



**FINANCE AND AUDIT COMMITTEE  
PUBLIC MEETING  
AGENDA**

**Wednesday, May 20, 2020, 4:00 pm**

**Via Zoom**

**Public Link - <https://sd23.zoom.us/j/94953412277>**

Due to this meeting occurring via Zoom, please email your questions/comments to [Ryan.Stierman@sd23.bc.ca](mailto:Ryan.Stierman@sd23.bc.ca) and include your first and last name.

**The Central Okanagan Board of Education acknowledges that this meeting is being held on the unceded, Traditional Territory of the Okanagan People.**

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**Pages**

**1. AGENDA**

*Additions/Amendments/Deletions*

**2. REPORTS/MATTERS ARISING**

**2.1 Finance and Audit Committee Public Meeting Report - April 15, 2020**

**4**

*(Attachment)*

**3. PRESENTATION**

**3.1 Report to the Finance and Audit Committee - Initial Communication on Audit Planning for the Year Ended June 30, 2020**

**8**

*(Attachment)*

In attendance:

Tyler Neels, Grant Thornton LLP

Kate Cumming, Grant Thornton LLP

4. PUBLIC QUESTION/COMMENT PERIOD

Due to this meeting occurring via Zoom, please email your questions/comments to Ryan.Stierman@sd23.bc.ca and include your first and last name.

5. COMMITTEE MEMBERS QUERIES/COMMENTS

6. DISCUSSION/ACTION ITEMS

6.1 2020/2021 CommunityLINK Allocations

27

(Attachment)

**STAFF RECOMMENDATION:**

**THAT: The Finance and Audit Committee recommends to the Board:**

**THAT: The Board of Education approve the recommended CommunityLINK Allocations for 2020/2021, as attached to the Agenda, and as presented at the May 20, 2020 Finance and Audit Committee Meeting.**

7. COMMITTEE CORRESPONDENCE

8. ITEMS REQUIRING SPECIAL MENTION

9. RECOMMENDATIONS/REFERRALS TO THE BOARD/COORDINATING COMMITTEE/OTHER COMMITTEES

10. ITEMS FOR FUTURE FINANCE AND AUDIT COMMITTEE MEETINGS

**September**

- Presentation: Audited Financial Statements for the Fiscal Year
- Audited Financial Statements for the Fiscal year (*Action Item*)

**November**

- Financial Update at September 30<sup>th</sup> School District No. 23 (Central Okanagan) Budget Development Principles
- School District No. 23 (Central Okanagan) Budget Development Timeline

**January**

- Amended Annual Budget for the Fiscal Year
- Ministry Recalculation Allocation – School District No. 23 and Provincial

- Financial Update at December 31<sup>st</sup>
- Budget Survey development
- Annual Review of Committee's Mandate, Purpose and Function

## **February**

- Budget Presentation

## **April (1st Meeting)**

- Overview of Budget Allocation
- Budget Consultation Input Received
- Trustee Indemnity for the 2020-2021 Fiscal Year

## **April (2nd Meeting)**

- Central Okanagan School District Preliminary Budget Proposal – Superintendent's Budget Recommendations
- Financial Report at March 31<sup>st</sup>

## **May**

- Auditor's Report to the Finance and Audit Committee – Initial Communication on Audit Planning for the Year
- Annual CommunityLINK Allocations

## **June**

- School District No. 23 (Central Okanagan) Annual Budget for the Fiscal Year
- Financial Update - International Education Program

## **11. FUTURE FINANCE AND AUDIT COMMITTEE MEETINGS**

All meetings start at 4:00 pm.

June 17, 2020

September 16, 2020, October 21, 2020, November 18, 2020

## **12. MEDIA QUESTIONS**

Due to this meeting occurring via Zoom, please email your media questions to [Ryan.Stierman@sd23.bc.ca](mailto:Ryan.Stierman@sd23.bc.ca) and include your first and last name as well as the media outlet you represent.

## **13. ADJOURNMENT**



## **CENTRAL OKANAGAN PUBLIC SCHOOLS - BOARD COMMITTEE REPORT**

### **Finance and Audit Committee Meeting Public Meeting**

**Wednesday, April 15, 2020, 4:00 pm  
Via Zoom**

Board of Education: Trustee R. Cacchioni, Chairperson  
Trustee N. Bowman, Committee Member  
Trustee L. Tiede, Committee Member  
Trustee M. Baxter  
Trustee C. Desrosiers  
Trustee J. Fraser

Staff: Delta Carmichael, Assistant Secretary-Treasurer  
Ryan Stierman, Secretary-Treasurer/CFO  
Val Dougans, Finance Manager  
Kevin Kaardal, Superintendent of Schools/CEO  
Terry Beaudry, Deputy Superintendent of Schools  
Michelle DesRochers, Executive Assistant

Partner Groups: Susan Bauhart, COTA President  
David Tether, CUPE President  
Mike Dornian, COPVPA Treasurer  
Cherylee Morrison, COPAC Co-President  
Lahine Farstad, COPAC Member-at-Large

*There were no representatives from the District Student Council.*

**The Central Okanagan Board of Education acknowledged that this meeting was being held  
the unceded, Traditional Territory of the Okanagan People.**

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### **AGENDA**

April 15, 2020 Committee Agenda - approved as presented.

### **REPORTS/MATTERS ARISING**

#### **Finance and Audit Committee Public Meeting Report - April 1, 2020**

April 1, 2020 Committee Report - received as distributed.

## **PUBLIC QUESTION/COMMENT PERIOD**

There were no public questions/comments.

