

School District No. 93 (Conseil Scolaire
Francophone)

Report on the Financial Statement Audit

For the year ending June 30, 2018

To be presented September 6, 2018



OUR VALUES

What we stand for and how we do things:

INTEGRITY & PROFESSIONALISM

We sustain public confidence through honesty, upholding the highest standards of professional conduct, and always maintaining our independence.



PASSION

We are visionary, inspired, and engaged in our work.



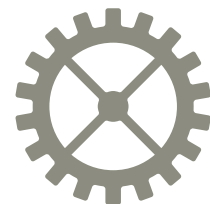
RESPECT FOR PEOPLE

We frequently and constructively share information, insight and advice, both internally and externally. We manage tough situations positively, fairly and truthfully.



SERVING THE PUBLIC INTEREST

We focus on significant issues and ensure that our work is relevant, objective, forward-thinking and valued by our stakeholders, and has a measurable impact.



COMMITMENT TO EXCELLENCE

We promote continuous improvement of our processes and practices to efficiently deliver products and services of high quality.



TABLE OF CONTENTS

1.0	EXECUTIVE SUMMARY	2
2.0	AUDIT MATTERS.....	5
3.0	SUMMARY OF AUDIT DIFFERENCES.....	10
4.0	OTHER MATTERS.....	11

Appendices

- A. Draft Independent Auditor’s Report
- B. Letter of Independence
- C. Summary of Audit Differences – Unadjusted Misstatements
- D. Management Representation Letter
- E. Relevant Publications

This communication is prepared solely for the information of the Comité conseil de gestion and is not intended for any other purpose. We accept no responsibility to a third party who uses this communication. All working papers and files, including reports, created by us during the audit are property of the Office of the Auditor General and are not subject to the Freedom of information and Protection of Privacy Act.



1.0 EXECUTIVE SUMMARY

This report is presented in order to assist members of the Comité conseil de gestion (the Committee) in carrying out their responsibilities with respect to their review, approval, and recommendation to the Board of Education of the financial statements of School District No. 93 (Conseil Scolaire Francophone) for the year ended June 30, 2018. The report includes an update on the status of our work, as well as discussion on significant accounting, financial reporting and related auditing issues addressed during the course of our audit.

Audit Status

We have almost completed our audit of the financial statements for the year ended June 30, 2018. Our auditor's report will be issued once we have completed our audit work on the outstanding items noted below. We will provide an update on the status of these items at our upcoming meeting. We anticipate being in a position to sign the auditor's report in the form of the draft included.

Outstanding item	Status as of August 31, 2018
1. Completion of certain procedures related to financial statement presentation and disclosures	Ongoing
2. Receipt of certain legal enquiry responses	Ongoing
3. Subsequent event update procedures	To be performed up to the date of our audit report
4. Completion of certain quality control and review procedures	Outstanding
5. Receipt of signed management representation letter	Due at audit completion
6. Approval of the financial statements by the Board of Education	Approval pending

Key Issues for Discussion

To assist with your review, we have highlighted areas for discussion below. We are happy to answer any questions you may have at any time.

Discussion item	Summary	Further reference
Audit matters	<p>As a result of our audit, we are able to inform you of the following:</p> <p>Accounting policy matters related to the treatment of amortization of assets and non-capital restricted contributions and government transfers for the acquisition of capital assets that are important and relevant to the Committee have been included in Section 2.</p> <p>Accounting estimate matters related to employee future benefits that we believe should be brought to the attention of the committee have been included in Section 2.</p> <p>We have not identified any sensitive or significant financial statement disclosures that we believe should be brought to the attention of the Committee.</p> <p>We conducted our audit substantially in accordance with the audit plan presented to the Committee. The results of the risks identified as part of the audit plan are detailed in Section 2.</p>	Section 2
Summary of unadjusted and adjusted items	As a result of our audit, we identified unadjusted items for the year ended June 30, 2018.	Section 3 and Appendix C
Fraud	<p>No instances of fraud or suspected fraud were identified as part of our audit procedures.</p> <p>We wish to reconfirm whether the Committee is aware of any known, suspected or alleged incidents of fraud.</p>	Section 4
Internal control observations and recommendations	A copy of our letter to management will be brought to a future Committee meeting. There is nothing we have found during the audit that should preclude the Committee from recommending the approval of the financial statements.	Section 4

SCHOOL DISTRICT NO. 93 (CONSEIL SCOLAIRE FRANCOPHONE)
Audit Findings Report to the Comité conseil de gestion of the Board of Education
For the Fiscal Year Ending June 30, 2018

Management representations	We have requested management provide us with a written representation of their responsibilities in connection with our audit. A copy of the draft letter is included in Appendix D.	Appendix D
Confirmation of independence	We confirm that we are not presently aware of any relationship or non-audit services that would impair our independence for the purpose of expressing an opinion on the financial statements.	Section 4 and Appendix B



2.0 AUDIT MATTERS

Significant Accounting Policies

Significant accounting principles and policies are disclosed in the notes to the financial statements. Within the context of the audit, management has represented to us that there have not been any material changes in the accounting principles and policies during the year other than the change related to amortization discussed below. We have not noted any other changes.

