

---

***The North York  
Performing Arts  
Centre Corporation  
(operating as The  
Toronto Centre for  
the Arts)***

*2013 Year-end report  
to the Finance and  
Audit Committee*

*Prepared as of  
May 1, 2014*





May 1, 2014

Members of the Finance and Audit Committee of the Board of Management  
Toronto Centre for the Arts

Dear Members of the Finance and Audit Committee:

We have substantially completed our audit of the financial statements (the financial statements) of Toronto Centre for the Arts (the Centre) prepared in accordance with Canadian public sector accounting standards for not-for-profit organizations (PSAS) for the year ended December 31, 2013. We propose to issue an unqualified report on those financial statements, pending resolution of outstanding items outlined on page 1. Our draft auditor's report is included in Appendix B.

We have issued the accompanying report to assist you in your review of the financial statements. It includes an update on the status of our work, as well as a discussion on the significant accounting and financial reporting issues dealt with during the audit process.

We propose to review the key elements of this report at the upcoming meeting and discuss with you our key findings.

We would like to express our sincere thanks to the management and the staff of the Centre who have assisted us in carrying out our work and we look forward to our meeting on May 8, 2014. Should you have any questions or concerns prior to the Finance and Audit Committee meeting, please do not hesitate to contact me in advance.

Yours very truly,

*PricewaterhouseCoopers LLP*

Michael Nicoló  
Partner  
Audit and Assurance Group

cc: Pim Schotanus, General Manager

---

*PricewaterhouseCoopers LLP*  
North American Centre, 5700 Yonge Street, Suite 1900, North York, Ontario, Canada M2M 4K7  
T: +1 416 218 1500, F: +1 416 218 1499, [www.pwc.com/ca](http://www.pwc.com/ca)

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

## *Contents*

## *Page*

1. Executive summary	1
2. Audit administration	2
3. How we performed the audit	4
4. Significant audit, accounting and financial reporting matters	8
5. Summary of unadjusted and adjusted items	9
6. Other required communications	10
7. Internal control recommendations	11
8. Our commitment to audit quality	14
9. 2013 audit fees	15
10. Changes for not-for-profit organizations	16

## Appendices

Appendix A: Engagement letter

Appendix B: Draft auditor's report

Appendix C: Management representation letter

Appendix D: Financial reporting release

Appendix E: PwC publications

The matters raised in this and other reports that will flow from the audit are only those that have come to our attention arising from or relevant to our audit that we believe need to be brought to your attention. They are not a comprehensive record of all the matters arising and, in particular, we cannot be held responsible for reporting all risks in your business or all internal control weaknesses. This report has been prepared solely for your use and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted, as the report has not been prepared for, and is not intended for, any other purpose. Comments and conclusions should only be taken in context of the financial statements as a whole as we do not mean to express an opinion on any individual item or accounting estimate.

## 1. *Executive summary*

### a. **Status of the audit**

We have substantially completed our audit of the 2013 financial statements. Our auditor's report will be issued once we receive and have completed our audit work on the outstanding items noted below.

This document includes the required communications between an auditor and the Finance and Audit Committee, as required by Canadian generally accepted auditing standards (Canadian GAAS).

The following items will need to be completed/received prior to the issuance of our opinion. We will provide an update on the status of these items at our upcoming meeting.

#### **Outstanding items:**

- i. Receipt of bank confirmation from RBC
- ii. Subsequent events update with management
- iii. Receipt of signed management representation letter
- iv. Approval of the financial statements by the Finance and Audit Committee and Board of Directors