## **COMMITTEE MEMBERS QUERIES/COMMENTS**

**Trustee Fraser** requested a review of the budget timeline.

*Trustee Cacchioni shared that the Superintendent of Schools/CEO 2020-2021 Budget Recommendations will go forward to the April 22, 2020 Public Board Meeting for approval and the 2020-2021 Annual Budget Bylaw will come forward to the June 17, 2020 Finance and Audit Committee Meeting.*

## **DISCUSSION/ACTION ITEMS**

### **Central Okanagan Public Schools Superintendent of Schools/CEO 2020-2021 Budget Recommendations**

The Superintendent of Schools/CEO shared that there has been one substantive change to the 2020-2021 Budget Recommendations since the April 1, 2020 Finance and Audit Committee Meeting. The province advised that the Service Improvement Allocation (\$291,900) was included in the per pupil block funding announced in March. It was originally identified as a Special Purpose Fund. The 2020-2021 budget will be adjusted to absorb this change. The Superintendent of Schools/CEO recommended that the amended recommendations go forward to the Board for approval.

### **Outcome:**

**The Committee recommended that the Board of Education approve the Central Okanagan Public Schools Superintendent of Schools/CEO 2020-2021 Budget Recommendations as amended at the April 15, 2020 Finance and Audit Committee Meeting.**

### **Indigenous Education Preliminary Budget (2020/2021 Fiscal Year)**

The Deputy Superintendent of Schools stated that the District's Indigenous Education Council (IEC) reviewed and supported the 2020-2021 Indigenous Education Preliminary Budget at a special budget meeting on March 10, 2020. The Preliminary Budget includes additional staffing for Indigenous early learners, increased tutorial supports for Indigenous secondary students, and one additional Youth Wellness Worker. Targeted funding will also be allocated to fund the new District Vice-Principal position of Indigenous Education.

The Deputy Superintendent of Schools shared that the Ministry of Education increased the targeted funding for students who self-identify as Indigenous from \$1,450 to \$1,500 per student for the 2020-2021 school year. Nearly 3,000 Indigenous students are enrolled in Central Okanagan Public Schools.

**Outcome:**

**The Committee recommended that the Board of Education approve staff's proposed 2020/2021 Indigenous Education Program Preliminary Budget, as attached to the Agenda, and as presented at the April 15, 2020 Finance and Audit Committee Meeting.**

**Financial Update - March 31, 2020**

The Assistant Secretary-Treasurer reviewed the revenue and expenses to the end of March 31, 2020 and outlined the actual spending to March 31, 2020 as well as the spending forecast for the remainder of the year. Potential lost revenue, cost savings, and additional costs due to the COVID-19 pandemic were outlined. Further analysis will be brought forward once available.

**Outcome:**

**The Committee received the Financial Update as of March 31, 2020 as presented and requested that it be forwarded to the Board of Education as an information item.**

**RECOMMENDATIONS/REFERRALS TO THE BOARD/COORDINATING COMMITTEE/OTHER COMMITTEES**

***Public Board Meeting – April 22, 2020:***

- *Central Okanagan Public Schools Superintendent of Schools/CEO 2020-2021 Budget Recommendations (Action Item)*

***Future Public Board Meeting:***

- *Financial Update – March 31, 2019 (Information Item)*
- *Indigenous Program Preliminary Budget (2020/2021 Fiscal Year) (Action Item)*

**ITEMS FOR FUTURE FINANCE AND AUDIT COMMITTEE MEETINGS**

**September**

- Presentation: Audited Financial Statements for the Fiscal Year
- Audited Financial Statements for the Fiscal year (*Action Item*)

**November**

- Financial Update at September 30<sup>th</sup> School District No. 23 (Central Okanagan) Budget Development Principles
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- Financial Report at March 31<sup>st</sup>

## **May**

- Auditor's Report to the Finance and Audit Committee – Initial Communication on Audit Planning for the Year
- Annual CommunityLINK Allocations
- Financial Update - International Education Program

## **June**

- School District No. 23 (Central Okanagan) Annual Budget for the Fiscal Year

## **FUTURE FINANCE AND AUDIT COMMITTEE MEETINGS**

All meetings start at 4:00 pm.

May 20, 2020, June 17, 2020

September 16, 2020, October 21, 2020, November 18, 2020

## **MEDIA QUESTIONS**

There were no media questions.

## **ADJOURNMENT**

The meeting adjourned at 4:34 pm.

## **Questions - Please Contact:**

Trustee Cacchioni, Chairperson at 250-765-3419 or Rolli.Cacchioni@sd23.bc.ca

Delta Carmichael, Assistant Secretary-Treasurer at 250-470-3233 or Delta.Carmichael@sd23.bc.ca

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Rolli Cacchioni, Chairperson

# School District No. 23 (Central Okanagan)

For the year ended June 30, 2020

Report to the Finance and Audit Committee  
Audit strategy

May 20, 2020

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# Contents

Executive summary	1
COVID-19 – Financial reporting impacts	2
Audit plan and risk assessment	3
Audit fees	8
Team, timing and communications	9
The State of Education in 2020	10

# Appendices

Appendix A – Overview and approach
Appendix B – PSAS accounting developments

# Executive summary

## Purpose of report and scope

The purpose of this report is to engage in an open dialogue with you regarding our audit of the financial statements of School District No. 23 (Central Okanagan) (the "District") for the year ended June 30, 2020. This communication will assist the Finance and Audit Committee in understanding the terms of the audit engagement, our proposed audit strategy and the level of responsibility assumed by us.

The information in this document is intended solely for the information and use of management, the Finance and Audit Committee and the Board of Education (the "Board"). It is not intended to be distributed to or used by anyone other than these specified parties.

The engagement is being performed pursuant to the terms in the engagement letter dated May 3, 2019, which outlines our responsibilities and the responsibilities of management.

## Status of our audit plan

We are in the process of remotely completing our initial planning and interim audit of the financial statements of the District. The audit strategy in this report is based on our work to date and initial conversations with management. Should the completion of our planning procedures determine a change in approach is necessary we will communicate with management and the Board.