However, for the current year, the School District did adopt a number of new *Public Sector Accounting Standards*, which came into effect for fiscal years beginning on or after April 1, 2017. The new sections adopted include:

- *Related Party Disclosures (Section 2200)*
- *Assets (Section 3210)*
- *Contingent Assets (Section 3320)*
- *Contractual Rights (Section 3380)*
- *Inter-entity Transactions (Section 3420)*

These new standards did not have an impact on the surplus or net debt reported for the School District, and did not result in additional disclosure in the notes to the financial statements.

Accounting policy matters arising from the audit that are important and relevant to the Committee are as follows:

Basis of Accounting

The financial statements have been prepared in accordance with Section 23.1 of the *Budget Transparency and Accountability Act (BTAA)* as directed by Treasury Board. This section requires that the financial statements be prepared in accordance with Canadian Public Sector Accounting Standards (PSAS) except in regards to the accounting for restricted contributions as set out through Restricted Contributions Regulation 198/2011 (the Regulation). This Regulation requires the School District to recognize non-capital restricted contributions into revenue in the fiscal period in which the restriction the contribution is subject to is met and requires the School District to recognize government transfers for the acquisition of capital assets into revenue on the same basis as the related amortization expense; Canadian Public Sector Accounting Standards require that these grants be fully recognized into revenue unless there is a stipulation that creates a liability.

We note that the School District does not have the ability to avoid application of the Regulation, as directed by Treasury Board. We wish to highlight management's disclosure in Note 2(a) of the financial statements which identifies the differences that arise to annual surplus, accumulated surplus, deferred revenue and deferred capital contributions through application of the Regulation. We also wish to bring to your attention the qualification of this year's auditor's report reflecting the impact of adherence to the Regulation.

Amortization of Assets

The School District has historically had the policy to start amortizing tangible capital assets in the year after acquisition. Public Sector Accounting Standards require that tangible capital assets of the School District be amortized over their useful life in a rational and systematic manner appropriate to its nature and use by the government and that amortization should begin when the asset is put into use. Management has changed the policy to begin amortization in the year of acquisition and the prior year financial statements have been restated. The notes to the financial statements contain additional information regarding this restatement.

There are no other significant accounting policy matters that we believe should be brought to the attention of the Committee.

Significant Accounting Estimates

Management has the responsibility for applying judgement in preparing the accounting estimates and disclosures contained within the financial statements. Accounting estimate matters we believe should be brought to the attention of the Committee are as follows:

Employee Future Benefits Liability

- Key assumptions within the estimate include the discount rate, the interest rate, inflation and pay increases, along with assumed life expectancy on retirement of the members of the plan.
- Management has engaged an actuarial firm to calculate the future benefit obligation.
- Management provides the actuary with the underlying information regarding the plan participants, which is used in making this estimate.

OAG comments on management's assumptions:

- Management has appropriate processes in place to ensure the information provided to the actuary in respect of this estimate is accurate. Testing of data provided to the actuary was done for the 2016 audit and will be done again for the 2019 actuarial valuation.
- The actuarial firm engaged to prepare this estimate was independent of management and a member in good standing of the Canadian Institute of Actuaries.
- There are no indications of possible management bias within this estimate.

We have concluded that management's estimates are reasonable in the context of the financial statements taken as a whole. We have not noted any other particularly sensitive accounting estimates we believe should be brought to the attention of the Committee.

Results of Risks Identified in our Audit Plan

We conducted our audit in accordance with the audit plan presented to the Committee on April 30, 2018. The results of the risks identified as part of the audit plan are detailed below.

Significant risk that may result in a material misstatement	Proposed Response in Audit Plan	Disposition
Presumed risk of management override of controls – risk of fraud	<ul style="list-style-type: none"> • We will substantively test on a judgement basis journal entries made during the year and specifically those made for a period before and after year end. • We will review any significant management estimates. • We will evaluate the business rationale for any significant unusual transactions we identify. • We will incorporate an element of unpredictability in our procedures. • We will inquire about fraud risks and occurrences with the Comité conseil de gestion of the Board of Education and management. 	Our audit procedures did not identify any transactions which would suggest management override of controls.
Risk of fraud related to revenue recognition	<ul style="list-style-type: none"> • We will perform substantive analytical procedures over revenue. • We will perform cut-off testing of revenue recorded for a period before and after year end. • We will substantively sample and test the details of revenue transaction balances. 	We completed procedures as planned. No issues were identified.
Accounting for government transfers and restricted contributions	<ul style="list-style-type: none"> • The method of accounting for deferred capital revenue will result in a qualified 	We independently quantified the difference for government transfers and restricted

SCHOOL DISTRICT NO. 93 (CONSEIL SCOLAIRE FRANCOPHONE)
 Audit Findings Report to the Comité conseil de gestion of the Board of Education
 For the Fiscal Year Ending June 30, 2018

