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Toronto Catholic District School Board 2021 Audit service plan

For the year ended August 31, 2021
To be presented to the Audit Committee
On September 29, 2021



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September 7, 2021

Private and confidential

To the Chair and Members of the Audit Committee
Toronto Catholic District School Board
80 Sheppard Ave E
Toronto ON M2N 6E8

2021 Audit service plan

Dear Audit Committee Members:

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

Our commitment to you is straightforward: we will provide you with outstanding professional services delivered by an experienced and dedicated team of professionals. Our professionals will continue providing you with best practices and insights to face the increasingly complex array of issues and challenges encountered by School Boards in Ontario.

This report has been provided to the Audit Committee (the "Committee") on a confidential basis. It is intended solely for the use of the Committee and the Board of Trustees to assist you in discharging your responsibilities with respect to the audit of the financial statements and is not intended for any other purpose.

We look forward to discussing our audit service plan with you and answering any questions you may have.

Yours truly,

Chartered Professional Accountants
Licensed Public Accountants

Table of contents

Executive summary	1
COVID-19 Impacts	3
Audit risks	4
Revised CAS 540, Auditing Accounting Estimates and Related Disclosures	6
Appendix 1 – Audit approach	8
Appendix 2 – Communication requirements	10
Appendix 3 – New and revised Canadian Public Sector Accounting Standards	12
Appendix 4 – Deloitte resources a click away	13

Executive summary

Audit scope and terms of engagement

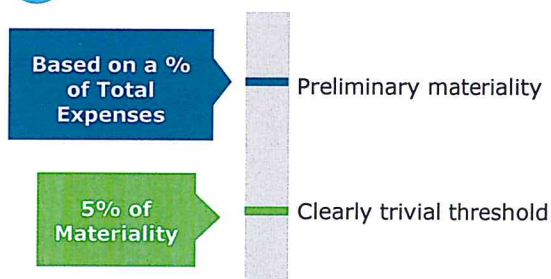
We have been engaged to perform an audit of the Board’s consolidated financial statements (the “Financial Statements”) prepared in accordance with the Financial Administration Act supplemented by Ontario Ministry of Education memorandum 2004:B2 and Ontario Regulation 395/11, Accounting Policies and Practices Public Entities (“Regulation 395/11”), of the Financial Administration Act as at, and for the fiscal year ended August 31, 2021. In addition, we have also been engaged to perform the audit of the Ontario Youth Apprenticeship program. Deloitte also performs specified procedures on the Board March reporting. Our audit will be conducted in accordance with Canadian generally accepted auditing standards (“Canadian GAAS”).

The terms and conditions of our engagement are described in the Master Services Agreement dated September 21, 2020.

Audit risks

- 1 Provincial and Federal grants and other fees (revenue and deferred revenue)
- 2 Management override of controls
- 3 Payroll
- 4 Accounting for Government Transfers in accordance with Ministry directives and Ontario government regulations as it relates to capital contributions
- 5 Accounts payable and accrued liabilities
- 6 Tangible capital assets and deferred capital contributions

Materiality



Materiality for the year ended August 31, 2021 is determined by applying professional judgment and on the basis of total expenses.

We will report to the Committee uncorrected misstatements greater than a clearly trivial amount of 5% of materiality.

 **Fraud risk**

We will develop our audit strategy to address the assessed risks of material misstatement due to fraud. Determining this strategy will involve:

1. Enquiry of those involved in the financial reporting process about inappropriate or unusual activity.
2. Testing a sample of journal entries throughout the period as well as adjustments made at the end of the reporting period.
3. Identifying and obtaining an understanding of the business rationale for significant or unusual transactions that are outside the normal course of business.
4. Evaluating whether your accounting policies may be indicative of fraudulent financial reporting resulting from management's effort to manage earnings.
5. Evaluating whether the judgements and decisions related to management estimates indicate a possible bias.
6. Incorporating an element of unpredictability in selecting our audit procedures.

We will also ask the Committee for their views about the risk of fraud, whether they know of any actual or suspected fraud affecting the Board and their role in the oversight of management's antifraud programs.

If we suspect fraud involving management, we will immediately inform the Committee of our suspicions and discuss the nature, timing, and extent of audit procedures necessary to complete the audit.

