Building Brighter Futures Together at the Ottawa-Carleton District School Board

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

AUDIT COMMITTEE
PUBLIC AGENDA

Wednesday, September 23, 2020, 7:00 pm
Zoom Meeting

Pages

10. Adjournment

Building Brighter Futures Together at the Ottawa-Carleton District School Board

AUDIT COMMITTEE REPORT (PUBLIC)

Thursday, June 11, 2020
6:00 pm
Zoom Meeting

Members: Sandra Schwartz (Trustee), Mark Fisher (Trustee), Keith Penny (Trustee), Erik Husband (External Member), Annik Blanchard (External Member)

Staff and Guests: Lynn Scott (Trustee), Camille Williams-Taylor (Director of Education), Mike Carson (Chief Financial Officer), Kevin Gardner (Manager of Financial Services), Sandra Lloyd (Manager of Risk and Supply Chain Management), Genevieve Segu (Regional Internal Audit Manager), Gord Champagne (Senior Regional Internal Auditor), Rebecca Grandis (Senior Board Coordinator), Amanda Pelkola (Committee Coordinator)

1. Call to Order

Trustee Schwartz called the public session to order 6:04 p.m and acknowledged that the meeting is taking place on unceded Algonquin Territories and thanked the Algonquin Nations for hosting the meeting on their land.

2. Election of the Chair

Trustee Fisher self-nominated for the position of Chair of the Audit Committee.

Moved by Annik Blanchard

THAT the nominations be closed.

Carried

Trustee Fisher was declared the Chair of the Audit Committee by acclamation.

Trustee Fisher assumed the Chair.

3. Approval of Agenda

Moved by Trustee Fisher,

THAT the agenda be approved.

Carried

4. Superintendent's Report

Chief Financial Officer (CFO) Carson advised that he had nothing to report.

5. New Business

There was no new business.

6. Adjournment

The public meeting adjourned at 6:09 p.m.

Mark Fisher, Chair, Audit Committee

Building Brighter Futures Together at the Ottawa-Carleton District School Board

AUDIT COMMITTEE **23 September 2020**
Report No. 20-073

External Auditor's Audit Plan for the 2019-2020 Year-End Audit

Key Contact: Michael Carson, Chief Financial Officer, (613) 596-8211 ext. 8881

PURPOSE:

1. To seek Audit Committee approval of KPMG LLP's plan for the audit of the 2019-2020 Consolidated Financial Statements.

CONTEXT:

2. The *Education Act* requires that school boards prepare audited financial statements. The external auditor engages with Audit Committee as part of the audit planning process.

   Ontario Regulation 361/10, Audit Committees requires that Audit Committee make a recommendation to the Board on the content of the external auditor's audit plan and on all proposed major changes to the plan.

KEY CONSIDERATIONS:

3. The *Education Act* requires that school boards prepare financial statements. Management is responsible for preparing and presenting the statements in accordance with requirements and standards which include Canadian public sector accounting standards. In addition, the financial statements must be audited by an external auditor who is licensed under the *Public Accountancy Act*. The purpose of the audit is to allow the external auditor to express an opinion on whether the District's financial statements are, in all material respects, in accordance with the established financial reporting framework.

   Each year, the external auditor meets with Audit Committee and discusses the engagement letter and audit plan to ensure that members of Audit Committee are aware of the purpose, extent and limitations of the annual financial statement audit. The approach to the audit this year will include an assessment of changes to internal control processes that were made in response to the COVID-19 pandemic.

   The engagement letter and audit plan are attached as appendices A and B, respectively. The information presented in these documents assists committee members in understanding the audit process and financial statements.

RESOURCE IMPLICATIONS:

4. The expected cost of the year-end audit is provided for in the annual budget.

COMMUNICATION/CONSULTATION ISSUES:

5. The external auditor’s attendance at the meeting provides the opportunity for members of Audit Committee to raise any issues or areas of concern that may need to be addressed in the audit. The external auditor meets with various members of the senior management team including the Director of Education, Superintendent of Human Resources and Chief Financial Officer during the audit. In addition, Finance, Business and Learning Technologies and Facilities staff are consulted to obtain information necessary to form an audit opinion.

STRATEGIC LINKS:

6. An effectively functioning Audit Committee and approach to risk management is a key component of a focus on sustainably allocating resources as part of the District’s strategic goal of maintaining a culture of social responsibility. Audit Committee’s engagement with the external auditor establishes an understanding of the purpose, extent and limitations of the annual financial statements and provides an opportunity for members to consider the audit plan in relation to risk.

RECOMMENDATION:

THAT KPMG LLP’s plan for the audit of the 2019-2020 Consolidated Financial Statements be approved.

Michael Carson
Chief Financial Officer

Camille Williams-Taylor
Director of Education and
Secretary of the Board

APPENDICES
Appendix A – KPMG LLP Engagement Letter
Appendix B – KPMG LLP Audit Planning Report

Appendix A
to Report 20-073

KPMG LLP
150 Elgin Street, Suite 1800
Ottawa ON K2P 2P8
Canada
Telephone 613-212-5764
Fax 613-212-2896

Mr. Michael Carson
Chief Financial Officer
Ottawa-Carleton District School Board
133 Greenbank Road
Nepean, Ontario
K2H 6L3

September 23, 2020

Dear Mr. Carson:

The purpose of this letter is to outline the terms of our engagement to audit the consolidated annual financial statements ("financial statements") of the Ottawa-Carleton District School Board ("the Entity"), commencing for the period ending August 31, 2020.

This letter supersedes our previous letter to the Entity dated September 25, 2019. The terms of the engagement outlined in this letter will continue in effect from period to period, unless amended or terminated in writing. The attached Terms and Conditions and any exhibits, attachments and appendices hereto and subsequent amendments form an integral part of the terms of this engagement and are incorporated herein by reference (collectively the "Engagement Letter").

Financial Reporting Framework for the Financial Statements

The annual financial statements will be prepared and presented in accordance with a basis of accounting described in the notes to the financial statements (hereinafter referred to as the "financial reporting framework").

The annual financial statements will include an adequate description of the financial reporting framework.

Management's Responsibilities

Management responsibilities are described in Appendix A – Management's Responsibilities.

An audit does not relieve management or those charged with governance of their responsibilities.

Auditor's Responsibilities

Our responsibilities are described in Appendix B – Auditor's Responsibilities.

If management does not fulfill the responsibilities above, we cannot complete our audit.

Auditor's Deliverables

The expected form and content of our report(s) is provided in Appendix C – Expected Form of Report. However, there may be circumstances in which a report may differ from its expected form and content.

In addition, if we become aware of information that relates to the financial statements after we have issued our audit report , but which was not known to us at the date of our audit report, and which is of such a nature and from such a source that we would have investigated that information had it come to our attention during the course of our audit, we will, as soon as practicable: (1) communicate such an occurrence to those charged with governance; and (2) undertake an investigation to determine whether the information is reliable and whether the facts existed at the date of our audit report. Further, management agrees that in conducting that investigation, we will have the full cooperation of the Entity's personnel. If the subsequently discovered information is found to be of such a nature that: (a) our audit report would have been affected if the information had been known as of the date of our audit report; and (b) we believe that the audit report is currently being relied upon or is likely to be relied upon by someone who would attach importance to the information, appropriate steps will be taken by KPMG, and appropriate steps will also be taken by the Entity, to prevent further reliance on our audit report. Such steps include, but may not be limited to, appropriate disclosures by the Entity to the users of the financial statements and audit report thereon of the newly discovered facts and the impact to the financial statements.

Additional Responsibilities regarding "Other Information"

"Other information" is defined in professional standards to be the financial or non-financial information (other than the financial statements and the auditors' report thereon) included in the "annual report". An "annual report" is defined in professional standards to comprise a document or combination of documents. Professional standards also indicate that:

- an annual report is prepared typically on an annual basis in accordance with law, regulation or custom (i.e., is reoccurring)
- an annual report contains or accompanies the financial statements and the auditors' report thereon
- an annual report's purpose is to provide owners (or similar stakeholders) with information on the Entity's:
  - operations; and/or
  - financial results and financial position as set out in the financial statements.

Based on discussions with management, there are no reports expected to meet the definition of an "annual report" under professional standards.

Fees

Appendix D – Fees for Professional Services to this letter lists our fees for professional services to be performed under this Engagement Letter.

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We are available to provide a wide range of services beyond those outlined above. Additional services are subject to separate terms and arrangements.

We are proud to provide you with the services outlined above and we appreciate your confidence in our work. We shall be pleased to discuss this letter with you at any time. If the arrangements and terms are acceptable, please sign the duplicate of this letter in the space provided and return it to us.

Yours very truly,

KPMG LLP

Rob J. Clayton, CPA, CA
Partner responsible for the engagement and its performance, and for the report that is issued on behalf of KPMG LLP, and who, where required, has the appropriate authority from a professional, legal or regulatory body.
613-212-3601

Enclosure
cc: Audit Committee

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The terms of the engagement for Ottawa-Carleton District School Board are set out are as agreed:

Michael Carson, Chief Financial Officer

____

Date (dd/mm/yy)

____

KPMG

Appendix A – Management's Responsibilities

Management acknowledges and understands that they are responsible for:

(a) the preparation and fair presentation of the financial statements in accordance with the financial reporting framework referred to above.

(b) providing us with all information of which management is aware that is relevant to the preparation of the financial statements such as financial records, documentation and other matters, including:

- the names of all related parties and information regarding all relationships and transactions with related parties
- the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of shareholders, board of directors, and committees of the board of directors that may affect the financial statements. All significant actions are to be included in such summaries.