	<p>audit opinion for School District No. 93 (Conseil Scolaire Francophone).</p> <ul style="list-style-type: none"> We will review management’s quantification of the impact of not accounting for deferred capital revenue in accordance with PSAS. This quantification will be included in the audit opinion. 	<p>contributions in accordance with the Regulation and PSAS. We agree with the amounts disclosed for impact on annual surplus, accumulated surplus, deferred revenue and deferred capital revenue in note 2a) of the financial statements.</p> <p>We have determined the accounting for restricted contributions and deferred capital revenue is materially misstated. The quantification is included in the draft audit opinion. See Appendix A.</p>
<p>Management estimate of employee future benefits liability</p>	<ul style="list-style-type: none"> We will rely on the reports provided by management’s expert, the actuary. We will assess the appropriateness of the inputs in estimating the liability. We will audit the financial statement presentation and disclosure of employee future benefits to assess whether appropriate disclosure and accounting of benefits has been applied. 	<p>Procedures were completed as planned and no issues were noted.</p>
<p>Accounting for tangible capital assets</p>	<ul style="list-style-type: none"> We will perform detailed substantive testing of capital asset additions to ensure transactions and balances are reasonable. We will perform detailed substantive analytical procedures on services and supplies expense to search for items that are potentially tangible capital 	<p>We completed procedures as planned.</p> <p>One unadjusted misstatement was identified in regard to the amortization period of a new building. See Appendix C for more information.</p>

SCHOOL DISTRICT NO. 93 (CONSEIL SCOLAIRE FRANCOPHONE)
 Audit Findings Report to the Comité conseil de gestion of the Board of Education
 For the Fiscal Year Ending June 30, 2018

	<p>assets.</p> <ul style="list-style-type: none"> We will monitor the quantum of annual tangible capital asset purchases that are under the threshold for capitalizing and estimate and report the impact of this treatment, if significant. 	
<p>Accounting for school generated funds</p>	<ul style="list-style-type: none"> We will perform selected reviews on the work performed by management. In addition, we will perform audit work on school accounts on a sample basis. We will review and assess the appropriateness of management’s conclusions related to the accounting for school generated funds. 	<p>We completed procedures as planned.</p> <p>An unadjusted misstatement was identified in regard to school generated revenue and expenses. See Appendix C for more information.</p>

3.0 SUMMARY OF AUDIT DIFFERENCES

Misstatements and Significant Audit Adjustments

Misstatements represent audit findings for which we do not agree with the amount, classification, presentation or disclosure of items in the financial statements. A misstatement may arise from an error or fraud and other irregularities. An error refers to an unintentional misstatement in financial statements, including an omission of amount or error. Fraud and other irregularities refer to an intentional misstatement in financial statements, including an omission of amount or disclosure, or to a misstatement arising from theft of the entity's asset.

In conducting our procedures, we may identify misstatements that require adjustments to the recorded amounts. These audit adjustments are discussed with management who determine if an adjustment should be recorded.

We report that there are uncorrected non-trivial misstatements of the financial statements for the year ended June 30, 2018. In accordance with professional standards, we are required to request those charged with governance to correct these misstatements. We have summarized these uncorrected misstatements in Appendix C. None of the differences identified were as a result of fraud or other irregularities.

There are no uncorrected misstatements related to prior periods which have an effect on the relevant classes of transactions, account balances or disclosures and the financial statements as a whole that should be brought to the attention of the Committee.

4.0 OTHER MATTERS

Illegal and Fraudulent Acts

Our enquires of management and our testing of financial records did not reveal any illegal or possible illegal acts, nor did we find any fraud or suspected fraud. However, improper conduct is usually carefully concealed and, consequently, the probability is not high that our regular audit work, however diligently performed, will bring it to light. Management has also provided us with a written representation that they are not aware of any illegal or possible illegal acts of fraud or suspected fraud (Appendix D).

Related Party Transactions

Testing of financial records and discussions with management did not reveal any significant related party transactions that were not in the normal course of operations.

Independence

As external auditors of School District No. 93 (Conseil Scolaire Francophone), we are required to be independent in accordance with Canadian professional requirements. These standards require that we disclose to the Committee all relationships that, in our professional judgement, may reasonably be thought to bear on independence. As of August 31, 2018, we are not aware of any relationships between School District No. 93 (Conseil Scolaire Francophone), and us that, in our professional judgement, may reasonably be thought to bear on our independence. See Appendix B.

Continuing as Your Auditors

Each year, the Auditor General must provide the Select Standing Committee on Public Accounts with a plan for the appointment of auditors for government organizations and trust funds for the next three years.

The most recent plan, tabled in January 2018, indicated that the Auditor General plans to be the auditor of School District No. 93 (Conseil Scolaire Francophone), for the next year or until the year ended June 30, 2019.

Significant Deficiencies in Internal Control

The responsibility for the design and maintenance of an appropriate system of internal control to provide reasonable assurance that the accounting systems provide timely, accurate and reliable financial information and to safeguard School District No. 93 (Conseil Scolaire Francophone)'s assets is part of management's overall responsibility for the day-to-day operations of School District No. 93 (Conseil Scolaire Francophone).

As auditors, we obtain a sufficient understanding of internal controls to plan the audit. The understanding includes knowledge about the design of policies and procedures and whether they have been implemented, but does not necessarily extend to evaluating the operating effectiveness of these policies and procedures. We only evaluate, and test, those internal controls on which we plan to rely during our audit.

Our audit is not designed, nor should it be expected, to allow us to provide an opinion on the systems of internal controls.

However, in the course of our examination, certain opportunities for improvement in internal controls came to our attention. Our Management Letter, including management's response, will be provided to the Committee at a future meeting.