### b. **Key issues for discussion**

<b>Discussion item</b>	<b>Summary</b>	<b>For further reference</b>
Items discussed with management	<ul style="list-style-type: none"> <li>• During the course of our work we discussed the following items with management:               <ul style="list-style-type: none"> <li>- Related party transactions</li> <li>- Significant management estimates</li> <li>- Payroll timecard fraud</li> <li>- Internal control recommendations</li> </ul> </li> </ul>	Section 4 Section 7
Summary of unadjusted items	<ul style="list-style-type: none"> <li>• As a result of our audit, we did not identify any unadjusted and adjusted items.</li> <li>• In our opinion, the financial statements, taken as a whole, are free of material misstatement.</li> </ul>	Section 5
Fraud	<ul style="list-style-type: none"> <li>• We were notified by management of the payroll timecard fraud as discussed in Section 4.</li> <li>• No additional instances of fraud were noted as part of our audit procedures.</li> </ul>	Section 3
Management representations	<ul style="list-style-type: none"> <li>• Under Canadian GAAS, we are required to inform you of the representations we are requesting from management. A copy of the management representation letter is included in Appendix C.</li> </ul>	Appendix C

## 2. *Audit administration*

### a. **Your team**

Your client service team comprises the following individuals:

<b>Name</b>	<b>Role</b>	<b>Number of years on engagement</b>	<b>Phone number</b>	<b>Email address</b>
Michael Nicolás	Engagement leader	2	416 218 1395	michael.nicolo@ca.pwc.com
Natalia Glavina	Engagement manager	3	416 218 1456	natalia.glavina@ca.pwc.com
Akanksha Arora	Engagement senior	3	416 218 1500	akanksha.arora@ca.pwc.com

### b. **Our audit objectives**

As the Centre's auditor, our primary responsibility is to form and express an opinion on the Centre's financial statements as at December 31, 2013 and for the year then ended in accordance with PSAS. The financial statements are prepared by management with the oversight of those charged with governance (the Finance and Audit Committee). An audit of the financial statements does not relieve management or the Finance and Audit Committee of its responsibilities.

We conducted our audit in accordance with Canadian GAAS. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

In addition, we are committed to being a trusted advisor to management and to the Finance and Audit Committee. Where appropriate, we will discuss segment standards, provide management our views and insights and also advise management of other services we feel could be helpful at all times staying within the realms of our independence rules.

### c. **Engagement terms**

Our engagement letter (included in Appendix A) sets out the terms and conditions for our engagement as the independent auditor of the Centre for the above-mentioned year.

In addition, our engagement letter outlines our responsibilities as the auditor and the responsibilities of management.

## d. Our service deliverables

Our audit and audit related service deliverables with respect to 2013 are:

	<b>Audit and audit related services</b>	<b>Timing/status</b>
Audit opinion	<ul style="list-style-type: none"><li>Financial statement audit for the Centre.</li></ul>	May 26, 2014
Control recommendations	<ul style="list-style-type: none"><li>Report significant weaknesses in control and our recommendations to the Finance and Audit Committee.</li></ul>	May 8, 2014
Other services	<ul style="list-style-type: none"><li>Final report on the results of the audit to the Finance and Audit Committee.</li></ul>	May 8, 2014

### 3. How we performed the audit

#### a. Our audit approach

Our audit approach is designed to allow us to execute a quality and efficient audit. We do this by:

- i. gaining an understanding of the business by focusing on new developments and key business issues affecting the Centre as well as management's monitoring of controls and business processes;
- ii. identifying significant audit risks, sharing our perspectives, obtaining your feedback and ensuring our audit is tailored to these risks;
- iii. using well-reasoned professional judgment, especially in areas that are subjective or require estimates; and
- iv. leveraging reliance where possible on the Centre's internal controls and information technology and data systems.

In the current year, our work included testing of key controls in the Payroll area. All other areas were subject to tests of detail and substantive analytical testing.

Throughout the audit, we scale our work based on the size of an account balance, its complexity and its impact on the financial statements. As a result, you will always hear us talking to you about the key issues.

#### b. Risk analysis

Significant risks are those risks of material misstatement that, in our judgment, require special audit consideration. We have identified the following significant audit risks and other risks, including business risks with a potential audit impact, as part of our planning process.

These risks were identified based on discussions with management, our knowledge of the business and current developments in your industry and the economy. They are the most important risks from our perspective.

