



**Toronto District School Board**  
Report to the Audit Committee on the  
2021 audit

December 6, 2021

November 26, 2021

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**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, 2021**

Dear Audit Committee Members:

We are pleased to submit this report on the status of our audit of Toronto District School Board ("the School Board" or "TDSB") for the 2021 fiscal year. This report summarizes the scope of our audit, our findings to date and reviews certain other matters that we believe to be of interest to you.

As agreed in our master service agreement ("MSA") dated April 3, 2019 and confirmation of changes letter dated June 8, 2021, we have performed an audit of the consolidated financial statements of Toronto District School Board as at, and for the year ended, August 31, 2021, in accordance with Canadian generally accepted auditing standards ("Canadian GAAS") and expect to issue our independent auditor's report thereon dated December 8, 2021 once the consolidated financial statements are approved by the Board of Trustees and upon completion of outstanding audit procedures.

Our audit has been conducted in accordance with the audit plan that was presented to the Audit Committee at the meeting on June 21, 2021.

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 the employees of the School Board with whom we worked during the execution of our engagement.

We look forward to discussing this report summarizing the outcome of our audit with you, and to 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 were 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 of the Financial Administration Act ("Financial Reporting Framework") as at and for the year ended August 31, 2021. 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 dated April 3, 2019 and confirmation of changes letter dated June 8, 2021, which was signed on behalf of the Audit Committee and management.

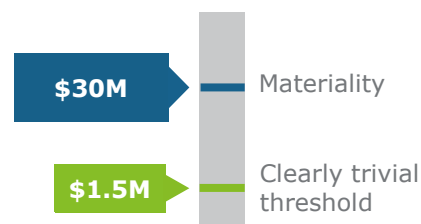


## Audit risks

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
6	Management judgments and accounting estimates



## Uncorrected misstatements



Materiality levels are determined on the basis of 1.0% of consolidated expenses, consistent with prior year.

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.

A summary of financial statement adjustments and disclosure deficiencies has been included in Appendix 3 - Summary of uncorrected misstatements and unadjusted disclosure deficiencies.



### Outstanding matters & next steps

**Receipt** of signed management representations letter

**Receipt** of legal letters

**Minor documentation** items and completion of Engagement Quality Control Review



### Highlights

**No changes** in audit risks identified

**No significant deficiencies** identified in internal controls. We have included our recommendations resulting from our school visits under separate cover.



### Going concern

Management has completed its assessment of the ability of the School Board to continue as a going concern and in making its assessment did not identify any material uncertainties related to events or conditions that may cast significant doubt upon the School Board's ability to continue as a going concern. We agree with management's assessment.



### Results

No restrictions have been placed on the scope of our audit. We intend to issue an unmodified audit report on the financial statements of the School Board for the year ended August 31, 2021 once the outstanding items referred to above are completed satisfactorily and the financial statements are approved by the Board of Trustees.

# Audit risks

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

## Revenue recognition\*

Analysis of risk	Audit response and results
<p>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).</p> <p>We recognize that as a result of COVID-19 there continue to be changes to the various federal and provincial grants, including capital infrastructure grants and contributed materials, which were captured as part of our audit response.</p>	<ul style="list-style-type: none"> <li>• We tested the design and implementation of controls over revenue and performed substantive analytic procedures, detailed testing, and confirmation procedures in the various revenue streams.</li> <li>• With respect to grants revenue, we reviewed funding letters, if available, as well as associated B and SB memos issued by the Ministry of Education, to understand the grant stipulations and assessed management's recording of associated revenue and deferred revenue. We noted that as a result of COVID-19, there was an increase in Priorities and Partnerships funding (PPF) as well as other grants. We tested a sample of expenditures incurred with respect to these funding sources to ensure valid revenue recognition and deferral have occurred.</li> <li>• We noted in the current year the receipt by the School Board of in-kind contributions from the Ministry of Government and Consumer Services of personal protective equipment.</li> <li>• Our audit procedures did not indicate any evidence of material misstatement.</li> </ul>