Our Commitment to Audit Quality

Our internal quality assurance system is designed to help ensure that our staff are managing risks relating to our independence, objectivity, credibility, relevance, and capacity.

Our system for quality assurance consists of policies designed to achieve our objectives in relation to quality control, and the procedures necessary to implement and monitor compliance with those policies. A system of quality control is established and maintained, involving our structure, its leadership, the assigned roles and responsibilities, manuals, administrative and personnel policies, and most importantly, our culture.

We believe our values help us achieve both audit quality and audit efficiency. After the audit, we will ask for your feedback on how the audit went and what improvements we can make to our quality assurance processes.

Accounting and auditing standards changes

It is part of our service to you to point out emerging accounting and auditing developments and our assessment of the possible implication on School District No. 93 (Conseil Scolaire Francophone) for future years. Here is a summary of upcoming changes relevant to you:

<p><i>Public Sector Accounting Board Exposure Draft – Revenue (Proposed Section PS 3400)</i> Exposure Draft issued May</p>	<ul style="list-style-type: none">• The Public Sector Accounting Standards Board is proposing a single framework to categorize revenues to enhance the consistency of revenue recognition and its measurement. A Statement of Principles was issued in 2013 and an Exposure
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SCHOOL DISTRICT NO. 93 (CONSEIL SCOLAIRE FRANCOPHONE)
 Audit Findings Report to the Comité conseil de gestion of the Board of Education
 For the Fiscal Year Ending June 30, 2018

<p>2017.</p> <p>Handbook release is expected for the fourth quarter of 2018.</p> <p>Effective date of April 1, 2022.</p>	<p>Draft was issued in May 2017.</p> <ul style="list-style-type: none"> • In the case of revenues arising from an exchange transaction, a public sector entity must ensure the recognition of revenue aligns with the satisfaction of related performance obligations. • For unilateral revenues, recognition occurs when there is authority to record the revenue and an event has happened that gives the public sector entity the right to the revenue. • This section will require management to assess current revenue accounting policies once it is approved.
<p><i>Public Sector Accounting Board Exposure Draft - Asset Retirement Obligations (Proposed Section PS 3280)</i></p> <p>Effective date of April 1, 2021.</p>	<ul style="list-style-type: none"> • A new standard is under development addressing the recognition, measurement, presentation and disclosure of legal obligations associated with retirement of tangible capital assets in productive use. Public Sector Accounting Standards currently contains no specific guidance in this area. • The Public Sector Accounting Standards Board recently released an Exposure Draft following the consideration of comments received in response to the previously released Statement of Principles. • The proposed Asset Retirement Obligation standard would require the public sector entity to record a liability related to future costs of any legal obligations to be incurred upon retirement of any controlled tangible capital assets. • As a result of the proposed standard, the public sector entity will have to: <ul style="list-style-type: none"> ○ consider how the additional liability will impact net debt, as a new liability will be recognized with no corresponding increase in a financial asset; ○ carefully review legal agreements, senior government directives and legislation in relation to all controlled tangible capital assets to determine if any legal obligations exist with respect to asset retirements; ○ begin considering the potential effects on the organization as soon as possible to coordinate with resources outside the finance department to identify and obtain information to estimate the value of potential asset retirement obligations to avoid unexpected issues.

APPENDIX A: DRAFT INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

*To the Members of the Board of Education of School District No. 93 (Conseil Scolaire Francophone), and
To the Minister of Education, Province of British Columbia*

I have audited the accompanying financial statements of the School District No. 93 (Conseil Scolaire Francophone) ("the entity"), which comprise the statement of financial position as at June 30, 2018, and the statements of operations, changes in net financial assets (debt), and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian Public Sector Accounting Standards, and for 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

In my view, the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

As described in Note 2 a) to the financial statements, the entity's accounting treatment for contributions received from governments and for externally restricted contributions received from non-government sources is to initially record them as deferred revenue (a liability) and then recognize revenue in the statement of operations either on the same basis as the related expenditures occur or, in the case of funds for the purchase or construction of capital assets, to recognize revenue on the same basis as the related assets are amortized. The entity was required to adopt this accounting policy as prescribed by Province of British Columbia Treasury Board Regulation 198/2011.

Under Canadian Public Sector Accounting Standards, the entity's method of accounting for contributions is only appropriate in circumstances where the funding meets the definition of a liability. Otherwise, the appropriate accounting treatment is to record contributions as revenue when they are received or receivable. In our opinion certain contributions of the entity do not meet the definition of a liability, and as such the entity's method of accounting for those contributions represents a departure from Canadian Public Sector Accounting Standards.

This departure has existed since the inception of the standard, which applies to periods beginning on or after April 1, 2012. When the cumulative effects of this departure to date are adjusted through opening accumulated surplus, the entity's records indicate that the effects of this departure on the current year financial statements is an overstatement of the liability for deferred capital revenue of \$119.8 million, an overstatement of the liability for deferred revenue of \$0.5 million, an understatement of opening accumulated surplus of \$97.1 million, and a current year understatement of revenue of \$23.2 million. Accordingly, the current year surplus is understated by \$23.2 million and net debt is overstated by \$120.3 million.

