



# North Slope Borough School District

**Audit plan and strategy for the year ending June 30, 2021**

May 13, 2021



# Our commitment to you

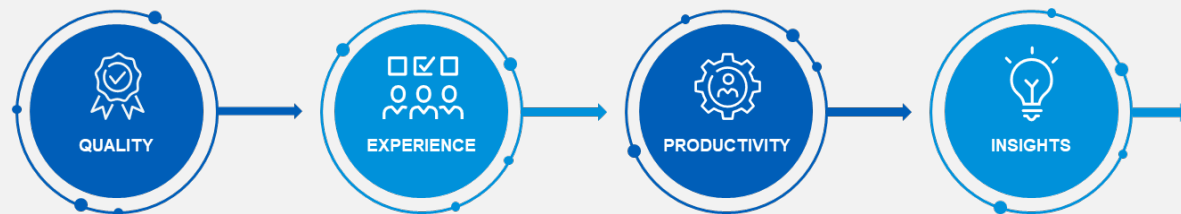


## **Delivering a better audit experience drives us.**

With KPMG you can expect an experience that's better for your team, organizations and the capital markets. An experience that's built for a world that demands agility and integrity.

See patterns in what has passed. See where risks may emerge. See opportunities emerge. See opportunities to optimize processes. And see ahead to new possibilities.

## **We aim to deliver an exceptional client experience for North Slope Borough School District by focusing on:**





# Required Communications to Those Charged with Governance

Prepared on: May 04, 2021

Presented on: May 13, 2021

# Summary: Audit approach required communications and other matters

		Response
Planning & risk assessment	Role and identity of engagement partner	The lead audit managing director is Christine Krynski.
	Significant findings or issues discussed with management	No matters to report.
	Scope of audit	<p>Our audit of the basic financial statements of North Slope Borough School District (the School District) as of and for the year ended June 30, 2021 will be performed in accordance with auditing standards generally accepted in the United States of America.</p> <p>Performing an audit of financial statements includes consideration of internal control over financial reporting (ICFR) as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's ICFR.</p> <p>State of Alaska Single Audit in accordance with the State of Alaska Audit Guide and Compliance Supplement for State Single Audits, including compliance reports related to bonding and fund balance.</p> <p>Federal Single Audit in accordance with the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).</p>
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# Materiality in the context of an audit

**We will apply materiality in the context of the preparation and fair presentation of the North Slope Borough School District's financial statements, considering the following factors:**

Misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Judgments about materiality are made in light of surrounding circumstances and are affected by the size or nature of a misstatement, or a combination of both.

Judgments about materiality involve both qualitative and quantitative considerations.

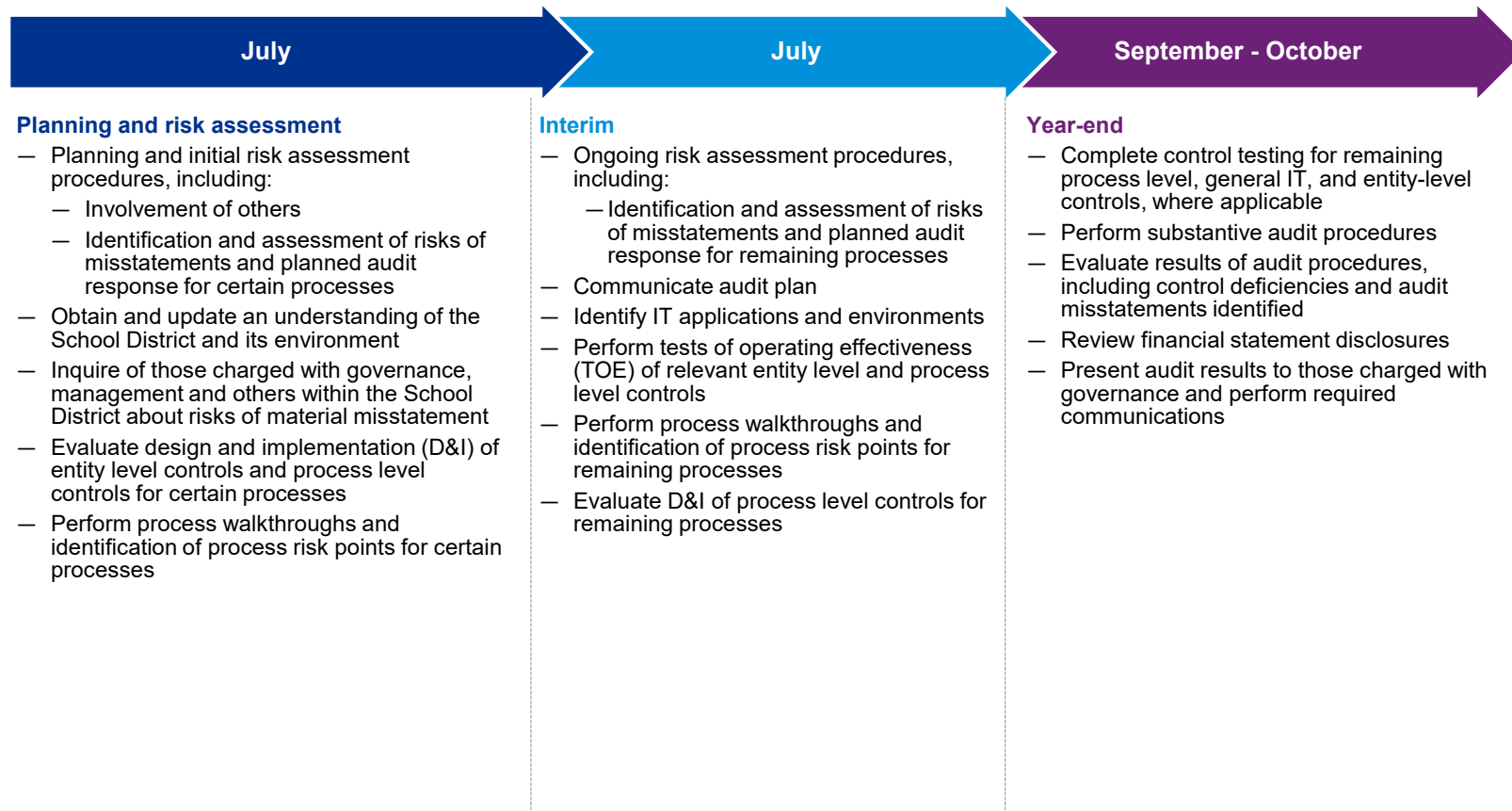
Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered.

