



Toronto District School Board 2021 Audit service plan

For the year ending August 31, 2021
To be presented to the Audit Committee
June 21, 2021

June 11, 2021

Private and confidential

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

2021 Audit service plan

Dear Audit Committee members:

We are pleased to provide you with our audit service plan for Toronto District School Board (the "School Board"), for the year ending August 31, 2021. This document describes the key features of our plan including our audit scope and approach, our planned communications with you, and our team.

Our audit of Toronto District School Board's consolidated financial statements (the "Financial Statements") for the year ending August 31, 2021 prepared in accordance with the Financial Administration Act supplemented by the Ontario Ministry of Education memorandum 2004:B2 and Ontario Regulation 395/11 of the Financial Administration Act ("Financial Reporting Framework"), will be conducted in accordance with Canadian generally accepted auditing standards.

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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Executive summary

Audit scope and terms of engagement

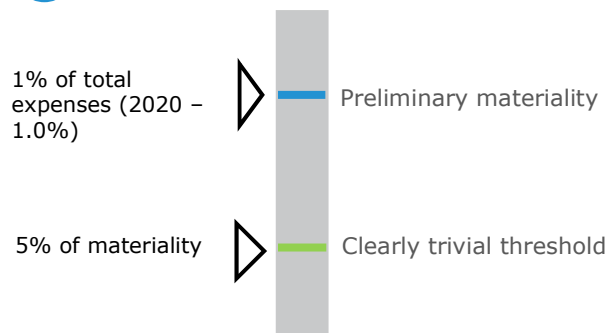
We have been engaged to perform an audit of the School Board’s consolidated financial statements (the “Financial Statements”) prepared in accordance with the Financial Administration Act supplemented by Ontario Ministry of Education memorandum 2004:B2 and Ontario Regulation 395/11, Accounting Policies and Practices Public Entities (“Regulation 395/11”), of the Financial Administration Act as at, and for the fiscal year ending August 31, 2021. In addition, we have also been engaged to perform the audit of the School 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 and the letter of confirmation of changes dated June 8, 2021. 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 risks

- | | |
|----------|--|
| 1 | Revenue recognition |
| 2 | Management override of controls |
| 3 | School generated funds and school council funds |
| 4 | Government transfers relating to capital contributions |
| 5 | Payroll |

Materiality



We are responsible for providing reasonable assurance that your Financial Statements as a whole are free from material misstatement. We will report to the Committee uncorrected misstatements greater than our current year clearly trivial amount. We will report our final materiality figures to the Committee at our audit results presentation. In accordance with Canadian GAAS, we will ask that any misstatements be corrected.



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 earnings.
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.

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

Group audit

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.

Use of the work of specialists

We intend to use our own IT specialists to assess the design and implementation of information technology computer controls.

We also intend to use the work of the School Board's actuary in their valuation of the School Board's post-employment benefits. We will review and test any data and assumptions used, ensure the disclosure in the financial statements is adequate and that the actuary is in good standing with the Canadian Institute of Actuaries.

In addition, we use the work of the School Board's external legal counsel with respect to the assessment of claims and possible claims against the School Board.

If our assessment does not provide us with sufficient, appropriate audit evidence, we will need to perform additional audit procedures to address the risks of material misstatements in the Financial Statements.

COVID-19 impacts

Other than COVID-19, and the related impacts to revenue and expenses, cash management and overall operations of the School Board, we are not currently aware of any other significant events that would impact the audit of the financial statements for the August 31, 2021 year-end. We have incorporated these COVID-19 considerations in the "Audit risks" section of this document.

Below are some of the Deloitte resources we have developed and have available to assist with the potential impacts COVID-19 may have on the 2021 audit. We will continue to monitor the status of the situation and, if necessary, will discuss and finalize an action plan with management as to how to best continue to conduct the audits remotely, if necessary.

COVID-19 Working remotely

What makes Deloitte's audit different going forward is that with our technology platform, we focus efforts on what actually matters rather than taking a "needle in a haystack" random sampling approach. Through consistent processes and capabilities within our global audit platform, we facilitate a better client experience by focusing on what matters, reducing client burden, and delivering value. How would this look and feel different for you?