Qualified Opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the School District No.93 (Conseil Scolaire Francophone) as at June 30, 2018, and the results of its operations, changes in its net financial assets (debt), and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Victoria, British Columbia
[Date]

Russ Jones, FCPA, FCA
Deputy Auditor General



APPENDIX B: LETTER OF INDEPENDENCE

August 31, 2018

Marie-France Lapierre
Chairperson, Board of Education
School District No. 93 (Conseil Scolaire Francophone)
100 – 13511 Commerce Parkway
Richmond, B.C. V6V 2J8

Dear Ms. Lapierre:

Re: Letter of Independence

We have been engaged to audit the financial statements of School District No. 93 (Conseil Scolaire Francophone) for the year ending June 30, 2018.

The intent of this letter is to communicate all relationships between School District No. 93 (Conseil Scolaire Francophone) and the Office of the Auditor General of British Columbia (the Office) that, in our professional judgement, may reasonably be thought to bear on our independence. In addition, we communicate to you the total fees charged to the entity for non-audit services during the last year.

In determining which relationships to report, we considered the relevant rules and related interpretations prescribed by the Chartered Professional Accountants of British Columbia and applicable legislation, covering such matters as:

- (a) holding a financial interest, either directly or indirectly, in a client;
- (b) holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client;
- (c) personal or business relationships of immediate family or close relatives, either directly or indirectly, with a client;
- (d) economic dependence on a client; and
- (e) provision of services in addition to the audit engagement.

We have prepared the following comments to facilitate our discussion with you and the Comité conseil de gestion regarding independence matters, since September 11, 2017, the date of our last letter.

In order to establish a framework for the comments that follow, we have summarized the fees paid by School District No. 93 (Conseil Scolaire Francophone) to the Office for significant professional services for the period September 11, 2017 to August 31, 2018.

Annual audit services	
June 30, 2017 Audit	\$36,000

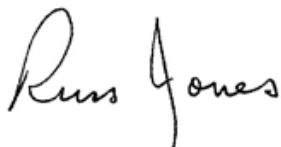
We are not aware of any relationship between School District No. 93 (Conseil Scolaire Francophone) and us that, in our professional judgement may reasonably be thought to bear on our independence, which have occurred during this period.

Canadian auditing standards require that we confirm our independence to the Comité conseil de gestion in the context of the Rules of Professional Conduct of the Chartered Professional Accountants of British Columbia. Accordingly, we hereby confirm that we are independent with respect to School District No. 93 (Conseil Scolaire Francophone) within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of British Columbia as of August 31, 2018.

This report is intended solely for the use of the Audit Committee, management and others within School District No. 93 (Conseil Scolaire Francophone) and should not be used for any other purposes.

We look forward to discussing with you the matters addressed in this letter as well as other matters that may be of interest to you. We will be prepared to answer any questions the Comité conseil de gestion may have regarding our independence.

Yours truly,



Russ Jones, CPA, FCA
Deputy Auditor General

LL/ah
Attachment(s)

REVISED APPENDIX C: SUMMARY OF AUDIT DIFFERENCES

UNADJUSTED MISSTATEMENTS

Description	Accounts Affected	Statement of Operations Entry to correct – Debit (Credit)		Statement of financial Position Entry to correct – Debit (Credit)		
		Revenue	Expenses	Assets	Liabilities	Equity
<u>Qualification adjustment</u> To record the impact of the district following Treasury Board’s directive (as required) related to government transfers (capital and non-capital) that is not in accordance with Public Sector Accounting Standards. (Excludes impact of unadjusted amortization error below)	Deferred Revenue Deferred Capital Revenue Opening Accumulated Surplus Special Purpose Funds Grants Revenue Provincial Capital Grant Revenue Amortization of Deferred Capital Revenue	 47,017 (26,914,566) 3,712,240			480,335 119,791,490	 (97,116,516)
<u>Amortization period of new building</u> To decrease amortization from six months to three months for the Port Coquitlam school.	Accumulated Amortization Amortization Expense Amortization of deferred capital	 169,175	 (169,175)	169,175		

	revenue Deferred capital revenue				(169,175)	
<u>Prepaid license</u> To present the playfield license as a prepaid expense.	Prepaid License <i>(financial asset)</i> Prepaid Expense <i>(non-financial asset)</i>			(347,323) 347,323		
<u>Accounts payable subledger</u> To adjust the accounts payable account to match the subledger.	Accounts payable Services and supplies expense		(297,119)		297,119	
Total		(\$22,986,134)	(\$466,294)	\$169,175	\$120,399,769	(\$97,116,516)

ADJUSTED MISSTATEMENTS – RECORDED IN THE CURRENT YEAR’S FINANCIAL STATEMENTS

Description	Accounts Affected	Statement of Operations Entry to correct – Debit (Credit)		Statement of financial Position Entry to correct – Debit (Credit)		
		Revenue	Expenses	Assets	Liabilities	Equity
<u>Straight-line facilities rent</u> To record a portion of facilities lease expenses as prepaid in order to record costs evenly over the lease terms, as well as the associated revenue.	Prepaid Expense Rent expense Grant revenue – lease costs Deferred capital revenue	1,125,000	(1,125,000)	1,125,000	(1,125,000)	
<u>School generated revenue and expenses</u> To decrease school generated revenue and expenses to correctly account for reimbursements from the District office.	Other Revenue Other Supplies	833,649	(833,649)			
Total		\$1,958,649	(\$1,958,649)	\$1,125,000	(\$1,125,000)	\$ 0