(c) providing us with unrestricted access to such relevant information.

(d) providing us with complete responses to all enquiries made by us during our engagement.

(e) providing us with additional information that we may request from management for the purpose of the engagement.

(f) providing us with unrestricted access to persons within the Entity from whom we determine it necessary to obtain evidence.

(g) such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Management also acknowledges and understands that they are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.

(h) ensuring that all transactions have been recorded and are reflected in the financial statements.

(i) ensuring that internal auditors providing direct assistance to us, if any, will be instructed to follow our instructions and that management, and others within the entity, will not intervene in the work the internal auditors perform for us.

(j) providing us with written representations required to be obtained under professional standards and written representations that we determine are necessary. Management also acknowledges and understands that, as required by professional standards, we may disclaim an audit opinion when management does not provide certain written representations required.

KPMG

Appendix B – Auditor's Responsibilities

Our function as auditors of the Entity is:

- to express an opinion on whether the Entity's annual financial statements, prepared by management with the oversight of those charged with governance, are, in all material respects, in accordance with the financial reporting framework referred to above
- to report on the annual financial statements

We will conduct the audit of the Entity's annual financial statements in accordance with Canadian generally accepted auditing standards and relevant ethical requirements, including those pertaining to independence (hereinafter referred to as applicable "professional standards").

We will plan and perform the audit to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error. Accordingly, we will, among other things:

- identify and assess risks of material misstatement, whether due to fraud or error, based on an understanding of the Entity and its environment, including the Entity's internal control. In making those risk assessments, we consider internal control relevant to the Entity's preparation of the annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control
- obtain sufficient appropriate audit evidence about whether material misstatements exist, through designing and implementing appropriate responses to the assessed risks
- form an opinion on the Entity's annual financial statements based on conclusions drawn from the audit evidence obtained
- communicate matters required by professional standards, to the extent that such matters come to our attention, to the appropriate level of management, those charged with governance and/or the board of directors. The form (oral or in writing) and the timing will depend on the importance of the matter and the requirements under professional standards.

KPMG

Appendix C – Expected Form of Report

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the Ottawa-Carleton District School Board

Opinion

We have audited the consolidated financial statements of the Ottawa-Carleton District School Board (the "Entity"), which comprise:

- the consolidated statement of financial position as at August 31, 2020
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of change in net debt for the year then ended
- the consolidated statement of cash flows year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(hereinafter referred to as the " consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Entity as at August 31, 2020, and its consolidated results of operations, its change in net debt and its cash flows for the year then ended in accordance with the basis of accounting described in note 1(a) to the consolidated financial statements.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

Without modifying our opinion, we draw attention to note 1(a) to the consolidated financial statements which describes the basis of accounting used in the preparation of these consolidated financial statements and the significant differences between such basis of accounting and Canadian public sector accounting standards.

KPMG

Appendix C – Expected Form of Report (continued)

Responsibilities of Management and Those Charged With Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the basis of accounting described in note 1(a) of the consolidated financial statements, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

KPMG

Appendix C – Expected Form of Report (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants, Licensed Public Accountants

(date)

Ottawa, Canada

KPMG

Appendix D – Fees for Professional Services

Our fees for this engagement will be based on the complexity of the issues and the time required of the individuals who will be performing the services, and will be billed, as the work progresses. The Entity and KPMG agree to fees, before HST, based on our proposal dated April 24, 2012 and two-year extension dated August 12, 2019 quoting:

Service	**Fees for the year-ended August 31, 2020**
Audit of the consolidated financial statements of the Ottawa-Carleton District School Board	$80,000
Audit work on the Ottawa-Carleton District School Board School Generated Funds to support our audit opinion on the consolidated financial statements of the Ottawa-Carleton District School Board	$17,500
Total fees	$97,500

Interest on overdue invoices as described in the terms and conditions (“Fee Arrangements”) shall be 1% per month, calculated and compounded monthly (effective annual rate of 12.683%).

Harmonized Sales Tax (HST) will be computed and shown separately on our invoices, together with our firm’s HST registration number, so that you will have the information required to claim input tax credits and input tax refunds, if applicable.

The Entity agrees, by accepting the terms of this engagement, to pay all invoices to KPMG within 30 days of receipt.

TERMS AND CONDITIONS FOR ASSURANCE ENGAGEMENTS
(PRIVATE COMPANY CLIENTS)

These Terms and Conditions are an integral part of the accompanying engagement letter or proposal from KPMG that identifies the engagement to which they relate (and collectively form the "Engagement Letter"). The Engagement Letter supersedes all written or oral representations on this matter. The term "Entity" used herein has the meaning set out in the accompanying engagement letter or proposal. The term "Management" used herein means the management of Entity.

1. DOCUMENTS AND LICENSES.

a. All working papers, files and other internal materials created or produced by KPMG in relation to this engagement and all copyright and intellectual property rights therein are the property of KPMG.
b. Only in connection with the services herein, Entity hereby grants to KPMG a limited, revocable, non-exclusive, non-transferable, paid up and royalty-free license, without right of sublicense, to use all logos, trademarks and service marks of Entity solely for presentations or reports to Entity or for internal KPMG presentations and intranet sites. Further, Entity agrees that KPMG may list Entity as a customer in KPMG's internal and external marketing materials, including KPMG websites and social media, indicating the general services rendered (e.g., "Client is an Audit, Advisory, and/or Tax client of KPMG LLP").

2. ENTITY'S RESPONSIBILITIES.

a. Entity agrees that all management responsibilities will be performed and all management decisions will be made by Entity, and not by KPMG.
b. Entity's provision of documents and information to KPMG on a timely basis is an important factor in our ability to issue any reports under this Engagement Letter. KPMG is not responsible for any consequences arising from Entity's failure to deliver documents and information as required.
c. To the extent that KPMG personnel are on Entity's premises, Entity will take all reasonable precautions for their safety.
d. Entity understands and acknowledges that KPMG's independence may be impaired if any KPMG partner, employee or contractor accepts any offer of employment from Entity.
e. Except as required by applicable law or regulation, Entity shall keep confidential the terms of this Engagement Letter, and such confidential information shall not be distributed, published or made available to any other person without KPMG's express written permission.
f. Management agrees to promptly provide us with a copy of any comment letter or request for information issued by any securities or other regulatory authority in respect of information on which KPMG reported, including without limitation any continuous disclosure filings.

3. FEE AND OTHER ARRANGEMENTS.

a. KPMG's estimated fee is based in part on the quality of Entity's records, the agreed-upon level of preparation and assistance from Entity's personnel, and adherence by Entity to the agreed-upon timetable. KPMG's estimated fee also assumes that Entity's financial statements and/or other financial information, as applicable, are prepared in accordance with the relevant financial reporting framework or the relevant criteria, as applicable, and that there are no significant changes to the relevant financial reporting framework or the relevant criteria, as applicable; no significant new or changed accounting policies; no significant changes to internal control; and no other significant issues.
b. Additional time may be incurred for such matters as significant issues, significant unusual and/or complex transactions, informing management about new professional standards, and any related accounting advice. Where these matters arise and require research, consultation and work beyond that included in the estimated fee, Entity and KPMG agree to revise the estimated fee. Our professional fees are also subject to an additional charge to cover information technology infrastructure costs and administrative support of our client service personnel. Disbursements for items such as travel, accommodation and meals will be charged based on KPMG's actual disbursements.
c. KPMG's invoices are due and payable upon receipt. Amounts overdue are subject to interest. In order to avoid the possible implication that unpaid fees might be viewed as creating a threat to KPMG's independence, it is important that KPMG's bills be paid promptly when rendered. If a situation arises in which it may appear that KPMG's independence is threatened because of significant unpaid bills, KPMG may be prohibited from signing any applicable report and/or consent.
d. Fees for any other services will be billed separately from the services described in this Engagement Letter and may be subject to written terms and conditions supplemental to those in the Engagement Letter.
e. Canadian Public Accountability Board ("CPAB") participation fees, when applicable, are charged to Entity based on the annual fees levied by CPAB.

4. USE OF MEMBER FIRMS AND THIRD PARTY SERVICE PROVIDERS; STORAGE AND USE OF INFORMATION.

a. KPMG is a member firm of the KPMG International Cooperative ("KPMG International"). Entity acknowledges that in connection with the provision of services hereunder, KPMG may use the services of KPMG International member firms, as well as other third party service providers or subcontractors, and KPMG shall be entitled to share with them all documentation and information related to the engagement, including Entity's confidential information and personal information ("information"). KPMG may also: (i) directly, or using such aforementioned KPMG International member firms, third party service providers or subcontractors, perform data analytics in respect of the information; and (ii) retain and disclose to KPMG International member firms the information to share best practices or for knowledge sharing purposes. In all such cases, such information may be used, retained, processed, or stored outside of Canada by such KPMG International member firms, other third party service providers or subcontractors, and may be subject to disclosure in accordance with the laws applicable in the jurisdiction in which the information is used, retained, processed or stored, which laws may not provide the same level of protection for such information as will Canadian laws. KPMG represents that such KPMG International member firms, other third party service providers or subcontractors have agreed or shall agree to conditions of confidentiality with respect to Entity's confidential information, and that KPMG is responsible to ensure their compliance with those conditions. Any services performed by KPMG International member firms or other third party service providers or subcontractors shall be performed in accordance with the terms of this Engagement Letter, but KPMG remains solely responsible to Entity for the delivery of the services hereunder. Entity agrees that any claims that may arise out of the engagement will be brought solely against KPMG, the contracting party, and not against any other KPMG International member firms or other third party service providers or subcontractors referred to above.
b. Certain information (including information relating to time, billing and conflicts) collected by KPMG during the course of the engagement may be used, retained, processed and stored outside of Canada by KPMG, KPMG International member firms or third party service providers or subcontractors providing support services to KPMG for administrative, technological and clerical/organizational purposes, including in respect of client engagement acceptance procedures and maintaining engagement profiles; and to comply with applicable law, regulation or professional standards (including for quality performance reviews). Such information may be subject to disclosure in accordance with the laws applicable in the jurisdiction in which the information is used, retained, processed or stored, which laws may not provide the same level of protection for such information as will Canadian laws. KPMG may also share information with its legal advisers and insurers for the purposes of obtaining advice.
c. Entity acknowledges that KPMG aggregates anonymous information from sources including the Entity for various purposes, including to monitor quality of service, and Entity consents to such use. KPMG may also use Entity's information to offer services that may be of interest to Entity.