## Risk of management override of controls\*

Analysis of risk	Audit response and results
<p>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. This represents a fraud risk for the FY21 audit.</p>	<ul style="list-style-type: none"> <li>• We discussed fraud with management.</li> <li>• We asked 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 antifraud programs.</li> <li>• We tested a sample of journal entries made throughout the period, and adjustments made at the end of the reporting period.</li> <li>• We evaluated the business rationale for any significant unusual transactions.</li> <li>• We determined whether the judgments and decisions related to management estimates indicate a possible bias, which included performing retrospective analysis of significant accounting estimates.</li> <li>• Our audit procedures did not indicate any evidence of material misstatement.</li> </ul>

### School generated funds and school council funds

Analysis of risk	Audit response and results
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.	<ul style="list-style-type: none"> <li>• We selected a sample of schools to audit and performed substantive tests of details to obtain assurance over assets, liabilities, revenues and expenses.</li> <li>• We confirmed bank balances for the sample of schools selected with the bank.</li> <li>• We performed 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.</li> <li>• We tested the reconciliation of school generated funds for a sample of schools to the summary records maintained by the School Board to ensure accuracy.</li> <li>• We noted in the current year that as a result of various school closures due to COVID-19, that this resulted in diminished School Generated Funds activities in the current year.</li> <li>• Our audit procedures did not indicate any evidence of material misstatement.</li> </ul>

### Government transfers relating to capital contributions

Analysis of risk	Audit response and results
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.	<ul style="list-style-type: none"> <li>• We detail tested transactions and balances impacted, including tangible capital assets and capital contributions received and recognized through annual amortization, and determined whether the School Board has accounted for these transactions in accordance with regulations and relevant policies.</li> <li>• We reviewed adequacy of disclosure of the basis of accounting in the notes to the financial statements.</li> <li>• Our audit procedures did not indicate any evidence of material misstatement.</li> </ul>

### Payroll

Analysis of risk	Audit response and results
Significance and volume of transactions	<ul style="list-style-type: none"> <li>• We reviewed and tested the design, implementation, and operating effectiveness of key internal controls related to the payroll cycle.</li> <li>• We performed test of details over payroll transactions for appropriate pay in accordance with employment agreements and other relevant documentation.</li> <li>• We performed substantive analytical procedures over school-based employee payroll.</li> <li>• We tested a sample of red-circled employees.</li> <li>• Our audit procedures did not indicate any evidence of material misstatement.</li> </ul>

## Payroll

### Analysis of risk

### Audit response and results

#### Management judgments and accounting estimates

### Analysis of risk

### Audit response and results

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

- We discussed with management the status of current areas of significant judgments and accounting estimates, and assessed any developments in the current year which have impacted assumptions or estimation methods used.
- We obtained an understanding of any new areas of accounting estimates and judgments, as well as management rationale in their quantification.
- We developed independent accounting estimates based on observable inputs.
- We tested management's assumptions and inputs used, including those for which management rely on external experts, and assessed the reasonableness of their estimation models.
- Our audit procedures did not indicate any evidence of material misstatement. See *Significant judgments and estimates* section of this report.

#### \* Area of Significant audit risk



## Other matters

### 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. 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.

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 CAS 600 Group Audits. 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.

### Related party transactions

The School Board's reporting entity includes the following entities, which are considered related parties, as disclosed in Note 1(b) to the financial statements:

- Toronto Lands Corporation
- Toronto Standard Condominium Corporation No. 2234 (established for management of common elements of the 840 Coxwell and 555 Mortimer Avenue property, owned by the School Board and Toronto East Health Network)

The School Board's related parties also include:

- Province of Ontario and its ministries
- Ontario Ministry of Education
- TDSB Trust Funds
- And key management personnel (including close family members)

PS2200 requires disclosure of information about related party transactions and the underlying relationship when the transaction occurs at a value different from what would be recorded if they were not related, and if the transaction has a material financial effect.

