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# *Toronto Public Library Board Audit results*

*2018 year-end report  
to the Board*

*Prepared as of  
May 10, 2019*





May 10, 2019

The Board Members  
Toronto Public Library Board

Dear Board Members:

We have substantially completed our audit of the financial statements of the Toronto Public Library Board (the Board) prepared in accordance with Canadian public sector accounting standards (PSAS) for the year ended December 31, 2018. We propose to issue our auditor's report on those financial statements, pending resolution of outstanding items outlined on page 1. Our draft auditor's report is included as Appendix A.

We prepared 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 audit, accounting and financial reporting matters dealt with during the audit process.

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

We would like to express our sincere thanks to the management and staff who have assisted us in carrying out our work, and we look forward to your meeting on May 21, 2019. If you have any questions or concerns prior to the meeting, please do not hesitate to contact me in advance.

Yours very truly,

*PricewaterhouseCoopers LLP*

Terri McKinnon  
Partner  
Assurance

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## Communications to the Board

<b>Key matters for discussion</b>	<b>Comments</b>
<p><b>Status of the audit</b></p>	<p>PricewaterhouseCoopers LLP have substantially completed our audit of the 2018 financial statements (the financial statements). We have included our draft auditor’s report, which reflects the enhanced auditor reporting standards effective for years ending on or after December 15, 2018, in Appendix A. The financial statements has been provided in your Board package for the approval.</p> <p>Significant outstanding items at time of mailing include the following:</p> <ul style="list-style-type: none"> <li>• Review and approval of final financial statements by the Board;</li> <li>• Receipt of signed management representation letter; and</li> <li>• Subsequent events procedures.</li> </ul>
<b>Significant audit, accounting, and financial reporting matters discussed with management</b>	
<p><b>Risk of fraud in revenue recognition</b> (significant risk)</p> <p>Auditing standards assume a rebuttable presumption, that there is a significant risk of fraud in revenue recognition in all businesses.</p>	<p>In order to address this risk, we performed the following procedures:</p> <ul style="list-style-type: none"> <li>• Confirmed all revenues received and receivable with the City of Toronto;</li> <li>• Performed substantive testing of different revenue streams to obtain comfort over occurrence and accuracy of transactions;</li> <li>• Reconciled grants from Province of Ontario recognized in the period to the relevant funds agreement; and</li> <li>• Agreed donations received from the Toronto Public Library Foundation (the Foundation) to the records of the Foundation.</li> </ul> <p>We did not note any matters to bring to your attention.</p> <p>At December 31, 2018, \$2,843,479 of donations from the Foundation have been included in deferred revenues.</p>
<p><b>Risk of material misstatement due to management override</b> (significant risk)</p> <p>Accounting regulatory authorities require that the risk of material misstatement due to management override of controls be considered a significant risk on every audit engagement.</p>	<p>To address the risk of management override of controls, and as part of our fraud procedures, we performed the following:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding of the entity’s financial reporting processes and the controls over major business processes;</li> <li>• Identified risk criteria specific to the entity to identify journal entries for testing;</li> <li>• Inquired of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments; and</li> </ul>

<b>Key matters for discussion</b>	<b>Comments</b>
	<ul style="list-style-type: none"> <li>Incorporated an element of unpredictability into the current year audit procedures.</li> </ul> <p>We performed testing over a selection of journal entries for appropriateness and authorization. As a result of this testing, we did not note any matters that require your attention. In addition, for the unpredictable procedure we performed testing over existence of employees in local library branches. There were no significant matters to bring to your attention.</p>
<b>Other required communications</b>	
<b>Summary of unadjusted and adjusted items</b>	<p>The materiality level determined for the year ended December 31, 2018 was \$6,400,000, compared to \$6.6 million communicated in our audit plan based on forecasted results. We have communicated unadjusted and adjusted differences greater than our threshold of \$640,000.</p> <p>Unadjusted items can be found in Appendix B.</p> <p>In our opinion, the financial statements, taken as a whole, are free of material misstatement.</p>
<b>Management's representations</b>	<p>We need to inform you of the representations we are requesting from management. A copy of the management representation letter is included in Appendix C.</p>
<b>Internal controls recommendations</b>	<p>While our audit approach was primarily substantive in nature, we did not note any significant internal control deficiencies as a result of our work.</p>
<b>Fraud and illegal acts</b>	<p>No fraud involving senior management, or employees with a significant role in internal control or that would cause a material misstatement of the financial statements and no illegal acts came to our attention as a result of our audit procedures.</p> <p>We wish to confirm that the Board is not aware of any known, suspected or alleged incidents of fraud or illegal acts not previously discussed with us.</p>
<b>Subsequent events</b>	<p>No subsequent events which would impact the financial statements other than those disclosed have come to our attention. We would like to reconfirm that the Board is not aware of any other subsequent events that might affect the financial statements.</p>
<b>Significant difficulties or disagreements</b>	<p>We have no significant difficulties or disagreements during the course of the audit.</p>

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. 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. This report has been prepared solely for your use. It was not prepared for, and is not intended for, any other purpose. No other person or entity shall place any reliance upon the accuracy or completeness of statements made herein. PwC does not assume responsibility to any third party, and, in no event, shall PwC have any liability for damages, costs or losses suffered by reason of any reliance upon the contents of this report by any person or entity other than you.

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***Appendix A: Draft auditor's report***

## Appendix B: Summary of unadjusted differences

As a result of our audit, we noted the following differences that have not been recorded in the financial statements:

Description	Excess of revenue over expenses (under) over stated	Statement of financial position		
		Assets under (over) stated	Liabilities (under) over stated	Net assets (under) over stated
1 To reverse the offsetting entry of City of Toronto payable at December 31, 2018 DR. Accounts receivable - City of Toronto CR. Accounts payable - City of Toronto		\$821,605	(\$821,605)	
2 To reverse the accrual related to the expropriation of 414 Dawes Road DR. Accounts payable and accrued liabilities CR. Tangible capital assets		(\$840,000)	\$840,000	
<b>Total</b>	<b>\$ nil</b>	<b>(\$18,395)</b>	<b>\$18,395</b>	<b>\$ nil</b>

There were no differences noted that were adjusted by management.

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

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