

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

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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.

This Audit Planning Report should not be used for any other purpose or by anyone other than the Audit Committee, Board of Trustees, and Management. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this Audit Planning Report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

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
<p>Refer to our COVID-19 Financial Reporting site:</p> <ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• 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
<p>Refer to our COVID-19 Financial Reporting site:</p> <ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• 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
<p>Planning and risk assessment</p> <ul style="list-style-type: none">• 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:<ul style="list-style-type: none">◦ identified and assessed risks of material misstatement◦ 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 <p>Executing</p> <ul style="list-style-type: none">• Remote auditing<ul style="list-style-type: none">◦ Increased use of other collaboration tools (Facetime, Skype etc.) and the need for written management acknowledge for their use◦ 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)	<ul style="list-style-type: none">• 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:<ul style="list-style-type: none">◦ the design of the analytical procedures (e.g. more disaggregated analytical procedures on per day basis)◦ 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	<ul style="list-style-type: none"> - 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	<ul style="list-style-type: none"> - 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	<ul style="list-style-type: none"> - 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	<ul style="list-style-type: none"> - 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	<ul style="list-style-type: none"> - Confirmation of debt balances with third parties
Other fees and revenues	<ul style="list-style-type: none"> - Significant additions and disbursements vouched to supporting documentation - Ensure purpose-specific restrictions are recognized and accounted for appropriately

Relevant factors affecting our risk assessment

Complexity



Estimate



Related party transaction



Audit risks (continued)

Areas of audit risk	Our audit approach
Salaries and benefits, including the employee future benefit liability	<ul style="list-style-type: none"> - 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	<ul style="list-style-type: none"> - 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	<ul style="list-style-type: none"> - Significant additions and disbursement vouched to supporting documentation - Ensure purpose-specific restrictions are recognized and accounted for appropriately
Contingencies	<ul style="list-style-type: none"> - 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	<ul style="list-style-type: none"> - 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

Risk of material misstatement due to fraud resulting from fraudulent revenue recognition.

Why is it significant?

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

Risk of material misstatement due to fraud resulting from management override of controls.

Why is it significant?

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



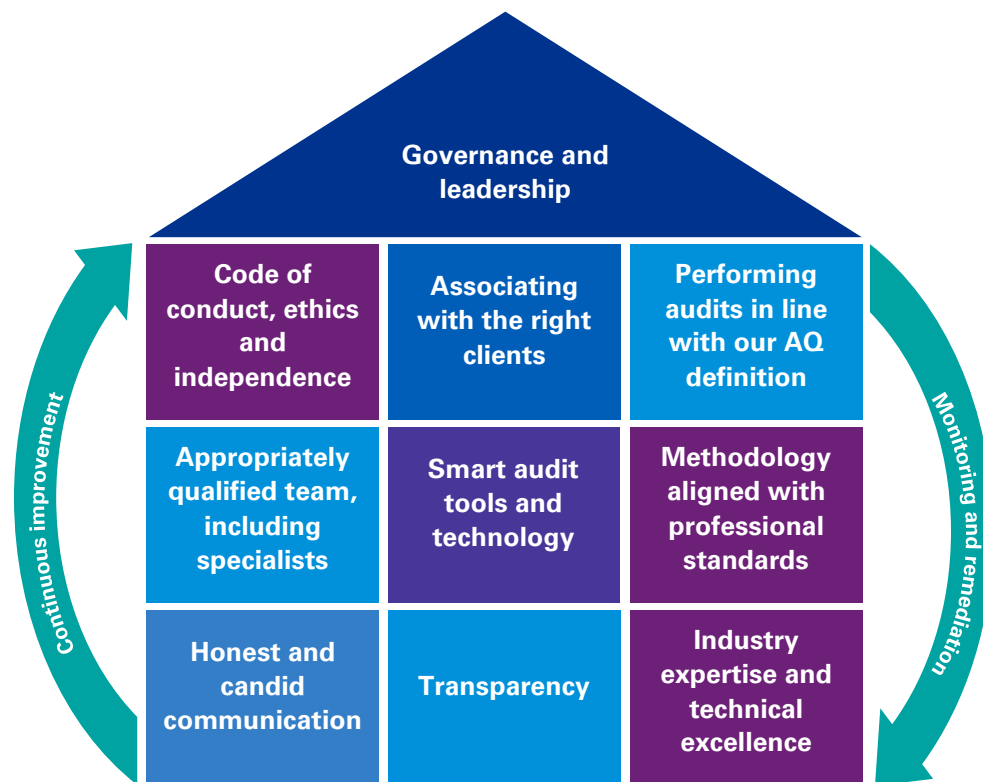
Uncorrected audit misstatements

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:

