized in the year was \$221.2 million (2019 - \$189.8 million). This accounting policy was consistently applied.</p>

Other reportable matters

The following summarizes the status and findings of key aspects of our audit. In the appendices to this report, we have provided additional information related to certain matters we committed to report to the Audit Committee as part of the audit service plan.

	Comment						
Changes to the audit plan	The audit was conducted in accordance with our audit service plan, which was communicated to the Audit Committee. We confirm that there have been no significant amendments to the audit scope and approach communicated in the audit plan.						
Use of the work of specialists and experts	As planned, Deloitte specialists and experts assisted in the audit to the extent we considered necessary: <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;">Deloitte IT specialists:</td> <td>Participated in evaluating internal controls and in using our computerized audit applications</td> </tr> <tr> <td>Board's actuarial expert</td> <td>We used the work of the School Board's independent actuarial experts in the audit of the employee future benefits liabilities and expenses.</td> </tr> <tr> <td>Board's external legal counsel</td> <td>We used the work of the School Board's legal counsel with respect to the assessment of claims and possible claims against the Board. There have been no changes from the audit service plan in this area.</td> </tr> </table>	Deloitte IT specialists:	Participated in evaluating internal controls and in using our computerized audit applications	Board's actuarial expert	We used the work of the School Board's independent actuarial experts in the audit of the employee future benefits liabilities and expenses.	Board's external legal counsel	We used the work of the School Board's legal counsel with respect to the assessment of claims and possible claims against the Board. There have been no changes from the audit service plan in this area.
Deloitte IT specialists:	Participated in evaluating internal controls and in using our computerized audit applications						
Board's actuarial expert	We used the work of the School Board's independent actuarial experts in the audit of the employee future benefits liabilities and expenses.						
Board's external legal counsel	We used the work of the School Board's legal counsel with respect to the assessment of claims and possible claims against the Board. There have been no changes from the audit service plan in this area.						
Significant difficulties encountered in performing the audit	We did not encounter any significant difficulties while performing the audit. There were no significant delays in receiving information from management required for the audit nor was there an unnecessarily brief timetable in which to complete the audit. Refer to page 4 for the impact of COVID-19 in the performance of our audit.						
Related party transactions	Entities within the School Board's reporting entity are disclosed in Note 1(b) to the consolidated financial statements. The School Board's related parties also include the Province of Ontario and its controlled entities as well as key management personnel as defined in <i>PS 2200 Related Party Disclosures</i> . <ul style="list-style-type: none"> • We have not identified any related party transactions that were not in the normal course of operations and that involved significant judgements by management concerning measurement or disclosure. 						
Disagreements with management	In the course of our audit, we did not encounter any disagreements with management about matters that individually or in the aggregate could be significant to the consolidated financial statements.						
Consultation with other accountants	Management has informed us that the School Board has not consulted with other accountants about auditing or accounting matters.						
Legal and regulatory compliance	Management is responsible for ensuring that the School Board's operations are conducted in accordance with the laws and regulations applicable to the School Board. The responsibility for preventing and detecting non-compliance rests with management. The auditor is not and cannot be held responsible for preventing non-compliance with laws and regulations. Our limited procedures did not identify any areas of material non-compliance with laws and regulations by the School Board.						

	Comment
Subsequent events	Management is responsible for assessing subsequent events up to the date of the release of the consolidated financial statements. At the date of this report we are not aware of any subsequent events that would impact the consolidated financial statements (including disclosure requirements) for the year ended August 31, 2020 that have not already been taken into consideration by management in the preparation of the consolidated financial statements.
Significant accounting policies	<p>The School Board’s significant accounting policies are set out in Note 1 to the August 31, 2020 consolidated financial statements.</p> <p>We believe management’s selection of accounting policies to be appropriate under the basis of accounting indicated in Note 1(a) of the consolidated financial statements. Our views on the significant quantitative and qualitative aspects of these accounting policies are presented on pages 8 and 9 of this report.</p>
Management judgement and accounting estimates	<p>Accounting estimates are an integral part of the consolidated financial statements prepared by management and are based on management’s current judgements. These judgements are normally based on knowledge and experience about past and current events, assumptions about future events and interpretations of the financial reporting standards.</p> <p>Our views on the significant quantitative and qualitative aspects of the judgements and estimates made by the School Board’s management are presented on pages 8 and 9 of this report.</p>
Group audit	<p>As the group auditor of the consolidated financial statements of the School Board, we also conducted the audit of the financial statements of Toronto Lands Corporation, a component of the School Board. The same audit team was used to complete the audit of both entities and there have been no restrictions placed on the scope of our group audit.</p> <p>The School Board is considered to be a significant component of the Province of Ontario’s consolidated financial statements. In this respect, we may be required to complete certain required communications with the Office of the Auditor General of Ontario (OAGO) in accordance with <i>CAS 600 Group Audits</i>. When requested, we are required to address and respond to enquiries from the OAGO in connection with our audit of the School Board’s Consolidated Financial Statements.</p>

