Ministry of Education

Deputy Minister

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Ministère de l'Éducation

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March 24, 2022

Mr. Christopher Tyrell
Clerk of the Committee
Standing Committee on Public Accounts
Legislative Assembly of Ontario
Toronto, Ontario M7A 1A2

Dear Mr. Tyrell:

In response to your letter dated February 24, 2022, please find enclosed the Ministry of Education's ("the Ministry's") response to the Value-for-Money Review: *Financial Reporting of School Boards in Ontario* of the 2021 Annual Report of the Auditor General.

Starting in spring 2020, and continuing in 2021, the Office of the Auditor General of Ontario (OAGO) conducted the value-for-money review of school boards financial reporting. The OAGO performed a review of 2018-19 and 2019-20 school board financial statements to assess whether the financial information was publicly available, relevant, reliable, comparable, understandable, and clearly presented in a manner that maximized its usefulness to financial statement users, in accordance with Canadian Public Sector Accounting Standards (PSAS). The OAGO made 17 recommendations consisting of 26 action items to address their review findings and released their final report in December 2021.

The OAGO found that school boards are meeting their requirements to comply with Canadian PSAS but that they could make this clearer in their reporting. The OAGO also found that there were opportunities to improve the clarity of the information in the financial statements to make them more helpful to decision makers. The OAGO also recommended that individual boards review findings that apply to them and take any necessary actions to address them.

The Ministry agreed with the OAGO's recommendations and committed to implementing 13 of the 17 recommendations within one year, of which two recommendations have already been fully implemented. The remaining four recommendations will be implemented in future years. Details of the recommendations, Ministry responses, action plans and timetable for addressing the Auditor's concerns can be found in the enclosed attachment.

Below are three key highlights of the recommendations and the Ministry's action plan.

a. Illustrative note disclosure in school boards financial statements:
The Ministry has been providing these notes to school boards since their transition to PSAS in 2003-04. The OAGO has recommended a more prescriptive approach, where school boards are required to use the illustrative notes, where appropriate, to ensure consistency across the sector. The Ministry will implement these changes for the 2021-2022 school board financial statements in the fall of 2022.

b. Qualified opinion related to school generated funds:
The OAGO recommended that the Ministry facilitate discussions with the school boards and their external auditors to understand the level of documentation and controls required to provide a sufficient level of audit evidence. Also, the OAGO recommended that the Ministry require school boards to implement, where cost effective, solutions and controls to enable school boards to receive unqualified audit opinions. The Ministry will facilitate meetings with the school boards and the external auditors to discuss and investigate options to receive clean audit opinions. School boards will implement any of the suitable recommendations in 2022-23 and 2023-24.

c. Consolidating the financial results of the Ontario School Boards' Insurance Exchange (OSBIE) into the Public Accounts:
The Ministry is currently in discussions with OSBIE on how school boards can consolidate their proportionate share of OSBIE into their financial statements. OSBIE's financial results will be consolidated into the 2022-23 Public Accounts and into the school boards' financial statements by November 2023.

The Ministry looks forward to implementing these recommendations in the years ahead. We will continue to work toward transparency and accountability in the education sector by working with the OAGO.

Sincerely,

Nancy Naylor
Deputy Minister

Enclosure

c: Taras Natyshak, MPP, Chair of the Committee
Bonnie Lysyk, Auditor General