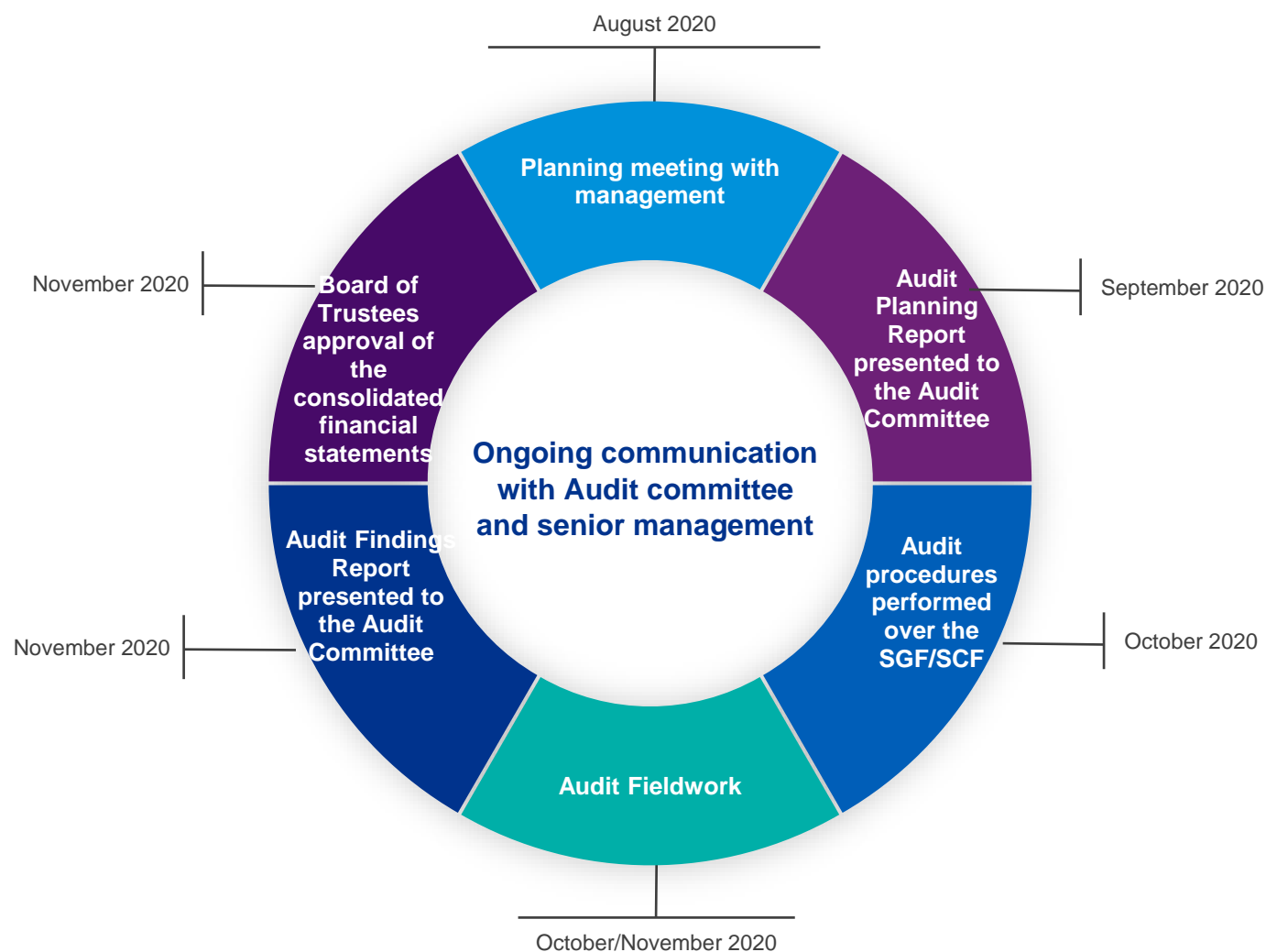
- Executed consistently, in line with the requirements and intent of applicable professional standards within a strong system of quality controls, and
- All of our related activities are undertaken in an environment of the utmost level of **objectivity, independence, ethics, and integrity**.