We have inquired with management about their process to identify and assess related parties and transactions with them, the existence of related parties and identified related parties from our substantive audit procedures and review of Committee and Board minutes.

Transactions and balances with the Province of Ontario and City of Toronto are as disclosed in Notes 2 and 4 to the financial statements. In addition, the Board has received personal protective equipment from the Ministry of Government and Consumer Services as disclosed in Note 22 to the financial statements.

We have not noted any other additional material transactions with related parties that require disclosure in the financial statements.

### Use of the work of specialists

As planned, Deloitte specialists and experts assisted in the audit to the extent we considered necessary:

<b>Deloitte IT specialists:</b>	Participated in evaluating internal controls and in using our computerized audit applications
<b>Board's actuarial expert</b>	We used the work of the School Board's independent actuarial experts in the audit of the employee future benefits liabilities and expenses.
<b>Board's external legal counsel</b>	We used the work of the School Board's legal counsel with respect to the assessment of claims and possible claims against the Board.

# Significant judgments and estimates

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

## Management judgement and accounting estimates

Accounting estimate	Description
<b>Employee future benefits liability</b>	<p>Employee future benefits liability in the amount of \$327.1 million (2020 - \$334.3 million) was estimated with the assistance of the School Board's Independent Actuaries, School Boards' Co-operative Inc, and are assessed as reasonable.</p> <p>In the current year, the School Board recognized a net gain due to plan amendment as a result of benefits made available to Senior Officials if they retired on or before August 12, 2021.</p>
<b>Incurred but not reported claims liability</b>	<p>Annually, the School Board records a liability for self-funded health and dental claims incurred but not yet reported by employees as at the fiscal year end (for those employees not transitioned to ELHTs). We have reviewed management's estimate for this liability and noted the assumptions and methodology used and consider them to be reasonable.</p>
<b>Pay equity</b>	<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 2021 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. On an annual basis, we held discussions with management to understand the progress in negotiations and towards settlement, and evaluate whether the initial assumptions and model continue to be appropriate, or whether additional information or facts have emerged that would render them no longer appropriate. We have assessed the assumptions and methodology used in management's estimate and consider them to be reasonable.</p>

Accounting estimate	Description
<b>Legal claims</b>	The School Board recorded an accrual in the consolidated financial statements for specific legal claims. The estimate was based on an assessment by internal legal counsel related to the likelihood of payout. This estimate also considered whether insurance coverage was available. We relied on representations from management (including internal legal counsel) in terms of the measurement of this contingent liability. We have assessed the assumptions and methodology used in management's estimate and consider them to be reasonable.
<b>Accrued wages and vacation pay</b>	An accrual of approximately \$19.0 million (2020 - \$36.2 million) was made for accrued wages and \$19.3 million (2020 - \$19.0 million) for accrued vacation pay. The accounting estimates based primarily on payroll calculations were assessed as reasonable.
<b>Other accounts requiring management judgement and accounting estimates</b>	
<b>Allowance for doubtful accounts receivable</b>	The estimate of the allowance in the amount of \$6.3 million (2020 - \$6.1 million) used pertinent information and is considered to be reasonable in the circumstances.
<b>Tangible capital assets</b>	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 \$215.4 million (2020 - \$222.6 million). During the current year, the School Board updated the useful lives applied for computer hardware in accordance with the Ministry's TCA guidelines from 5 years to 3 years. This resulted in an additional amortization of \$5.69 million in the current year to reflect this change in estimate.
<b>Deferred capital contributions</b>	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 \$214.0 million (2020 - \$221.2 million). This accounting policy was consistently applied.