For the audit of the School Board, we have historically and will continue to deploy Deloitte Connect for audit collaboration. We also intend to make use of iConfirm, as described below, or a similar electronic portal to facilitate the confirmation process. With respect to data analytics, we will continue to make use of Spotlight, as described below, for our risk assessment and focused journal entries testing. The combination of these electronic tools will facilitate remote auditing, and are best suited to an organization of the School Board's size, complexity and nature.

Spotlight

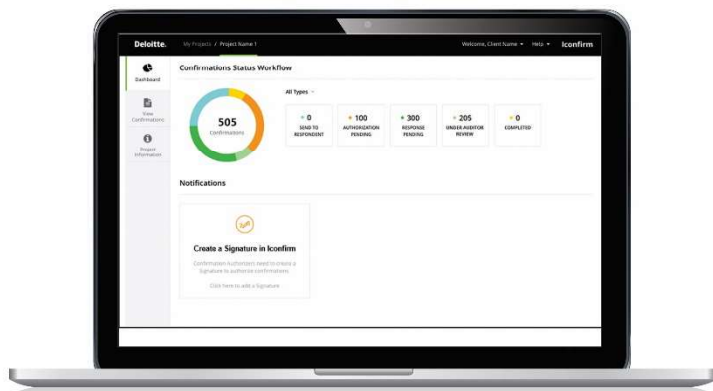
Using Spotlight's data analytics capabilities, we're able to be laser-focused on transactions that are out of the norm. This means less burden on you and your team providing audit support, more relevant and smarter questions, and less time wasted on immaterial issues.





Deloitte Connect

One centralized collaboration portal where you can quickly drag and drop files, ask clarifying questions, get reminders. You have visibility into audit and request status on real-time dashboards, whether on your computer or on a mobile app.



iConfirm

A secure web-based application for preparing, sending, receiving and managing confirmations. We're able to automatically create confirmations, have you apply your signature to the entire batch, and send them electronically rather than by mail. This approach also provides much better visibility into the status of all of the confirms with a clear real-time dashboard.

COVID-19 Resources



- [Deloitte public domain on COVID-19](#) (includes links to government grant program details)
- Our [Deloitte COVID-19 Information Centre](#) brings together Deloitte insights to help businesses manage and mitigate the risk.
- [Webcasts for clients](#) (recordings of past webcasts and invitations for upcoming webcasts)
- [Centre for Financial Reporting COVID-19](#) section where clients will find all our external-facing resources
- [POVs and thought leadership](#) – various reading material and toolkits
- Leveraging artificial intelligence - Deloitte has created a [COVID-19 Economic Recovery Dashboard](#) to monitor the health, community/social activity, financial and economic indicators that will signal when the rebound stage has arrived.

Audit risks

The following tables set out the audit risks that we identified during our preliminary planning activities, including our proposed response to each risk. Our planned audit response is based on our assessment of the likelihood of a risk’s occurrence, the significance should a misstatement occur, our determination of materiality and our prior knowledge of the School Board.

Significant audit risks are denoted by an asterisk (*)

Revenue recognition*

Significant audit risk

Assurance standards include the presumption of a fraud risk involving improper revenue recognition. (Grants, deferred capital contributions, other fees and revenue, and school fundraising and other revenue).

We understand that as a result of the COVID-19 pandemic, that there will be changes to certain existing revenue streams (for example, decline in lease rentals and permit revenues) that will be affected.

We recognize as well that as a result of COVID-19 there continue to be changes to the various federal and provincial grants, including capital infrastructure grants, which will be captured as part of our audit response.

Our audit response will be tailored accordingly to address these changes in circumstances.

Our proposed audit response

- We will test the design and implementation of key internal controls in these revenue streams and perform substantive analytic procedures and detailed testing in these areas
- With respect to grants revenue, obtain funding letters, as well as associated B and SB memos issued by the Ministry of Education, to understand the grant stipulations and assess management’s recording of the associated revenue and deferred revenue.
- Through discussion with management and review of the Audit Committee minutes, we will obtain an understanding of the financial impact to various revenue streams as a result of COVID-19, and design procedures surrounding the recognition of such revenues and any changes (compared to prior year and to the approved budget) as a result of the pandemic. We will pay particular attention to any revenue sources that may have been deferred or for which alternate arrangements have been made with users/funders.