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
 <p>Rob Clayton, CPA, CA Lead Audit Engagement Partner Tel: (613) 212-3601 rclayton@kpmg.ca</p>	<ul style="list-style-type: none"> Rob has over 15 years of experience serving not-for-profit organizations. Rob co-leads Ottawa's Public Sector practice. 	<ul style="list-style-type: none"> 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.
 <p>Rebecca Prophet, CPA, CA Audit Senior Manager Tel: (613) 212-3748 rprophet@kpmg.ca</p>	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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.
 <p>Erin Butler, CPA Audit Manager Tel: (613)-350-1319 erinbutler@kpmg.ca</p>	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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.
 <p>Andrew C. Newman, FCPA, FCA Engagement Quality Review Partner Tel: (613) 212-2877 andrewnewman@kpmg.ca</p>	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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: <ul style="list-style-type: none"> — 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: <ul style="list-style-type: none"> — 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

Appendix 2: Use of technology in the audit

Appendix 3: KPMG's audit approach and methodology

Appendix 4: Lean in Audit™

Appendix 5: Audit and Assurance Insights

Appendix 6: Preparing for PSAB Standard Changes

Appendix 1: Required communications

Independent Auditor's Report	Engagement terms
<p>A draft report will be provided at the completion of the audit.</p>	<p>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.</p>
Reports to the Audit Committee	Representations of management
<p>At the completion of the audit, we will provide our findings report to the Audit Committee.</p>	<p>We will obtain from management certain representations at the completion of the audit.</p>
Matters pertaining to independence	Internal control deficiencies
<p>At the completion of our audit, we will provide our Independence Letter to the Audit Committee.</p>	<p>Other control deficiencies, identified during the audit, that do not rise to the level of a significant deficiency will be communicated to management.</p>
Required inquiries	Audit Quality
<p>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.</p>	<p>The following links are external audit quality reports for referral by the Audit Committee:</p> <ul style="list-style-type: none"> • <u>CPAB Audit Quality Insights Report: 2019 Annual Inspections Results</u> • <u>CPAB Audit Quality Insights Report: 2019 Fall Inspection Results</u>

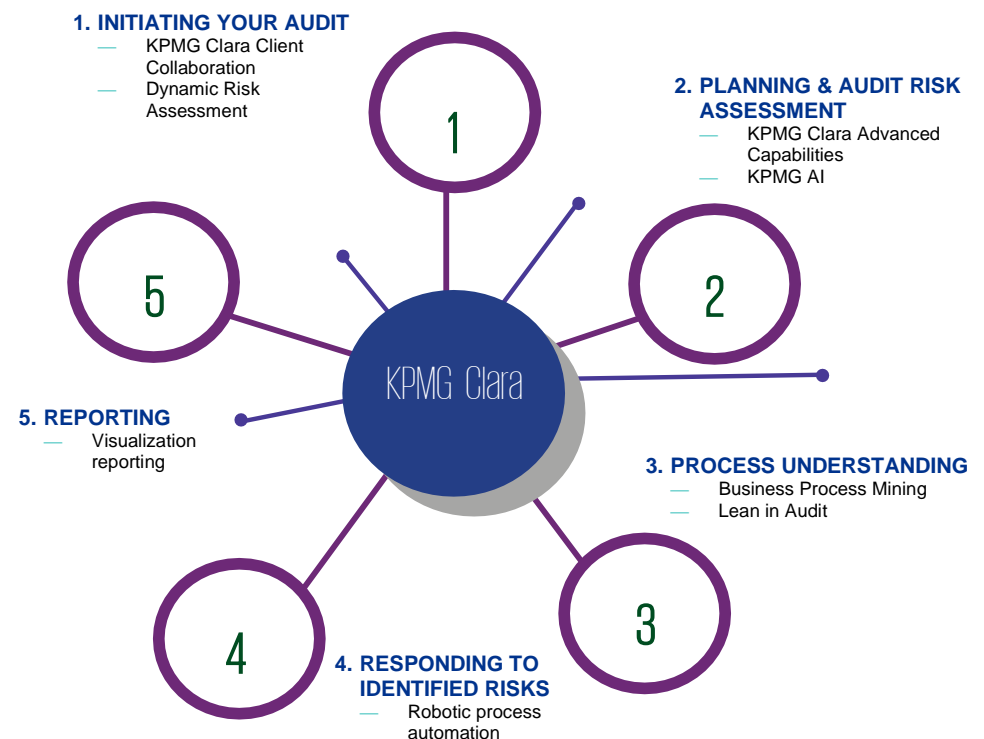
Appendix 2: Use of technology in the audit

