

School District No.93 (Conseil Scolaire Francophone)

Report on the Financial Statement Audit

For the year ending June 30, 2016

To be presented September 6, 2016



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.



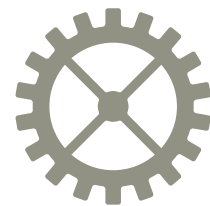
RESPECT FOR PEOPLE

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 deliver efficiently products and services of high quality.



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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 Finance Committee (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, 2016. 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, 2016. 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 appended to this report (Appendix A).

Outstanding item	Status as of September 6, 2016
1. Receipt of certain legal enquiry responses	Ongoing
2. Subsequent event update procedures	To be performed up to the date of our audit report
3. Completion of certain quality control and Deputy Auditor General review procedures	Outstanding
4. Receipt of signed management representation letter	Due at audit completion
5. Approval of the financial statements by the committee / 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>There are no significant accounting policy matters that we believe should be brought to the attention of the Committee.</p> <p>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.</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 and adjusted items, including disclosures for the year ended June 30, 2016.	Section 3 and Appendices C, D and E
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	We did not identify any significant internal control deficiencies during our audit, and have no new observations or recommendations. Other matters which arose during the audit were either satisfactorily resolved or were of a relatively insignificant nature.	Section 4 and Appendix G
Management representations	We have requested management provide us with a written representation of their responsibilities in connection with our	Appendix F



SCHOOL DISTRICT NO. 93 (CONSEIL SCOLAIRE FRANCOPHONE)
Audit Findings Report to the Finance Committee of the Board of Education
For the Fiscal Year Ending June 30, 2016

Discussion item	Summary	Further reference
	audit. A copy of the draft letter is included in Appendix F.	
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
Accounting standards changes	We have provided a summary of upcoming accounting changes for future years and our assessment of the potential impact on School District No. 93 (Conseil Scolaire Francophone). Management will also need to assess the impact as these standards are adopted.	Appendix H



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. We have not noted any other changes.

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

Section 23.1 of the Budget Transparency and Accountability Act (BTAA)

Under Treasury Board Directive 198/2011 government agencies have been directed to account for deferred contributions in a manner that is not consistent with the requirements of Canadian public sector accounting standards. As a result, contributions are being recorded as deferred revenues where, had Public Sector Accounting Standards (PSAS) had been applied, they would have been recorded as revenues in the statement of operations either in the current year or in previous fiscal years.

As a result, the audit opinion will be qualified noting the deviation from Public Sector Accounting Standards while highlighting the requirement that the School District comply with Treasury Board Regulation 198/2011 in accounting for capital contributions.

The effect of this difference in accounting treatment is disclosed in note 2(a) of the financial statements.

Restriction of School Generated Funds

Schools within the School District generate revenue in excess of related costs incurred or receive funding that is unrestricted in nature. Over time, surpluses have been accumulated that continue to remain unspent by the schools. The School District has historically treated these funds as externally restricted for financial reporting purposes and has recorded these as deferred contributions in the financial statements.

As it is the School District's intention to allow the schools to keep such funds for their operations, the portion unspent that are not subject to external restrictions should be classified as internally restricted funds. Internally restricted funds cannot be recorded as deferred revenues in the financial statements. Management has estimated the internally restricted portion as at June 30, 2016 to be \$436,000.

We have not noted any other significant unusual transactions for which accounting policies should be disclosed.



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 judgment 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:

Amortization of Assets

The District has adopted a policy of not taking any amortization expense in the year that an asset is put into use. Accounting standards require that amortization commence when an asset is put into use. We assessed the difference that results from this estimate. The result this year is not significant but could be significant under some circumstances.

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.

Financial Statement Disclosures

Financial statement disclosure matters arising from our audit that are important and relevant to the Committee are as follows:

Budget Presentation and Disclosure

In accordance with PSAS, the District is required to present its originally planned budget in the statement of operations for comparison with actual results for the year. Management has decided to present the District's amended annual budget instead of the original planned budget.