<b>Risk area (including key judgments and estimates)</b>	<b>Management's response</b>	<b>Our audit approach</b>
<p><b>Treatment of related party transactions</b></p> <p>A high amount of activity occurs between the Centre and the City. This includes transactions such as receipt of operating funding and the other charges.</p>	<p>Management separately tracks and monitors amounts received from the City to ensure that they are spent in accordance with funding arrangements.</p>	<p>We confirmed all year-end balances with the City related to the grant and others payables to ensure they have been accurately and completely reflected in the accounts of the Centre.</p>
<p><b>Payroll</b></p> <p>Salaries and benefits comprise a significant portion of the Centre's expenditures. It is important that control procedures in this area are effective and function properly on a continuous basis.</p>	<p>There are various controls in place to ensure the accuracy of the payroll, including hires, terminations, and changes to salaries and benefit amounts.</p>	<p>We validated key management controls around the payroll cycle and substantially tested payroll reconciliation for the current year.</p>

<b>Risk area (including key judgments and estimates)</b>	<b>Management’s response</b>	<b>Our audit approach</b>
<p><b>Deferred capital contributions and ticket sales</b></p> <p>Certain revenues relate to future performance, and have therefore not yet been earned, or to unspent capital ticket surcharges and are deferred as at the year end.</p>	<p>Management monitors restricted revenues to ensure that they are in accordance with revenue recognition criteria and funding arrangements.</p>	<p>We tested amounts which have been deferred to ensure that deferral is appropriate, and in accordance with funding arrangements (i.e. rental revenue deposits, capital contributions). We also tested amounts recognized as revenue in the year.</p>
<p><b>Management override of controls</b></p> <p>Canadian GAAS requires that the risk of material misstatement due to management override of controls be considered a significant risk on every audit engagement.</p> <p>This represents the risk that internal controls of the Centre may be circumvented to achieve desired financial results or gain inappropriate access to financial resources.</p> <p>The preparation of financial statements includes the use of estimates in areas such as amortization, accruals and provisions. Due to their nature, estimates carry a higher inherent risk and therefore require additional consideration as part of an audit examination.</p>	<p>Management ensures appropriate segregation of duties and authorization of manual journal entries.</p> <p>Management reviews its estimates on a regular basis and applies a consistent methodology to estimate the amounts, unless there has been a change in circumstances.</p>	<p>We assessed the risk of management override of controls throughout our audit by performing the following:</p> <ul style="list-style-type: none"> <li>• Tested the details supporting the financial statement balances by agreeing all material items to supporting ledgers/records, as well as performed testing of manual journal entries.</li> <li>• Reviewed a sample of significant and unusual journal entries to assess their appropriateness.</li> <li>• Incorporated a level of unpredictability throughout our audit procedures. Our unpredictability procedures included testing low dollar value of revenue samples.</li> <li>• For all material estimates, we reviewed management’s methodology in arriving at these estimates, to ensure that it is reasonable and has been consistently applied year over year.</li> </ul> <p>Based on the results of our audit procedures, we did not note any instances of override of controls or fraud.</p>



### c. Materiality

Misstatements, including omissions, are considered to be material if they (individually or in aggregate with other misstatements) could reasonably be expected to influence the economic decisions of users, taken on the basis of 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. A common measure for setting materiality for a not-for-profit organization is to use 1/2% to 2% of revenue or expenditures. Accordingly, we set our materiality for the audit as follows:

	<b>Basis</b>	<b>Amount</b>
Overall materiality	2% of expenditures	\$110,500
Unadjusted and adjusted items in excess of this amount are reported to the Finance and Audit Committee	10% of overall materiality	\$11,000

### d. Discussion on fraud risk

Canadian GAAS requires us to discuss fraud risk annually with the Finance and Audit Committee. We understand that part of your governance role is also to consider the fraud risks facing the Centre and the responses to those risks.