Revised CAS 540, Auditing Accounting Estimates and Related Disclosures

Drivers for the Revised Standard

- Changes in financial reporting frameworks and standards include a greater focus on complex accounting estimates, which highlights the importance of fostering professional skepticism
- Need to improve communication and transparency between auditors and those charged with governance on complex accounting estimates



What can you expect from your auditor?

Management

- Greater focus in assessing how management understands the nature, extent, risks, and controls associated with accounting estimates
- Varying audit procedures to drive work efforts based on assessed risk levels including consideration to adopt a control reliance approach to auditing accounting estimates.
- More interaction with management's experts
- Specific written management representations

Communication with The Audit Committee Members

- The Audit Committee can expect to have enhanced dialogue on accounting estimates. This may include the auditor's views and assessment of:
 - significant qualitative aspects of the School Board's accounting practices relating to accounting estimates and related disclosures;
 - indicators of management bias;
 - appropriateness of management's methods, assumptions and data used; and
 - significant deficiencies in internal controls around accounting estimates

Appendix 1 – Communication requirements

Required communication	Reference	Refer to this report or document described below
Audit Service Plan		
1. Our responsibilities under Canadian GAAS, including forming and expressing an opinion on the consolidated financial statements	CAS ¹ 260.14	Master Services Agreement for Professional Services dated April 3, 2019
2. An overview of the overall audit strategy, addressing: <ul style="list-style-type: none"> a. Timing of the audit b. Significant risks, including fraud risks c. Nature and extent of specialized skill or knowledge needed to perform the planned audit procedures related to significant risk 	CAS 260.15	Audit service plan communicated on June 22, 2020
3. Significant transactions outside of the normal course of business, including related party transactions	CAS 260 App. 2, CAS 550.27	None noted
Enquiries of those charged with governance		
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 240.21	Refer to 'Fraud Risk' section on page 3 of this report
5. Any known suspected or alleged fraud affecting the School Board	CAS 240.22	None noted
6. Whether the School Board is in compliance with laws and regulations	CAS 250.15	No non-compliance with laws and regulations noted
Year End Communication		
7. Fraud or possible fraud identified through the audit process	CAS 240.40-.42	None noted
8. Significant accounting policies, practices, unusual transactions, and our related conclusions	CAS 260.16 a.	Refer to Note 1(a) of the Consolidated Financial Statements and pages 8 and 9 of this report for significant Accounting practices, judgements and estimates

¹ CAS: Canadian Auditing Standards – CAS are issued by the Auditing and Assurance Standards Board of CPA Canada

Required communication	Reference	Refer to this report or document described below
9. Alternative treatments for accounting policies and practices that have been discussed with management during the current audit period	CAS 260.16 a.	None
10. Matters related to going concern	CAS 570.25	No going concern issues noted
11. Management judgments and accounting estimates	CAS 260.16 a.	Refer to pages 8 and 9 of this report for significant Accounting practices, judgements and estimates
12. Significant difficulties, if any, encountered during the audit	CAS 260.16 b.	No significant difficulties to report.
13. Material written communications between management and us, including management representation letters	CAS 260.16 c.	Master Services Agreement for Professional Services dated April 3, 2019 and Management representation letter – Appendix 5
14. Other matters that are significant to the oversight of the financial reporting process	CAS 260.16e	None noted
15. Modifications to our Independent Auditor’s Report	CAS 260.A21	We intend to issue an unmodified report
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	No such consultations noted.
17. Significant matters discussed with management	CAS 260.A.22	No such consultations noted.
18. Illegal or possible illegal acts that come to our attention	CAS 250.23	None noted
19. Significant deficiencies in internal control, if any, identified by us in the conduct of the audit of the consolidated financial statements	CAS 265	No significant deficiencies to report. Refer to Appendix 6 for our management letter comments.
20. Uncorrected misstatements and disclosure items	CAS 450.12-13	Refer to Appendix 4.
21. Any significant matters arising during the audit in connection with the Board’s related parties	CAS 550.27	None noted outside the normal course of business.