APPENDIX D: MANAGEMENT REPRESENTATION LETTER

[Date]

Russ Jones, FCPA, FCA
Deputy Auditor General of British Columbia
623 Fort Street
Victoria, B.C. V8V 1G1

Dear Mr. Jones:

Re: Management Representation Letter

We are providing this letter in connection with your audit of the financial statements of School District No. 93 (Conseil Scolaire Francophone) for the year then ended June 30, 2018, for the purpose of expressing an opinion as to whether the financial statements present fairly in all material respects, the financial position, results of operations, changes in net financial assets (debt), and cash flows of School District No. 93 (Conseil Scolaire Francophone) in accordance with Canadian Public Sector Accounting Standards (PSAS).

We acknowledge that your audit is planned and conducted in accordance with Canadian generally accepted auditing standards so as to enable you to express a professional opinion on the financial statements. We understand that while your work includes an examination of the accounting system, internal controls, and related data to the extent you consider necessary in the circumstances, it is not designed to identify, nor can it necessarily be expected to disclose, fraud, errors, or other irregularities.

Management's responsibilities

We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated April 23, 2018. In particular, we confirm to you the following:

- We are responsible for the preparation of the financial statements in accordance with Section 23.1 of the *Budget Transparency and Accountability Act*, which conforms to PSAS except as modified by Treasury Board regulations.
- We are responsible for designing, implementing, and maintaining an effective system of internal control over financial reporting, to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In this regard, we are responsible for establishing policies and procedures that pertain to the maintenance of accounting systems and records, the authorization of receipts and disbursements, and the safeguarding of assets, and for reporting financial information in accordance with Section 23.1 of the *Budget Transparency and Accountability Act*.
- We are responsible for complying with legislative and other authorities that govern District No. 93 (Conseil Scolaire Francophone).

- We have provided you with all relevant information and access, as agreed in the terms of the audit engagement.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.

We confirm the following representations:

Preparation of financial statements

Except where modifications by Treasury Board result in conflicts with PSAS, the financial statements include all disclosures necessary for fair presentation in accordance with PSAS. In addition, the financial statements have been prepared on a basis consistent with that of the preceding year.

We have appropriately reconciled our books and records (for example, general ledger accounts) underlying the financial statements to their related supporting information (for example, subledger or third party data). All related reconciling items considered to be material were identified and included on the reconciliations and were appropriately adjusted in the financial statements. There were no material unreconciled differences or material items in the general ledger suspense accounts that should have been adjusted or reclassified to another account balance. There were no material items in the general ledger suspense accounts written off to a statement of financial position account that should have been written off to an operations account, nor were there such items written off to an operations account that should have been written off to a statement of financial position account.

Accounting policies

We confirm that we have reviewed School District No. 93 (Conseil Scolaire Francophone)'s accounting policies and, with regard to the possible alternative policies, our selection and application of accounting policies and estimation techniques used for the preparation and presentation of the financial statements are appropriate in School District No. 93 (Conseil Scolaire Francophone)'s particular circumstances. Except where modifications by Treasury Board result in conflicts with PSAS, the accounting policies applied, present fairly in all material respects the School District No. 93 (Conseil Scolaire Francophone)'s financial position, operations and changes in net financial assets (debt) and cash flow in accordance with PSAS.

Any changes to accounting policies adopted by School District No. 93 (Conseil Scolaire Francophone) for the year ended June 30, 2018 provide reliable and more relevant information about the effects of transactions, other events, or conditions on the School District No. 93 (Conseil Scolaire Francophone)'s financial position, results of operations, changes in net debt, or cash flows. The revised comparative information resulting from the retrospective application of the change in accounting policy is complete and accurate. This fact and the circumstances that led to the existence of that condition, and a description of how and from when the change in accounting policy has been applied, have been disclosed in the notes to the financial statements. All of the disclosures that are related to the change in accounting policy required by the

accounting requirements of PSAS have been provided by School District No. 93 (Conseil Scolaire Francophone) and are complete and accurate.

Internal controls over financial reporting

We have designed disclosure controls and procedures to ensure that material information related to School District No. 93 (Conseil Scolaire Francophone) is made known to us by others.

We have designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with the accounting requirements of PSAS.

We have not identified any deficiency in the design and operation of internal control over financial reporting as at June 30, 2018.

Disclosure of information

We have provided you with access to all information of which we are aware that is relevant to the preparation of the financial statements, such as records, documentation, and other matters, including:

- contracts and related data;
- information regarding significant transactions and arrangements that are outside the normal course of business;
- minutes of the meetings of the Board of Education, committees of the Board, and management;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

Completeness of transactions

All contractual arrangements entered into by School District No. 93 (Conseil Scolaire Francophone) with third parties have been properly reflected in the accounting records and/or have been disclosed to you where material (or potentially material) to the financial statements. We have complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance.

Fraud

We have disclosed to you:

- the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud;

- all information of which we are aware that is related to fraud, or suspected fraud, affecting School District No. 93 (Conseil Scolaire Francophone) and involving management, employees who have significant roles in internal control, or others, where the fraud could have a material effect on the financial statements; and
- all information related to any allegations of fraud, or suspected fraud, that could affect School District No. 93 (Conseil Scolaire Francophone)'s financial statements, and that was communicated by employees, former employees, analysts, regulators, or others.

