



MINUTES OF A MEETING OF THE AUDIT COMMITTEE

Monday, September 11, 2017

School Board Office – 8:00 a.m.

Present: P. Dorsman (in the Chair); S. Donahue, Trustee; C. Kennedy, Superintendent of Schools; J. Leiterman, Secretary Treasurer; K. Johnson, Assistant Secretary Treasurer; J. Brown, Manager of Finance ; Cathy Imrie, Senior Vice President, Business and CFO (Vancouver Aquarium); Carol Chiang, Lead Engagement Partner (KPMG); Aanu Adeleye, Audit Senior Manager (KPMG); Lenora Lee, Quality Review Partner (KPMG)

1. KPMG review of 2016/17 audit and Financial Statements for the year ended June 30, 2017

The meeting was called to order and the Secretary Treasurer welcomed everyone before passing the floor to Carol Chiang, lead audit engagement partner with KPMG. Ms Chiang introduced Lenora Lee, quality review partner with KPMG, saying that she is based in Victoria and leads the education sector for British Columbia.

Ms Chiang then led a review of the KPMG School District No. 45 (West Vancouver) Audit Findings Report for the period ended June 30, 2017.

In the executive summary, it was noted that there have been no significant changes to the audit plan as a result of the audit, nor were there any changes in the key areas of focus. The auditors were satisfied with the reasonability of critical accounting estimates, including those related to valuation of employee future benefits and the useful lives of tangible capital assets, as well as the adequacy of internal controls and the application of accounting standards. There were no adjustments identified requiring correction in the financial statements, and once the signed management letter is received and the audit finalized, the auditors will be able to issue a clean opinion. It was pointed out that while the audit is not a report on internal controls, only on the financial statements, the auditors do have observations that can prove helpful. As well, it was reported that the district had employed KPMG to conduct an enterprise risk management register during this fiscal year.

Aanu Adeleye, audit senior manager, then reviewed the areas of audit focus and highlighted any KPMG comments of note.

New this year was the implementation of the Supreme Court of Canada's ruling upon restored collective agreement language. During the 2016/17 fiscal year, School District #45 received \$585,305 in priority measures funding and those monies were used in their entirety. KPMG performed analytical procedures over the expenditures incurred and concurred with management's treatment of the funding received.

With regard to government transfers, the differences in Budget Transparency and Accountability Act (BTAA) practices and Canadian Public Sector Accounting (PSA) standards were explained by Ms Chiang. Under BTAA, capital is deferred and amortized, rather than immediately recognized as revenue. Our departure from PSA standards was appropriately disclosed and accepted.

Committee members: Pieter Dorsman, Sheelah Donahue

Ms Adeleye highlighted that internal audit procedures have now resumed after being suspended during the district's conversion to several new accounting software programs. Two schools were subject to an internal audit review at the end of the 2016/17 fiscal year and no issues were noted. Schools will now undergo regular internal audits on a three-year annual rotation.

With regard to the employee group benefit plan, the district now bases the self-insured benefit plan balances on surpluses reported at June 30, 2017. The surplus available for refund or use for premium holiday allotment was \$17,000 for the BCPSEA plan, and \$216,000 for the PEBT plan. KPMG reviewed correspondence between management and the district's benefits administrator, Morneau Shepell Ltd, and noted no issues.

The auditors found no issues with deferred capital revenue, which stands at \$32.8 million as liability, which will be slowly amortized into revenue, in accordance with the previously mentioned BTAA practices.

With regard to contingent liabilities, the auditors agreed with management's opinion that there are no potential material legal liabilities that will have an effect on the financial position of the district.

Ms Adeleye then briefly summarized findings regarding critical accounting estimates and significant accounting policies and practices and said there were no issues or changes of note.

Ms Chiang commented on a number of ratios and trends based on data pulled from the Ministry of Education website. She pointed out that while student enrollment is stable in West Vancouver, as a percentage, we have more international students in our population, though numbers have grown in surrounding districts. Also of interest were the figures that show that the provincial grant per student is lower in West Vancouver than some surrounding districts. The Secretary Treasurer reported that the Assistant Secretary Treasurer and Manager of Finance had researched this discrepancy, noting that while the per-student operating grant is the same province-wide, other demographic and composition factors play a role, as do items in the collective agreement. Students registered as special needs, Aboriginal, and ELL receive additional funding, and the percentage of these students varies from district to district. Average teacher salary impacts the pay equity portion of the operating grant. Composition of workforce and local agreements play a role when looking at teachers' salaries. Experience levels, categories, and pension plan options all have an effect.

No adjustments were reported or corrected in the financial statements. Two uncorrected audit misstatements were discussed related to the treatment of internally restricted deferred revenue and method of amortization of capital assets, but both were determined to be immaterial and had no effect on the auditors' report.

Ms Lee told the committee that school districts across BC are very busy at the moment, implementing new curriculum, classroom changes, and priority funding with associated required reporting. The provincial budget today is expected to bring further change. She said that the results of our audit show that we are in a very clean position during a time of change and said that it is a very positive reflection on the district and management.

It was further noted that West Vancouver is a leader in risk management and is one of a group of districts for whom this has been identified as a priority. It was also noted that 16 of 60 districts have changed their practices dealing with capital and amortization according to PSA guidelines, but the majority, including West Vancouver, have not.

Ms Chiang then reviewed the appendices and communications required as part of the process. Items that were highlighted included Appendix 2: Attachment II – Summary of Uncorrected Audit Misstatements. The deferred revenue of \$141, 000 is a scholarship fund for Japanese exchange students, which the board voted years ago to restrict. While the fund is therefore treated as an endowment the original donor made no such restriction, but as the amount is immaterial the auditors have no concerns. The other items pertain to amortization and deferred capital. The Secretary Treasurer reported that we calculate amortization based on a spreadsheet provided by the Ministry of Education. As they haven't changed their practice, we won't either, as having to go back 40 years to manually recalculate amortization every year would increase the chance of error, and we are in compliance with Ministry standards. Again, while the auditors record the practice as a misstatement, they are not concerned. Appendix 3: Appendix B outlined prior year performance recommendations and updates. Items of note included the implementation of formal procedures regarding terminated employees and removal from benefit plans, and the re-instatement of school-based audits. Ms Chiang noted that all prior year recommendations had been addressed in the current fiscal year, and no new issues or recommendations had been identified. Appendix 7 outlined current developments in accounting standards that are relevant to school districts.

The Secretary Treasurer noted that she will be presenting a summary of the financial statements at tomorrow's Finance and Facilities Committee meeting. She concluded the meeting by saying that it had been an excellent year for the school district and we landed in a very positive position.

Ms Chiang said it had been a really good audit, and thanked the Secretary Treasurer and her staff and offered her congratulations to the Assistant Secretary Treasurer and Manager of Finance for their hard work.

RECOMMENDATION: That the audited 2016-2017 Financial Statements be forwarded to the board for approval and filing with the MOE.

2. Adjourn

8:55 a.m.

Julia Leiterman, Secretary Treasurer