Enhanced disclosure for financial statements users was required due to this decision. While additional disclosures present information on the original budget, presentation is not in compliance with PSAS and is, therefore, reported as an audit difference in Appendix E.



Results of Risks Identified in our Audit Plan

We conducted our audit in accordance with the audit plan presented to the committee on March 30, 2016. 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
<p>Presumed risk of management override of controls – risk of fraud</p>	<ul style="list-style-type: none"> • We will substantively test on a judgemental basis journal entries made during the year and specifically those made for a period before and after year end. • 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 Finance Committee and management. 	<p>Our audit procedures did not identify any transactions which would suggest management override of controls.</p>
<p>Accounting for deferred capital revenue to result in a qualified audit opinion</p>	<ul style="list-style-type: none"> • The method for accounting for deferred capital revenue will result in a qualified opinion for the District. • 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>Our audit procedures provided sufficient and appropriate evidence to support management’s quantification.</p>



Significant risk that may result in a material misstatement	Proposed Response in Audit Plan	Disposition
Accounting for school generated funds	<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. 	Our audit procedures provided sufficient and appropriate evidence to support management’s accounting for school generated funds.
Accounting for capital expenditures	<ul style="list-style-type: none"> • We will perform detailed substantive testing of capital assets additions to ensure transactions and balances are reasonable. • We will review services and supplies expense for items that are potentially capital assets. • Each year we will monitor the quantum and type of capital activity when planning our audit work. • We will review the actual usage of capital asset additions and ensure amortizing capital assets reasonably reflects this. 	<p>Our audit procedures provided sufficient and appropriate evidence to support management’s accounting for capital expenditures.</p> <p>We did note that the School District’s policy of not taking any amortization expense in the year that an asset is put into use is not in line with PSAS; however, is based on use of the amortization tool provided by the Ministry of Education.</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 assets.

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 was a non-trivial adjustment to the financial statements for the year ended June 30, 2016. We have summarized all adjusted differences found during the audit and their impact on the financial statements in Appendix D. The difference identified was not as a result of fraud or other irregularities.

We report that there are uncorrected non-trivial misstatements of the financial statements for the year ended June 30, 2016. 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.



4.0 OTHER MATTERS

Illegal and Fraudulent Acts

Our enquiries 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 or fraud or suspected fraud (Appendix F).

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 judgment, may reasonably be thought to bear on independence. As of September 6, 2016, we are not aware of any relationships between School District No. 93 (Conseil Scolaire Francophone) and us that, in our professional judgment, 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 November 2016, indicated that the Auditor General plans to be the auditor of School District No. 93 (Conseil Scolaire Francophone) for the duration of the plan which includes fiscal years up to and including June 30, 2019. [See Audit Coverage Plan](#)

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.

During our audit, we did not identify any new opportunities for improvements to internal controls.

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.





INDEPENDENT AUDITOR'S REPORT

*To the Board of Governors 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, 2016, and the statements of operations, changes in net 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 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 revenue of \$100 million, an understatement of accumulated surplus of \$100 million, and a current year understatement of revenue of \$62 thousand. Accordingly, the current year surplus is understated by \$62 thousand and net debt is overstated by \$100 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 School District No. 93 (Conseil Scolaire Francophone) as at June 30, 2016, and the results of its operations, changes in its net debt, and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Other Matters

Without modifying my opinion, I advise that I issued an unmodified audit opinion dated September 26, 2015 on the financial statements of School District No. 93 (Conseil Scolaire Francophone) as at June 30, 2015, in which I reported on compliance with Section 23.1 of the *Budget Transparency and Accountability Act*. As such, the comparative financial information was not audited for fair presentation in accordance with Canadian Public Sector Accounting Standards.

Victoria, British Columbia
[date]

Russ Jones, FCPA, FCA
Deputy Auditor General



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APPENDIX B: LETTER OF INDEPENDENCE

September 6, 2016

Marie-France Lapierre
Chairperson
Board of Education
School District No. 93 (Conseil Scolaire Francophone)
100-13511 Commerce Parkway
Richmond, BC 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, 2016.