Appendix 2 – Independence matters

December 3, 2020

Private and confidential

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

Dear Audit Committee Members:

We have been engaged to audit the consolidated financial statements of the Toronto District School Board and the financial statements of Toronto District School Board Trust Funds (collectively referred to as the “School Board”) for the year ended August 31, 2020.

You have requested that we communicate in writing with you regarding our compliance with relevant ethical requirements regarding independence as well as all relationships and other matters between the School Board, our Firm and network firms that, in our professional judgment, may reasonably be thought to bear on our independence. You have also requested us to communicate the related safeguards that have been applied to eliminate identified threats to independence or reduce them to an acceptable level.

In determining which relationships to report, we have considered relevant rules and related interpretations prescribed by the appropriate provincial regulator/ordre and applicable legislation, covering such matters as:

1. Holding a financial interest, either directly or indirectly, in a client.
2. 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.
3. Personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client.
4. Economic dependence on a client.
5. Provision of services in addition to the audit engagement.

We confirm to you that the engagement team and others in the firm as appropriate, the firm and, when applicable, network firms have complied with relevant ethical requirements regarding independence.

We have prepared the following comments to facilitate our discussion with you regarding independence matters arising since December 2, 2019, the date of our last letter.

We are not aware of any relationships between the Deloitte Entities and the School Board and its affiliates, or persons in financial reporting oversight roles at the School Board and its affiliates, that, in our professional judgment, may reasonably be thought to bear on independence, that have occurred from December 2, 2019 to December 3, 2020.

In addition to audit services, we continue to provide CRA indirect tax litigation support to a number of Ontario school boards including Toronto District School Board.

In the previous year, we were awarded a 3-year retainer contract to provide non-audit services related to e-Security.

We are also the auditors of Toronto Lands Corporation and reported on our independence to their Audit Committee in a letter dated November 16, 2020. We did not perform any non-audit services for Toronto Lands Corporation during the period.

We hereby confirm that we are independent with respect to the School Board in accordance with the Rules of Professional Conduct of Chartered Professional Accountants of Ontario as of December 3, 2020.

This letter is intended solely for the information and use of the Audit Committee, the Board of Trustees, management, and others within the School Board and is not intended to be and should not be used for any other purposes.

We look forward to discussing with you the matters addressed in this letter at your upcoming meeting on December 7, 2020.

Yours truly,

The image shows a handwritten signature in cursive script that reads "Deloitte LLP". The signature is written in black ink and is positioned above the printed name of the firm.

Chartered Professional Accountants
Licensed Public Accountants

Appendix 3 – New and revised Canadian Public Sector Accounting Standards

The following is a summary of certain new or revised Canadian Public Sector Accounting standards that will become effective in 2021 and beyond.

Canadian Public Sector Accounting Standards

Title	Description	Effective Date
Section PS 3450 - Financial Instruments	This Section establishes standards on how to account for and report all types of financial instruments including derivatives.	The transitional provisions have been amended to extend the effective date by one further year to fiscal years beginning on or after April 1, 2022.
Section PS 2601 - Foreign Currency Translation	This Section establishes standards on how to account for and report transactions that are denominated in a foreign currency government financial statements.	The transitional provisions have been amended to extend the effective date by one further year to fiscal years beginning on or after April 1, 2022.
Section PS 3041 - Portfolio investments	This Section establishes standards on how to account for and report portfolio investments in government financial statements.	Effective in the period that Section PS 2601, Foreign Currency Translation and Section PS 3450, Financial Instruments, are adopted. The transitional provisions have been amended to extend the effective date by one further year to fiscal years beginning on or after April 1, 2022.
Section PS 3280 - Asset retirement obligations	This Section establishes standards on how to account for and report on the legal obligations associated with the retirement of tangible capital assets.	Due to COVID-19, the effective date of the standard has been deferred by one year from April 1, 2021, to fiscal years beginning on or after April 1, 2022.
Section PS 3400 - Revenue	This Section establishes standards on how to account for and report on revenue. Specifically, it differentiates between revenue arising from transactions that include performance obligations and transactions that do not have performance obligations.	Due to COVID-19, the effective date of the standard has been deferred by one year from April 1, 2021, to fiscal years beginning on or after April 1, 2023.