5. PERSONAL INFORMATION CONSENTS AND NOTICES.

KPMG may be required to collect, use and disclose personal information about individuals during the course of the engagement. Any collection, use or disclosure of personal information is subject to KPMG's Privacy Policy available at www.kpmg.ca. Entity represents and warrants that (i) it will obtain any consents required to allow KPMG to collect, use and disclose personal information in the course of the engagement, and (ii) it has provided notice to those individuals whose personal information may be collected, used and disclosed by KPMG hereunder of the potential processing of such personal information outside of Canada (as described in Section 4 above). KPMG's Privacy Officer noted in KPMG's privacy policy is able to answer any individual's questions about the collection of personal information required for KPMG to deliver services hereunder.

6. THIRD PARTY DEMANDS FOR DOCUMENTATION AND INFORMATION / LEGAL AND REGULATORY PROCESSES.

a. Entity on its own behalf hereby acknowledges and agrees to cause its subsidiaries and affiliates to acknowledge that KPMG or a foreign component auditor which has been engaged in connection with an assurance engagement ("component auditor") may from time to time receive demands from a third party (each, a "third party demand"), including without limitation (i) from CPAB or from professional, securities or other regulatory, taxation, judicial or governmental authorities (both in Canada and abroad), to provide them with information and copies of documents in KPMG's or the component auditor's files including (without limitation) working papers and other work-product relating to the affairs of Entity, its subsidiaries and affiliates, and (ii) summons for production of documents or information related to the services provided hereunder; which information and documents may contain confidential information of Entity, its subsidiaries or affiliates. Except where prohibited by law, KPMG or its component auditor, as applicable, will advise Entity or its affiliate or subsidiary of the third party demand. Entity acknowledges, and agrees to cause its subsidiaries and affiliates to acknowledge, that KPMG or its component auditor, as applicable, will produce documents and provide information in response to the third party demand, without further authority from Entity, its subsidiaries or affiliates.
b. KPMG will use reasonable efforts to withhold from production any documentation or information over which Entity asserts privilege. Entity must identify any such documentation or information at the time of its provision to KPMG by marking it as "privileged". Notwithstanding the foregoing, where disclosure of such privileged documents is required by law, KPMG will disclose such privileged documents. If and only if the authority requires such access to such privileged documents pursuant to the laws of a jurisdiction in which express consent of Entity is required for such disclosure, then Entity hereby provides its consent.
c. Entity agrees to reimburse KPMG for its professional time and any disbursements, including reasonable legal fees and taxes, in responding to third party demands.
d. Entity waives and releases KPMG from any and all claims that it may have against KPMG as a result of any disclosure or production by KPMG of documents or information as contemplated herein.
e. Entity agrees to notify KPMG promptly of any request received by Entity from any third party with respect to the services hereunder, KPMG's confidential information, KPMG's advice or report or any related document.

7. CONNECTING TO THE ENTITY'S IT NETWORK; EMAIL AND ONLINE FILE SHARING AND STORAGE TOOLS.

a. Entity authorizes KPMG personnel to connect their computers to Entity's IT Network and the Internet via the Network while at the Entity's premises for the purpose of conducting normal business activities.
b. Entity recognizes and accepts the risks associated with communicating electronically, and using online file sharing, storage, collaboration and other similar online tools to transmit information to or sharing information with KPMG, including (but without limitation) the lack of security, unreliability of delivery and possible loss of confidentiality and privilege. Entity assumes all responsibility or liability in respect of the risk associated with the use of the foregoing, and agrees that KPMG is not responsible for any issues that might arise (including loss of data) as a result of Entity using the foregoing to transmit information to or otherwise share information with KPMG and, in the case of online tools other than email, KPMG's access to and use of the same in connection with obtaining Entity information and documents.

8. LIMITATION ON WARRANTIES.

THIS IS A SERVICES ENGAGEMENT. KPMG WARRANTS THAT IT WILL PERFORM SERVICES HEREUNDER IN GOOD FAITH WITH QUALIFIED PERSONNEL IN A COMPETENT AND WORKMANLIKE MANNER IN ACCORDANCE WITH APPLICABLE INDUSTRY STANDARDS. SUBJECT TO SECTION 14, KPMG DISCLAIMS ALL OTHER WARRANTIES, REPRESENTATIONS OR CONDITIONS, EITHER EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, WARRANTIES, REPRESENTATIONS OR CONDITIONS OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

9. LIMITATION ON LIABILITY AND INDEMNIFICATION.

a**.** Subject to Section 14: (i) Entity agrees that KPMG shall not be liable to Entity for any actions, damages, claims, fines, penalties, complaints, demands, suits, proceedings, liabilities, costs, expenses, or losses (collectively, "Claims") in any way arising out of or relating to the services performed hereunder for an aggregate amount in excess of the lesser of one million dollars ($1,000,000) or two times the fees paid by Entity to KPMG under the engagement; and (ii) on a multi-phase engagement, KPMG's liability shall be based on the amount actually paid to KPMG for the particular phase that gives rise to the liability.
b**.** Subject to Section 14, in the event of a Claim by any third party against KPMG that arises out of or relates to the services performed hereunder, Entity will indemnify and hold harmless KPMG from all such Claims, including, without limitation, reasonable legal fees, except to the extent finally determined to have resulted from the intentional, deliberate or fraudulent misconduct of KPMG.
c. Subject to Section 14: (i) in no event shall KPMG be liable for consequential, special, indirect, incidental, punitive or exemplary damages, liabilities, costs, expenses, or losses (including, without limitation, lost profits and opportunity costs); (ii) in any Claim arising out of the engagement, Entity agrees that KPMG's liability will be several and not joint and several; and (iii) Entity may only claim payment from KPMG of KPMG's proportionate share of the total liability based on degree of fault.
d. For purposes of this Section 9, the term KPMG shall include its subsidiaries, its associated and affiliated entities and their respective current and former partners, directors, officers, employees, agents and representatives. The provisions of this Section 9 shall apply regardless of the form of Claim, whether in contract, statute, tort (including, without limitation, negligence) or otherwise.

10. CONSENT TO THE USE OF THE KPMG NAME OR KPMG REPORT.

Except as otherwise specifically agreed in this Engagement Letter, KPMG does not consent to:
i. the use of our name or our report in connection with information, other than what we have reported on as part of this Engagement Letter or our report thereon, that contains, incorporates by reference, or otherwise accompanies our report or our name;
ii. the use of our report in another language, or the use of our report in connection with information that we reported on that has been translated into another language, or the use of our name in connection with information that we reported on that has been translated into another language;
iii. the use of our report in connection with an offering document or other securities filing, including continuous disclosure filings; or
iv. the use of our name or our report in connection with the interim financial statements (or other interim financial information) or any statement by the Entity regarding the services that we provided on the interim financial statements or other interim financial information.
Any communication, report, statement or conclusion on the interim financial statements may not be included in, or otherwise referred to in any public document or public oral statements except when the interim review conclusion contains a modified conclusion, in which case our interim review report will accompany the interim financial statements.
If the Entity wishes to obtain KPMG's consent regarding the matters above or other matters not otherwise specifically covered by this Engagement Letter, we will be required to perform procedures as required by applicable professional standards, and such procedures would be a separate engagement and subject to separate engagement terms.

11. ALTERNATIVE DISPUTE RESOLUTION.

Any dispute or claim between the parties arising under or relating to this Engagement Letter or the services provided hereunder (the "Dispute") shall be submitted to non-binding mediation. If mediation is not successful within 90 days after the issuance by a party of a request for mediation, then the Dispute shall be referred to and finally resolved by arbitration under the Arbitration Rules of the ADR Institute of Canada in force at that time. The Seat of Arbitration shall be the province where KPMG's principal office performing this engagement is located. The language of the arbitration shall be English. The Arbitral Tribunal shall be made up of a single Arbitrator. The arbitration award shall be final, conclusive and binding upon the parties, and not subject to appeal.