# Appendix 1 – Communication requirements and other reportable matters

Required communication	Reference	Refer to this report or document described below
<b>Audit Service Plan</b>		
1. Our responsibilities under Canadian GAAS, including forming and expressing an opinion on the financial statements	CAS <sup>1</sup> 260.14	Master service agreement dated April 3, 2019 and confirmation of changes letter dated June 8, 2021.
2. An overview of the overall audit strategy, addressing: <ul style="list-style-type: none"> <li>a. Timing of the audit</li> <li>b. Significant risks, including fraud risks</li> </ul>	CAS 260.15	Audit plan communicated on June 21, 2021
3. Significant transactions outside of the normal course of business, including related party transactions	CAS 260 App. 2, CAS 550.27	None noted.
<b>Enquiries of those charged with governance</b>		
4. How those charged with governance exercise oversight over management's process for identifying and responding to the risk of fraud and the internal control that management has established to mitigate these risks	CAS 240.21	Discussed during the Audit plan presentation on June 21, 2021.
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	None noted.
<b>Year End Communication</b>		
7. Fraud or possible fraud identified through the audit process	CAS 240.40-.42	We are not aware of any fraudulent events.
8. Significant accounting policies, practices, unusual transactions, and our related conclusions	CAS 260.16 a.	See Note 1 to the financial statements for significant accounting policies

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

## Appendix E

Toronto District School Board | Appendix 1 – Communication requirements and other reportable matters

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.	Significant accounting practices and policies selected and applied by management are, in all material respects, acceptable under the Financial Reporting Framework and are appropriate to the particular circumstances of the School Board.
10. Matters related to going concern	CAS 570.25	We concluded that there was no substantial doubt about the School Board's ability to continue as a going concern.
11. Consultation with other accountants	CAS 260.16(c),(i), A22	We are not aware of consultations with other accountants.
12. Management judgments and accounting estimates	CAS 260.16 a.	No issues noted with management judgments and accounting estimates.
13. Significant difficulties, if any, encountered during the audit	CAS 260.16 b.	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.
15. Material written communications between management and us, including management representation letters	CAS 260.16 c.	Management representation letter.
16. Other matters that are significant to the oversight of the financial reporting process	CAS 260.16e.	No other matters to report.
17. Modifications to our opinion(s)	CAS 260.A21	None.
18. Other significant matters discussed with management	CAS 260.A.22	No significant matters noted.
19. Under our professional standards we are required to communicate, unless we are prohibited by a law or regulation, matters involving non-compliance by the School Board with applicable laws and regulations, including illegal or possibly illegal acts that come to our attention	CAS 250.23	Our limited procedures did not identify any areas of material non-compliance with laws and regulations by the School Board, that are not otherwise prohibited to disclosed by law or regulation.
20. Litigation	CAS 260.16(a), A19-20, App. 2	We believe the disclosure relating to potential legal claims are appropriate and in line with the requirements of the Financial Reporting Framework. See also discussion under the <i>Significant judgments and accounting estimates</i> section.
21. Significant deficiencies in internal control, if any, identified by us in the conduct of the audit of the financial statements	CAS 265	No deficiencies to report. We have prepared management letter of comments identified during our audit in Appendix 6.
22. Key Audit Matters	CAS 701.17	None noted.
23. Uncorrected misstatements and disclosure items	CAS 450.12-13	None noted.

## Appendix E

Toronto District School Board | Appendix 1 – Communication requirements and other reportable matters

Required communication	Reference	Refer to this report or document described below
<b>Other reportable matters</b>		
24. Changes to the audit plan	CAS 260.A26	No changes to audit plan.
25. Concerns regarding management competence and integrity	CAS 260.11, A38	We have not determined any concerns regarding management competence and integrity.
26. Disagreements with management	CAS 260.16(c)(i), A22	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 financial statements.
27. Subsequent events	CAS 260.10(a), 260.13(b), 260.14(a), 260.17	<p>A property in Bloor and Dufferin was sold on September 13, 2021 with a total proceeds of \$151.50 million as disclosed in Note 21 of the financial statements.</p> <p>We will continue to monitor for subsequent events until the approval of the financial statements by the Board of Trustees.</p>
28. Limitations when sending confirmations	CAS 505.9	Not applicable.
29. Other significant matters arising from the audit	CAS 260.16(e), A26-A28	None noted.