Required discussion	<ul style="list-style-type: none"> <li>• Through our audit process (and prior years' audits), we have developed an understanding of your oversight processes including:               <ul style="list-style-type: none"> <li>- Code of conduct</li> <li>- Audit Committee charters</li> <li>- Discussion at Audit Committee meetings and our attendance at those meetings</li> <li>- Business performance reviews</li> <li>- Review of related party transactions</li> <li>- Consideration of tone at the top</li> </ul> </li> <li>• Are there any new processes or changes to the above that we should be aware of?</li> </ul>
Required discussion	<p>We were notified by management prior to start of the audit of the payroll fraud as discussed in Section 4. We are not aware of any other fraud at the current time.</p> <p>We would like to ask: Are you aware of instances of actual, suspected or alleged fraud affecting the Centre?</p>

---

## **An auditor's responsibilities for detecting fraud**

We are responsible for planning and performing the audit to obtain reasonable assurance that the financial statements are free of material misstatements, whether caused by error or fraud.

The likelihood of not detecting a material misstatement resulting from fraud is higher than the likelihood of not detecting a material misstatement resulting from error, because fraud may involve collusion as well as sophisticated and carefully organized schemes designed to conceal it.

During our audit, we performed the following procedures in order to fulfill our responsibilities:

- inquired of management, the Finance and Audit Committee and others related to any knowledge of fraud or suspected fraud;
- incorporated an element of unpredictability in the selection of the nature, timing and extent of our audit procedures;
- performed additional required procedures to address the risk of management's override of controls, including:
  - testing internal controls designed to prevent and detect fraud;
  - examining journal entries and other adjustments for evidence of the possibility of material misstatement due to fraud;
  - reviewing accounting estimates for biases that could result in material misstatement due to fraud, (including a retrospective review of significant prior years' estimates); and
  - evaluating the business rationale of significant unusual transactions.

## 4. Significant audit, accounting and financial reporting matters

Preparation of the financial statements requires management to select accounting policies, as well as make critical accounting estimates and disclosures that may involve significant judgment and measurement uncertainty. These matters can significantly impact the Centre's reported results.

We are responsible for discussing with the Finance and Audit Committee our views about the significant qualitative aspects of the Centre's accounting practices, including accounting policies, the accounting estimates, and financial statement disclosures in accordance with the requirements of PSAS.

Our comments and views included in this report should only be taken in the context of the financial statements as a whole and are not meant to express an opinion on any individual item or accounting estimate. We are sharing our views with you to facilitate an open dialogue of these matters.

Issue	Discussion
<b>Related party transactions – City of Toronto</b>	<p>As a significant amount of activity occurs between the City and the Centre, we confirmed all year-end balances directly with the City, related to the grant received in the year, the year-end receivable balance and loan payable balance to the City.</p> <p>We have received the City confirmation and have fully reconciled the balances per confirmation to the financial statements. All of the amounts have been accurately and completely reflected in the accounts of the Centre.</p>
<b>Significant management estimates</b>	<p>During the course of our work, we noted the following area of management judgment or estimate:</p> <p><i>Payroll Accruals:</i></p> <ul style="list-style-type: none"> <li>◦ As part of testing of payroll accruals, we noted that payroll accrual of approximately \$51,500 (2011 - \$47,200) was properly recorded in the financial statements.</li> </ul>
<b>Payroll timesheet fraud</b>	<p>During the year, a payroll timesheet fraud was discovered by management, whereby it was alleged that some part time employees were noting longer hours than actually worked, stealing supplies and taking unauthorized breaks during working shifts.</p> <p>Upon discovery of the fraud, management reported it to the external auditors, Finance and Audit Committee and appropriate City representatives. Management has undertaken rigorous analysis to quantify the impact of this fraud and has implemented additional controls around time-card verification for all employees</p>

## ***5. Summary of unadjusted and adjusted items***

We have concluded that the financial statements taken as a whole are free of material misstatement and (pending the completion, to our satisfaction, of the outstanding matters identified in section 1), we are prepared to issue an unqualified opinion on the financial statements.