12. POTENTIAL CONFLICTS OF INTEREST.

a. KPMG is or may be engaged by entities and individuals who have potentially conflicting legal and business interests to Entity. Entity agrees that, without further notice or disclosure to Entity, KPMG may: (i) accept or continue such engagements on matters unrelated to KPMG's engagement for Entity; and (ii) provide advice or services to any other person or entity making a competing bid or proposal to that of Entity whether or not KPMG is providing advice or services to Entity in respect of Entity's competing bid or proposal.

b. In accordance with professional standards, KPMG will not use any confidential information regarding Entity in connection with its engagements with other clients, and will establish confidentiality and other safeguards to manage conflicts, which may include, in KPMG's sole discretion, the use of separate engagement teams and data access controls.

c. In no event shall KPMG be liable to Entity, or shall Entity be entitled to a return of fees or disbursements, or any other compensation whatsoever as a result of KPMG accepting or continuing a conflicting engagement in accordance with the terms of this Engagement Letter.

d. Entity agrees that KPMG may, in its sole discretion, disclose the fact and nature of its engagement for Entity to (i) KPMG International member firms to inform conflict searches, and (ii) to the extent reasonably required in order to obtain the consent of another entity or individual in order to permit KPMG to act for such entity or individual, or for Entity, in connection with the engagement or any future engagement.

e. In the event that circumstances arise that place KPMG into a conflict of interest as between Entity and a pre-existing client, which in KPMG's sole opinion cannot be adequately addressed through the use of confidentiality and other safeguards, KPMG shall be entitled to immediately terminate the engagement with Entity, without liability.

f. Other KPMG International member firms are or may be engaged by entities and individuals who have potentially conflicting legal and business interests to Entity. Entity agrees that (i) it will not assert that other KPMG International member firms are precluded from being engaged by those other entities or individuals, and (ii) those engagements of other KPMG International member firms do not conflict with KPMG's engagement for Entity.

13. LOBBYING.

Unless expressly stated in this Engagement Letter, KPMG will not undertake any lobbying activity, as that term is defined in all applicable federal, provincial and municipal lobbyist registration statutes and regulations, in connection with the engagement. In the event that KPMG and Entity agree that KPMG will undertake lobbying activity in connection with the engagement, such agreement shall be set out in an amendment to this Engagement Letter.

14. SEVERABILITY.

The provisions of these Terms and Conditions and the accompanying proposal or engagement letter shall only apply to the extent that they are not prohibited by a mandatory provision of applicable law, regulation or professional standards. If any of the provisions of these Terms and Conditions or the accompanying proposal or engagement letter are determined to be invalid, void or unenforceable, the remaining provisions of these Terms and Conditions or the accompanying proposal or engagement letter, as the case may be, shall not be affected, impaired or invalidated, and each such provision shall remain valid and in effect and be enforceable and binding on the parties to the fullest extent permitted by law.

15. GOVERNING LAW.

This Engagement Letter shall be subject to and governed by the laws of the province where KPMG's principal office performing this engagement is located (without regard to such province's rules on conflicts of law).

16. LLP STATUS.

KPMG is a registered limited liability partnership ("LLP") established under the laws of the Province of Ontario and, where applicable, has been registered extra-provincially under provincial LLP legislation.

17. INDEPENDENT LEGAL ADVICE.

Entity agrees that it been advised to retain independent legal advice at its own expense prior to signing this Engagement Letter (including without limitation with respect to Entity's rights in connection with potential future conflicts) and agrees that any failure on its part to retain such independent legal counsel shall not affect (and it shall not assert that the same affects) the validity of the provisions of this Engagement Letter.

18. SURVIVAL.

All sections hereof other than Section 7(a) shall survive the expiration or termination of the engagement.

COVID-19 RIDER

1. During the engagement, each party shall keep the other party reasonably informed of any events which:

    i. relate to the notifying party and the COVID-19 situation;

    ii. are not existing or reasonably foreseeable at the date of this agreement; and

    iii. which will materially and adversely affect the notifying party's ability to perform its obligations under the engagement.

2. Each party will implement mitigation measures to enable the Services to be performed so far as reasonably practicable in the circumstances, including:

    i. reducing travel (particularly international travel) and in-person meetings to the minimum necessary level;

    ii. at the party's premises, implementing such infection control procedures as are recommended or required by official bodies in the applicable location;

    iii. implementing internal corporate policies which permit and encourage individual remote working, and technical systems to enable individual remote working; and

    iv. implementing telepresence, audio conference, videoconference, and other systems for collaborative working.

3. If, as a result of the global COVID-19 virus situation, performance by a party of its obligations under the engagement are rendered impossible or impracticable, the time for performance of such obligations shall be extended by such period as is reasonable in the circumstances, PROVIDED THAT the party in question is complying, and continues to comply, with its obligations pursuant to paragraphs 1and 2 above.

Ottawa-Carleton District School Board

Audit Planning Report
for the year ended August 31, 2020

KPMG LLP

Prepared on September 1, 2020 for
the Audit Committee Meeting on
September 23, 2020

kpmg.ca/audit

Appendix B
to Report 20-073

Table of contents

KPMG contacts

The contacts at KPMG in connection with this report are:

Rob Clayton, CPA, CA

Lead Audit Engagement Partner

Tel: 613-212-3601
rclayton@kpmg.ca

Andrew C. Newman, FCPA, FCA

Engagement Quality Review Partner

Tel: (613) 212-2877
andrewnewman@kpmg.ca

Rebeca Prophet, CPA, CA

Audit Senior Manager

Tel: 613-212-3748
rprophet@kpmg.ca

Erin Butler, CPA

Audit Manager

Tel: 613-350-1319

erinbutler@kpmg.ca

Executive summary

COVID-19

COVID-19 is undoubtedly going to have an impact to the Ottawa-Carleton District School Board's ("the School Board") business and the School Board's financial reporting.

See pages 2-3.

Audit and business risks

Our audit is risk-focused. In planning our audit we have taken into account key areas of focus for financial reporting including components of the School Board.

See pages 4-8.

Audit materiality

Materiality has been determined based on prior year consolidated expenses. We have determined the current year materiality to be $13,000,000.

See page 9.

Quality control

We have a robust and consistent system of quality control. We provide complete transparency on all services and follow Audit Committee approved protocols.

See pages 10-11.

Proposed fees

Proposed fees for the annual audit are $80,000 and $17,500 for the audit work performed for the School Generated Funds (SGF) and the School Council Funds (SCF).

See page 16.

Current developments and audit trends

There are no new relevant accounting or auditing changes that will impact the August 30, 2020 year-end. See page 14 for future changes in accounting and auditing standards and Appendices 5 and 6.

COVID-19: Embedding Resilience & Readiness

COVID-19 is undoubtedly going to have an impact to the School Board's business and the School Board's financial reporting.

Potential financial reporting implications	Potential implications on internal control over financial reporting
Refer to our COVID-19 Financial Reporting site: • Events or conditions that cast significant doubt regarding going concern • Impairment of non-financial assets (e.g., TCA) • Impairment of financial assets (e.g., financial instruments) • Leases • Employee benefits and employer obligations • Revenue-cycle (process) accounting • Subsequent events	• Reconsideration of financial reporting risks, including fraud risks, given possible new pressures on management or new opportunities to commit fraud given changes in ICFR or to bias estimates • New or enhanced controls, including those that may need to occur to respond to new financial reporting risks or elimination of on-site preventative controls • Consideration of changes in the individuals performing the control (e.g. re-directing the performance to head-office) • Consideration of the appropriateness of segregation of duties because of a potential reduction in the number of employees Reconsideration of ICFR impacts related to broader IT access given remote work arrangements

Potential financial reporting implications related to disclosures	Other potential considerations
Refer to our COVID-19 Financial Reporting site: • Events and conditions that cast significant doubt regarding going concern • New accounting policies • Significant management judgements in applying accounting policies • Major sources of estimation uncertainty that have significant risk	• Identifying material changes in ICFR • Cyber security risks (e.g., wire transfers schemes) • Possible delay in filing annual financial statements

COVID-19: Embedding Resilience & Readiness (continued)

Similarly, COVID-19 is a major consideration in the development of our audit plan for your 2020 consolidated financial statements.

Potential audit implications	Audit response to implications
Planning and risk assessment • Understanding the expected impact on the relevant metrics for determining materiality (including the benchmark) and the implication of that in identifying the risks of material misstatement, responding to such risks and evaluating uncorrected misstatements • Understanding the potential financial reporting impacts, the changes in Board's environment, and changes in the Board's system of internal control, and their impact on our: o identified and assessed risks of material misstatement o audit strategy, including the involvement of others (e.g., our internal specialists) and the nature, timing and extent of tests of controls and substantive procedures Executing • Remote auditing o Increased use of other collaboration tools (Facetime, Skype etc.) and the need for written management acknowledge for their use o Potential increased use of electronic evidence (and understanding the Board's processes to provide such evidence to us) • Timing of procedures may need to change • Tests of controls may need to be deferred (to allow the Board to put new or revised controls in operation and to be able to re-perform such controls)	• Understanding the School Board's potential financial reporting impacts, the changes in School Board's environment, and changes in the School Board's system of internal control, and their impact on our: o the design of the analytical procedures (e.g. more disaggregated analytical procedures on per day basis) o need to perform additional procedures

Group audit - Components

Nature of the planned involvement in the work of other components:

Component	Nature of the components	Review of reporting	Involvement in performing tests of controls or substantive tests
Ottawa Student Transportation Authority (OSTA)	OSTA is not material to the audit of the School Board. OSTA's principal activity is to facilitate, organize and deliver safe, effective and efficient school transportation services to students in the Ottawa area on behalf of the member of the school boards.	N/A – OSTA is not material to the audit of the School Board. No significant risks identified.	KPMG will review the audited financial statements of OSTA, prepared by Marcil Lavalée, and perform audit procedures over the consolidation performed by the School Board.
School Generated Funds (SGF) and School Council Funds (SCF)	The SGF and SCF consists of assets, liabilities, revenues, expenses and fund balances of various organizations that exist at the school level and which are deemed to be controlled by the School Board.	The SGF and SCF are material to the audit of School Board.	KPMG will perform substantive procedures over SGF and SCF as described on page 6.
Ottawa-Carleton Education Network (OCENET)	OCENET is not material to the audit of the School Board. OCENET's principal activity is to market product, programs, services, and expertise to international students, and generate tuition revenue for the School Board.	N/A – OCENET is not material to the audit of the School Board. No significant risks identified.	KPMG performs a separate audit over OCENET after the issuance of the School Board's financial statements. The component is not material to the School Board and as such no reliance is required.