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 judgment, 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 Finance Committee regarding independence matters, since September 15, 2016, 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 July 1, 2015 to September 6, 2016.

Annual audit services	
Fiscal 2015 audit	\$36,000

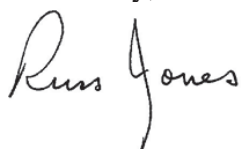
We are not aware of any relationships between School District No. 93 (Conseil Scolaire Francophone) and us that, in our professional judgment, may reasonably be thought to bear on our independence, which have occurred during this period.

Canadian auditing standards require that we confirm our independence to the Finance Committee 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 September 6, 2016.

This report is intended solely for the use of the Finance 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 audit committee may have regarding our independence.

Yours truly,



Russ Jones, FCPA, FCA
Deputy Auditor General

CM/mr
Enclosure



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
To record the impact of adhering to Treasury Board Regulation 198/2011 related to government transfers which is not in accordance with PSAS	Grant Revenue Deferred Revenue Deferred Capital Revenue Accumulated Surplus	(61,773)			126,678 99,411,044	(99,475,949)
Total		(61,773)			99,537,722	(99,475,949)



APPENDIX D: SUMMARY OF AUDIT DIFFERENCES – ADJUSTED 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
To record understated Federal Grant Revenue from the Odyssey Program	Federal Grant Revenue Accounts Receivable	(128,917)		128,917		
Total		(128,917)		128,917		



APPENDIX E: SUMMARY OF AUDIT DIFFERENCES – DISCLOSURES

SUMMARY OF IDENTIFIED DISCLOSURE ERRORS – UNADJUSTED

The School District is presenting the amended annual budget in the Statement of Operations rather than the original budget as required by PS 1100.59.





September 6, 2016

Russ Jones, FCPA, FCA
Deputy Auditor General of British Columbia
623 Fort Street
Victoria, B.C. V8W 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) (the District) for the year then ended June 30, 2016, 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 debt/net financial assets, and cash flows of the District 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 considered 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 March 16, 2016. 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 the District.
- 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 the District'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 the District'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 District's financial position, operations, changes in net debt, and cash flow in accordance with PSAS.

Internal controls over financial reporting

We have designed disclosure controls and procedures to ensure that material information related to the District 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, 2016.

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 directors, committees of directors, 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 the District 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 the District 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 the District'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 the District's directors, officers, or employees acting on the District's behalf.

All transactions of the District have been within its statutory powers and enabling legislation.

Accounting estimates and fair value measurements

We are responsible for all significant estimates and judgments affecting the financial statements. These include fair value measurements and disclosures. Significant estimates and judgments 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 judgments 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 the District'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 the District 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.

The identity and relationship of, and balances and transactions with, related parties have been properly recorded and adequately disclosed in the financial statements, as required by Canadian public sector accounting standards.

We are not aware of any conflicts of interest involving the District 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 the District'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 the District'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 the District has satisfactory title or control over all aforementioned assets. All liens or encumbrances on the District's assets and assets pledged as collateral, to the extent material, have been disclosed in the financial statements.

Trade receivables and loan 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 the District is contingently liable in accordance with the CPA Canada 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 February 13, 2016. 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 the District 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 the District operates and the respective reporting requirements under any tax regime.

The District has determined it is not subject to income taxes in any jurisdiction in which it operates.

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 the District's operations.

Information relative to any matters handled on behalf of the District 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 \$1,720,000. Items are also considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment 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, we confirm there are no uncorrected misstatements in the financial statements (see Appendix A).

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 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.

Except where modifications by Treasury Board result in conflicts with PSAS, 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 the District are being depreciated on a systematic 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.

All lease agreements covering assets leased by or from the District have been disclosed to you and classified as leased tangible capital assets or operating leases.

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

There have been no events, conditions, or changes in circumstances that indicate that a tangible capital asset no longer contributes to the District'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 the District's long-lived tangible capital assets is fully recoverable in accordance with CPA Canada Public Sector Accounting Handbook, Section PS 3150, Tangible capital assets.