# Appendix 2 – Independence matters

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8 Adelaide Street West  
Suite 200  
Toronto ON M5H 0A9  
Canada

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[www.deloitte.ca](http://www.deloitte.ca)

November 26, 2021

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, 2021.

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:

- a. Holding a financial interest, either directly or indirectly, in a client.
- b. 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.
- c. Personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client.
- d. Economic dependence on a client.
- e. 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.

## Appendix E

Toronto District School Board | Appendix 2 – Independence matters

We have prepared the following comments to facilitate our discussion with you regarding independence matters arising since December 3, 2020, 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 3, 2020 to November 26, 2021.

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

In 2019, 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. 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 November 26, 2021.

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 our upcoming meeting on December 6, 2021.

Yours truly,

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants  
Licensed Public Accountants



# Appendix 3 – Summary of financial statement adjustments and summary of disclosure items passed

## Summary of financial statement adjustments

DR/CR		Explanation
DR Accumulated surplus	\$8,083,123	<p>The School Board has historically recorded an accrual in the consolidated financial statements for three self-funded deferred leave plans (3/4, 4/5 and 5/6). The 4/5 leave plan has been in place since pre-amalgamation.</p> <p>As part of management's review of the deferred leave plans and their continued accumulation over time, management undertook an exercise to review the continued validity of the accruals compared to actual employees remaining within the plans as at August 31, 2021 and their associated in-effect pay rates. The annual growth in the accrual was not material.</p> <p>Management has recorded a true-up adjustment to adjust the accrual in the current year, resulting in a net impact of \$8.08 million increase to the consolidated statement of operations in the current year.</p> <p>We noted that the adjustment should have been recorded to opening accumulated surplus instead of the current year consolidated statement of operations, given that they pertain to the legacy build-up of the accrual balance. However, we note that the ending balance of the accrual as at August 31, 2021 has been corrected.</p>
CR Payroll expense	\$8,083,123	

## Appendix E

Toronto District School Board | Appendix 3 – Summary of financial statement adjustments 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	<p>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.</p> <p>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.</p>
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.

# Appendix 4 – Draft management representations letter

## [School Board letterhead]

December 8, 2021

### **Private and confidential**

Deloitte LLP  
400 Applewood Crescent  
Vaughan ON L4K 0C3

**Subject: Consolidated financial statements of Toronto District School Board for the year ended August 31, 2021**

Dear Sir/Madam:

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, 2021 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 and Confirmation of Changes dated June 8, 2021 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, 2021 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, 2021 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, 2021 and up to the date of this letter.
5. The Consolidated Financial Statements are free of material errors and omissions.

We believe that the effects of any uncorrected Financial Statement misstatements pertaining to the current period presented, are immaterial, both individually and in the aggregate, to the Consolidated Financial Statements taken as a whole. A list of the uncorrected misstatements aggregated by you is attached in Appendix A.

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 B. 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. Except as listed in Appendix A, 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.

## Appendix E

Toronto District School Board | Appendix 4 – Draft management representations letter

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

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Craig Snider

Interim Associate Director, Business Operations and Service Excellence

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Marisa Chiu  
Interim Executive Officer, Finance



**Appendix A**  
**Toronto District School Board**  
**Summary of financial statement adjustments**  
**Year ended August 31, 2021**

DR/CR		Explanation
DR Accumulated surplus	\$8,083,123	<p>The School Board has historically recorded an accrual in the consolidated financial statements for three self-funded deferred leave plans (3/4, 4/5 and 5/6). The 4/5 leave plan has been in place since pre-amalgamation.</p> <p>As part of management's review of the deferred leave plans and their continued accumulation over time, management undertook an exercise to review the continued validity of the accruals compared to actual employees remaining within the plans as at August 31, 2021 and their associated in-effect pay rates. The annual growth in the accrual was not material.</p> <p>Management has recorded a true-up adjustment to adjust the accrual in the current year, resulting in a net impact of \$8.08 million increase to the consolidated statement of operations in the current year.</p> <p>We noted that the adjustment should have been recorded to opening accumulated surplus instead of the current year consolidated statement of operations, given that they pertain to the legacy build-up of the accrual balance. However, we note that the ending balance of the accrual as at August 31, 2021 has been corrected.</p>
CR Payroll expense	\$8,083,123	

**Appendix B**  
**Toronto District School Board**  
**Summary of disclosure items passed**  
**Year ended August 31, 2021**

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.