Determining materiality is a matter of professional judgment and is affected by the auditor's perception of the financial information needs of users of the financial statements.

Judgments about the size of misstatements that will be considered material provide a basis for

- a) Determining the nature and extent of risk assessment procedures;
- b) Identifying and assessing the risks of material misstatement; and
- c) Determining the nature, timing, and extent of further audit procedures.

# Our timeline



# Risk assessment: Significant risks

## Significant risks

### Management override of controls

Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk nevertheless is present in all entities.

### Susceptibility to:

**Error****Fraud****Yes**



# Involvement of others

## Audit of financial statements

KPMG professionals with specialized skill or knowledge who are involved in performance of audit procedures

## Extent of planned involvement

KPMG Actuarial specialist will assist with the audit procedures over the Pension and Post Retirement Benefit Obligation (PERS and TRS).



# Newly effective accounting standards

## Effective for calendar years 2021 and 2022

GASB No. 84, Fiduciary Activities

GASB No. 87, Leases

# Shared responsibilities: Independence

Auditor independence is a shared responsibility and most effective when management, those charged with governance and audit firms work together in considering compliance with the independence rules. In order for KPMG to fulfill its professional responsibility to maintain and monitor independence, management, those charged with governance, and KPMG each play an important role.

## System of independence quality control

The firm maintains a system of quality control over compliance with independence rules and firm policies. Timely information regarding upcoming transactions or other business changes is necessary to effectively maintain the firm's independence in relation to:

- New affiliates (which may include subsidiaries, equity method investees/investments, sister companies, and other entities that meet the definition of an affiliate under AICPA independence rules)

## Certain relationships with KPMG

Independence rules prohibit:

- Certain employment relationships involving directors, officers, or others in an accounting or financial reporting oversight role and KPMG and KPMG covered persons.
- The School District or its directors, officers, from having certain types of business relationships with KPMG or KPMG professionals.

# Responsibilities

## Management responsibilities



- Communicating matters of governance interest to those charged with governance.
- The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

## KPMG responsibilities – Objectives



- Communicating clearly with those charged with governance the responsibilities of the auditor regarding the financial statement audit and an overview of the planned scope and timing of the audit.
- Obtaining from those charged with governance information relevant to the audit.
- Providing those charged with governance with timely observations arising from the audit that are significant and relevant to their responsibility to oversee the financial reporting process.
- Promoting effective two-way communication between the auditor and those charged with governance.
- Communicating effectively with management and third parties.

## KPMG responsibilities – Other



- If we conclude that no reasonable justification for a change of the terms of the audit engagement exists and we are not permitted by management to continue the original audit engagement, we should:
  - Withdraw from the audit engagement when possible under applicable law or regulation,
  - Communicate the circumstances to those charged with governance, and
  - Determine whether any obligation, either legal contractual, or otherwise, exists to report the circumstances to other parties, such as owners, or regulators.
- Forming and expressing an opinion about whether the financial statements that have been prepared by management, with the oversight of those charged with governance, are prepared, in all material respects, in accordance with the applicable financial reporting framework.
- Establishing the overall audit strategy and the audit plan, including the nature, timing, and extent of procedures necessary to obtain sufficient appropriate audit evidence.
- Communicating any procedures performed relating to other information, and the results of those procedures.

# Inquiries

## The following inquiries are in accordance with AU-C 260

### Are those charged with governance aware of:

- Matters relevant to the audit, including, but not limited to, violations or possible violations of laws or regulations?
- Any significant communications with regulators?
- Any developments in financial reporting, laws, accounting standards, corporate governance, and other related matters, and the effect of such developments on, for example, the overall presentation, structure, and content of the financial statements, including the following:
  - The relevance, reliability, comparability, and understandability of the information presented in the financial statements
  - Whether all required information has been included in the financial statements, and whether such information has been appropriately classified, aggregated or disaggregated, and presented?

### Do those charged with governance have knowledge of:

- Fraud, alleged fraud, or suspected fraud affecting the School District?
  - If so, have the instances been appropriately addressed and how have they been addressed?

### Additional inquiries:

- What are those charged with governance's views about fraud risks in the School District?
- Who is the appropriate person in the governance structure for communication of audit matters during the audit?
- Are there any areas that warrant particular attention during the audit and additional procedures to be undertaken?
- Has the School District entered into any significant unusual transactions?
- Whether the entity is in compliance with other laws and regulations that have a material effect on the financial statements?

# Questions?

For additional information and audit committee resources, including National Audit Committee Peer Exchange series, a Quarterly webcast, and suggested publications, visit the KPMG Audit Committee Institute (ACI) at [www.kpmg.com/ACI](http://www.kpmg.com/ACI)

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