Management override of controls*

Significant audit risk

Assurance standards include the presumption of a significant risk of management override of controls.

Management is in a unique position to perpetrate fraud because of management's ability to directly or indirectly manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Our proposed audit response

In testing for management override of controls we will:

- Engage in periodic fraud discussions with certain members of senior management, and others
 - Consider the potential for bias in judgments and estimates, including performing retrospective analysis of significant accounting estimates
 - Evaluate the business rationale for any significant unusual transactions
 - Evaluate the School Board's fraud risk assessment and consider entity-level internal controls and internal controls over the closing and reporting process
 - Test journal entries that exhibit characteristics of possible management override of controls, identified using manual techniques
-

School generated funds and school council funds

Audit risk

There is an increased risk of misstatement of School Generated Funds and School Council Funds due to the fact that transaction processing is decentralized and internal controls implemented at each school site and their operating effectiveness may vary.

Our proposed audit response

- We will select a sample of schools to audit and perform substantive tests of details to obtain assurance over assets, liabilities, revenues and expenses. We will confirm any bank and investment balances held for a sample of schools.
 - Through the conduct of school visits, we will perform process walkthroughs and internal control testing over the safeguarding of school generated funds and school council funds, as well as over the collection of revenue and incurrence of expenses.
 - We will test the reconciliation of school generated funds for a sample of schools to the summary records maintained by the School Board to ensure accuracy.
 - Depending on the timing of school visits and COVID-19 safety measures in place, we anticipate the conduct of these visits through virtual/electronic means.
-

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

Audit risk

The accounting for government transfers relating to capital contributions is a distinct area which has been prescribed by the Ministry of Education, and can be complex given the significance of capital transactions and balances at the School Board. Ministry directives in this area differs from Canadian Public Sector Accounting Standards and thus requires additional scrutiny.

Our proposed audit response

- We will detail test transactions and balances impacted, including tangible capital assets and capital contributions received and recognized through annual amortization, and determine whether the School Board has accounted for these transactions in accordance with regulations and relevant policies.
- In particular as it relates to tangible capital assets, we recognize that COVID-19 has driven a significant increase in construction costs. This will be factored into our testing this year.
- We will ensure adequate disclosure of the basis of accounting in the notes to the financial statements.

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.
- As a result of COVID-19 and school closures, we understand there has been savings due to decrease in long-term occasional (LTO) expenses, which we will factor into our analytical review.

Management judgments and accounting estimates

Audit risk

Management judgments and accounting estimates are an area of heightened audit risk as there is uncertainty with respect to the ultimate outcome of these transactions, as well as presents the ability for manipulation of or bias in the School Board's financial reporting.

Areas involving management judgments and accounting estimates include:

- Pay equity accruals
- Contingent liabilities and assets stemming from legal matters or other negotiations
- Allowance for doubtful accounts
- Insurance receivables
- Employee future benefits liabilities

Our proposed audit response

- Discuss with management the status of current areas of significant judgments and accounting estimates, and assess any developments in the current year which may impact any assumptions or estimation methods used.
- Obtain an understanding of any new areas of accounting estimates and judgments, as well as management rationale in their quantification.
- Develop an independent accounting estimate based on observable inputs. Where required, obtain assistance from Deloitte specialists.
- Test management's assumptions and inputs used, and assess the reasonableness of their estimation models.

Audit risk

Our proposed audit response

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.

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
- The revised standard strives to improve communication and transparency between auditors and those charged with governance on complex accounting estimates.
- Our communications and transparency with the Committee previously were already in compliance with this new standard.



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

- 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 – 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 School Board.