Intangible assets

Intangibles assets (except computer software), including those that have been purchased, developed, constructed, or inherited in right of the Crown, are not recognized as assets in the financial statements.

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 Canadian public sector accounting standards and were appropriately recorded in the books and records.

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

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 Alison, Secrétaire trésorier

Simon Couture, Directeur des finances

APPENDIX A: SUMMARY OF AUDIT DIFFERENCES**a) 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
To record the impact of adhering to Treasury Board Regulation 198/2011 related to government transfers which is not in accordance with PSAS	Grant Revenue Deferred Revenue Deferred Capital Revenue Accumulated Surplus	(61,773)			126,678 99,411,044	(99,475,949)

b) Adjusted 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
To record understated Federal Grant Revenue from the Odyssey Program	Federal Grant Revenue Accounts Receivable	(128,917)		128,917		



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September 6, 2016

VIA E-MAIL

Sylvain Allison
Secrétaire-trésorier
School District No. 93 (Conseil Scolaire Francophone)
100-13511 Commerce Parkway
Richmond, B.C. V6V 2J8

Dear Mr. Allison,

Re: Financial Audit Findings and Recommendations – School District No. 93 (Conseil Scolaire Francophone)

Our Office has completed the audit of the financial statements of School District No. 93 (Conseil Scolaire Francophone) for the year ended June 30, 2016. The audit was carried out in accordance with Canadian generally accepted auditing standards. It was not a study designed specifically to determine if internal control is adequate for management's purposes or to identify and disclose defalcations or other irregularities.

We did not identify any new observations or recommendations during our audit. Other matters which arose during the audit were either satisfactorily resolved or were of a relatively insignificant nature.

Included for your information, is a list of monetary errors and the status of prior year recommendations.

We wish to express our appreciation for the excellent cooperation we received from your staff during the course of the audit.

Yours truly,

Russ Jones, FCPA, FCA
Deputy Auditor General

CM/mr
Enclosure

Copy: Simon Couture, CPA, CGA, Directeur des finances

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This report has been prepared solely for the use of management and should not be distributed to others outside the entity without our prior written consent. We disclaim any liability to any third party who may rely upon this report.



1. STATUS OF PRIOR YEAR RECOMMENDATIONS

Prior Year Recommendations	Current Year Observations
<i>Fiscal 2015</i>	
<p>a) Deficiencies in SRB Education Solutions application user account management password chance control compliance</p> <p>Recommendation:</p> <p><i>We recommend the District enforce account password change controls for the SRB application account upon hiring, position transfer and at position termination.</i></p> <p>Management Response</p> <p>HR new employees got their passwords changed through SRB for fiscal year 15/16 and 16/17.</p>	<p>This issue is unresolved.</p> <p>We noted that the one user change that occurred during the year did not result in a password reset.</p>
<p>b) Lack of segregation of duties within the Secrétaire-tresorier role within SRB Education Solutions</p> <p>Recommendation:</p> <p><i>We recommend the District review the functions assigned to the role of Secrétaire-tresorier within SRB to ensure that incompatible functions are appropriately segregated.</i></p> <p>Management Response</p> <p>Adjustments done. The School Board was aware of that situation. We noted that an e-mail has been sent to SRB in 2009 to solve this situation. For an unknown reason SRB have not done the adjustments.</p>	<p>This issue is resolved.</p> <p>We noted that the Secrétaire-tresorier role within SRB has been appropriately segregated.</p>
<p>c) Payroll function internal controls</p> <p>Recommendation:</p> <p><i>We recommend the District make the following control improvements in payroll:</i></p> <ul style="list-style-type: none"> • <i>Implement authorization controls such that payroll staff does not have the ability to make</i> 	<p>This issue is resolved.</p> <p>We noted sufficient compensating controls around verifying pay rates and time entered and paid are appropriate.</p>