# 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.

<p>Canada's Best Managed Companies (<a href="http://www.bestmanagedcompanies.ca">www.bestmanagedcompanies.ca</a>)</p> <p><b>Target audience</b> Directors and CEO/CFO</p>	<p>The Canada's Best Managed Companies designation symbolizes Canadian corporate success: companies focused on their core vision, creating stakeholder value and excelling in the global economy.</p>
<p>Centre for financial reporting (<a href="https://www.iasplus.com/en-ca/standards">https://www.iasplus.com/en-ca/standards</a>)</p> <p><b>Target audience</b> • Directors and CEO/CFO • Controller and Financial reporting team</p>	<p>Web site designed by Deloitte to provide the most comprehensive information on the web about financial reporting frameworks used in Canada.</p>
<p>Deloitte Viewpoints (<a href="https://www.iasplus.com/en-ca/tag-types/deloitte-viewpoints">https://www.iasplus.com/en-ca/tag-types/deloitte-viewpoints</a>)</p> <p><b>Target audience</b> • CFO • Controller and Financial reporting team</p>	<p>Electronic communications that helps you to stay on top of standard-setting initiatives impacting financial reporting in Canada.</p>
<p>CFO's corner (<a href="https://www.iasplus.com/en-ca/cfos-corner">https://www.iasplus.com/en-ca/cfos-corner</a>)</p> <p><b>Target audience</b> • CFO and VP Finance • Controller and Financial reporting team</p>	<p>Editorial providing insights into key trends, developments, issues and challenges executives face, with a Deloitte point of view.</p>
<p>Deloitte Dbriefs (<a href="https://www.iasplus.com/en-ca/dbriefs/webcasts">https://www.iasplus.com/en-ca/dbriefs/webcasts</a>)</p> <p><b>Targeted audience</b> • CFO and VP Finance • Controller and Financial reporting team</p>	<p>Learning webcasts offered throughout the year featuring our professionals discussing critical issues that affect your business.</p>

# Appendix 6 – Management letter comments

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November 26, 2021

**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, 2021. 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 2021 in terms of effectively addressing the requirements of Regulation 361/10 -Audit Committees.

## Appendix E

Toronto District School Board | Appendix 6 – Management letter comments

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,

The image shows a handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants  
Licensed Public Accountants

- c. Colleen Russell-Rawlins , Director of Education  
Mr. Craig Snider, Interim Associate Director, Business Operations and Service Excellence

**Toronto District School Board  
Management letter comments  
August 31, 2021**

**1. School Generated Funds**

**Observation**

We continue to note certain recommendations 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 were not prepared monthly for four 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.

**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 further 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.

### 1. School Generated Funds (continued)

#### 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. PACE contacts management if any unusual activity is detected. 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.

An online school council webinar is available on the TDSB website and 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. There were minimal school fundraising activities during the 2020-21 school year as a result of the pandemic. Therefore, the financial risks associated to school generated funds have decreased given the decline in revenues and expenses.

## 2. Windows network password parameters

### Observation

Fine grain password policy parameters on the Windows network have not been configured to enforce password complexity (i.e., requiring alphanumeric and special characters). However, the policy document states that the complexity should be enabled.

### 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 regularly reviews its Board Password Procedure (PR573) to ensure it remains aligned with industry standards and leading security practices, while balancing usability across disparate user groups. On June 25, 2021 Executive Council approved the following changes to the Procedure:

- Deny use of dictionary words; and
- Increase minimum password length for employees from 8 to 12 characters

According to NIST (Special Publication SP 800 - 63), password length is more important than password complexity. TDSB has chosen to focus on the former, and has recommended the use of passphrases to make passwords easier to remember.