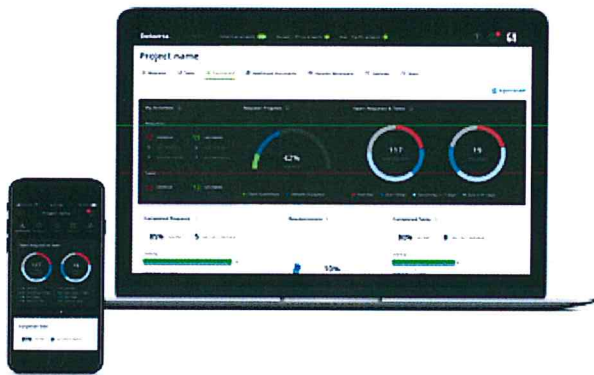
COVID-19 Impacts

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

Below are some of the Deloitte resources we have developed and have available to assist with the potential impacts COVID-19 may have on the 2021 audit. We will continue to monitor the status of the situation and plan to conduct the audit remotely.

COVID-19 working remotely

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



Deloitte Connect

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

Audit risks

During our risk assessment, we identified some areas of audit risks that will require special audit consideration. These areas of risks, together with our planned responses, are described below.

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

Provincial and Federal grants and other fees (revenue and deferred revenue) *

Audit risk

Under Canadian GAAS, we are required to evaluate the risk of fraud in revenue recognition.

There is a risk of inappropriate recognition of revenue which is not in accordance with public sector accounting standards supplemented by Ontario Government regulations.

This represents a fraud risk for the 2021 audit.

Our proposed audit response

- We will evaluate the design and implementation of controls relating to revenue.
- We will confirm government transfers received from the Ministry of Education.
- We will review the related funding agreements to ensure funds were used for their intended purposes and that the revenue was recognized in the appropriate period, including deferred revenue.
- We will perform a combination of substantive detail testing as well as analytical procedures.
- We will review the completeness and accuracy of the financial statement disclosures.

Management override of controls *

Audit risk

Under Canadian Auditing Standards, it is the responsibility of the management, with the oversight of those charged with governance to place a strong emphasis on fraud prevention and detection. Oversight by those charged with governance includes considering the potential for override of controls or other inappropriate influence over the financial reporting process.

Management override of controls is present in all entities. It is a risk of material misstatement resulting from fraud and therefore is considered as a significant audit risk.

Our proposed audit response

- We will discuss fraud with management.
- We will ask the Committee for their views about the risk of fraud, whether they know of any actual or suspected fraud affecting the Board and their role in the oversight of management's antifraud programs.
- We will test a sample of journal entries made throughout the period and adjustments made at the end of the reporting period.
- We will evaluate the business rationale for any significant unusual transactions.
- We will determine whether the judgments and decisions related to management estimates indicate a possible bias, which will include performing retrospective analysis of significant accounting estimates.

Payroll

Audit risk

Payroll is a significant account balance with a large volume of transactions.

Our proposed audit response

- We will test the design, implementation, and operating effectiveness of internal controls related to the payroll cycle.
- We will detail test payroll transactions for appropriate pay in accordance with employment agreements and other relevant documentation.
- We will perform an overall analytical review of payroll amounts.

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

Audit risk

Requires certain accounting which has been prescribed by the Ministry and can be complex given the significance of transactions and balances impacted at the Board.

Our proposed audit response

- Attend Ministry training for school business officials and auditors to understand any new directives and reporting requirements.
- We will perform detail testing of transactions and balances impacted and determine that the Board has accounted for these transactions in accordance with regulations and relevant policies.
- We will ensure adequate disclosure of the basis of accounting in the notes to the Financial Statements.

Accounts payable and accrued liabilities

Audit risk

Completeness and accuracy of liabilities are appropriate and if estimates are supported.

Our proposed audit response

- We will test, on a sample basis, disbursements subsequent to year-end to determine the reasonableness of accounts payable and accrued liabilities.
- We will test the supporting assumptions for accruals.

Tangible capital assets and deferred capital contributions

Audit risk

Validity and recording accuracy of tangible capital assets.

Our proposed audit response

- We will test a sample of additions during the year to supporting documentation.
- We will test to ensure additions to deferred capital contributions are externally restricted for capital purchases.
- We will test amortization of tangible capital assets to ensure assets are appropriately amortized in accordance with Ministry guidelines.
- We will test to ensure amortization of deferred capital contributions are amortized at the same rate as the assets they are associated with.
- We will test a sample of repairs and maintenance items to determine if they should be capitalized or expensed.