Prior Year Recommendations	Current Year Observations
<i>Fiscal 2015</i>	
<p><i>unapproved changes to pay rates. Compensating IT and/or review controls could be put in place to mitigate this risk.</i></p> <ul style="list-style-type: none"> <i>Ensure principals review and approve all timesheets and that the Payroll Department verify on a sample basis that time sheets have been appropriately approved prior to payment.</i> <p>Management Response</p> <p>Rates are given by HR or any other organizations (MSP, Morneau, Great West etc.) Payroll supervisor will be advised by the rate changes and verify the accuracy.</p> <p>Schools principal must approve in SRB all the entries for payroll. It is not done at 100% (Maybe 65% to 70%). The School Board must continue enforce that directive.</p>	
<p>d) Inappropriate deferral of unrestricted school generated funds</p> <p>Recommendation:</p> <p><i>We recommend the District should:</i></p> <ul style="list-style-type: none"> <i>Establish a process for determining which school generated funds contributions are restricted and eligible for deferral and which need to be recognized as revenue and appear in internally restricted fund balance.</i> <i>Ensure surplus funds are used in a manner that is transparent and consistently applied.</i> <p>Management Response</p> <p>We took a sample of three schools and made the proper adjustments. \$335,832 are now in the restricted surplus of the operating surplus instead of being in the deferred revenue of the special purpose fund.</p>	<p>This issue is resolved.</p> <p>We noted a formal process has been implemented to reasonably estimate the amount of unrestricted school generated funds for financial reporting purposes. We also noted a formal use of surplus funds has been implemented.</p>



Prior Year Recommendations	Current Year Observations
<i>Fiscal 2015</i>	
<p>A new employee has been hired to share 50/50 all the rental income from the schools. Right now, there is only four or five that return money at the Board office. Therefore, revenue should increase and deferred revenue should decrease.</p>	
<p>e) Incomplete identification of related parties</p> <p>Recommendation:</p> <p><i>We recommend the District implement a standard annual declaration process to collect information on the business interests of board members, key management personnel and their close family members.</i></p> <p>Management Response</p> <p>CSF provides you document filled by Board members regarding their relations with the School Board. We will discuss with the Board the possibility to extend that to key management personnel on an annual basis.</p>	<p>This issue is unresolved.</p> <p>We noted no annual declaration process has been implemented.</p>
<p>f) Lack of purchasing conflict of interest policy</p> <p>Recommendation:</p> <p><i>We recommend the District implement a procurement conflict of interest policy.</i></p> <p>Management Response</p> <p>We will discuss with the Board the possibility to have a detailed conflict of interest policy informing employees of District's expectations regarding purchasing conflict.</p>	<p>This issue is unresolved.</p> <p>We noted no purchasing conflict of interest policy has been implemented. We did however note that a policy has been drafted and is being reviewed by the Board.</p>
<p>g) Review of purchases using purchasing cards</p> <p>Recommendation:</p> <p><i>We recommend that a documented formal review and approval process be implemented for purchasing card expenditures, including procedures to ensure any GST rebate claimed is appropriate.</i></p>	<p>This issue is resolved.</p> <p>The District has considered our recommendation on this matter and decided to continue with their current practices.</p>



Prior Year Recommendations	Current Year Observations
<i>Fiscal 2015</i>	
<p>Management Response</p> <p>CSF has been audited by CRA for GST/HST from 2007 to 2012. No claim has been made by CRA on any of these years. It is a situation also shared by other SRB/BMO purchasing card users in the school districts community. We will look at these transactions and see what we can do.</p> <p>Purchasing cards are a tool that schools use for their school budget. Therefore, the same rules applied.</p> <p>Also, Schools principals and managers approved these invoices.</p>	



2. SUMMARY OF AUDIT DIFFERENCES

a) 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
To record the impact of adhering to Treasury Board Regulation 198/2011 related to government transfers which is not in accordance with PSAS	Grant Revenue Deferred Revenue Deferred Capital Revenue Accumulated Surplus	(61,773)			126,678 99,411,044	(99,475,949)

b) Adjusted 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
To record understated Federal Grant Revenue from the Odyssey Program	Federal Grant Revenue Accounts Receivable	(128,917)		128,917		



