

North Slope Borough School District

Report to Those Charged with Governance

Audit plan and strategy for the year ending June 30, 2020

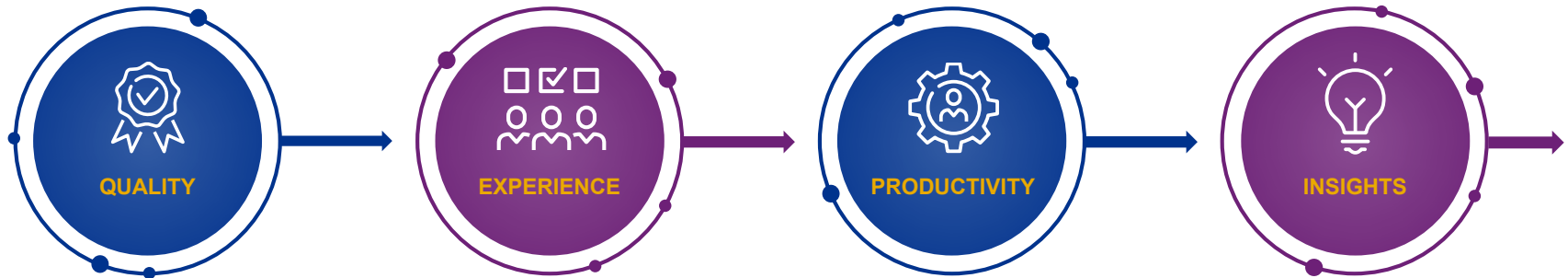
August 6, 2020





Our commitment to you

We aim to deliver an exceptional client experience by focusing on



Quality in all that we do and how we deliver

We are committed to delivering a thoughtful, transparent and coordinated approach

Risk and insight-based auditing through the design, execution, and automation of our processes

Best-in-class industry and topical insights, which help our auditors make better decisions and share those relevant insights



COVID-19: Resilience & Readiness

COVID-19 is truly a unique and demanding challenge with severe human consequences. We place the highest priority on the health of our people and yours, and continue to take action based on guidance from public health authorities.

Key Insights For Your Organization

- Our team is producing insights and providing perspectives on actions we can all take to respond with resilience.
- Our [Audit Committee Institute](#) and [Board Leadership Center](#) is producing insights on oversight of companies' pandemic response.
- Our [COVID-19 resource center](#) also covers topics such as financial reporting, global economic impacts, financial management, contingency planning and business continuity, and more.



Business Continuity Excellence

- Our business continuity plan is working effectively and we have taken steps to prepare for future, potentially longer-term, alternative work arrangements.
- We are coordinating with your teams to best work together and communicating frequently to keep each other informed.
- Our Heads Up Thinking culture vision is helping to shape the way the firm responds to challenges like this to the benefit of our clients.



COVID-19 is a major consideration in the development of our audit plan in 2020. We are focused on understanding the impact of COVID-19 to your business, and coordinating and adjusting our audit plan as appropriate.

Required Communications to Those Charged with Governance

Prepared on: July 23, 2020

Presented on: August 6, 2020



Summary: Audit approach required communications and other matters

		Response
Planning & Risk Assessment	Role and identity of engagement partner	The lead audit engagement partner is: Dan Rozema.
	Significant findings or issues discussed with management	No matters to report.
	Scope of audit	<p>Our audit of the basic financial statements of the North Slope Borough School District (the School District) as of and for the year ended June 30, 2020, 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 basic 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.