## Approach

Our audit approach requires that we establish an overall strategy that focuses on risk areas. We identify and assess risks of material misstatement of the financial statements, whether due to fraud or error. The greater the risk of material misstatement associated with an area of the financial statements, including disclosures, the greater the audit emphasis placed on it in terms of audit verification and analysis. Where the nature of a risk of material misstatement is such that it requires special audit consideration, it is classified as a significant risk.

Our approach is discussed further in the Appendix A of the report.

## Independence

We have a rigorous process where we continually monitor and maintain our independence. The process of maintaining our independence includes, but is not limited to:

- Identification of threats to our independence and putting into place safeguards to mitigate those threats. For example, we evaluate the independence threat of any non-audit services provided to the District; and
- Confirming the independence of our engagement team members.

We have identified no information regarding our independence that in our judgment should be brought to your attention.

# COVID-19 – Financial reporting impacts

The spread of COVID-19 is severely impacting economies around the globe, causing extensive disruptions to many industries and business operations and a level of economic uncertainty that is unprecedented in our time. In addition to the impact on ongoing operations, these events may affect the District's financial reporting. While every entity will be impacted differently, the table below summarizes, at a high level, some key COVID-19 related financial reporting considerations that should be considered by most entities.

Matter	Impact	Considerations
<b>Impairment</b>	<p>All entities are required to test assets for impairment when indicators of impairment are present. Although some indicators of impairment are based on internal information (e.g., plans to remove an asset from use), others could be triggered by COVID-19, which is an external event. Below are some examples of indicators of impairment that may exist as a result of the economic conditions caused by the spread of COVID-19:</p> <ul style="list-style-type: none"> <li>Financial asset (e.g., accounts and loans receivable and portfolio investments): change in the expected timing or amount of future cash flows</li> <li>Tangible capital assets and intangible assets: change in use of the asset</li> </ul>	<p>Management should assess whether there are any impairment indicators and test for impairment, where necessary, to the extent that COVID-19 affects the recoverability of the amounts of assets recorded in the financial statements, either due to impacts that occurred during the fiscal year or due to impacts that are considered adjusting subsequent events.</p>
<b>Other items</b>	<p>The accounting impacts of COVID-19 are expected to be wide-ranging. For example:</p> <ul style="list-style-type: none"> <li>Employee future benefit costs and accruals could be affected by the District's responses to COVID-19 (e.g. termination costs, actuarial assumptions)</li> <li>The pattern of revenue recognition may be affected (e.g. due changes in delivery of international student programs)</li> </ul> <p>The list above is not exhaustive. An entity's management must consider all of the ways in which COVID-19 is impacting its business and the related effect on financial reporting.</p>	<p>To the extent that COVID-19 affects the amounts recorded in the financial statements, either due to impacts that occurred during the fiscal period or due to impacts that are considered adjusting subsequent events, management needs to determine the appropriate accounting treatment.</p>
<b>Disclosures</b>	<p>In addition to the quantitative impact that COVID-19 may have on an entity's financial statements, management must also consider how the entity's financial statement note disclosures could be impacted. An entity may need to revise existing disclosures in its financial statements and/or add new disclosures (e.g., subsequent events, financial instrument risk, measurement uncertainty). Transparent and carefully worded disclosures will need to be included in the financial statements to convey how the District's financial performance and financial position are impacted by COVID-19, and what new risks and uncertainties exist as a result of the pandemic.</p>	<p>Management should review existing financial statements disclosures to determine how they may be impacted by COVID-19 and consider what additional disclosures may be necessary.</p>

# Audit plan and risk assessment

We have planned our audit in accordance with our approach summarized in Appendix A.

## Materiality

The purpose of our audit is to provide an opinion as to whether the financial statements are prepared, in all material respects, in accordance with Canadian Public Sector Accounting Standards and Section 23.1 of the Budget Transparency and Accountability Act (“Section 23.1”) as at June 30, 2020. Therefore, materiality is a critical auditing concept and as such we apply it in all stages of our engagement.

The concept of materiality recognizes that an auditor cannot verify every balance, transaction or judgment made in the financial reporting process. During audit planning, we make a preliminary assessment of materiality for the purpose of developing our audit strategy, including the determination of the extent of our audit procedures.

During execution of the audit, we will consider whether materiality should be re-assessed due to changes or events identified. At completion, we will consider not only the quantitative assessment of materiality, but also qualitative factors, in assessing the impact on the financial statements, our audit opinion and whether matters should be brought to your attention.

## Use of experts

We intend to use the work of independent third-party specialists for the following:

Future employee benefits – we will rely on the actuarial valuation prepared by Mercer Consultants for audit support for the employee future benefits liability of the District. To test the reasonableness of the actuarial valuation, we will evaluate the competence, capabilities, and objectivity of the actuary; review assumptions, methods, and nature of internal and external data used; and ensure that the actuarial valuation information is appropriately disclosed in the notes of the financial statements. We will consider the impact of COVID-19 on the actuarial assumptions.

## Regulatory environment

The Office of the Auditor General (“OAG”) audits the Summary Financial Statements of the Province of British Columbia which includes the financial information of the District. As part of their audit of the Province’s Summary Financial Statements they require us as the auditors of the School District to perform certain audit procedures, provide copies of certain documents, and confirm certain matters to them in November 2020. Consistent with prior years, we will make arrangements with School District management in order to ensure that the required reporting is completed within the specified deadlines.

Since the OAG will be relying on the financial statements and those financial statements will have departures from PSAS with respect to the restricted contribution regulation, the OAG will need to be able to determine the amount, if any, by which the financial statements would have been different in relation to non-Provincial contributions had they been prepared in accordance with PSAS. Therefore, the OAG will require additional information such that the impact of any departure from PSAS in the reporting of non-Provincial contributions can be assessed. We will work with management in the compilation of this information and provide it to the OAG in their prescribed format.