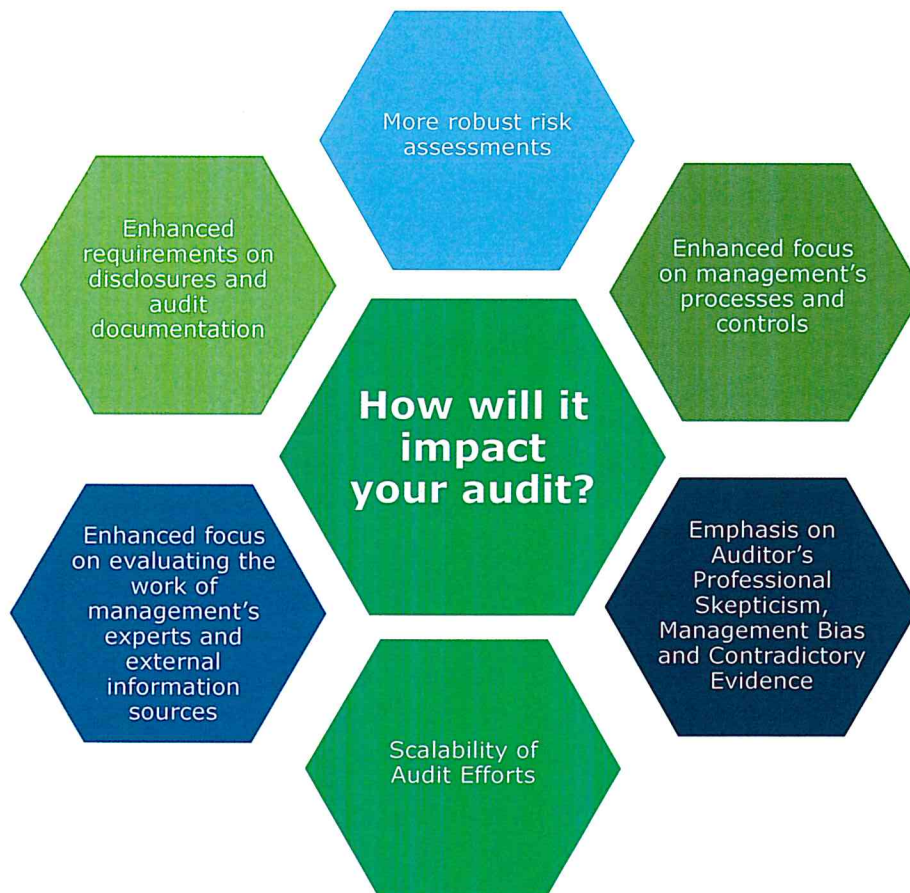
* These areas have been identified as areas of significant risk.

We will inform you of any significant changes to the areas of audit risk discussed above and the reasons for those changes as part of our year-end communication, or earlier if deemed necessary.

Revised CAS 540, Auditing Accounting Estimates and Related Disclosures

Drivers for the Revised Standard

- Changes in financial reporting frameworks and standards include a greater focus on complex accounting estimates, which highlights the importance of fostering professional skepticism.
- The revised standard strives to improve communication and transparency between auditors and those charged with governance on complex accounting estimates.
- Our communications and transparency with the Committee previously were already in compliance with this new standard.



What can you expect from your auditor?

Management

- Greater focus in assessing how management understands the nature, extent, risks, and controls associated with accounting estimates.
- Varying audit procedures to drive work efforts based on assessed risk levels including consideration to adopt a control reliance approach to auditing accounting estimates.
- More interaction with management's experts.
- Specific written management representations.