Appendix 4 – Summary of uncorrected financial statement misstatements and summary of disclosure items passed

Summary of disclosure items passed

Authoritative literature reference	Title	Description of omitted or unclear disclosure
PS3390.08	Contractual obligations	Information about a government’s contractual obligations that are significant in relation to the current financial position or future operations should be disclosed in the notes or schedules to the consolidated financial statements and should include descriptions of their nature and extent and the timing of the related expenditures. TDSB does not include property lease commitments in the total contractual obligations disclosed in Note 13 to the consolidated financial statements.
PS1201	Cash flow information	Certain cash flows are not reflected separately at their gross amount (i.e. proceeds from disposition of properties held for sale) but rather included in other line items within the cash flow statement. Certain non-cash items are not presented in the cash flow statement such as tangible capital asset acquisitions acquired through accounts payable and recognition of previously deferred amounts.
PS1201.098	Statement of change in net debt	Budget numbers have not been provided on this statement as is required under Public Sector Accounting Standards.
PS 1201.055	Properties held for sale	The sale of assets classified as properties held for sale is not anticipated to be completed within one year from the financial statement date as a result of COVID-19, and therefore do not meet the criteria for classification as properties held for sale under PSAS.

Appendix 5 – Draft management representation letter

[School Board letterhead]

December 9, 2020

Private and confidential

Deloitte LLP
400 Applewood Crescent
Vaughan ON L4K 0C3

Dear Sir/Madam:

Subject: Consolidated financial statements of Toronto District School Board for the year ended August 31, 2020

This representation letter is provided in connection with the audit by Deloitte LLP (“Deloitte” or “you”) of the consolidated financial statements of Toronto District School Board (the “School Board” or “we” or “us”) for the year ended August 31, 2020 and a summary of significant accounting policies and other explanatory information (the “Consolidated Financial Statements”) for the purpose of expressing an opinion as to whether the Consolidated Financial Statements are prepared, in all material respects, in accordance with the basis of accounting disclosed in Note 1(a) to the Consolidated Financial Statements.

Certain representations in this letter are described as being limited to matters that are material. Items 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 Consolidated 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:

Financial statements

1. We have fulfilled our responsibilities as set out in the Master Services Agreement for Professional Services between the School Board and Deloitte dated April 3, 2019 for the preparation of the Consolidated Financial Statements in accordance with the basis of accounting disclosed in Note 1(a) to the Consolidated Financial Statements.

In particular, the consolidated statement of financial position of the School Board as at August 31, 2020 and the consolidated statements of operations, change in net debt and cash flows for the year then ended, are prepared in accordance with the basis of accounting disclosed in Note 1(a) to the Consolidated Financial Statements.

2. Significant assumptions used in making estimates, including those measured at fair value, are reasonable.

In preparing the Consolidated Financial Statements in accordance with the basis of accounting disclosed in Note 1(a) to the Consolidated Financial Statements, management makes judgments and assumptions about the future and uses estimates. The completeness and appropriateness of the disclosures related to estimates are in accordance with the basis of accounting as disclosed in Note 1(a) to the Consolidated Financial Statements. The School Board has appropriately disclosed in the Consolidated Financial Statements the nature of measurement uncertainties that are material, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the Consolidated Financial Statements.

The measurement methods, including the related assumptions and models, used in determining the estimates, including fair value, were appropriate, reasonable and consistently applied in accordance with the basis of accounting disclosed in Note 1(a) to the Consolidated Financial Statements and appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the School Board. No events have occurred subsequent to August 31, 2020 that require adjustment to the estimates and disclosures included in the Consolidated Financial Statements.

There are no changes in management's method of determining significant estimates in the current year.