# Considerations

The following is a summary of matters that relate to changes to the District and its environment that were considered in preparing our audit plan.

Matter	Discussion and impact
<b>COVID-19</b>	<p>The BC government has currently suspended all in-class kindergarten through Grade 12 instruction indefinitely to help contain the spread of COVID-19. Recent announcements from the BC government have indicated that there will be a partial return to class for kindergarten through Grade 12 in the coming weeks. The District is continuing to monitor these announcements and the implications for the health and safety of all students and staff. As a result, learning opportunities are being continually designed for students in the absence of face-to-face contact with teachers or access to classrooms. The plan, which is ever evolving, includes options for at-home and e-learning. In addition, all rentals and community use of District school facilities (except childcare) have been cancelled until May 31. School playgrounds are also closed until further notice, and other district buildings and offices are currently closed to the public.</p> <p><b>Changes in operations</b></p> <p>We are aware of various projected reductions in revenues and expenses based upon the impacts of school and facility closures. Our audit will consider the financial statement implications associated with these changes in operations.</p> <p><b>New employee benefits and termination benefits</b></p> <p>In response to the COVID-19 pandemic, there may be changes to salaries and benefits to employees. Management must consider how and when to account for any resulting liability/expense.</p> <p>During our audit planning, we enquired of management regarding any additional employee benefits or termination benefits provided to their employees as a result of COVID-19. Through these enquiries, we are not aware of any additional employee benefits or termination benefits. Our audit will reconsider any implications to the School District at year end.</p> <p><b>Employee future benefits</b></p> <p>Given the sudden fall in markets and the decline in interest rates that have occurred as a result of COVID-19, the School District should consider the impact on its defined benefit obligations.</p> <p>During the course of the audit, we will be discussing with the actuaries, as appropriate, to ascertain whether COVID-19 has impacted any assumptions in their reports such that their estimates may need to be revisited.</p>
<b>Capital expenditures</b>	<p>Based on work performed to date, we noted there have been significant capital additions during the year. The significant projects these relate to the completion of Canyon Falls Middle School and the construction of H. S. Grenda Middle School.</p> <p>We will select a sample of capital asset additions to vouch to supporting documentation and verify they are recorded at the correct costs and appropriately capitalized. We will test whether projects in progress are substantially complete and have taken the appropriate amortization. For assets with associated funding received we will determine whether its revenue recognition is inline with the amortization being taken on the assets.</p>
<b>Contract bargaining</b>	<p>We are aware that the BC Teachers Federation and the Province of BC reached a tentative agreement in March 2020, with ratification announced by the membership on May 1, 2020 and the new collective agreement agreed to. Our audit will consider the impacts on the financial statements for the year ended June 30, 2020, including any required accruals for retroactive pay (2% back to July 1, 2019) or other contract modifications.</p>

Matter	Discussion and impact
<b>Laws and regulations</b>	<p>During the course of the audit, we will perform specified audit procedures to help identify instances of non-compliance with laws and regulations that may have a material effect on the financial statements. An audit of financial statements is not designed to detect all instances of non-compliance with laws and regulations and does not represent an audit of the District's compliance with applicable laws and regulations.</p> <p>While we have not identified any instances of non-compliance, we would like to know if you are aware of any instances of non-compliance.</p>
<b>Fraud</b>	<p>We are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However, owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements may not be detected and this is particularly true in relation to fraud. The primary responsibility for the prevention and detection of fraud rests with those charged with governance and management.</p> <p>During our audit planning, we enquired of management as to their views on the risks of fraud and their processes for identifying and assessing fraud risks. Through these enquiries, we are not aware of any fraud-related matters that could affect our audit approach. However, we would like to obtain your input on the following areas:</p> <ul style="list-style-type: none"> <li>• How you oversee management's processes for identifying and responding to the risks of fraud and the related internal controls that management has put in place</li> <li>• Whether you are aware of any actual, suspected or alleged fraud affecting the District</li> </ul>

# Significant risks

Area of risk	Why there is a risk	Planned audit response
<b>Risk of management override of internal controls</b>	<p>This is a presumed fraud risk.</p> <p>The risks primarily relates to the ability for management to override internal controls to misappropriate assets or perform financial reporting manipulation.</p>	<ul style="list-style-type: none"> <li>Discuss with the audit team, the risk of management override (fraud) of financial controls including how and where fraud is more likely to occur</li> <li>Using data analytics, test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements</li> <li>Walkthrough key controls over the associated processes</li> </ul>
<b>Fraud risk from revenue recognition</b>	<p>There is a presumed risk of fraud in revenue.</p> <p>The risk primarily relates to revenue recognized under grants, school generated funds and tuition and fees</p>	<ul style="list-style-type: none"> <li>Obtaining confirmation from the Ministry of Education of grants received and reconciling to the appropriate accounts</li> <li>Reviewing controls around the process of recognizing revenues from school generated funds, reviewing a sample of bank reconciliations, performing analytical review of transactions by school and testing a sample of receipts and disbursements</li> <li>Analytical review of tuition revenue recognized during the year and reviewing the deferred revenue schedule to ensure amounts received were appropriately deferred to the period they apply to</li> </ul>
<b>Employee compensation</b>	Employee compensation accruals or expenses understated	<ul style="list-style-type: none"> <li>Reviewing controls around maintenance of the employee masterfile and related payroll transactions</li> <li>Analytical review of compensation expense and related benefits to budget and prior year; and analytical review of salary per month by employee type</li> <li>Perform a combination of tests of controls and tests of details on a sample of each type of employee compensation transaction</li> </ul>
<b>Tangible capital assets Deferred capital contributions</b>	Tangible capital assets activities are not valid, and associated grant funding is not accounted for properly	<ul style="list-style-type: none"> <li>Detailed testing of the continuity schedule, including testing a sample of capital projects to supporting documentation and GST treatment</li> <li>Discussing capital processes and capital projects with management</li> <li>Agreeing a sample of deferred capital contributions to grants received, reviewing recognition of revenue in accordance with the Restricted Contribution regulation</li> <li>Testing the reasonableness of amortization</li> </ul>