Compliance with laws and regulations

We have disclosed to you all aspects of laws, regulations, and contractual agreements that may affect the financial statements, including actual or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

We are not aware of any illegal or possibly illegal acts committed by School District No. 93 (Conseil Scolaire Francophone)'s directors, officers, or employees acting on School District No. 93 (Conseil Scolaire Francophone)'s behalf.

All transactions of School District No. 93 (Conseil Scolaire Francophone) have been within its statutory powers and enabling legislation.

Accounting estimates and fair value measurements

We are responsible for all significant estimates and judgements affecting the financial statements. These include fair value measurements and disclosures. Significant estimates and judgements and their underlying assumptions, methods, procedures, and the source and reliability of supporting data are reasonable, based on applicable requirements of PSAS and appropriately disclosed in the financial statements. The procedures and methods used in developing assumptions, estimates, and judgements are appropriate and have been consistently applied in the periods presented.

For recorded or disclosed amounts in the financial statements that incorporate fair value measurements, we confirm the following:

- The measurement methods are appropriate and consistently applied.
- The significant assumptions used in determining fair value measurements represent our best estimates, are reasonable, and have been consistently applied.
- No subsequent event requires adjustment to the accounting estimates and disclosures included in the financial statements.
- The significant assumptions used in determining fair value measurements are consistent with our planned courses of action.
- We have no plans or intentions that have not been disclosed to you that may materially affect the recorded or disclosed fair values of assets or liabilities.

Significant estimates and measurement uncertainties known to management that are required to be disclosed in accordance with the CPA Canada Public Sector Accounting Handbook, Section PS 2130, Measurement uncertainty, have been appropriately disclosed.

Related parties

We confirm that we have disclosed to you the identity of School District No. 93 (Conseil Scolaire Francophone)'s related parties as defined by Canada Public Sector Accounting Handbook, Section PS 2200, Related party disclosures.

We confirm that we have disclosed to you all transactions between School District No. 93 (Conseil Scolaire Francophone) and related parties, including:

- transactions in the normal course of operations;
- transactions outside the normal course of operations;
- non-monetary transactions;
- transactions for nil consideration; and
- guarantees in respect of related parties.

We are not aware of any conflicts of interest involving School District No. 93 (Conseil Scolaire Francophone) arising from any of the related party transactions as disclosed to you.

Going concern

We are not aware of any events or circumstances that may cast doubt on School District No. 93 (Conseil Scolaire Francophone)'s ability to continue as a going concern and we confirm that we consider the going concern assumption appropriate in the preparation of the financial statements. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in School District No. 93 (Conseil Scolaire Francophone)'s financial statements (for example, to dispose of the entity or to cease operations).

Assets and liabilities

Except where modifications by Treasury Board result in conflicts with PSAS, we have recorded or disclosed, as appropriate, all assets, in accordance with PSAS.

We confirm that School District No. 93 (Conseil Scolaire Francophone) has satisfactory title or control over all aforementioned assets. All liens or encumbrances on School District No. 93 (Conseil Scolaire Francophone)'s assets and assets pledged as collateral, to the extent material, have been disclosed in the financial statements.

Trade receivables recorded in the financial statements represent bona fide claims against debtors for sales or other charges arising on or before the statement of financial position date and are not subject to discount except for normal cash discounts. Receivables classified as current do not

include any material amounts that are collectible after one year. All receivables have been appropriately reduced to their estimated net realizable value.

Except where modifications by Treasury Board result in conflicts with PSAS, we have recorded or disclosed, as appropriate, all liabilities, in accordance with PSAS. All liabilities and contingencies, including those associated with guarantees, whether written or oral, under which School District No. 93 (Conseil Scolaire Francophone) is contingently liable in accordance with the CPA Canadian Public Sector Accounting Handbook, Section PS 3300, Contingent liabilities, have been disclosed to you and are appropriately reflected in the financial statements.

Environmental matters

We confirm that we have disclosed to you all liabilities and contingencies arising from environmental matters.

Liabilities or contingencies related to environmental matters have been recognized, measured, and disclosed, as appropriate, in the financial statements.

We have considered the effect of environmental matters, and the carrying value of the relevant assets is recognized, measured, and disclosed, as appropriate, in the financial statements.

All commitments related to environmental matters have been measured and disclosed as appropriate, in the financial statements.

Budgetary data

We have included budgetary data in our financial statements, which is relevant to the users of financial statements and consistent with that originally planned and approved by the Board of Education on June 24, 2017 and the amended budget approved on February 24, 2018. Planned results and amounts were presented for the same scope of activities and on a basis consistent with that used for actual results.

Taxes

We are responsible to ensure School District No. 93 (Conseil Scolaire Francophone) is in compliance with laws and regulations associated with reporting and remittance of taxes in all jurisdictions in which it operates.

We confirm that we have disclosed to you all jurisdictions in which School District No. 93 (Conseil Scolaire Francophone) operates and the respective reporting requirements under any tax regime.

Minutes

All matters requiring disclosure to or approval of the Board of Education have been brought before them at appropriate meetings and are reflected in the minutes.