APPENDIX H: ACCOUNTING 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 the current and future years. Here is a summary of changes relevant to you:

Standard and effective date	Summary	Possible implication
<p><i>Related Party Disclosures</i> (Section 2200)</p> <p>This new Section is effective for fiscal periods beginning on or after April 1, 2017.</p>	<p>This Section defines a related party and establishes disclosures required for related party transactions.</p> <p>A related party relationship exists when one party has the ability to exercise control or shared control over the other. Two or more parties are related when they are subject to common control or shared control. Related parties also include key management personal and close family members.</p>	<p>Identification of all related parties is important for complete and accurate financial statement disclosure. If it doesn't already, management will need to collect information from Board of Education members and key management personnel on whether they or their close family members control any other companies. Close family members are defined to normally include an individual's spouse and those dependent on the individual or the individual's spouse.</p> <p>Over the next year, management will need to assess the expected impact of this standard on the District.</p>
<p><i>Inter-entity Transactions</i> (Section 3420)</p> <p>This new Section is effective for fiscal periods beginning on or after April 1, 2017.</p>	<p>This Section establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.</p> <p>Inter-entity transactions are those transactions occurring between commonly controlled entities.</p>	<p>Management will need to assess annually whether the District has had any inter-entity transactions. If so, they will need to be accounted for in accordance with the new guidance.</p>
<p><i>Assets</i> (Section 3210)</p>	<p>This Section provides</p>	<p>No significant implications</p>

Standard and effective date	Summary	Possible implication
<p>This new Section is effective for fiscal periods beginning on or after April 1, 2017.</p>	<p>guidance for applying the definition of assets set out in <i>Financial Statement Concepts</i> (Section 1000) and establishes general disclosure standards for assets.</p>	<p>expected for the District. This will be useful application guidance in analysis of accounting issues going forward.</p>
<p><i>Contingent Assets (Section 3320)</i></p> <p>This new Section is effective for fiscal periods beginning on or after April 1, 2017.</p>	<p>This Section defines and establishes disclosure standards on contingent assets.</p> <p>Contingent assets are possible assets arising from existing conditions or situations involving uncertainty. That uncertainty will ultimately be resolved when one or more future events not wholly within the public sector entity's control occurs or fails to occur. Resolution of the uncertainty will confirm the existence or non-existence of an asset.</p>	<p>No significant implications expected for the District. This will be useful guidance in analysis of accounting issues going forward.</p>
<p><i>Contractual Rights (Section 3380)</i></p> <p>This new Section is effective for fiscal periods beginning on or after April 1, 2017.</p>	<p>This Section defines and establishes disclosure standards on contractual rights.</p> <p>Contractual rights are rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future.</p>	<p>Implementation of this section will require management review the types of revenue the District receives to see if any could result in contractual rights.</p>
<p><i>Restructuring Transactions (Section 3430)</i></p> <p>This new Section is effective for fiscal periods beginning on or after April 1, 2018.</p>	<p>This Section defines a restructuring transaction and establishes standards for recognizing and measuring assets and liabilities transferred in a restructuring</p>	<p>No significant implications expected for the District. This will be useful guidance in analysis of any restructuring transactions going forward.</p>

Standard and effective date	Summary	Possible implication
	transaction.	

In addition to the above, the Public Sector Accounting Board (PSAB) continues with a number of projects to revise current standards or introduce new ones. Projects PSAB is currently working on that are potentially of relevance to the District include:

- Asset Retirement Obligations (statement of principles) and
- Revenue (statement of principles).

We look forward to working with you to ensure there is a smooth transition to new standards.



APPENDIX I: Relevant Publications

OAG reports issued in the last year for consideration:

May 2016 [Improving Budgeting and Expenditure Management in the Public Education System](#)

Jan 2016 [Preparing Public Sector Financial Statements](#)