Our responsibility is to issue an opinion as to whether the financial statements are free of material misstatement.

Under Canadian GAAS, we are required to communicate to you the unadjusted items and the effect that they may have on our opinion and to request that unadjusted items be corrected.

We are also required to communicate the effects of any unadjusted items that relate to prior periods. We did not identify any such adjustments.

There are no unadjusted or adjusted items in the current year.

## 6. *Other required communications*

Canadian GAAS requires that the external auditor communicate certain matters to the Finance and Audit Committee that may assist you in overseeing management's financial reporting and disclosure process.

Below, we summarize these required communications as they apply to you:

<b>Matter to be communicated</b>	<b>PwC's response</b>
Management's representations	<ul style="list-style-type: none"> <li>• Under Canadian GAAS, we are required to inform you of the representations we are requesting from management. A copy of the management representation letter is included in Appendix C.</li> </ul>
Significant deficiencies in internal control	<ul style="list-style-type: none"> <li>• Recent changes to Canadian GAAS require us to communicate to the Finance and Audit Committee internal control weaknesses identified as part of our audit that are considered to be significant deficiencies.</li> <li>• A significant deficiency is defined as an internal control deficiency that we consider merits the attention of the Finance and Audit Committee.</li> <li>• These are summarized in Section 7.</li> </ul>
Significant difficulties or disagreements that occurred during the audit	<ul style="list-style-type: none"> <li>• No difficulties or disagreements occurred while performing our audit that requires the attention of the Finance and Audit Committee.</li> </ul>
Fraud and illegal acts	<ul style="list-style-type: none"> <li>• No fraud or illegal acts came to our attention as a result of our audit procedures.</li> </ul>

## 7. Internal control recommendations

The purpose of our audit was to enable us to express an opinion on the financial statements. The audit included consideration of internal control relevant to the 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 internal control.

During our audit, we did not identify any new internal control recommendations; however, we want to bring to your attention items discussed with management and the Finance and Audit Committee in the prior year.

### ***Items requiring further action:***

Observation	Recommendation	Management's response
<p><b>Overall segregation of duties</b></p> <p>Due to the small size of the Centre's finance team, we noted many areas where the reporting and accounting functions are being performed by the General Manager (GM), rather than being subject to his review. This means that a review is not being performed of the work that he is performing, which increases the risk of error and possibility for management override of controls. It also means that a large proportion of his time is being taken up with detailed accounting work, rather than providing oversight to the finance team and driving the strategic priorities of the organization.</p>	<p><u>2010 Recommendation:</u></p> <p>We recommend that the GM delegate certain responsibilities to the Director of Finance and Administration, the Director of Operations, and/or other capable staff, with the appropriate training. This will enable the GM to independently review the work prepared by these staff and to focus on other strategic priorities. We noted instances where this delegation was beginning to happen. We encourage a full review of all roles and responsibilities to ensure this ability has been maximized.</p> <p><u>2011 and 2012 Update:</u></p> <p>Control weakness is still noted. Due to the small size of the Centre's finance team a significant proportion of the GM's time is being taken up with detailed accounting work, rather than providing oversight to the finance team and driving the strategic priorities of the organization. We recommend that the GM delegate some of his responsibilities to other capable staff with appropriate training.</p>	<p><u>2010 Response:</u></p> <p>Management has already begun to delegate responsibilities where possible. For example, the Director of Finance and Administration took on a much larger role in preparing the audit requirements, as well as certain accounting processes. However, the GM's ability to delegate is restricted by the small finance team and the lack of available resources.</p> <p>Management would like to be able to spend more time on the strategic planning and direction of the Centre; therefore, the potential addition of a qualified staff member would be required in order to refocus effort on driving the strategy of the organization.</p> <p><u>2011 Response:</u></p> <p>Management agrees with this recommendation.</p> <p><u>2012 Response:</u></p> <p>Managements request through the 2013 budget process for an additional staff resources was turned down due to the overall budget pressure facing the City and the fact that the Centre's 2013 base operating budget request was</p>