General

There are no proposals, arrangements, or actions completed, in process, or contemplated that would result in the suspension or termination of any material part of School District No. 93 (Conseil Scolaire Francophone)'s operations.

Information relative to any matters handled on behalf of School District No. 93 (Conseil Scolaire Francophone) by any legal counsel, including all correspondence and other files, has been made available to you.

Litigation and claims

All known actual or possible litigation and claims, which existed at the statement of financial position date or exist now, have been disclosed to you and have been accounted for and disclosed in accordance with PSAS, whether or not they have been discussed with legal counsel.

Misstatements detected during the audit

Certain representations in this letter are described as being limited to those matters that are material. Solely for the purpose of this letter, the term "material" means any items referred to in this letter, individually or in the aggregate that are more than \$2,000,000. Items are also considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, make it probable that the judgement of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.

We confirm that the financial statements are free of material misstatements, including omissions.

Except where modifications by Treasury Board result in conflicts with PSAS, the effects of the uncorrected misstatements in the financial statements, as summarized in the accompanying schedule are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Events after the statement of financial position date

We have identified all events that occurred between the date of the statement of financial position and the date of this letter that may require adjustment of, or disclosure in, the financial statements, and we have made such adjustment or disclosure.

Use of experts

We assume responsibility for the findings of experts in evaluating the employee future benefits and have adequately considered the qualifications of the experts in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to experts with respect to the values or amounts derived in

an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the experts.

Restricted assets and revenues

All assets and revenues subject to restrictions are disclosed in the financial statements.

All externally restricted inflows have been recognized as revenue in the year in which the resources were used for the purposes specified. All externally restricted inflows received for which the criterion has not been met have been reported as liabilities and will not be recognized as revenue until such time as the resources are used for the purposes specified.

Tangible capital assets

All charges to tangible capital asset accounts represented the actual cost of additions to tangible capital assets or the fair value at the date of contribution.

All contributed tangible capital assets have been recorded at fair value at the date of the contribution.

No significant tangible capital asset additions were charged to repairs and maintenance or other expense accounts.

Book values of tangible capital assets sold, destroyed, abandoned, or otherwise disposed of have been eliminated from the accounts.

Tangible capital assets controlled by School District No. 93 (Conseil Scolaire Francophone) are being depreciated on a systemic basis over their estimated useful lives, and the provision for depreciation was calculated on a basis consistent with that of the previous financial statement period other than the change to commencing depreciation in the year of acquisition.

All lease agreements covering assets leased by or from School District No. 93 (Conseil Scolaire Francophone) have been disclosed to you and classified as leased tangible capital assets or operating leases.

Leased tangible capital assets are being amortized on a systemic basis over the period of expected use.

There have been no events, conditions, or changes in circumstances that indicated that a tangible capital asset no longer contributes to School District No. 93 (Conseil Scolaire Francophone)'s ability to provide goods and services, or that the value of future economic benefits associated with the tangible capital asset is less than its net book value. We believe that the carrying amount of School District No. 93 (Conseil Scolaire Francophone)'s long-lived tangible capital assets is fully recoverable in accordance with CPA Canada Public Sector Accounting Handbook, Section PS 3150, Tangible capital assets.

Deferred revenue

Except where modifications by Treasury Board result in conflicts with PSAS, all material amounts of deferred revenue meet the definition of a liability in accordance with PSAS and were appropriately recorded in the books and records.

Retirement benefits, post-employment benefits, compensated absences, and termination benefits

School District No. 93 (Conseil Scolaire Francophone)'s actuaries have been provided with all information required to complete their valuation as at March 31, 2016 and their extrapolation to March 31, 2018.

We confirm that the extrapolations are accurate and include the proper reflection of the effects of changes and events occurring subsequent to the most recent valuation that had a material effect on the extrapolations.

The employee future benefit costs, assets, and obligations have been determined, accounted for, and disclosed in accordance with CPA Canada Public Sector Accounting Handbook, Section PS 3250 Retirement benefits and Section PS 3255 Post-employment benefits, compensated absences and termination benefits. In particular:

The significant accounting policies that School District No. 93 (Conseil Scolaire Francophone) has adopted in applying CPA Canada Public Sector Accounting Handbook, Section PS 3250 and Section PS 3255 are accurately and completely disclosed in the notes to the financial statements.

The source data and plan provisions provided to the actuary for preparation of the actuarial valuation are accurate and complete.

All arrangements to provide retirement benefits, post-employment benefits, compensated absences and termination benefits have been identified to you and have been included in the actuarial valuation as required.

Yours truly,

School District No. 93 (Conseil Scolaire Francophone)

Sylvain Allison
Secrétaire trésorier

Simon Couture
Directeur des finances

APPENDIX E: RELEVANT PUBLICATIONS

OAG reports issued in the last fiscal year for consideration:

May 2018: [Promoting Healthy Eating and Physical Activity in K-12: An Independent Audit](#)

May 2018: [An Independent Audit of Executive Expenses at School District 61](#)

April 2018: [Service Plan 2018/19 - 2020/21](#)

January 2018: [Performance Audit Coverage Plan 2017/18 – 2019/20](#)

January 2018: [Financial Statement Audit Coverage Plan 2018/19 – 2020/21](#)