

Ontario College of Teachers

Audit Findings Report
for the year ended December 2021

KPMG LLP

Licensed Public Accountants

Prepared: March 8, 2022

kpmg.ca/audit



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Our refreshed Values

What we believe



Integrity

We do what is right.



Excellence

We never stop learning
and improving.



Courage

We think and act boldly.



Together

We respect each other
and draw strength from
our differences.



For Better

We do what matters.



Audit Quality: How do we deliver audit quality?

Quality essentially means doing the right thing and remains our highest priority. Our **Global Quality Framework** outlines how we deliver quality and how every partner and staff member contributes to its delivery.

‘**Perform quality engagements**’ sits at the core along with our commitment to continually monitor and remediate to fulfil on our quality drivers.

Our **quality value drivers** are the cornerstones to our approach underpinned by the **supporting drivers** and give clear direction to encourage the right behaviours in delivering audit quality.

We define ‘**audit quality**’ as being the outcome when:

- audits are **executed consistently**, in line with the requirements and intent of **applicable professional standards** within a strong **system of quality controls**; and
- all of our related activities are undertaken in an environment of the utmost level of **objectivity, independence, ethics, and integrity**.



Visit our [Audit Quality Resources](#) page for more information.

Doing the right thing. Always.

Audit highlights

Purpose of this report¹

The purpose of this report is to assist you, as a member of the Audit & Finance Committee, in your review of the results of our audit of the financial statements as at and for the year ended December 31, 2021. This report builds on the Audit Plan we presented to the Administrator.

Status of the audit

As of the date of this report, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include amongst others:

- Receipt of the legal letter from McCarthy Tétrault
- Completing our discussions with the Audit & Finance Committee
- Completion of our subsequent event review procedures
- Receipt of the signed management representation letter (to be signed upon Council approval of the financial statements)
- Obtaining evidence of the Council's approval of the financial statements, including inter-fund transfers

We will update the Audit & Finance Committee, on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures.

Our auditors' report, a draft of which is attached to the draft financial statements, will be dated upon the completion of any remaining procedures.

Significant changes from the audit plan

We have highlighted the significant changes between the Audit Planning Report previously provided to you:

- We have updated materiality based on actual year-end expenses. Materiality and the audit misstatement posting threshold were updated to \$1,200,000 and \$60,000, from \$1,365,000 and \$68,250, respectively.

There were no other significant changes to our audit plan.

Audit misstatements

We identified an adjustment that was communicated to management and subsequently corrected in the financial statements. There are no uncorrected adjustments. *Refer to page 6.*

Control deficiencies

We did not identify any control deficiencies that we determined to be significant deficiencies in internal control over financial reporting. A significant deficiency in internal control is a deficiency, or combination of deficiencies, in internal control that, in the auditor's professional judgment, is of sufficient importance to merit the attention of those charged with governance.

Significant accounting policies and practices

There have been no initial selections of, or changes to, significant accounting policies and practices to bring to your attention.

¹ This report to the Audit & Finance Committee is intended solely for the information and use of Management, Audit & Finance Committee and the Board of Directors and should not be used for any other purpose or any other party. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Other matters

Professional standards require us to communicate to the Audit & Finance Committee other matters.

We have highlighted the following that we would like to bring to your attention:

Matter	KPMG comment
System Conversion	<ul style="list-style-type: none">— On May 21, 2021, OCT transitioned from the Microsoft Dynamics NAV (“NAV”) to Microsoft Dynamics 365 Business Central (“Business Central”). The transition was implemented for the Accounts Payable, Accounts Receivable and General Ledger modules. As both systems are Microsoft products, the main technical requirement was the upload of data from the NAV database to the Business Central cloud which was fulfilled via direct migration. No remapping of accounts was required as a result. Our review of the conversion plan indicated that adequate safeguards were put in place by OCT and their consultant’s, WebSan, to ensure the conversion took place in a secure fashion.— We obtained the trial balance and accounts receivable and payable sub-ledgers details from the NAV and Business Central systems on the date of conversion and tested for completeness and accuracy of data transferred over to the Business Central system. No differences were noted on conversion.— On review of exceptions and errors, we noted that there was an issue with importing user profiles to the Business Central system as a result of the username nomenclature being different between the two systems. This was manually rectified by WebSan with no issues noted.
Interfund Transfer	<ul style="list-style-type: none">— While completing our procedures over member’s equity, we noted that an interfund transfer of \$1,414K from the internally restricted fund to the unrestricted fund was included in the preparation of the financial records. The interfund transfer from the internally restricted fund was approved by the Audit & Finance Committee on March 10, 2022 and has been recommended to Council at the upcoming June 16, 2022.

Uncorrected and corrected audit misstatements

Audit misstatements include presentation and disclosure misstatements, including omissions.

Uncorrected audit misstatements

We did not identify misstatements that remain uncorrected.

Corrected audit misstatements

We identified an amount in accounts receivable of \$508,640 that constituted amounts received in relation to 2022 annual membership fees members received as of December 31, 2021. We proposed an adjustment to reclassify these amounts to deferred revenues. Management concurred with this proposed adjustment.

The management representation letter includes all misstatements identified as a result of the audit, communicated to management and subsequently corrected in the financial statements.