Delivering professional excellence

Focus area

Risk based audit	<ul style="list-style-type: none"> • Deliver a customized risk assessment, focusing our attention and resources on the audit areas that are most relevant to the School Board.
Confidential Information	<ul style="list-style-type: none"> • Protecting the privacy and confidentiality of our clients and the firm is a cornerstone of the professional standards every Deloitte partner and practitioner commits to upholding every day. • Deloitte employs technical, physical, and procedural safeguards, including our Confidential Information Program, to appropriately safeguard your data before, during, and after the course of the engagement.
Professional skepticism	<ul style="list-style-type: none"> • Obtain a thorough understanding of the relevant facts and information, analyze reasonable alternatives, apply a questioning mindset and challenge management’s assumptions. • Perform a more rigorous review of potential contradictory evidence.
Consultations	<ul style="list-style-type: none"> • Involve additional resource or consult with technical resources concerning the significant or unusual events.



- Understanding your current business and its structure
- Understanding your accounting processes and internal controls
- Understanding your IT systems
- Identifying potential engagement risks and planning control testing and substantive procedures directly related to the risks

- Consideration of the risk of fraud
- Inquiring directly of the Committee about fraud risk
- Assessing risks and controls relating to information technology
- Incorporate an element of unpredictability when selecting the nature, timing and extent of our audit procedures.

- 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
- Performing substantive audit procedures

- 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.
- Reconfirming our independence

When general IT controls (GITCs) may be relevant?

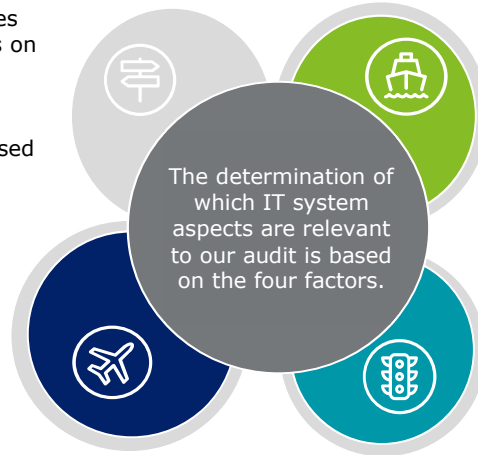
Factor #1 Data

For example:

A billing system that performs many functions (such as processing orders, generating invoices, and tracking financial balances) and it processes and houses data. The entity relies on the functionality and the data processed by the system. Additionally, the volume and complexity of transactions processed by system is considered high. Therefore the billing system is relevant to the audit.

Factor #3: System Generated Reports

For example, a system-generated A/R aging report from the financial reporting application is used to determine the allowance for doubtful accounts.



Factor #2 Automated Controls

For example:

- 3-way match of the purchase order, goods receipt and invoice prior to payment
- The calculation of depreciation expense
- Access is restricted to update inventory quantity