3. We have determined that the Consolidated Financial Statements are complete as of the date of this letter as this is the date when there are no changes to the Consolidated Financial Statements (including disclosures) planned or expected. The Consolidated Financial Statements have been approved in accordance with our process to finalize financial statements.
4. We have completed our review of events after August 31, 2020 and up to the date of this letter.
5. The Consolidated Financial Statements are free of material errors and omissions.

As a result of our evaluation process, we identified certain disclosures that, although required by the basis of accounting disclosed in Note 1(a) to the Consolidated Financial Statements, have been omitted from our Consolidated Financial Statements. Those omitted disclosures that are more than inconsequential are attached as Appendix A. We believe the effects of the omitted disclosures are quantitatively and qualitatively immaterial, both individually and in the aggregate, to the Consolidated Financial Statements as a whole.

Internal controls

6. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
7. We have disclosed to you all known deficiencies in the design or operation of internal control over financial reporting identified as part of our evaluation, including separately disclosing to you all such deficiencies that we believe to be significant deficiencies in internal control over financial reporting.

Information provided

8. We have provided you with:
 - a. Access to all information of which we are aware that is relevant to the preparation of the Consolidated Financial Statements, such as records, documentation and other matters.
 - b. All relevant information as well as additional information that you have requested from us for the purpose of the audit; and,
 - c. Unrestricted access to persons within the School Board from whom you determined it necessary to obtain audit evidence.
 - d. All minutes of the meetings of Trustees and committees of Trustees, or summaries of actions of recent meetings for which minutes have not yet been prepared. All significant Trustee and committee actions are included in the summaries.

9. We have disclosed to you the results of our assessment of the risk that the Consolidated Financial Statements may be materially misstated as a result of fraud.
10. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the School Board and involves:
 - a. Management;
 - b. Employees who have significant roles in internal control; or
 - c. Others where the fraud could have a material effect on the Financial Statements.
11. We have disclosed to you all information in relation to allegations of actual, suspected or alleged fraud, or illegal or suspected illegal acts affecting the School Board.
12. We have disclosed to you all communications from regulatory agencies concerning non-compliance with or deficiencies financial reporting practices and all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the Consolidated Financial Statements.
13. We have disclosed to you the identities of the School Board's related parties and all the related party relationships and transactions of which we are aware, including guarantees, non-monetary transactions and transactions for no consideration and participation in a defined benefit plan that shares risks between group entities.

Independence matters

For purposes of the following paragraphs, "Deloitte" shall mean Deloitte LLP and Deloitte Touche Tohmatsu Limited, including related member firms and affiliates.

14. Prior to the School Board having any substantive employment conversations with a former or current Deloitte engagement team member, the School Board has held discussions with Deloitte and obtained pre-approval from the Audit Committee.
15. We have ensured that all non-audit services provided to the School Board have been pre-approved by the Audit Committee in accordance with the applicable pre-approval requirements. Further, we have adhered to all regulatory requirements regarding the provision of non-audit services by Deloitte to the School Board in accordance with applicable laws, regulations and rules that apply to the School Board, including the Audit Committee pre-approval requirements.
16. We have ensured that all services performed by Deloitte with respect to this engagement have been pre-approved by the Audit Committee in accordance with its established approval policies and procedures.

Other matters

Work of management's experts

17. We agree with the work of management's experts in evaluating the School Board's Retirement and Other Employee Future Benefits Liability and have adequately considered the competence and capabilities of the experts in determining amounts and disclosures used in the Consolidated Financial Statements and underlying accounting records. We did not give any, nor cause any, instructions to be given to management's experts with respect to values or amounts derived in an attempt to bias their work, and we are not aware of any matters that have impacted the independence or objectivity of the experts.
18. We have disclosed to you any intentions of terminating any of our pension plans or withdrawing from multi-employer plan(s), or taking any other action that could result in an effective termination or reportable event for any of the plans.

Plans or intentions affecting carrying value/classification of assets and liabilities

19. We have disclosed to you all plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the Consolidated Financial Statements.

Receivables

20. The School Board is responsible for determining the appropriate carrying value of accounts receivable, as well as estimates used to determine such amounts. Management believes that the carrying values recorded and disclosed are appropriate, and that any allowance recorded is adequate to absorb currently estimated bad debts in the account balances.