Observation	Recommendation	Management's response
	<p><u>2013 Update:</u></p> <p>We noted that the GM has delegated a significant number of accounting tasks to Director of Finance. The accounting related tasks still performed by the GM include preparation of financial statements and notes disclosures. Further delegation should be considered by GM.</p>	<p>already increased by 98% as a result of Dancap's departure from the Main Stage during 2012. The Centre continues to balance the need to minimize overhead expenses while striving to segregate accounting duties as recommended during the 2010 audit.</p> <p><u>2013 Response:</u></p> <p>Management considers further delegation of tasks to be unnecessary as financial reporting matters and City communication is best handled by GM.</p>

***Items that have been fully resolved in the current year:***

<b>Internal control observation</b>	<b>Recommendation</b>	<b>Management’s response</b>
<p><b>Management expense report approval and written policies</b></p> <p>As noted previously, during our testing of the authorization of management expense reports, we noted one instance where a manager had approved his own American Express (Amex) expense report. Although our review indicated that the nature of the expense approved was in accordance with the Centre’s expense policy, there is a risk of misappropriation of assets where expense reports can be self-approved.</p>	<p><u>2010 Recommendation:</u></p> <p>We recommend that all expense reports, including Amex expenses, be approved by someone other than the manager who has incurred the expense.</p> <p>Management has already developed a policy with respect to the use and approval of credit card related expenses. We recommend that this policy be updated to include the appropriate signature authorization policy.</p> <p><u>2011 and 2012 Update:</u></p> <p>Partial Implementation:</p> <p>We noted that the all expenses were appropriately approved. However, there is no written management expense policy.</p> <p>We recommend that management develop a management expense policy.</p> <p><u>2013 Update:</u></p> <p>This issue has been fully resolved in the current year.</p>	<p><u>2010 Response:</u></p> <p>Management agrees that no manager will be able to approve their own Amex expense reports going forward.</p> <p>The new credit card policy will also be updated to include the appropriate signature authorization policy.</p> <p><u>2011 Response:</u></p> <p>Although there have been no questionable management expenses to date, management agrees that the development of a management expense policy is consistent with good financial oversight and will take steps to develop such policy.</p> <p><u>2012 Response:</u></p> <p>The Centre is currently working with the Centre’s Finance and Finance and Audit Committee to develop and implement a management expense policy based on guidelines provided by the City of Toronto , the Amex credit card use policy was updated to ensure that no manager can approve their own Amex expense reports.</p>



## 8. *Our commitment to audit quality*

We are proud of PwC's long history of delivering high quality and recognize that quality in everything we do is paramount. We know that you expect our people to be competent, objective and embody the right level of professional scepticism - while at all times maintaining an open dialogue with your management team. We believe our core values described below ensure that we achieve audit quality and quality service at the same time.

Core value	How it helps us execute a high quality audit
Investing in relationships	<ul style="list-style-type: none"> <li>We believe that the professional relationships we foster with management and the Finance and Audit Committee allow us to have open and candid dialogue over issues including, when necessary, asking those difficult questions.</li> <li>Relationships also allow us to provide timely advice and enable us to better understand the Centre's business.</li> </ul>
Sharing and collaborating	<ul style="list-style-type: none"> <li>Tackling today's complex business issues requires the collaboration of different team members from various areas of our firm such as tax or valuation experts.</li> <li>Our experts will work with members of your team to help solve complex issues and bring forward best practices.</li> </ul>
Putting ourselves in others' shoes	<ul style="list-style-type: none"> <li>Listening to and understanding others' perspectives allow for enhanced dialogue and allow us to think about issues from various points of view.</li> <li>We consider issues from multiple perspectives, starting with the standards, and including the views of management and the Finance and Audit Committee as well as our assessment of what financial statement users expect. While we will express our views or preferences, we do not impose them on you unless we believe that there are no other alternatives within the standards.</li> </ul>
Enhancing value	<ul style="list-style-type: none"> <li>Our understanding of the business and execution of a quality audit allow us to identify issues that are important to the Finance and Audit Committee and management.</li> <li>Within the realms of our independence rules, there are opportunities to provide recommendations and insight on improvements in controls, operations and other areas of business that can enhance shareholder value.</li> </ul>

