



## **MINUTES OF A MEETING OF THE AUDIT COMMITTEE**

**Monday, September 14, 2020**

**Microsoft Teams – 9:00 a.m.**

Present: S. Donahue (in the Chair); L. Block, Trustee; C. Kennedy, Superintendent of Schools; J. Leiterman, Secretary Treasurer; K. Johnson, Assistant Secretary Treasurer; J. Brown, Manager of Finance; Cathy Imrie, Retired Senior Vice President, Business and CFO (OceanWise/Vancouver Aquarium); Carol Chiang, Lead Engagement Partner (KPMG); Aanu Adeleye, Audit Senior Manager (KPMG); R. Willock (WVTA); S. Capier (WVTA) S. Rauh (WVAA)

Absent: B. Scott (WVMEA); K. Richter (WV DPAC)

### **1. KPMG review of audit and 2019/20 Financial Statements**

The meeting was called to order and Committee Chair Donahue welcomed everyone back after the summer. She then passed the floor to Carol Chiang, lead audit engagement partner with accounting firm KPMG. Carol began the meeting by reviewing the audit process and confirmed KPMG's independence from the Board of Education.

Aanu Adeleye, audit senior manager, summarized the audit testing areas of focus, with a focus on the impact of COVID-19 on the financial statements and operations. She noted the suspension of in-class instruction, gradual and part time return in June, and the impact on the District's financial statements, including decreased unearned revenue and the introduction of a new financial statement note (Note 22).

Employee Future Benefits were also highlighted, as the Ministry had commissioned their actuary firm (Mercer) to perform a review of this liability in the sector in late June. Mercer identified an increase of \$90,500 in the District's accrued benefit obligation, but this was not included in the financial statements. The District and the auditors agreed that the amount was not material to the statements, particularly as it would be amortized over several years.

The District's Employee Group Benefit Plan surpluses were discussed, as contributions have exceeded benefit use for several fiscal years. The pandemic situation in the final quarter of 2019/20 accelerated the surplus accumulation as employees were unable to access their benefits due to health protocols. On June 30 there was a surplus of \$408,305 in the BCPSEA plan, and \$793,877 in the PEBT plan. While the BCPSEA surplus was taken as a refund at year end and decreased expenses, the PEBT surplus must be retained within the plan. The District is currently in discussions with the provider around reducing contribution rates in the 2020/21 fiscal year to reduce the balance.

School Generated Funds were discussed, with a focus on the District's internal audit process. The audit team indicated that similar to prior years, there were some non-serious deficiencies identified in the internal audits, which are not dissimilar to those found in other school districts.

The Secretary-Treasurer described the challenges the school administrative assistants have in fitting their bookkeeping duties into their schedules and noted that her finance team works actively with these staffs to provide training and support.

Ms. Adeleye concluded by saying that there were no issues or concerns in any area and no misstatements requiring correction, and that it was a clean audit year.

Ms. Chiang confirmed that this is an unqualified audit opinion and reviewed the various appendices of the report. She indicated that the summary of misstatements was consistent with prior years and relate to the ministry's policy for the recording of amortization, which is not consistent with Public Sector Accounting Standards.

Cathy Imrie asked a question about the average cash balance in each school. It was noted by Ms. Chiang to refer to page 46 of the Auditor's Report. The Secretary-Treasurer commented that while the activity in school-generated funds is typically consistent year to year, the schools' ability to collect outstanding fees was hampered in 2019/20 by school closures due to COVID-19. The Manager of Finance & Purchasing commented that the balance of school generated funds on June 30 was actually closer to \$2.0m, not \$3.1m as Ms. Chiang had stated. Ms. Chiang clarified that page 46 refers to the amount of funds flowing through the school in a year and not the balance at year end.

The Secretary Treasurer noted that the impact of a decline in international student enrolment would not be seen until the following year's financial statements as the revenue loss is associated to the 2020/21 school year. Trustee Block addressed Ms. Chiang on the topic, who noted that we will have to wait until the end of the current fiscal year to assess the full impact of the pandemic on the District's international program.

There was further discussion of the internal audit process, and the Secretary Treasurer explained that schools are busy in September and October with the start of the school year and then through December with the upcoming holidays. There is a small window in January and February for the timing of the internal audits. Further, the internal audit function has transitioned back to Shayle Duffield, Manager of Finance & Transportation, and the District will start providing annual internal audit reports to the Audit Committee in September 2021. The Secretary Treasurer confirmed that the district staff at education sites are not trained accountants, however there is strict cash control via monthly review of bank reconciliations at the board office. Reduced cash handling at schools due to very high subscription by parents and students to the District's online payment system has further reduced risk in this area.

Trustee Donahue asked for clarification on the Employee Future Benefits finding and whether the District had any knowledge or input on this. The Secretary Treasurer responded that the Ministry's actuary performs the valuation and provides the District with the liability amount to be included in the financial statements. The District was advised of their liability on March 31 and prepared the statements on that basis. However, due to the pandemic the actuary subsequently changed the estimate between that date and June 30. As the amount of the increase in the estimated liability was small (\$90,500) and would be amortized over a long period, it was determined that it would not materially impact the statements, and the liability amount was not updated.

Trustee Donahue also asked for further clarification around the benefit surplus, and the Secretary-Treasurer explained that the District sets their benefit contribution rates based on the

recommendations of the provider's actuary. The rates are set at a conservative level to ensure the District does not experience an unexpected deficit at year end, and sufficient funds are on hand to service benefit needs. However as actual claims in 2019/20 were substantially lower than what was estimated due to the pandemic, surpluses were higher than expected. Action will be taken in the coming year to reduce the PEBT surplus balance via a contribution rate reduction.

Ms. Chiang concluded by thanking the Secretary Treasurer, the Manager of Finance & Purchasing, and the rest of the team for another year of hard work and preparation. The Secretary Treasurer mentioned that this was our fifth and final year contracted with KPMG (3 year contract + 2 optional years) and that we look forward to their proposal submission to the upcoming RFP, as the district has been pleased with the services provided over the term.

**RECOMMENDATION: That the audited 2019-20 Financial Statements for the year ended June 30, 2020, be forwarded to the Board for approval and filing with the Ministry of Education.**

2. Adjourn

9:.40 a.m.