Environmental liabilities/contingencies

21. We have considered the effect of environmental matters on the School Board and have disclosed to you all liabilities, provisions or contingent liabilities arising from environmental matters. All liabilities, provisions, contingent liabilities and commitments arising from environmental matters, and the effect of environmental matters on the carrying values of the relevant assets are recognized, measured and disclosed, as appropriate, in the Consolidated Financial Statements.

Liabilities for contaminated sites

22. We have identified Bridgeport Drive, Scarborough and Humberline Drive, Etobicoke as contaminated sites. We have recorded a liability because the contamination of the site exceeds the Ministry of the Environment, Conservation and Parks (MOECC) Table 3 Site Condition Standards, the School Board is responsible for the remediation and we believe it is expected that remediation will be required. The estimated liability is \$1,025,000, and is included in accounts payable and accrued liabilities in the consolidated statement of financial position. We believe that the estimate of the liability is reasonable and is our best estimate of the amount required to remediate the site.

Contingent liabilities

23. The consolidated financial statements reflect the recording of two significant contingent liabilities – one for a pay equity accrual and the other a likely liability for a related group of legal claims. We have assessed these liabilities to be likely and we have measured these liabilities based on our best estimates (after consulting with both the School Board's Human Resources Division and internal legal counsel respectively), as well as reasonable and supportable assumptions and projections, as at the date of this letter. We have reviewed PS 3300, Contingent Liabilities, and in accordance with the standards, settlement is likely, and the amount can be reasonably estimated. We have properly recorded and adequately disclosed this in the Financial Statements.

Employee benefits

24. Employee benefit costs, assets, liabilities and obligations have been properly recorded and adequately disclosed in the Financial Statements including those arising under defined benefit and defined contribution plans as well as termination arrangements.
25. We believe that the actuarial assumptions and methods used to measure defined benefit plan assets, obligations, liabilities and costs for financial accounting purposes are appropriate in the circumstances. We have identified and disclosed all those actuarial assumptions that we consider to be significant as required by PS 3250 and PS 3255.
26. The School Board has identified and accounted for not only its legal obligation for defined benefit plans but also for any constructive obligation arising from the informal practices of the School Board.

Investments

27. The School Board does not hold any investments in Master Asset Vehicle notes (which replaced third party non-bank asset backed commercial paper). In addition, any securities held on behalf of the School Board are invested in accordance with regulation 438/97- Eligible Investments.

Other

28. Net lease revenue has been used to fund eligible capital related expenditures in accordance with Regulation 193/10.

29. With respect to properties held for sale, the School Board believes that these properties will be sold within one fiscal year from the year end date.
30. We believe that the provision recorded against the goods receipt/invoices received accounts payable account is appropriate and reflects our best estimate of historical exceptions that should be reversed and should not form part of the account balance.

Various matters

31. The following have been properly recorded and, when appropriate, adequately disclosed and presented in the Consolidated Financial Statements:
 - a. Economic dependence on another party;
 - b. Losses arising from sale and purchase commitments;
 - c. Losses arising from onerous contracts;
 - d. Agreements to buy back assets previously sold;
 - e. Provisions for future removal and site restoration costs;
 - f. Arrangements with financial institutions involving compensating balances or other arrangements involving restriction on cash balances and line-of-credit or similar arrangements;
 - g. All impaired loans receivable and investments;
 - h. Loans and notes receivable that have been restructured to provide a reduction or deferral of interest or principal payments because of borrower financial difficulties.

Except where otherwise stated below, immaterial matters less than \$1,500,000 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to or disclosure in the Consolidated Financial Statements.