Communication with the Committee

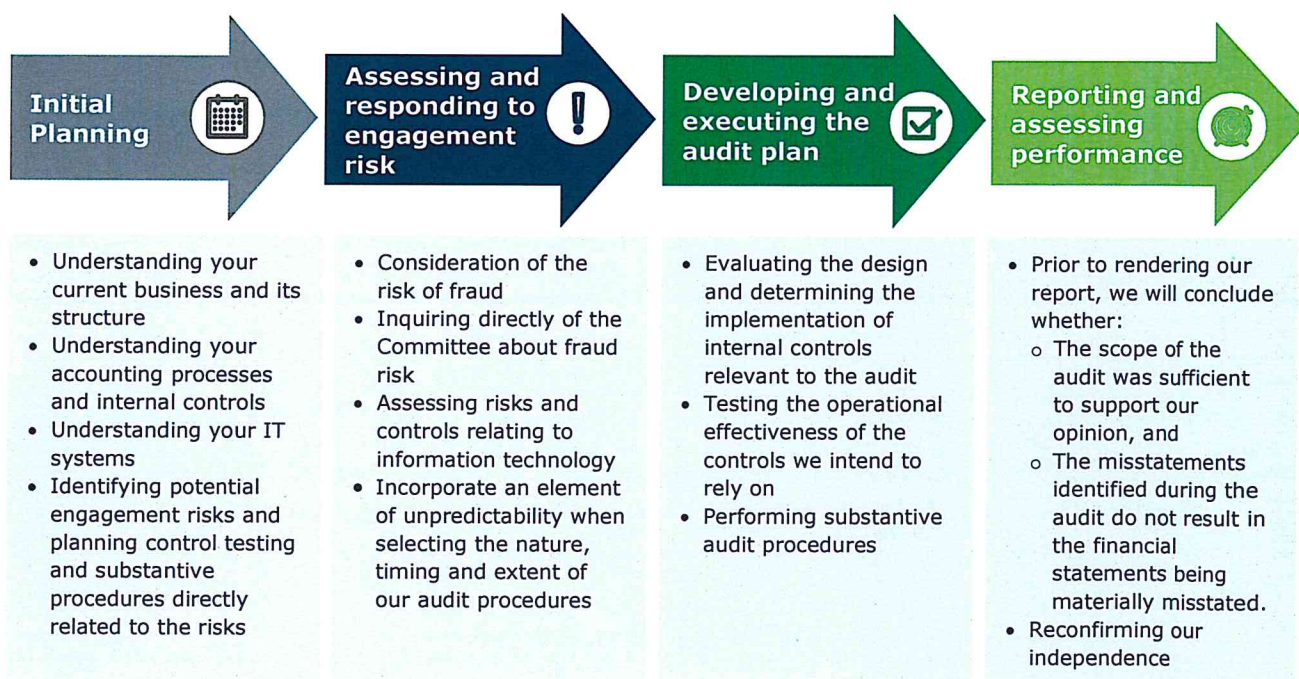
- The Committee can expect to have enhanced dialogue on accounting estimates. This may include the auditor's views and assessment of:
 - significant qualitative aspects of the Board's accounting practices relating to accounting estimates and related disclosures;
 - indicators of management bias;
 - appropriateness of management's methods, assumptions and data used; and
 - significant deficiencies in internal controls around accounting estimates.

Appendix 1 – Audit approach

Deloitte’s audit approach is a systematic methodology that enables us to tailor our audit scope and plan to address the unique issues facing the Board.