While network segregation is neither trivial nor cost-effective within our complex computing environment, TDSB has several active programs to increase the security of data and computing resources. These initiatives take a multi-layered approach to protecting assets beyond what passwords alone can provide. Active initiatives include:

- Rollout MFA (Multi-Factor Authentication) to all TDSB employees, with a focus on users with privileged access and systems with sensitive data;
- Shift of workloads to XaaS environments;
- Geofencing;
- Privileged Identity Management;
- Security training and awareness for staff;
- Cloud-only accounts; and
- DLP



### 3. Review of accumulating legacy balances

#### Observation

During our current year and prior year audits, we noted that there were items dating back to 1999 that required true-up, particularly, we noted these in the following balances:

- Goods Receipt/Invoice Receipt Clearing Account
- Self-funded leave plans

Although the year-on-year changes in these balances have not been material, the cumulative true-up in both instances have been material amounts. Management has proactively undertaken reviews of these balances and implemented processes to ensure that the above accumulated errors have been corrected and systems are in-place to ensure a periodic reconciliation of the balances.

Given the complexity of the School Board and number of accounts in the general ledger, it is possible that other balances of this legacy nature exist which have become stale or require historical reconciliations.

#### Recommendation

We recommend that management perform a scan of the general ledger and evaluate if there are any other historical accumulating balances that may also require a reconciliation and full review, to assess if any true-ups and process redesigns are necessary.

#### Management Response

In May 2018, the Business services department conducted a detailed analysis and investigation of the Goods Receipt Invoice Receipt (GR/IR) Clearing account backlog. This general ledger account was created in 1999 when the Board converted to the current SAP ERP system. The GR/IR clearing acts as a clearing account for thousands of transactions posted by users throughout the system. TDSB has been actively monitoring the account since the issues were identified in 2018 and TDSB continues to set up expense reversal provisions annually for purchase order discrepancies. The likelihood of material errors related to the GR/IR clearing account is fully mitigated through the current controls put in place.

The self-funded leave plan was introduced prior to TDSB's amalgamation in 1999. Under this leave plan, employees would bank 20% of their pay through payroll deductions for four years. When the employee goes on leave in Year 5, the employee would be paid at 80% of their rate of pay, from the banked earnings from Year 1 to 4. In 2017, two additional self-funded leave plans were introduced. The first plan allows employees to bank their earnings for three years and receive 0.75% of their pay during their 4th year of leave; and the second plan allows employees to bank their earnings for five years and receive 0.833% of their pay during their 6th year of leave.

**3. Review of accumulating legacy balances (continued)**

In 2020, staff identified necessary changes to the SAP HR system, due to program set up errors back in 2005. The errors in the set up resulted in accounting discrepancies relating to the treatment of the payroll deductions and payouts for some employees since 2005. Although the discrepancies for each employee on leave may be immaterial, the cumulative errors were material as thousands of employees have participated in this plan since 2005. During the system review, staff also identified an error in the opening liability balance from 1999, when the legacy financial system was converted to the SAP ERP financial system. The combination of these errors, from pre-1999 to 2021, resulted in a \$8M total adjustment to the salary expense and self funded leave liability accounts. The programming errors did not result in any actual financial loss for the Board, as all payroll amounts were processed correctly. These errors impacted the reporting of expenses. These errors were below the external audit's materiality when reviewed on an annual basis.

TDSB has since corrected those programming errors in 2021. Staff have implemented additional internal controls, including detailed bi-weekly monitoring and reconciliation of the self-funded leave liability account, to the individual employee contributions and payments. Staff have also implemented the Spinifex system in 2017, which is integrated with SAP and allows staff to generate detailed employee-by-employee reports of the self funded leave contributions and payments. This Spinifex system has been instrumental in the identification and correction of the legacy balances. These controls will ensure all self funded leave transactions are correctly recorded going forward.