32. All transactions have been properly recorded in the accounting records and are reflected in the Consolidated Financial Statements.
33. The School Board has identified all related parties in accordance with Section PS 2200, *Related Party Disclosures* ("PS 2200"). Management has made the appropriate disclosures with respect to its related party transactions in accordance with PS 2200. This assessment is based on all relevant factors, including those listed in paragraph 16 of PS 2200.
34. There are no instances of identified or suspected noncompliance with laws and regulations.
35. We have disclosed to you all known, actual or possible litigation and claims, whether or not they have been discussed with our lawyers, whose effects should be considered when preparing the Consolidated Financial Statements. As appropriate, these items have been disclosed and accounted for in the Consolidated Financial Statements in accordance with the basis of accounting disclosed in Note 1(a) to the Consolidated Financial Statements.
36. All events subsequent to the date of the Consolidated Financial Statements and for which with the basis of accounting disclosed in Note 1(a) to the Consolidated Financial Statements requires adjustment or disclosure have been adjusted or disclosed. Accounting estimates and disclosures included in the Consolidated Financial Statements that are impacted by subsequent events have been appropriately adjusted.
37. We have disclosed to you all liabilities, provisions, contingent liabilities and contingent assets, including those associated with guarantees, whether written or oral, and they are appropriately reflected in the Consolidated Financial Statements.

38. We have disclosed to you, and the School Board has complied with all aspects of contractual agreements that could have a material effect on the Consolidated Financial Statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
39. The School Board has satisfactory title to and control over all assets, and there are no liens or encumbrances on such assets. We have disclosed to you and in the Consolidated Financial Statements all assets that have been pledged as collateral.

Yours truly,

Toronto District School Board

Craig Snider
Interim Associate Director, Business Operations and Service Excellence

Marisa Chiu
Interim Executive Officer, Finance

Draft

Appendix A

Toronto District School Board
 Summary of disclosure items passed
 Year ended August 31, 2020

Authoritative literature reference	Title	Description of omitted or unclear disclosure
PS3390.08	Contractual obligations	Information about a government’s contractual obligations that are significant in relation to the current financial position or future operations should be disclosed in the notes or schedules to the consolidated financial statements and should include descriptions of their nature and extent and the timing of the related expenditures. TDSB does not include property lease commitments in the total contractual obligations disclosed in Note 13 to the consolidated financial statements.
PS1201	Cash flow information	Certain cash flows are not reflected separately at their gross amount (i.e. proceeds from disposition of properties held for sale) but rather included in other line items within the cash flow statement. Certain non-cash items are not presented in the cash flow statement such as tangible capital asset acquisitions acquired through accounts payable and recognition of previously deferred amounts.
PS1201.098	Statement of change in net debt	Budget numbers have not been provided on this statement as is required under Public Sector Accounting Standards.
PS 1201.055	Properties held for sale	The sale of assets classified as properties held for sale is not anticipated to be completed within one year from the financial statement date as a result of COVID-19, and therefore do not meet the criteria for classification as properties held for sale under PSAS.

Appendix 6 – Management letter comments

December 3, 2020

Private and confidential

Audit Committee Members
Toronto District School Board
5050 Yonge Street
Toronto ON M2N 5N8

Dear Audit Committee Members:

We have recently completed our examination of the consolidated financial statements of the Toronto District School Board (“TDSB” or “the School Board”) for the fiscal year ended August 31, 2020. In addition to our Independent Auditor’s Report on the consolidated financial statements, we would like to provide the enclosed management letter for your consideration.

As part of our audit examination, we are required to obtain an understanding of the School Board and its environment, including internal controls, sufficient to identify and assess the risk of material misstatements in the consolidated financial statements, and sufficient to design and perform further audit procedures. The scope of our review of internal controls is not sufficient to express an opinion as to the effectiveness or efficiency of the School Board’s internal controls; however, we do undertake to report any matters that come to our attention during the audit. We have reviewed our comments with management and their responses to our recommendations are included in the attached report.

We would like to compliment management, internal audit and the audit committee on the work that was accomplished in fiscal 2020 in terms of effectively addressing the requirements of Regulation 361/10 -Audit Committees.

The letter is intended solely for the information and use of management, the Audit Committee and the Board of Trustees and is not intended for and should not be used by anyone other than the specified parties. Accordingly, we disclaim any responsibility to any other party who may rely on it.