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 your 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

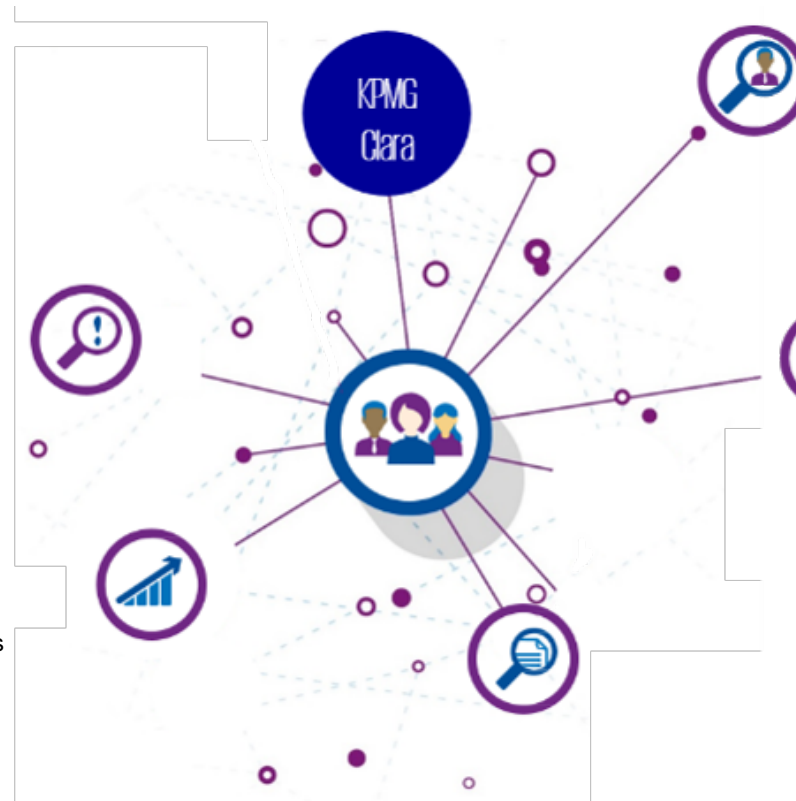
A dedicated KPMG Audit home page gives you real-time access to information, insights and alerts from your engagement team.

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
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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.	<u>Learn more</u>
	Financial reporting and audit considerations: The impact of COVID-19 on financial reporting and audit processes.	<u>Learn more</u>
	KPMG Global IFRS Institute - COVID-19 financial reporting resource center	<u>Learn more</u>
Accelerate 2019/20	Perspective on the key issues driving the Audit Committee agenda	<u>Learn more</u>
IFRS Breaking News	A monthly Canadian newsletter that provides the latest insights on international financial reporting standards and IASB activities.	<u>Learn more</u>
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.	<u>Sign-up now</u>
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Appendix 6: Preparing for PSAB Standard Changes



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
- wastewater or sewage treatment facilities
- firewater holding tanks
- closure and post-closure obligations associated with landfills
- septic beds
- 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
- the past transaction or event giving rise to the liability has occurred
- it is expected that future economic benefits will be given up
- 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 Translation.
- 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 measured 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?*

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