These core values govern how we operate - the audit work and documentation of procedures in our files are also always of the same high standard. Our people are subject to continuous training to ensure that they are equipped with the right tools and best practices to achieve quality and a focus on continuous improvement.

Although our audits are planned to focus on the key risks, our professional audit standards and regulators require us to ensure that we have sufficient evidence in all areas of our files. While we strive to achieve high quality in a cost effective manner, the reality is that we are being required to do more to comply with existing standards and to meet our regulator's interpretations of what audit quality is. This means that you will see us performing procedures in areas that you might consider lower risk.

**As always we welcome your feedback on our performance and your views on how we achieve quality. You have our commitment that audit quality is paramount and you can have the confidence that the audit work performed by PwC will stand up to the scrutiny of contributors and other stakeholders.**

## 9. 2013 audit fees

Our estimated fees were based on the expected time required to complete the audit. Our fees excluded taxes and out-of-pocket costs, as outlined in our engagement letter.

<b>Service description</b>	<b>Estimated fees 2014 \$</b>	<b>Actual fees 2013 \$</b>	<b>Actual fees 2012 \$</b>
Audit of the financial statements	\$14,290	\$13,360	\$12,500
Additional procedures relating to payroll irregularities	-	\$4,000	-

Should we incur additional costs due to changes in the level of effort or scope changes, we will advise management and seek their approval.

Conditions that could result in additional costs include, but are not limited to, the following:

1. Unexpected transactions requiring use of additional resources.
2. Delays in receiving requested information that results in idle staff time or staffing changes or any changes to the trial balance subsequent to the agreed upon date that results in additional audit testing.
3. Time incurred to review and/or test multiple versions of audit schedules.
4. Time incurred to review management's position paper and resolve significant accounting matters.
5. Time incurred to quantify and perform additional audit procedures, as necessary, to validate adjustments.
6. Significant revisions to the financial statements (i.e. re-writing of note disclosures or pervasive mathematical errors and/or internal inconsistencies) and reviewing multiple versions of the financial statements (i.e. more than two versions).
7. Additional meetings with the Finance and Audit Committee / Board and additional drafting sessions.

## ***10. Changes for not-for-profit organizations***

As part of our commitment to quality service, we now draw your attention to new and emerging accounting, auditing and regulatory developments together with their assessed impact on the Centre's financial reporting:

### **Improvements proposed by the Accounting Standards Board and Public Sector Accounting Board**

In April 2013, the Accounting Standards Board (AcSB) and Public Sector Accounting Board (PSAB) issued a statement of principles on Improvements to Not-for-Profit Standards. These principles are expected to be incorporated into future exposure drafts issued by each Board. The proposals would affect Part III of the CPA Canada Handbook – Accounting, and the CPA Canada Public Sector Accounting (PSA) Handbook including the PS 4200 series of Sections, to improve existing standards for financial reporting by NFPOs. The effects of these proposals would be significant. The timing of the exposure drafts and effective dates for individual standards has not yet been determined. More details can be found in Appendix E.

We would be pleased to discuss any questions you have regarding this change, at your request.

---

## ***Appendix A: Engagement letter***

---

## ***Appendix B: Draft auditor's report***

---

## ***Appendix C: Management representation letter***

---

## ***Appendix D: Financial reporting release***

---

## ***Appendix E: PwC publications***

- a) Improvements proposed by the Accounting Standards Board and Public Sector Accounting Board
- b) A report to the Finance and Audit Committee on our quality controls
- c) Director Connect – Your Corporate Governance Community