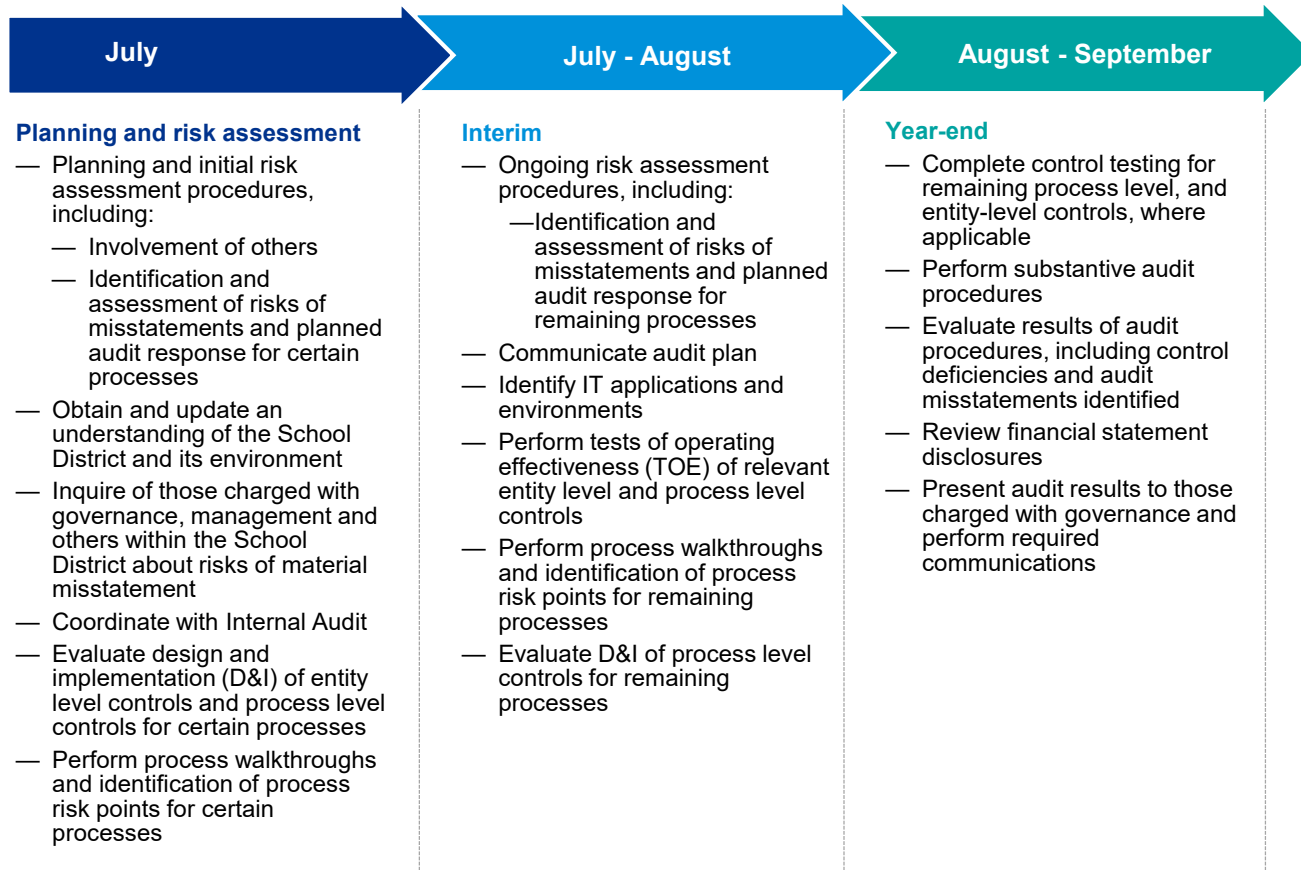
Determining materiality is a matter of professional judgment and is affected by the auditor's perception of the financial information needs of users of the financial statements.

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



Issuance date: Issue audit report on basic financial statements and compliance reports.



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 KPMG Specialists

Audit of financial statements	Extent of planned involvement
<p>KPMG specialists involved in performance of audit procedures</p>	<p>KPMG Actuarial specialist will assist with the audit procedures over the Pension and Post Retirement Benefit Obligation (PERS and TRS).</p> <p>KPMG Tax specialist will perform a review of the District's tax-exempt status.</p>



Newly effective accounting standards

Effective for calendar years 2021 and 2022

GASB No. 84, *Fiduciary Activities*

GASB No. 87, *Leases*

This listing of newly effective accounting standards was updated as of March 17, 2020.



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, including misconduct or unethical behavior related to financial reporting or misappropriation of assets?
 - 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 (those charged with governance or management) 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?

Contacts

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Questions?

For additional information and resources, including National Audit Committee Peer Exchange series, a Quarterly webcast, and suggested publications, visit KPMG's Audit Committee Institute (ACI) at www.kpmg.com/ACI

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