Audit risks

Relevant factors affecting our risk assessment

Complexity Estimate Related party transaction

Areas of audit risk	Our audit approach
Government grants, related accounts receivable, and deferred revenues	- Perform substantive analytical procedures over revenues and related accounts - Evaluate revenue recognition, revenue restrictions, deferral and presentation considerations - Vouch a selection of revenue transactions to supporting documentation to verify restrictions, if any - Direct confirmation of amounts received and receivable from the Ministry - For amounts receivable at year-end, we will inquire of management as to the collectability of the receivable balance.
Accounts payable and accrued liabilities, including non-payroll expenses	- Perform substantive analytical procedures over payables and non-payroll expenses - Significant accruals vouched to supporting documentation - Search for unrecorded liabilities - Evaluate completeness and valuation of the liability for contaminated sites, if any
Capital assets and deferred capital contributions	- Significant additions / disposals vouched to supporting documentation - Assessment of assets for write-down - Amortization / interest on long-term debt, and amortization of deferred capital contributions recalculated - Examination of supporting documentation related to restriction of funds intended for capital asset additions and treatment of proceeds from any disposed contributed assets
Cash, investments, and investment income	- Confirmation with third parties for cash and bank indebtedness - Review of bank reconciliations and vouch significant reconciling items to supporting documentation - Review of restrictions and disclosures
Long-term debt	- Confirmation of debt balances with third parties
Other fees and revenues	- Significant additions and disbursements vouched to supporting documentation - Ensure purpose-specific restrictions are recognized and accounted for appropriately

Audit risks (continued)

Relevant factors affecting our risk assessment

Complexity Estimate Related party transaction

Areas of audit risk	Our audit approach
Salaries and benefits, including the employee future benefit liability	- Test and evaluate design and operating effectiveness over controls related to payroll monitoring controls - Significant payroll-related accruals recalculated and vouched to supporting documentation - Perform substantive analytical procedures over salaries and benefits, and related accounts - Receipt and analysis of the actuarial report to independently verify employee future benefit accruals - We will review the assumptions used in the valuations and perform audit procedures on the underlying employee data provided to the actuary in the year of full valuation
School generated funds and school council funds	- Substantive testing including selecting a sample of expense and revenue transactions, obtaining supporting documentation - Performing analytic procedures over expenses and revenue followed by discussion with management
Accumulated surplus	- Significant additions and disbursement vouched to supporting documentation - Ensure purpose-specific restrictions are recognized and accounted for appropriately
Contingencies	- Review of Board of Trustee and Audit Committee meeting minutes and legal correspondence - Direct communication with external legal counsel to ensure that all significant contingent liabilities are appropriately disclosed and/or recorded - Significant findings reviewed with management
Financial reporting	- Review by the engagement team of the consolidated financial statements prepared by the Board's management to ensure the disclosure is consistent with current public sector accounting, disclosure requirements, as well as industry practice

These areas of audit focus may be revised because of new transactions or events at the School Board, or changes in systems, people or structure, and/or the results of our audit procedures. KPMG has not identified any significant financial reporting risks as at the time of preparing this report that will require any additional audit procedures for the August 31, 2020 consolidated financial statement audit. KPMG will assess throughout the audit whether there are any activities that are outside the normal operations for the School Board and will perform additional procedures if necessary. KPMG will address any new significant financial reporting issues and will communicate any changes to the Audit Committee in our Audit Findings Report.

Audit risks (continued)

Relevant factors affecting our risk assessment

Complexity Estimate Related party transaction

Professional requirements	Why is it significant?
Risk of material misstatement due to fraud resulting from fraudulent revenue recognition.	This is a presumed risk of material misstatement due to fraud. We have not identified any risk of material misstatement resulting from fraudulent revenue recognition.

Our audit approach

- Although there is a presumption that there are risks of fraud in revenue recognition, this presumption may be rebutted. We have exercised professional judgment and have rebutted this presumed risk. We have done this primarily because no risk factors have been identified. Revenues are not complex and they do not involve elements of significant judgment and there are no external expectations specifically on the School Board's revenue which will be used for significant financial decisions of third parties.

Audit risks (continued)

Relevant factors affecting our risk assessment

Complexity

Estimate

Related party transaction

Professional requirements	Why is it significant?
Risk of material misstatement due to fraud resulting from management override of controls.	The risk of fraudulent revenue recognition can be rebutted but the risk of management override of controls cannot, since management is typically in a unique position to perpetrate fraud because of the ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Our audit approach

As this risk is not rebuttable, our audit methodology incorporates the required procedures in professional standards to address this risk. These procedures include testing of journal entries and other adjustments, performing a retrospective review of estimates and evaluating the business rationale of significant unusual transactions.

We also make enquiries of upper management and the Audit Committee related to their awareness of fraud risk factors of the School Board and whether the Board is currently dealing with any suspected, alleged or known fraudulent activity.

Materiality

Materiality is used to identify risks of material misstatements, develop an appropriate audit response to such risks, and evaluate the level at which we think misstatements will reasonably influence users of the financial statements. It considers both quantitative and qualitative factors. To respond to aggregation risk, we design our procedures to detect misstatements at a lower level of materiality.

Materiality determination	Comments	Amount
Metrics	Relevant metrics include net assets, total revenue, total expenses, and other program costs.	
Benchmark	Based on total prior year expenses. This benchmark is consistent with the prior year of $952,262,168.	$982,205,481
% of Benchmark	The corresponding percentage for the prior year's audit was 1.3%.	1.3%
Materiality	Determined to plan and perform the audit and to evaluate the effects of identified misstatements on the audit and of any uncorrected misstatements on the consolidated financial statements. The corresponding amount for the prior year's audit was $12,000,000.	$13,000,000
Performance Materiality	Used 75% of materiality, and used primarily to determine the nature, timing and extent of audit procedures. The prior year amount was $9,000,000.	$9,750,000
Audit Misstatement Posting Threshold (AMPT)	Threshold used to accumulate misstatements identified during the audit. The related prior year amounts were $600,000 and $1,200,000 respectively.	$650,000 $1,300,000 for reclassification

Professional standards require us to re-assess materiality at the completion of our audit based on period-end results or new information in order to confirm whether the amount determined for planning purposes remains appropriate. Our assessment of misstatements, if any, in amounts or disclosures at the completion of our audit will include the consideration of both quantitative and qualitative factors.

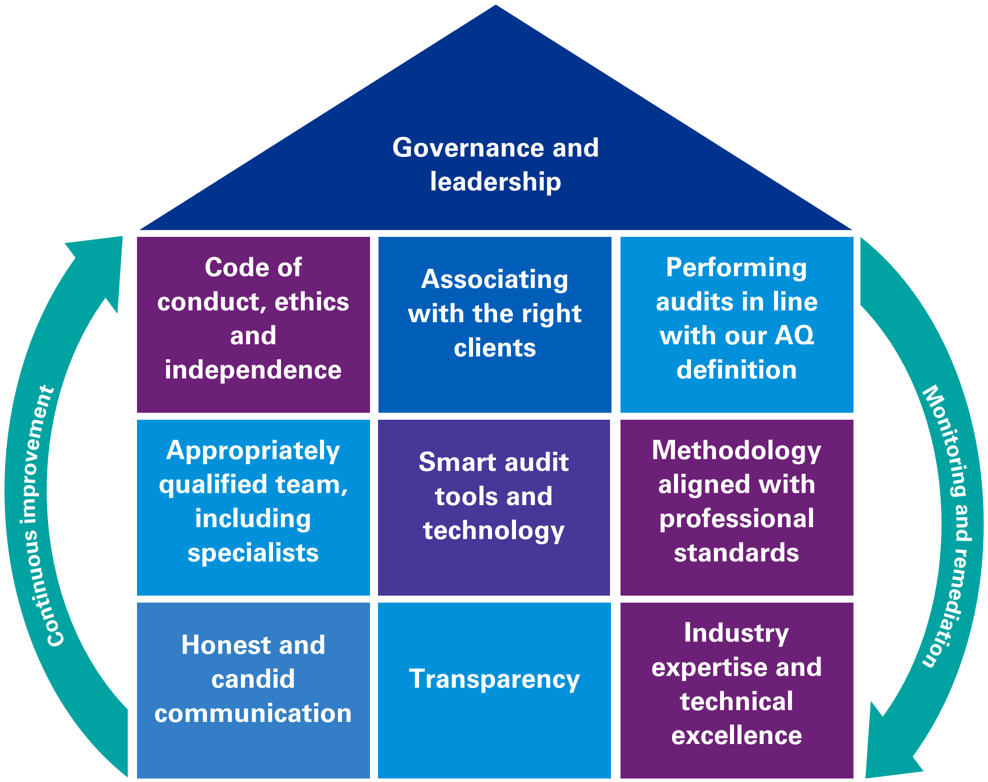
We will report to the Audit Committee:

- Corrected audit misstatements
- Uncorrected audit misstatements

Audit Quality Matters

Audit quality and transparency

KPMG maintains a system of quality control designed to reflect our drive and determination to deliver independent, unbiased advice and opinions, and also meet the requirements of Canadian professional standards.   Quality control is fundamental to our business and is the responsibility of every partner and employee. The following diagram summarizes the key elements of our quality control system.