# Audit fees

## Proposed fees

Service	Current year fees	Prior year fees
Annual audit	\$ 30,690	\$ 29,800
Auditor General Report	\$ 825	\$ 800
Total*	\$ 31,515	\$ 30,600

\*before applicable taxes

## Deliverables

Deliverable
Independent auditor's report on the June 30, 2020 financial statements
Communication of audit results and any internal control findings
Reporting to the OAG

## Fee proposal considerations

Upfront and periodic discussions are central to our approach in dealing with fees. Our goal is to avoid surprises by having early and frank communication. We wish to provide you with a competitive price and fair value, while also allowing sufficient audit hours to conduct an effective audit and deliver quality service.

We have established a proposed fee for the audit for the year ended June 30, 2020 that is based on the level of activity and the anticipated complexity of the audit of the District's financial statements. If there are any variances to the above plan, we will discuss them with you and agree on any additional fees before costs are incurred, wherever possible. Any unforeseen work outside the scope of this proposal will be billed separately after discussion with the audit committee. Due to COVID-19, we are performing our audits remotely to ensure the well-being and safety of our people and our clients. We ask that the School District be upfront about their ability to provide us the necessary support so that we can adjust our plan and, if necessary, fees accordingly.

The proposed fee is based on receiving the following from management:

- Draft financial statements including the notes to the financial statements
- All working papers and schedules as outlined in our requirements letter
- Trial balance together with reconciled control accounts
- All books and records when requested
- Use of District staff to help us locate information and provide explanations

# Team, timing and communications

## Timing and communications

We are committed to delivering exceptional client service and executing our audit in the most effective, efficient and timely manner. The planned timing of our audit work and the deliverables we will provide to Finance and Audit Committee are as follows:

Stage or deliverable	Timing
Discussions and communications regarding planning	May and June, 2020
Communication of audit planning	May 20, 2020
Interim procedures	June 15 – 17, 2020
Performance of fieldwork	August 4 – 14, 2020
Preliminary review of reports with management	Early September 2020
Communication of audit results	September 16, 2020
Financial statement approval by the Board	September 16, 2020
Deadline for reporting to the Auditor General	November 2020

In our communication of audit results, we will report on the following matters:

- Our views on significant accounting practices
- Significant difficulties, if any, encountered during the audit
- Misstatements, other than trivial errors
- Actual or suspected fraud or illegal acts
- Significant deficiencies in internal control
- Other significant audit matters, as applicable

## Team

Engagement team member	Contact information
<b>Tyler Neels, CPA, CA</b> Partner	P +1 250 712 6853 E Tyler.Neels@ca.gt.com
<b>Kate Cumming, CPA</b> Manager	P +1 250 712 6837 E Kate.Cumming@ca.gt.com

# The State of Education in 2020

Our 2020 report identifies trends that are emerging or that we expect to emerge in the coming year. Each article offers insights about issues facing leadership and provides ways to address them. Although this report is geared to higher education, we thought that you would find in-depth information and thoughtful guidance for improvement applicable for the School District.

The report demonstrates through insights, examples and action steps that for education institutions, innovative thinking is essential to mission. Some articles highlighted are:

- Charting a future course: A new operating model
- Effectively navigating a campus crises
- A new role for the president: Chief innovator
- Gen Z is coming: Is your institution ready
- Creative necessity: The need for new revenue streams

The full report can be accessed through the link below or is available upon request.

<https://www.grantthornton.com/highereducation>



# Appendix A – Overview and approach

Our audit is planned with the objective of obtaining reasonable assurance about whether the financial statements as a whole are free from material misstatement, so that we are able to express an opinion on whether the financial statements are prepared, in all material respects, in accordance with Canadian Public Sector Accounting Standards and Section 23.1 . The following outlines key concepts that are applicable to the audit, including the responsibilities of parties involved, our general audit approach and other considerations.

## Roles and responsibilities

<b>Role of the Finance and Audit Committee and the Board of Education</b>	<ul style="list-style-type: none"><li>• Help set the tone for the organization by emphasizing honesty, ethical behaviour and fraud prevention</li><li>• Oversee management, including ensuring that management establishes and maintains internal controls to provide reasonable assurance regarding reliability of financial reporting</li><li>• Recommend the nomination and compensation of external auditors to the board</li><li>• Oversee the work of the external auditors including reviewing and discussing the audit plan</li></ul>
<b>Role of management</b>	<ul style="list-style-type: none"><li>• Prepare financial statements in accordance Canadian Public Sector Accounting Standards and Section 23.1</li><li>• Design, implement and maintain effective internal controls over financial reporting processes, including controls to prevent and detect fraud</li><li>• Exercise sound judgment in selecting and applying accounting policies</li><li>• Prevent, detect and correct errors, including those caused by fraud</li><li>• Provide representations to external auditors</li><li>• Assess quantitative and qualitative impact of misstatements discovered during the audit on preparation of the financial statements</li></ul>
<b>Role of Grant Thornton LLP</b>	<ul style="list-style-type: none"><li>• Provide an audit opinion that the financial statements are in accordance with Canadian Public Sector Accounting Standards and Section 23.1</li><li>• Conduct our audit in accordance with Canadian Generally Accepted Auditing Standards (GAAS)</li><li>• Maintain independence and objectivity</li><li>• Be a resource to management and to those charged with governance</li><li>• Communicate matters of interest, including audit results, with management and those charged with governance</li><li>• Establish an effective two-way communication with those charged with governance, to report matters of interest to them and obtain their comments on audit risk matters</li></ul>

# Audit approach

Our understanding of the District and its operations drives our audit approach, which is risk based and specifically tailored to School District No. 23 (Central Okanagan).