Yours very truly,



Chartered Professional Accountants
Licensed Public Accountants

- c. Dr. Kathy Witherow, Interim Director of Education
Mr. Craig Snider, Interim Associate Director, Business Operations and Service Excellence

1. School Generated Funds

Observation

We continue to note improvement based on our audit work on school generated funds. In the current year, we have the following observations:

- We noted some instances where accounting records for school councils were not maintained on the schools' accounting software, KEV School Cash Online.
- We noted instances where deposit logs were not being used consistently by teachers and office administrators when cash was submitted for deposit. In addition, principals were not reviewing the deposit logs on a consistent basis. As well, in the current year, it was observed that one school council did not maintain a separate deposit log from the school deposit log.
- We noted that school councils do not currently follow the School Generated Funds Financial Guide issued by the School Board, including but not limited to the preparation of bank reconciliations on a monthly basis. As an example, in the current year, bank reconciliations are not prepared monthly for three schools selected.
- We noted that oversight by the school principal over school councils could be improved at several of the schools selected for testing in the current fiscal year. Specifically, principals can become more involved in the process of approving expenditures, signing cheques, and reviewing and tracking of deposit slips.
- We noted that several school administrators have expressed a lack of familiarity and comfort using the KEV School Cash Online system, and faced difficulty producing the required documentation during the school visits.
- We noted an instance where there is no formal documentation for the approval of expenditures as the expenditures were approved through meetings.

Recommendation

We understand that in most cases it may not be feasible to obtain optimum segregation of duties over school generated funds at the school site level. We recommend the continued training for all individuals responsible for record keeping for school generated funds and the review of school generated funds on a rotational basis by the internal audit group.

A number of the observations we have made in the current and previous years relate to cash receipts. We understand that with the cashless schools initiative, such issues will be largely eliminated. We recommend that management continue to promote the use of the School Cash Online system to increase user adoption rates and minimize cash handling at the school level.

With respect to school council funds, we recognize the challenges specific to these accounts due to the reliance on parent and community volunteers. We recommend that the School Board provide support to school council treasurers by consolidating administrative and accounting duties for these funds with the school generated funds, to ensure that consistent procedures are adhered to. We also recommend that the principals at each school consider increasing their involvement over the control environment at each school.

We also recommend that additional training courses should be offered to school and school council administrators and treasurers to increase familiarity and functionality with the KEV system.

Management response

TDSB continues to engage in marketing strategies to increase user adoption rates to promote online collections and tracking through this centralized system. All school councils have the option to use the TDSB School Cash Online system, either by redirecting collections to their school council bank account or depositing them into the school's bank account. However, TDSB does not mandate school councils to use this system.

School generated funds are monitored through routine audits conducted by the Internal Audit Team, and regular financial review by the TDSB Finance Support Team. Majority of TDSB schools currently bank with PACE Credit Union. PACE Credit Union has mechanisms in place to flag any cheques with unauthorized signatories or with only one signature, and detect any suspicious or fraudulent transactions. During the COVID-19 school closure period in 2020, cheques with one signature were temporarily accepted by PACE Credit Union and the electronic fund transfer function was also made available to schools, with added account approval controls. PACE Credit Union also provides a monthly discrepancy report to TDSB outlining account signatory changes and deposit count errors and would escalate issues to TDSB management immediately as they arise.

Business training will continue to be provided to staff around cash handling, especially logging and counting of cash and cheque received. These requirements will also be incorporated into Internal audit testing to ensure Principals are enforcing these controls. TDSB has always encouraged the use of deposit logs by both the school and school council, to allow for better tracking and segregation of funds awaiting deposit.

TDSB has also released an online training module for school councils in December 2019. The online school council webinar provides training around school generated funds policies and procedures and the use of KEV School Cash Online. The TDSB Business Help Desk and Finance Support Officers also provide year-round support to schools and school councils.

2. Windows network password parameters

Observation

Password parameters on the Windows network have not been configured to enforce password complexity (i.e., requiring alphanumeric and special characters).

Implication

Passwords are used in many ways to protect data and systems as well as authenticating users of the network, operating systems, applications, hardware and remote access privileges. The lack of strong password parameter configurations based on leading security practices, may result in unauthorized users gaining access to data and systems.

Recommendation

We recommend that management review its password parameter configurations to ensure that they are aligned with policies and procedures as well as leading security practices. Where necessary, separate password setting objects could be used to segment the level of password policies depending on the level of access provided to groups of users (i.e., separation of school board staff, teachers, students, etc.). If a lower security password policy is used for less sensitive users, consideration should be made to segregate the network to reduce the exposure of vital network assets to less secure accounts.

Management Response

TDSB management will review and update its Board password procedure PR573 and incorporate the recommendation for enforcing password complexity by August 2021.