Audit Quality Framework

What do we mean by audit quality?

Audit Quality (AQ) is at the core of everything we do at KPMG.

We believe that it is not just about reaching the right opinion, but how we reach that opinion.

We define ‘audit quality’ as being the outcome when audits are:

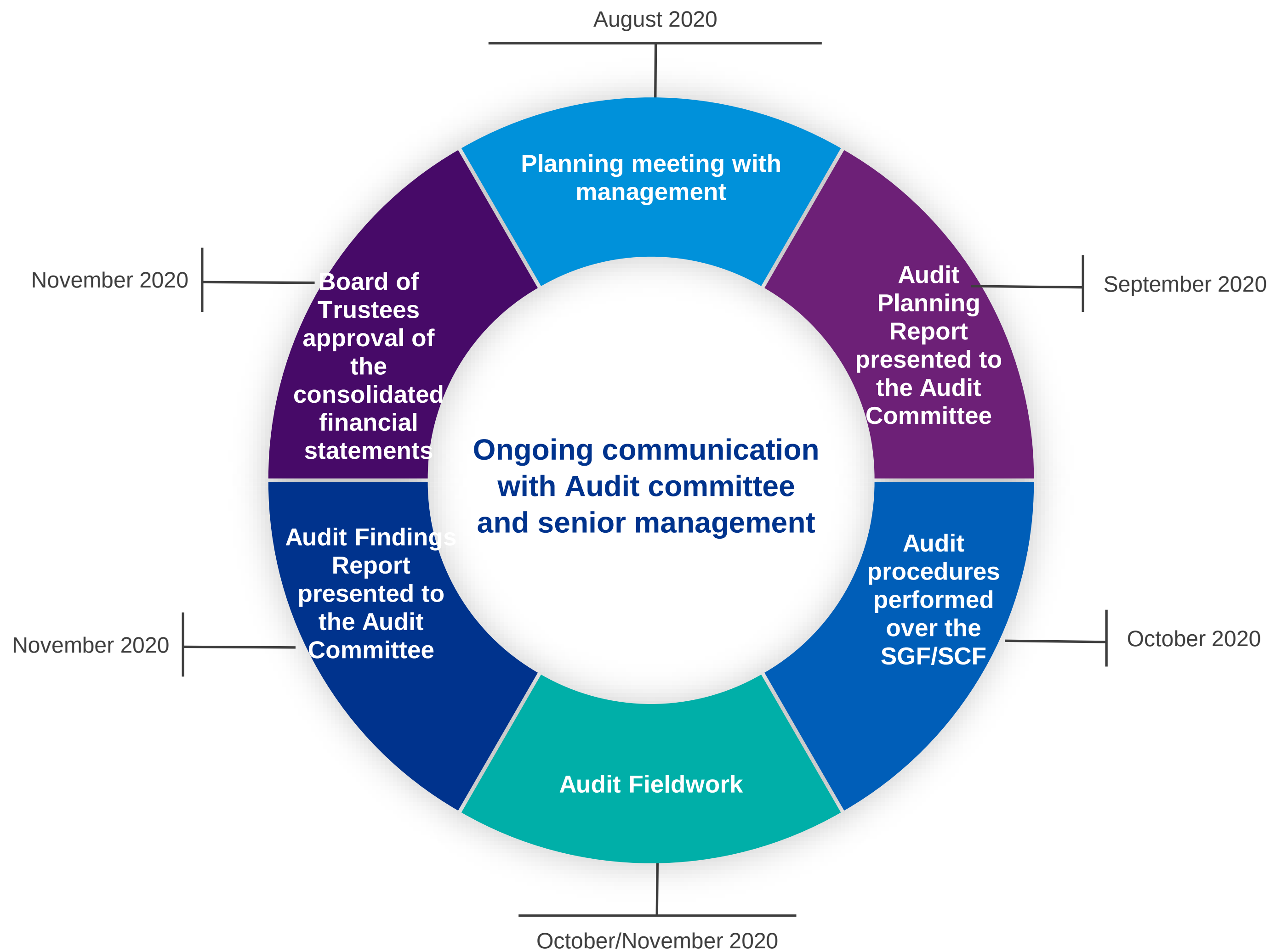
- Executed consistently, in line with the requirements and intent of applicable professional standards within a strong system of quality controls, and
- All of our related activities are undertaken in an environment of the utmost level of **objectivity, independence, ethics,** and **integrity**.

Our AQ Framework summarises how we deliver AQ. Visit our Audit Quality Resources page for more information including access to our Audit Quality and Transparency report.

Highly talented and experienced team

Team member		Background / experience	Discussion of role
	**Rob Clayton, CPA, CA** Lead Audit Engagement Partner Tel: (613) 212-3601 rclayton@kpmg.ca	– Rob has over 15 years of experience serving not-for-profit organizations. Rob co-leads Ottawa's Public Sector practice.	– Rob will be responsible for the quality and timeliness of our work and the conclusions reached by the engagement team. – He will provide the overall direction for audit and related services, and will have frequent and direct contact with the School Board. – Rob will help ensure the entity receives the full benefit of our audit and specialist resources on a timely and effective basis.
	**Rebecca Prophet, CPA, CA** Audit Senior Manager Tel: (613) 212-3748 rprophet@kpmg.ca	– Rebecca has over 10 years of experience serving public sector and not-for-profit organizations. Rebecca is a key member of KPMG's public sector audit practice group in Ottawa.	– Rebecca will work closely with Rob in developing and executing the audit strategy. – She will be responsible for the overall engagement and project management including direct supervision and management of the audit, the development of the detailed audit approach in consultation with Rob, the identification of financial reporting and operational efficiency issues, as well as review of the audit.
	**Erin Butler, CPA** Audit Manager Tel: (613)-350-1319 erinbutler@kpmg.ca	– Erin has been with KPMG since 2016 and has worked with a variety of not-for-profit and public sector organizations. This will be Erin's third year providing audit services to the School Board.	– Erin will also be responsible for the direct supervision of the audit, including the execution of the detailed audit approach in consultation with Rob and Rebecca and the identification of financial reporting and operational efficiency issues, as well as review of the audit. – Erin will be your main point of contact throughout the remote audit fieldwork.
	**Andrew C. Newman, FCPA, FCA** Engagement Quality Review Partner Tel: (613) 212-2877 andrewnewman@kpmg.ca	– Andrew has over 25 years of experience serving not-for-profit organizations. Andrew is KPMG Canada's National Leader, Education, and co-leads Ottawa's Public Sector practice.	– Andrew will be responsible for ensuring the overall quality of our work and to review the conclusions reached by the engagement team. – Through his role on the Public Sector Accounting Board the past twelve years, Andrew will support the Board through any accounting standard changes and continue to provide updates and insights to the Board regarding the future of accounting standards.

Key deliverables and milestones



New audit and accounting standards

New auditing and accounting standards that are not effective for the current year but will have an impact at future reporting dates:

Standard	Key observations	Reference
CAS 540, Auditing Accounting Estimates and Related Disclosures **Effective for audits of Entities with year-ends on or after December 15, 2020** **The School Board's 2021 fiscal year**	**Expected auditing standards impact on the audit:** — more emphasis on the need for exercising professional skepticism — more granular risk assessment to address each of the components in an estimate (method, data, assumptions) — more granular audit response designed to specifically address each of the components in an estimate (method, data, assumptions) — more focus on how we respond to levels of estimation uncertainty — more emphasis on auditing disclosures related to accounting estimates — more detailed written representations required from management	CPA Canada Client Briefing
PS3280, Asset Retirement Obligations **Effective for audits of Entities with year-ends on or after April 1, 2021** **The School Board's 2022 fiscal year**	**Expected accounting standards impact on the audit:** — more emphasis on the need for exercising professional skepticism — more emphasis on the recognition criteria of an Asset Retirement Obligation — more granular audit response designed to address the estimation risk of an Asset Retirement Obligations (third party confirmations) — Asset Retirement Obligations include but are not limited to; end of lease provision, firewater holding tanks, septic beds, etc.	Appendix 6

Independence Matters

Proposed fees

In determining the fees for our services, we have considered the nature, extent and timing of our planned audit procedures as described above. Our fee analysis has been reviewed with and agreed upon by management.

Our fees are estimated as follows:

	Current period (budget)	Prior period (actual)
Audit of the consolidated financial statements	$80,000	$79,000
Additional audit work related to School Generated Funds and School Council Funds for the year-ended August 31, 2020 that is required in support of our audit opinion on the consolidated financial statements	$17,500	$17,000

Matters that could impact our fee

The proposed fees outlined above are based on the assumptions described in the engagement letter.

The following factors could cause a change in our fees:

- Significant changes to the relevant financial reporting framework
- Significant new or changed accounting policies or application thereof
- Significant changes to internal control over financial reporting
- Significant unusual and/or complex transactions
- New audit standards or requirements arising as a result of changes in audit standards
- Changes in the timing of our work
- Other significant issues (e.g. cyber security breaches)
- Any accounting advice
- Additional COVID-19 procedures

Additional audit-related work

KPMG will perform the following services in addition to the audit of the consolidated financial statements of the School Board, either as a required deliverable per the Proposal dated April 24, 2012, with the two-year extension dated August 12, 2019, or per request from the Audit Committee or management.