Appendices

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Appendix 1: Other required communications

Report	Engagement terms
Refer to the draft report attached to the draft financial statements.	A copy of the engagement letter and any subsequent amendments has been provided to the Administrator and management.
Reports to the Board of Directors	Representations of management
We have provided our audit planning report to the Administrator in November 2021 and are reporting our findings herein.	A copy of the management representation letter is provided by management
Audit Quality in Canada	
<p>The reports available through the following links were published by the Canadian Public Accountability Board to inform Audit Committees and other stakeholders about the results of quality inspections conducted over the past year:</p> <ul style="list-style-type: none">• <u>CPAB Audit Quality Insights Report: 2021 Interim Inspections Results</u>• <u>CPAB Audit Quality Insights Report: 2020 Annual Inspections Results</u>	

Appendix 2: Technology in the audit

As previously communicated in our Audit Planning Report, we have utilized technology to enhance the quality and effectiveness of the audit.

Technology	Areas of the audit where Advanced Technology routines were used	Applications
Journal Entry Analysis	<p>We used Excel application software formulas to analyze journal entries and apply certain criteria to identify potential high-risk journal entries for further testing.</p> <p>We evaluated the completeness of the journal entry population through a roll-forward of the entire GL.</p> <p>We developed a set of high-risk criteria and applied the criteria to the entire population of journal entries.</p>	<p>The GL roll consists of a summation of all automated and manual journal entries posted during the fiscal year and a comparison of the calculated amounts to the account balances as at and for the year ended December 31, 2021 as reported by management.</p> <p>The GL extraction was found to be complete and containing all automated and manual journal entries recorded during the year. We were able to use this complete extraction for our testing of high-risk journal entries.</p> <p>Journal entries containing high risk conditions were tested to ensure they were supported by proper documentation and followed the journal entry initiation and approval controls and process in place. We did not find any exceptions in our testing over journal entries.</p> <p>Based on the procedures we performed, no issues were identified.</p>
Microsoft Teams	<p>We used Microsoft Teams to obtain certain client assistance documents and to correspond with members of the CSHF.</p>	<p>This tool has proven to be especially useful during this virtual audit, particularly in performing testing and walkthroughs that required audit evidence gathered through screen-sharing capabilities.</p>
ShareFile	<p>We utilized our online data transfer site; allowing us to track, update and share electronic information securely and efficiently.</p>	<p>ShareFile was used to obtain audit documentation and supporting evidence, which enabled the audit team and management to complete the audit remotely with minimal disruption.</p>

Appendix 3: Upcoming changes to auditing standards

The following changes to auditing standards applicable to our 2022 audit are listed below.

Standard	Key observations
Revised CAS 315, <i>Identifying and Assessing the Risks of Material Misstatement</i>	<p>Revised CAS 315, <i>Identifying and Assessing the Risks of Material Misstatement</i> has been released and is effective for audits of financial statements for periods beginning on or after December 15, 2021.</p> <p>The standard has been significantly revised, reorganized and enhanced to require a more robust risk identification and assessment in order to promote better responses to the identified risks. Key changes include:</p> <ul style="list-style-type: none">— Enhanced requirements relating to exercising professional skepticism— Distinguishing the nature of, and clarifying the extent of, work needed for indirect and direct controls— Clarification of which controls need to be identified for the purpose of evaluating the design and implementation of controls— Introduction of scalability— Incorporation of considerations for using automated tools and techniques— New and revised concepts and definitions related to identification and assessment of risk— Strengthened documentation requirements <p>CPA Canada plans to publish a Client Briefing document in early 2022 to help you better understand the changes you can expect on your 2022 audit.</p>

Appendix 4: Audit and assurance insights

Our latest thinking on the issues that matter most to Audit Committees, Boards and Management.

Featured insight	Summary	Reference
Accelerate 2022	The key issues driving the Audit Committee agenda in 2022.	Learn more
Audit Committee Guide – Canadian Edition	A practical guide providing insight into current challenges and leading practices shaping Audit Committee effectiveness in Canada.	Learn more
Unleashing the positive in net zero	Real solutions for a sustainable and responsible future.	Learn more
KPMG Audit & Assurance Insights	Curated research and insights for Audit Committees and boards.	Learn more
Board Leadership Centre	Leading insights to help board members maximize boardroom opportunities.	Learn more
KPMG Climate Change Financial Reporting Resource Centre	Our climate change resource centre provides insights to help you identify the potential financial statement impacts to your business.	Learn more
The business implications of coronavirus (COVID 19)	Resources to help you understand your exposure to COVID-19, and more importantly, position your business to be resilient in the face of this and the next global threat.	Learn more
	KPMG Global IFRS Institute - COVID-19 financial reporting resource center.	Learn more
Momentum	A quarterly Canadian newsletter which provides a snapshot of KPMG's latest thought leadership, audit and assurance insights and information on upcoming and past audit events – keeping management and board members abreast on current issues and emerging challenges within audit.	Sign-up now
Current Developments	Series of quarterly publications for Canadian businesses including Spotlight on IFRS, Canadian Securities & Auditing Matters and US Outlook reports.	Learn more
KPMG Learning Academy	Technical accounting and finance courses designed to arm you with leading-edge skills needed in today's disruptive environment.	Learn more
20 predictions - KPMG Canada	20 predictions of how society, technology, markets and regulation could evolve in the next 20 years. The world around us is being transformed by technology. If so much can change in such a short time, what do the next 20 years have in store?	Learn more



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