Delivering professional excellence

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



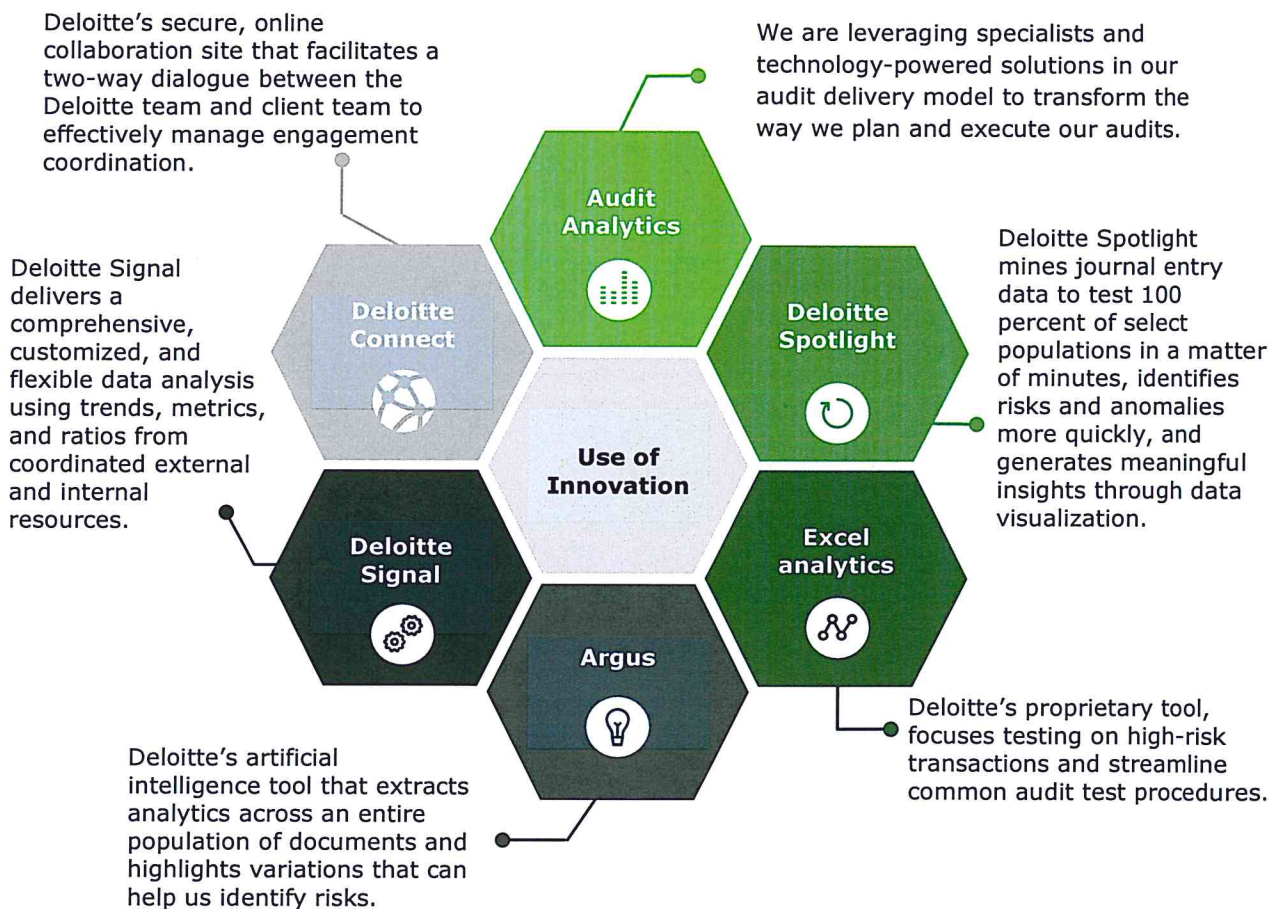


Innovating our audit approach

Focus area

Audit technology

- **Deloitte Connect** – Use Deloitte’s secure, online collaboration site to facilitate a two-way dialogue between the Deloitte team and the Board team to effectively manage engagement coordination and provide greater transparency allowing both management and auditor visibility over client request status.
- **Excel analytics** – Excel analytics is a key component in delivering a high quality and efficient audit. It is a Deloitte’s proprietary tool that focuses testing on high-risk transactions and streamline common audit test procedures.



Focus area

Processes

- **Project management** - Enhance project management oversight and effective communications between the audit team and management.

Appendix 2 – Communication requirements

Required communication	Reference
Audit Service Plan	
1. Our responsibilities under Canadian GAAS, including forming and expressing an opinion on the financial statements	CAS ¹ 260.14
2. An overview of the overall audit strategy, addressing: <ul style="list-style-type: none"> a. Timing of the audit b. Significant risks, including fraud risks c. Nature and extent of specialized skill or knowledge needed to perform the planned audit procedures related to significant risk 	CAS 260.15
3. Significant transactions outside of the normal course of business, including related party transactions	CAS 260 App. 2, CAS 550.27
Enquiries of those charged with governance	
4. How those charged with governance exercise oversight over management’s process for identifying and responding to the risk of fraud and the internal control that management has established to mitigate these risks	CAS 240.21
5. Any known suspected or alleged fraud affecting the Board	CAS 240.22
6. Whether the Board is in compliance with laws and regulations	CAS 250.15
Year-end communication	
7. Modification to our audit plan and strategy	CAS 260.A26
8. Fraud or possible fraud identified through the audit process	CAS 240.40-.42
9. Significant accounting policies, practices, unusual transactions, and our related conclusions	CAS 260.16 a.
10. Alternative treatments for accounting policies and practices that have been discussed with management during the current audit period	CAS 260.16 a.
11. Matters related to going concern	CAS 570.25
12. Management judgments and accounting estimates	CAS 260.16 a.
13. Significant difficulties, if any, encountered during the audit	CAS 260.16 b.
14. Material written communications between management and us, including management representation letters	CAS 260.16 c.
15. Circumstances that affect the form and the content of the auditor’s report	CAS 260.16d.
16. Modifications to our opinion	CAS 260.A21
17. Our views of significant accounting or auditing matters for which management consulted with other accountants and about which we have concerns	CAS 260.A22
18. Significant matters discussed with management	CAS 260.A.22