Additional audit work required to support our audit opinion on the consolidated financial statements

- KPMG will complete audit procedures over the School Generated Funds and School Council Funds for the year-ended August 31, 2020. These school-funded activities are incorporated into the consolidated financial statement of the School Board. These activities are material to the School Board's consolidated financial statements and are reported on within the School Board's Audit Findings Report.
- The Ottawa Student Transportation Authority (OSTA) is a consolidated entity to the School Board. The OSTA's financial statements for the year ended August 31, 2020 will be audited by another auditor. KPMG will request a confirmation from that audit firm, a copy of the financial statements, and perform procedures over the consolidation into the School Board's financial records.
- As previously discussed, there will be incremental work required to address the risk and impact of COVID-19 on the School Board including a 41 page checklist to address the Canadian Auditing Standards on the financial statement captions, reviewing the changes in processes during the work-from-home transition, and testing of controls in both environments.
- As at the date of this report, KPMG has not identified any additional, one-time audit procedures required to support our audit opinion of the consolidated financial statements.
- Any additional audit work identified during our audit will be discussed with Management and communicated to the Audit Committee in the Audit Findings Report.

Other audits

- KPMG will complete the audit of the Ontario Youth Apprenticeship Program for the year-ended August 31, 2020.
- KPMG will complete the audit of the Ottawa-Carleton Education Network (OCENET) for the year-ended August 31, 2020. OCENET is a consolidated entity of the School Board but is not considered material in our audit approach.
- As at the date of this report, KPMG has not identified any other audits to be performed.
- Any additional audit engagements identified will be discussed with Management and communicated to the Audit Committee in the Audit Findings Report.

Additional requested audit-related work

- Any additional audit work identified during our audit will be discussed with Management and communicated to the Audit Committee in the Audit Findings Report.

Appendices

Content

Appendix 1: Required communications

Independent Auditor's Report	Engagement terms
A draft report will be provided at the completion of the audit.	Unless you inform us otherwise, we understand that you acknowledge and agree to the terms of the engagement set out in the engagement letter and any subsequent amendments as provided by management.
Reports to the Audit Committee	**Representations of management**
At the completion of the audit, we will provide our findings report to the Audit Committee.	We will obtain from management certain representations at the completion of the audit.
Matters pertaining to independence	**Internal control deficiencies**
At the completion of our audit, we will provide our Independence Letter to the Audit Committee.	Other control deficiencies, identified during the audit, that do not rise to the level of a significant deficiency will be communicated to management.
Required inquiries	**Audit Quality**
Professional standards require that during the planning of our audit we obtain your views on the identification and assessment of risks of material misstatement, whether due to fraud or error, your oversight over such risk assessment, identification of suspected, alleged or actual fraudulent behaviour, and any significant unusual transactions during the period.	The following links are external audit quality reports for referral by the Audit Committee: • CPAB Audit Quality Insights Report: 2019 Annual Inspections Results • CPAB Audit Quality Insights Report: 2019 Fall Inspection Results

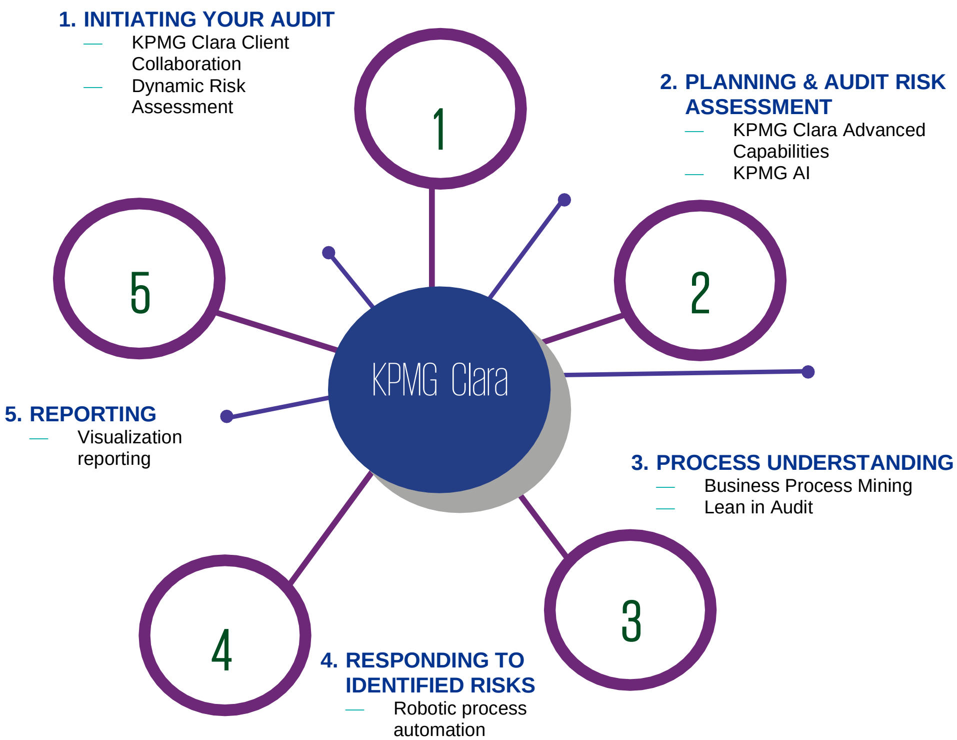
Appendix 2: Use of technology in the audit

Clara is KPMG's integrated, smart global audit platform that allows our teams globally to work simultaneously on audit documentation while sharing real time information. Clara also leverages advanced technology in the execution of various audit procedures, for overall risk assessment and for performing substantive audit procedures over 100% of selected transactions through the use of robotic process automation (KPMG "Bots"). KPMG's use of technology provides for:

1. a **higher quality audit** – looking at 100% of selected data
2. a **more efficient audit** as we are focussed on the transactions that are considered higher risk and
3. an audit that provides **insights into your business** through the use of technology in your audit with our extensive industry knowledge.

We are also actively piloting Artificial Intelligence ("AI") tools which will be used in future audits.

Our five-phased audit approach



Appendix 2: Use of technology in the audit (continued)

Phase 1: Initiating your audit

We begin our audit process with our **Dynamic Risk Assessment (DRA)** tool which gives us a more sophisticated, forward-looking and multi-dimensional approach to assessing audit risk. Using network theory, DRA considers not just the traditional, two-dimensional view of severity and likelihood but also how interconnected the risks are, how fast they may emerge and how systemic they are. It provides a holistic enterprise-wide assessment of your risks, ensuring we have identified the relevant risk exposures that need to be incorporated into our audit approach.

Want to know more about ***DRA****?*

To ensure that you are involved in every step of the audit, management and the Audit Committee will have access to **KPMG Clara Client Collaboration (KCCC)**. KCCC is our secure audit platform and a one-stop shop through which we plan, execute and manage the audit. KCCC supports seamless collaboration between our audit team and your finance team, including exchange of information and access to the real time reporting you need in one central location, reducing the impact to your people in coordinating and overseeing the audit. It ensures there are no surprises during the execution of the audit and the ability to efficiently track issues and outstanding matters with a single click.

Want to know more about ***KCCC****?*

Phase 2: Planning and audit risk assessment

KPMG Clara Advanced Capabilities incorporates structured rules, specific to you industry, to review your financial data and assist the engagement team in obtaining a more thorough understanding of the business processes and underlying flow transactions. Our advanced analytic tool enables a more precise risk assessment and development of a tailored audit approach.

Want to know more about ***Clara Advanced Capabilities****?*

We then apply **KPMG AI** to your financial records. We have partnered with Artificial Intelligence industry leaders to layer AI into our auditing platform, allowing us to scan 100% of your data and pull all of the risky transactions and anomalies out for further analysis. First generation analytical auditing tools relied on rules based analysis, but our transparent AI tools allow us to dig deeper to spot the risks and identify new insights for you as they relate to your business.

Want to know more about ***KPMG AI****?*

The result of KPMG Clara Advanced Capabilities and KPMG AI allows us to tailor our audit approach to your specific risks.

Phase 3: Process understanding

As part of understanding your processes, KPMG uses our **Lean in Audit methodology**. Our Lean in Audit methodology allows our team to work collaboratively with you to gain an in-depth understanding of selected end-to-end processes.

We also incorporate **Business Process Mining (BPM)** technology. BPM provides immediate visualization of how 100% of your transactions are processed to complement your process narratives & flow charts. A deeper understanding of your processes enhances our understanding of your business. This will ensure our team is focused on auditing the right risks & leveraging your team's resources efficiently. It helps us identify inefficiencies or manual workarounds in a process and highlights where the process is under stress.

Want to know more about ***Business Process Mining****?*

Phase 4: Responding to identified risks

We have made significant strides and have embedded **Robotic Process Automation** in our audit allowing our team to configure computer software—or a "robot"—to analyze volumes of data to assess the impact to financial reporting.

We are currently piloting how we add a layer of Artificial Intelligence on top of our rules based applications and expect this new technology to significantly change our future audits of the School Board.

Appendix 3: KPMG's audit approach and methodology

Collaboration in the audit
A dedicated KPMG Audit home page gives you real-time access to information, insights and alerts from your engagement team.

Issue identification
Continuous updates on audit progress, risks and findings before issues become events.

Data-driven risk assessment
Automated identification of transactions with unexpected or unusual account combinations – helping focus on higher risk transactions and outliers.