## The five key phases of our audit approach



Phase	Our approach
1. Planning	<ul style="list-style-type: none"><li>• We update our understanding of your operations, internal controls and information systems</li><li>• We plan the audit timetable together</li></ul>
2. Assessing risk	<ul style="list-style-type: none"><li>• We use our knowledge gained from the planning phase to assess financial reporting risks</li><li>• We customize our audit approach to focus our efforts on key areas</li></ul>
3. Evaluating internal controls	<ul style="list-style-type: none"><li>• We evaluate the design of controls you have implemented over financial reporting risks</li><li>• We identify areas where our audit could be more effective or efficient by taking an approach that includes testing the controls</li><li>• We provide you with information about the areas where you could potentially improve your controls</li></ul>
4. Testing accounts and transactions	<ul style="list-style-type: none"><li>• We perform tests of balances and transactions</li><li>• We use technology and tools, including data interrogation tools, to perform this process in a way that enhances effectiveness and efficiency</li></ul>
5. Concluding and reporting	<ul style="list-style-type: none"><li>• We conclude on the sufficiency and appropriateness of our testing</li><li>• We finalize our report and provide you with our observations and recommendations</li></ul>

Our tailored audit approach results in procedures designed to respond to an identified risk. The greater the risk of material misstatement associated with the account, class of transactions or balance, the greater the audit emphasis placed on it in terms of audit verification and analysis.

Throughout the execution of our audit approach, we will maintain our professional skepticism, recognizing the possibility that a material misstatement due to fraud could exist notwithstanding our past experiences with the District and our beliefs about management's honesty and integrity.

## Internal control

Our audit will include gaining an understanding of the District's internal control over financial reporting. Our understanding will focus on processes associated with the identified risk areas, as described in this report. We use this understanding to determine the nature, extent and timing of our audit procedures.

Our understanding may also result in valuable internal control findings for your consideration. Note that the auditor's objectives with regards to internal control are different from those of management and those charged with governance. For example, we primarily target controls that relate to financial reporting and not those that relate to the District's operations or compliance which may also be relevant to its objectives. Therefore, management and those charged with governance cannot solely rely on our findings to discharge their responsibilities in this area.

## Quality control

We have a robust quality control program that forms a core part of our client service. We combine internationally developed audit methodology, advanced audit technology, rigorous review procedures, mandatory professional development requirements, and the use of specialists to deliver high quality audit services to our clients. In addition to our internal processes, we are subject to inspection and oversight by standard setting and regulatory bodies. We are proud of our firm's approach to quality control and would be pleased to discuss any aspect with you at your convenience.

## IDEA Data Analysis Software

We apply our audit methodology using advanced software tools. IDEA Data Analysis Software is a powerful analysis tool that allows audit teams to read, display, analyze, manipulate, sample and extract data from almost any electronic source. The tool has the advantages of enabling the audit team to perform data analytics on very large data sets in a very short space of time, while providing the checks, balances and audit trail necessary to ensure that the data is not corrupted and that the work can be easily reviewed. SmartAnalyzer, an add-on to IDEA, further improves the efficiency and effectiveness of the audit by providing automated routines for certain common analytical tasks, such as identifying unusual and potentially fraudulent journal entries. Grant Thornton continues to invest in developing industry-leading audit data analytical tools.

# Appendix B – PSAS accounting developments

Public Sector Accounting Standards [updated April 1, 2020]	Effective date
<b>Section PS 3400 Revenues</b>	
<p>New Section PS 3400 <i>Revenue</i> establishes standards on how to account for and report on revenue. It does not apply to revenues for which specific standards already exist, such as government transfers, tax revenue or restricted revenues. The Section distinguishes between revenue that arises from transactions that include performance obligations (i.e., exchange transactions) and transactions that do not have performance obligations (i.e., non-exchange transactions). The main features of the new Section are:</p> <ul style="list-style-type: none"> <li>• Performance obligations are defined as enforceable promises to provide specific goods or services to a specific payer</li> <li>• Revenue from transactions with performance obligations will be recognized when (or as) the performance obligation is satisfied by providing the promised goods or services to the payer</li> <li>• Revenue from transactions with no performance obligations will be recognized when a public sector entity has the authority to claim or retain the revenue and identifies a past transaction or event that gives rise to an asset</li> </ul>	<p>Fiscal years beginning on or after April 1, 2022</p> <p>Earlier adoption is permitted.</p>
<b>Section PS 3280 Asset retirement obligations</b>	
<p>New Section PS 3280 <i>Asset Retirement Obligations</i> establishes standards on how to account for and report a liability for asset retirement obligations. An asset retirement obligation is a legal obligation associated with the retirement of a tangible capital asset.</p> <p>Asset retirement costs associated with a tangible capital asset increase the carrying amount of the related tangible capital asset and are expensed in a rational and systematic manner, while asset retirement costs associated with an asset no longer in productive use are expensed. Measurement of the liability for an asset retirement obligation should result in the best estimate of the amount required to retire a tangible capital asset at the financial statement date. A present value technique is often the best method to estimate the liability. Subsequent measurement of the liability can result in either a change in the carrying amount of the related tangible capital asset, or an expense, depending on the nature of the remeasurement or whether the asset remains in productive use.</p> <p>As a result of the issuance of Section PS 3280, the Public Sector Accounting Board (PSAB) approved the withdrawal of Section PS 3270 <i>Solid waste landfill closure and post-closure liability</i> as asset retirement obligations associated with landfills will be within the scope of PS 3280. PS 3280 does not address costs related to remediation of contaminated sites, which will continue to be addressed in Section PS 3260 <i>Liability for contaminated sites</i>. Some consequential amendments have been made to PS 3260 to conform with PS 3280 and further clarify the scope of each standard.</p>	<p>Fiscal years beginning on or after April 1, 2021</p> <p>Earlier adoption is permitted.</p>