Factor #4: Substantive Procedures

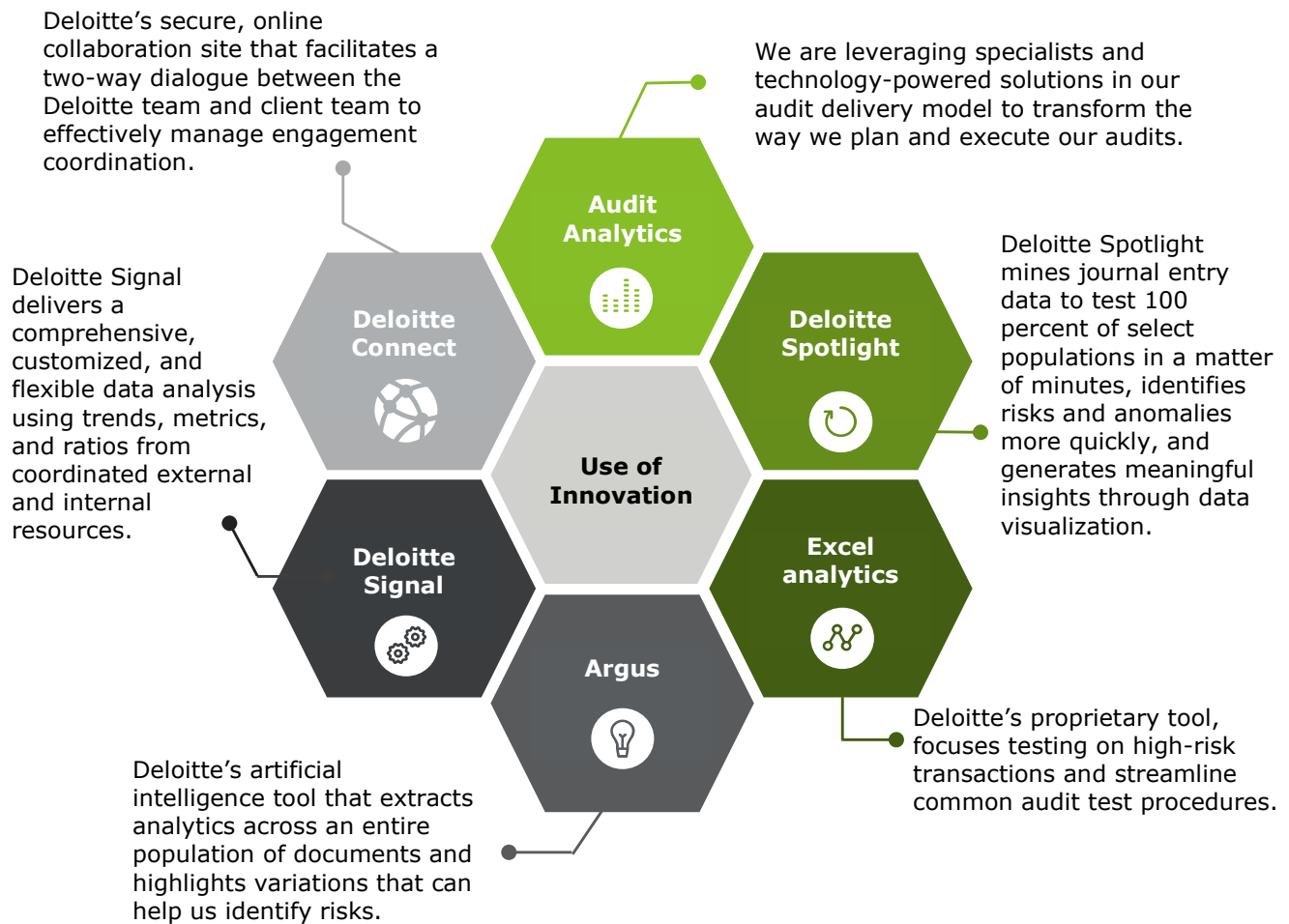
For example, a telecommunications company uses its application system to create a log of the services provided to its customers, to initiate and process its billings for the services, and to automatically record such amounts in the general ledger. It is a highly automated environment and therefore most of the audit evidence is maintained in the application system itself. The team has concluded that substantive procedures alone would not be sufficient to address certain risks of material misstatements. Therefore, the application system is relevant for the audit.



Innovating our audit approach

Focus area

<p>Audit technology</p>	<ul style="list-style-type: none"> • Deloitte Connect – Use Deloitte’s secure, online collaboration site to facilitate a two-way dialogue between the Deloitte team and the School Board team to effectively manage engagement coordination and provide greater transparency allowing both management and auditor visibility over client request status. • Deloitte Spotlight - Gather data and test journal entries, identify risks and anomalies more quickly, and generate meaningful insights through data visualization. • Argus – Use Deloitte’s artificial intelligence tool to analyze the population of contracts or other documents to identify variations, potential risks and hone in on items of interest.
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Focus area

Processes	<ul style="list-style-type: none">• Project management - Enhance project management oversight and effective communications between the audit team and management.
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Appendix 2 – Communication requirements