Deep industry insights
Bringing intelligence and clarity to complex issues, regulations and standards.

Analysis of complete populations
Powerful analysis to quickly screen, sort and filter 100% of your journal entries based on high-risk attributes.

Reporting
Interactive reporting of unusual patterns and trends with the ability to drill down to individual transactions.

Appendix 4: Lean in Audit™

An innovative approach leading to enhanced value and quality

Our innovative audit approach, Lean in Audit, further improves audit value and productivity to help deliver real insight to you. Lean in Audit is process oriented, directly engaging organizational stakeholders and employing hands-on tools, such as walkthroughs and flowcharts of actual financial processes.

By embedding Lean techniques into our core audit delivery process, our teams are able to enhance their understanding of the business processes and control environment within your organization – allowing us to provide actionable quality and productivity improvement observations.

Any insights gathered through the course of the audit will be available to both engagement teams and management. For example, we may identify control gaps and potential process improvement areas, while management has the opportunity to apply such insights to streamline processes, inform business decisions, improve compliance, lower costs, increase productivity, strengthen customer service and satisfaction and drive overall performance.

How it works

Lean in Audit employs three key Lean techniques:

1. Lean training

Provide basic Lean training and equip our teams with a new Lean mindset to improve quality, value and productivity.

2. Interactive workshops

Perform interactive workshops to conduct walkthroughs of selected financial processes providing end-to-end transparency and understanding of process and control quality and effectiveness.

3. Insight reporting

Quick and pragmatic insight report including immediate quick win actions and prioritized opportunities to realize benefit.

Appendix 5: Audit and Assurance Insights

Our latest thinking on the issues that matter most to Audit Committees, Boards and Management.

Featured insight	Summary	Reference
Audit & Assurance Insights	Curated thought leadership, research and insights from subject matter experts across KPMG in Canada	**Learn more**
The business implications of coronavirus (COVID 19)	Resources to help you understand your exposure to COVID-19, and more importantly, position your business to be resilient in the face of this and the next global threat.	**Learn more**
	Financial reporting and audit considerations: The impact of COVID-19 on financial reporting and audit processes.	**Learn more**
	KPMG Global IFRS Institute - COVID-19 financial reporting resource center	**Learn more**
Accelerate 2019/20	Perspective on the key issues driving the Audit Committee agenda	**Learn more**
IFRS Breaking News	A monthly Canadian newsletter that provides the latest insights on international financial reporting standards and IASB activities.	**Learn more**
Momentum	A quarterly Canadian newsletter which provides a snapshot of KPMG's latest thought leadership, audit and assurance insights and information on upcoming and past audit events – keeping management and board members abreast on current issues and emerging challenges within audit.	**Sign-up now**
Current Developments	Series of quarterly publications for Canadian businesses including Spotlight on IFRS, Canadian Securities & Auditing Matters and US	**Learn more**
Board Leadership Centre	Leading insights to help board members maximize boardroom opportunities.	**Learn more**

Appendix 6: Preparing for PSAB Standard Changes

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Preparing for PSAB Standard Changes

Are you ready to implement PSAB's impactful series of new standards?

Public sector entities are preparing to implement three significant Public Sector Accounting standards through 2022. These standards will impact not only your accounting policies, but also how Finance engages key stakeholders.

Asset Retirement Obligations

PS3280 addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets and solid waste landfill sites by public sector entities.

PS3280 will apply to fiscal years beginning on or after April 1, 2021. Earlier adoption is permitted. Three transition options are available – retroactive, modified retroactive, prospective.

Asset retirement activities are defined to include all activities related to an asset retirement obligation. These may include but are not limited to:

- decommissioning or dismantling a tangible capital asset that was acquired, constructed or developed
- decontamination created by the normal use of the tangible capital asset
- post-retirement activities such as monitoring
- constructing other tangible capital assets in order to perform postretirement activities

With the introduction of PS3280 PSAB has withdrawn existing Section PS3270, solid waste landfill closure and post-closure liability.

Some examples of asset retirement obligations which fall under scope of proposed PS3280 include:

- end of lease provisions (from a lessee perspective)
- removal of radiologically contaminated medical equipment
- closure and post-closure obligations associated with landfills
- wastewater or sewage treatment facilities
- septic beds
- firewater holding tanks
- fuel storage tank removal

Under PS3280, an asset retirement obligation should be recognized when, as at the financial reporting date, ALL of the following criteria are met:

- there is a legal obligation to incur retirement costs in relation to a tangible capital asset
- it is expected that future economic benefits will be given up
- the past transaction or event giving rise to the liability has occurred
- a reasonable estimate of the amount can be made

Whether you are an education or health institution or a government entity (federal, provincial, municipal or Indigenous) this accounting standard will have implications for your organization if you report under the Public Sector Accounting Standards.

Are You Ready?

1. *Has a project plan been developed for the implementation of this section?*
2. *Has Finance communicated with key stakeholders, including Council or Board on the impact of this section?*
3. *Does Finance communicate with representatives of the Public Works, Asset Management, Facilities Management or Legal functions through the financial reporting process?*
4. *Has a complete inventory been developed of all inactive or active assets or sites, to provide a baseline for scoping of potential retirement obligations?*
5. *If a complete inventory has been developed, does it reconcile back to information currently reported in the entity's financial statements for tangible capital assets or contaminated sites?*
6. *Does your entity have data on non-recorded assets or sites (ie: assets which were originally expensed on purchase, or recorded at no book value) which could have retirement obligations?*
7. *Does your entity have an active solid waste landfill site?*
8. *If yes, does your entity have an existing estimate of the full costs to retire and monitor the landfill site?*
9. *Is your entity aware of any of its buildings which have asbestos?*
10. *If so, does your entity have information to inform a cost estimate to remove/ treat the asbestos?*
11. *Is your entity aware of underground fuel storage tanks or boilers which must be removed at end of life?*
12. *If so, does your entity have information to inform a cost estimate to remove the tanks?*
13. *Is your entity aware of any lease arrangements where it will be required to incur costs to return the premises to pre-existing conditions at the end of the lease?*
14. *Has your entity determined if it has any sewage or wastewater treatment plants which have closure plans or environmental approvals which require full or partial retirement of the plant at the end of its life?*
15. *Is your entity aware of any other contractual or legal obligations to retire or otherwise dismantle or remove an asset at the end of its life?*

Revenues

PS3400 outlines a framework describing two categories of revenue – transactions with performance obligations (exchange transactions) and transactions without performance obligations (unilateral transactions).

- This section will apply to fiscal years beginning on or after April 1, 2022, with earlier adoption permitted.
- This Section may be applied retroactively or prospectively.
- This section will not impact the present accounting for taxation revenues and government transfers.

Transactions which give rise to one or more performance obligations are considered to be exchange transactions. Performance obligations are defined as enforceable promises to provide goods or services to a payer as a result of exchange transactions. Revenue from an exchange transaction would be recognized when the public sector entity has satisfied the performance obligation(s), at a point in time or over a period of time.

If no performance obligations are present, the transaction would represent unilateral revenue, and be recognized when the public sector entity has the authority to claim or retain an inflow of economic resources and a past event gives rise to a claim of economic resources.

Public sector entities will need to review their revenue recognition policies for in-scope transaction types. Impacted areas may include:

- Development charges
- Permits
- Licences
- Advertising programs

Are You Ready?

1. *Has the entity identified any revenue-generating transactions other than taxation or government transfer revenues which create performance obligations (ie: the entity is required to provide a good or service to earn that revenue)?*
2. *If so, has the entity reviewed its accounting policies for these transactions to verify revenue is recognized only as performance obligations are being met?*
3. *Has the entity quantified the impact of any change in accounting policy, or determined that there is no impact?*

Financial Instruments

PS3450 establishes standards on how to account for and report all types of financial instruments including derivatives.

- This Section applies to fiscal years beginning on or after April 1, 2021. Earlier adoption is permitted.
- Government organizations that applied the CPA Canada Handbook – Accounting prior to their adoption of the CPA Canada Public Sector Accounting Handbook applied this Section to fiscal years beginning on or after April 1, 2012.
- This section must be adopted with Section PS 2601, Foreign Currency Transaltion.
- Specific transition requirements are outlined in the section.

This section prescribes a fair value measurement framework for derivatives, and equity instruments that are quoted in an active market.

Where an entity manages risks, the investment strategy, or performance of a group of financial assets, financial liabilities or both on a fair value basis, they may also be meased at fair value.

Other financial instruments are measured at cost/ amortized cost.

Changes in the fair value of a financial instrument in the fair value category are recognized in the Statement of Remeasurement Gains and Losses as a remeasurement gain or loss until the financial instrument is derecognized.

- Upon derecognition, the remeasurement gain or loss is realized in the Statement of Operations.

Are You Ready?

1. *Does the entity hold any financial assets which are equity or derivative instruments?*
2. *Has the entity determined if it has any embedded derivatives that might arise from existing contractual arrangements?*
3. *Does the entity have other financial assets which it assesses performance of based on fair value, and for which it might elect a fair value measure?*
4. *If yes to any of the above three questions, does the entity have readily observable market data to inform a fair value measure?*
5. *Has the entity reviewed existing financial instrument note disclosure in the financial statements to determine any required revisions to meet the requirements of this section?*
6. *Does the entity enter into transactions involving foreign exchange?*
7. *Does the entity hold any monetary assets and monetary liabilities, or non-monetary assets denominated in a foreign currency?*

Enhance Finance Capacity with KPMG Learning

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