## Strategic plan for not-for-profit organizations in the public sector

Since 2012, government not-for-profit organizations (GNPOs) have been required to adopt PSAS but were given the option of applying the specific GNPO accounting standards in PSAS. Some GNPOs have utilized those standards, while others have not. The PSAB recognized that a “one-size-fits-all” approach may not be appropriate for all stakeholders. As a result, the PSAB’s 2017-2020 Strategic Plan included plans to assess the specific needs of public sector NPO stakeholders. PSAB’s 2018-2019 Annual Plan includes the following specific objectives for implementing its strategy:

- developing a GNPO strategy that meets the public interest; and
- enhancing engagement with users of GNPO financial statements.

In 2018, PSAB consulted with over 100 GNPO stakeholders to understand their fiscal and regulatory environment, their financial reporting needs, and their financial reporting perspectives. Diversity in the financial reporting framework, presentation of net debt and fund accounting, the impact of balanced budget requirements and endowments were some of the items stakeholders raised.

In May 2019, the PSAB issued a Consultation Paper, [Government Not-for-Profit](#), which articulated the results of their consultations and sought stakeholder input in developing a strategy for GNPOs. The comment period for the Consultation Paper ended on September 30, 2019 and PSAB is currently deliberating the responses. As part of their strategic plan for 2020 to 2021, the PSAB plans to issue a second consultation paper in the third quarter of 2020 proposing an accounting and reporting framework for GNPOs. They also expect to approve the final GNPO strategy, based on responses to the two consultation papers, outreach, and its international strategy decision.

## International strategy

The PSAB is reviewing its current approach towards International Public Sector Accounting Standards (IPSAS) with the intent of developing options for its International Strategy. In May 2019, it issued a second Consultation Paper [Reviewing PSAB’s Approach to International Public Sector Accounting Standards](#). The Consultation Paper lays out 4 options it is considering:

1. Option I: Status Quo - This option would continue with the existing Canadian-made standard-setting process. Under this option, PSAB would continue to establish PSAS independently from other standard setters.
2. Option II: Adapt IPSAS principles when developing future standards - PSAB would continue to develop PSAS, but future standards would be based on principles in existing individual IPSAS as each is considered by PSAB. The Board would establish a “Criteria for Modifying Principles” document to provide guidance on when departures from IPSAS principles in a standard under consideration are permitted.
3. Option III: Adopt IPSAS except when a departure is permitted - PSAB would adopt IPSAS as issued by the International Public Sector Accounting Standards Board (IPSASB), other than where a departure is permitted. The Board would establish a “Criteria for Modifying Standards” document to provide guidance on when departures from IPSAS are permitted. The Board would endorse all new IPSAS before they become part of the CPA Canada Public Sector Accounting (PSA) Handbook and could still develop standards when a Canadian issue is identified. This option is closest to the Accounting Standard Board’s current approach to adopting IFRS Standards for publicly accountable enterprises.
4. Option IV: Adopt IPSAS - Under this option, there would be no endorsement process as PSAB would not have the ability to modify IPSAS before they become part of the PSA Handbook. The Board would not have the ability to develop standards independent of the IPSASB. Although PSAB has not decided on its international strategy at this time, it does not consider Option IV to be a viable option given Canada’s strong accrual-based financial reporting framework.

The comment period for the Consultation Paper ended on September 30, 2019 and PSAB is currently deliberating the responses. The PSAB plans to decide on the future of its international strategy at its meeting in April 2020.



## Concepts underlying financial performance

In response to feedback from stakeholders, the PSAB is proposing changes to its conceptual framework and its reporting model with a focus on measuring the financial performance of public sector entities. The changes will be made through the following actions:

1. Issuing a revised conceptual framework to replace two Sections in the PSA Handbook:
  - PS 1000 Financial statement concepts
  - PS 1100 Financial statement objectives
2. Issuing a revised financial statement presentation standard that would replace Section PS 1201 *Financial statement presentation*.

In May 2018, PSAB released two documents for comment related to this project:

### **Statement of Concepts, A Revised Conceptual Framework for the Canadian Public Sector**

A conceptual framework is a clear set of related concepts that act as the foundation for the development of standards and the application of professional judgment. The Statement of Concepts presented and explained key concepts that the PSAB expects to include in a future exposure draft. The components of the PSAB's proposed conceptual framework were as follows:

- characteristics of public sector entities
- financial reporting objectives
- role of financial statements
- financial statement foundations
- financial statement objectives
- qualitative characteristics of information and related considerations
- elements of financial statements
- recognition and measurement
- presentation concepts

The Statement of Concepts also set the foundation for the revised reporting model in the PSAB's concurrently issued Statement of Principles below.

### **Statement of Principles, A Revised Reporting Model for the Canadian Public Sector**

The PSAB is proposing a revised reporting model that builds on the existing reporting model in Section PS 1201 *Financial statement presentation*. The Statement of Principles presented and explained key principles that the PSAB expects to include in a future exposure draft. Some of the main features of the proposals in the Statement of Principles included:

- In the statement of financial position:
  - The net debt indicator would be removed and instead a revised net debt calculation would be moved to its own statement: the statement of net debt or net financial assets;
  - The accumulated surplus (deficit) indicator would be relabelled as net assets (net liabilities);
  - A new third component, accumulated other, would be added to net assets or net liabilities (existing Section PS 1201 includes two components of accumulated surplus: accumulated operating surplus or deficit and accumulated remeasurement gains and losses);
  - The structure would be amended to present financial assets, then non-financial assets, followed by liabilities, to arrive at the net assets or net liabilities position;
  - The statement of operations would be renamed as the statement of surplus or deficit;
  - The statement of remeasurement gains and losses would be expanded to reconcile the balances of and changes in all the components of net assets or net liabilities and it would be renamed as the statement of changes in net assets or net liabilities;
  - Financing activities would be isolated in the statement of cash flows;
  - The statement of changes in net debt would be removed; and
  - The budget amounts on the financial statements would be presented using the same basis of accounting, following the same accounting principles, for the same scope of activities, and using the same classifications as the actual amounts.