Required communication	Reference
Audit service plan	
1. Our responsibilities under Canadian GAAS, including forming and expressing an opinion on the financial statements	CAS ¹ 260.14
2. An overview of the overall audit strategy, addressing: <ol style="list-style-type: none"> Timing of the audit Significant risks, including fraud risks Nature and extent of specialized skill or knowledge needed to perform the planned audit procedures related to significant risk 	CAS 260.15
3. Significant transactions outside of the normal course of business, including related party transactions	CAS 260 App. 2, CAS 550.27
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
5. Any known suspected or alleged fraud affecting the School Board	CAS 240.22
6. Whether the School Board is in compliance with laws and regulations	CAS 250.15
Year-end communication	
7. Modification to our audit plan and strategy	CAS 260.A26
8. Fraud or possible fraud identified through the audit process	CAS 240.40-.42
9. Significant accounting policies, practices, unusual transactions, and our related conclusions	CAS 260.16 a.
10. Alternative treatments for accounting policies and practices that have been discussed with management during the current audit period	CAS 260.16 a.
11. Matters related to going concern	CAS 570.25
12. Management judgments and accounting estimates	CAS 260.16 a.
13. Significant difficulties, if any, encountered during the audit	CAS 260.16 b.
14. Material written communications between management and us, including management representation letters	CAS 260.16 c.
15. Circumstances that affect the form and the content of the auditor's report	CAS 260.16d.
16. Modifications to our opinion	CAS 260.A21
17. Our views of significant accounting or auditing matters for which management consulted with other accountants and about which we have concerns	CAS 260.A22
18. Significant matters discussed with management	CAS 260.A.22

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

Required communication	Reference
19. Matters involving non-compliance with laws and regulations that come to our attention, unless prohibited by law or regulation, including illegal or possibly illegal acts that come to our attention	CAS 250.23
20. Significant deficiencies in internal control, if any, identified by us in the conduct of the audit of the financial statements	CAS 265
21. Uncorrected misstatements and disclosure items	CAS 450.12-13,
22. Any significant matters arising during the audit in connection with the School Board’s related parties	CAS 550.27

Appendix 3 – Audit timelines

This calendar indicates our various procedures and meetings as planned throughout the year:

Activity	Timing
Presentation of Audit Service Plan to the Audit Committee	June 21, 2021
Interim audit	Week of July 5, 2021
School visits	September/October 2021
Year-end audit	Commencing mid-October 2021
Review the result of our audit	December 2021

Appendix 4 – New and Revised Public Sector Accounting Standards

The following is a summary of certain new or revised Canadian Public Sector Accounting Standards that will become effective in 2022 and beyond.

Public Sector Accounting Standards

Title	Description	Effective Date
<u>Section PS 3280 - Asset retirement obligations</u>	This Section establishes standards on how to account for and report on the legal obligations associated with the retirement of tangible capital assets.	Effective April 1, 2022. Earlier adoption is permitted. We will commence discussions with Management regarding the implementation considerations in the current year. We anticipate that proper implementation will require cooperation and coordination with other departments in the School Board, including long-term process changes.
<u>Section PS 3400 - Revenue</u>	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.	Effective for fiscal years beginning on or after April 1, 2023. Earlier adoption is permitted. This Section may be applied retroactively or prospectively.

Appendix 5 – Deloitte resources a click away

At Deloitte, we are devoted to excellence in the provision of professional services and advice, always focused on client service. We have developed a series of resources, which contain relevant and timely information.

Register [here](#) to receive practical insights, invitations to Deloitte events/webcasts, and newsletters via email and other electronic channels. You will be able to select business topics and industries that align with your interests.

<input type="checkbox"/> Centre for financial reporting https://www.iasplus.com/en-ca/standards Target audience <ul style="list-style-type: none"> • Directors and CEO/CFO • Controller and Financial reporting team 	Web site designed by Deloitte to provide the most comprehensive information on the web about financial reporting frameworks used in Canada.
<input type="checkbox"/> Deloitte Viewpoints https://www.iasplus.com/en-ca/tag-types/deloitte-viewpoints Target audience <ul style="list-style-type: none"> • CFO • Controller and Financial reporting team 	Electronic communications that helps you to stay on top of standard-setting initiatives impacting financial reporting in Canada.
<input type="checkbox"/> CFO's corner https://www.iasplus.com/en-ca/cfos-corner Target audience <ul style="list-style-type: none"> • CFO and VP Finance • Controller and Financial reporting team 	Editorial providing insights into key trends, developments, issues and challenges executives face, with a Deloitte point of view.
<input type="checkbox"/> Deloitte Dbriefs https://www.iasplus.com/en-ca/dbriefs/webcasts Targeted audience <ul style="list-style-type: none"> • CFO and VP Finance • Controller and Financial reporting team 	Learning webcasts offered throughout the year featuring our professionals discussing critical issues that affect your business. <ul style="list-style-type: none"> •