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

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

Appendix 3 – New and revised Canadian Public Sector Accounting Standards

The following is a summary of certain new or revised accounting standards that will become effective in fiscal 2022 and beyond.

Canadian Public Sector Accounting Standards

Title	Description	Effective Date
Section PS 3450 – Financial instruments	This Section establishes standards on how to account for and report all types of financial instruments including derivatives.	Effective for fiscal years beginning on or after April 1, 2022.
Section PS 3041 – Portfolio Investments	This Section Replaces PS 3040, Portfolio investments and PS 3030, Temporary Investments. This Section provides additional guidance on how to account for and report portfolio investments.	Effective for fiscal years beginning on or after April 1, 2022.
Section PS 2601 – Foreign currency	This Section establishes standards on how to account and report transactions that are denominated in a foreign currency.	Effective for fiscal years beginning on or after April 1, 2022.
Section PS 1201 – Financial statement presentation	This Section establishes general reporting principles and standards for the disclosure of information in financial statements.	Effective for fiscal years beginning on or after April 1, 2022.
Section PS 3280 - Asset retirement obligations	This Section establishes standards on how to account for and report on the legal obligations associated with the retirement of tangible capital assets.	Effective for fiscal years beginning on or after April 1, 2022. Earlier adoption is permitted.
Section PS 3400 - Revenue	This Section establishes standards on how to account for and report on revenue. Specifically, it differentiates between revenue arising from transactions that include performance obligations and transactions that do not have performance obligations.	Effective for fiscal years beginning on or after April 1, 2023. Earlier adoption is permitted.

Appendix 4 – Deloitte resources a click away

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

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

<input type="checkbox"/> Canada's Best Managed Companies www.bestmanagedcompanies.ca Target audience <ul style="list-style-type: none"> • Directors and CEO/CFO 	<p>The Canada's Best Managed Companies designation symbolizes Canadian corporate success: companies focused on their core vision, creating stakeholder value and excelling in the global economy.</p>
<input type="checkbox"/> Centre for financial reporting https://www.iasplus.com/en-ca/standards Target audience <ul style="list-style-type: none"> • Directors and CEO/CFO • Controller and Financial reporting team 	<p>Web site designed by Deloitte to provide the most comprehensive information on the web about financial reporting frameworks used in Canada.</p>
<input type="checkbox"/> Deloitte Viewpoints https://www.iasplus.com/en-ca/tag-types/deloitte-viewpoints Target audience <ul style="list-style-type: none"> • CFO • Controller and Financial reporting team 	<p>Electronic communications that helps you to stay on top of standard-setting initiatives impacting financial reporting in Canada.</p>
<input type="checkbox"/> CFO's corner https://www.iasplus.com/en-ca/cfos-corner Target audience <ul style="list-style-type: none"> • CFO and VP Finance • Controller and Financial reporting team 	<p>Editorial providing insights into key trends, developments, issues and challenges executives face, with a Deloitte point of view.</p>
<input type="checkbox"/> Deloitte Dbriefs https://www.iasplus.com/en-ca/dbriefs/webcasts Targeted audience <ul style="list-style-type: none"> • CFO and VP Finance • Controller and Financial reporting team 	<p>Learning webcasts offered throughout the year featuring our professionals discussing critical issues that affect your business.</p> <p>Recent publications (ASPE)</p> <ul style="list-style-type: none"> • Revenue (Jan 13, 2020) • Accounting for shares issued in tax planning arrangements (ROMRS) (Dec, 18, 2019) • Agriculture (Dec 18, 2019)