In March 2019, the PSAB received a high-level summary of the comments received from stakeholders on the Statement of Concepts and the Statement of Principles. As it deliberates the feedback, PSAB is developing two exposure drafts (one for a revised conceptual framework and one for a revised reporting model), which it expects to issue in 2020.



# Memorandum

**Date:** May 15, 2020  
**To:** Finance and Audit Committee  
**From:** Alan Lalonde, Assistant Superintendent

**Action Item: 2020/2021 CommunityLINK Allocations**

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**1.0 RELEVANT BOARD MOTION/DIRECTION**

The Board of Education approves the distribution of CommunityLINK Funding on an annual basis.

**2.0 BACKGROUND**

CommunityLINK (learning includes nutrition and knowledge) provides over \$54 million in funding to all sixty school districts in the province to support vulnerable students in academic achievement and social functioning. The funding helps school districts provide services such as breakfast and lunch programs, inner city and community school programs, school-based support workers, and counselling for at-risk children and youth. CommunityLINK defines “vulnerable students” as those who may be at risk in terms of academic achievement and social functioning. These students primarily come from less affluent socio-economic backgrounds.

Historically, the Central Okanagan School District has received just over \$1.2 million from this fund each year. In early May, \$1,252,296 was confirmed for the 2020/2021 school year. Over 61.7% of the funding has gone directly into the school meals program. The District has also been able to impact students through elementary focused mental health initiatives, the Health Promoting Schools program and the Young Parent program.

In 2012/2013, the Ministry of Education created a Vulnerable Student Supplement to provide additional support for vulnerable students in our District. In 2020/2021, a new supplement called the Equity of Opportunity Supplement was introduced that is meant to recognize B.C.'s children and youth in care. This change will also expand priority funding to more children with mental-health challenges and those living in low-income families.

### **3.0 STAFF RECOMMENDATION**

It is recommended that:

- 3.1 The school meals program allocation be set at \$800,000 (61.7% of funding).
- 3.2 Maintain the support for District programs (Young Parent program at KSS, mental health initiatives) in partnerships with the Ministry of Children and Families and ARC Programs.
- 3.3 The Health Promoting Schools initiatives will receive \$40,030 as a resource grant. (Added support for the 1.3 FTE Health Promoting Schools Coordinators may be provided for 2020/2021 through a continued Interior Health Authority grant and the general operating budget of the District.)
- 3.4 Continue to support expanding our school-based Mental Health Clinicians in our elementary schools.

### **4.0 ASSISTANT SUPERINTENDENT'S COMMENTS**

The recommended allocation of funds meets CommunityLINK expenditure guidelines. It also supports the District's mission, vision, and value statements. The programs provide an excellent range of services to help support our most vulnerable students and are a valuable supplement to our operating funding. The District's Health Promoting Schools Committee, at the end of this year and throughout next year, will review plans to implement the CommunityLINK expenditures.

### **5.0 NEXT STEP**

The Assistant Superintendent will work with the District Principal – Learning Support Services, District Social Emotional Learning team and Health Promoting Schools Coordinators to continue to plan a series of networking and learning sessions for the 2020/2021 school year.

### **6.0 STAFF RECOMMENDATION**

**THAT: The Finance and Audit Committee recommends to the Board:**

**THAT: The Board of Education approve the recommended CommunityLINK Allocation for 2020/2021, as attached to the Agenda, and as presented at the May 20, 2020 Finance and Audit Committee Meeting.**

### **7.0 APPENDIX**

A. CommunityLINK Allocation 2020/2021.

**School District No. 23 (Central Okanagan  
Recommended CommunityLink Allocation  
June 30, 2021**

Appendix A

	2015/2016	2016/2017	2017/2018	2018/2019	Projected 2019/2020	Budgeted 2020/2021
Carryforward	94,382	17,523	25,988	40,221	14,745	50,000
Interest	1,861	440	898	1,581	1,581	1,500
MOE Dist Cap Build (Mental Health)	0	0	0	0	24,500	
Annual Funding	1,234,832	1,236,689	1,239,231	1,241,934	1,244,780	1,252,296
<b>Total Funding</b>	<b>1,331,075</b>	<b>1,254,652</b>	<b>1,266,117</b>	<b>1,283,736</b>	<b>1,285,606</b>	<b>1,303,796</b>
Schools Meals	889,728	768,930	803,170	804,296	763,452	800,000
Min of Children and Families	250,000	250,000	250,000	250,000	250,000	250,000
ARC Programs	32,543	68,355	34,550	126,920	123,410	178,969
Healthy Schools Initiative	25,000	51,599	40,891	39,000	39,601	40,030
Other	20,500	0	20,500	20,500	45,000	20,500
Young Parent Program	41,281	41,280	28,285	28,275	14,143	14,297
<b>Total Allocation</b>	<b>1,313,552</b>	<b>1,228,664</b>	<b>1,225,896</b>	<b>1,268,991</b>	<b>1,235,606</b>	<b>1,303,796</b>
<b>Net (Agrees to Schedule 3A)</b>	<b>17,523</b>	<b>25,988</b>	<b>40,221</b>	<b>14,745</b>	<b>50,000</b>	<b>(0)</b>