

Toronto Public Library Board

Audit Findings Report
for the year ended
December 31, 2021

KPMG LLP

Licensed Public Accountant

April 11, 2022

kpmg.ca/audit



Table of contents

Audit Quality: How do we deliver audit quality?	3
Audit highlights	4
Audit risks and results	5
Uncorrected and corrected audit misstatements	9
Appendices	10

KPMG contacts

The contacts at KPMG in connection with this report are:



Kevin Travers, CPA, CA

**Lead Audit Engagement
Partner**

Tel: 416-228-7004
ktravers@kpmg.ca



Elliot Cheng, CPA, CA

Audit Senior Manager

Tel: 416-228-4364
elliotcheng@kpmg.ca

Our refreshed Values

What we believe

 Integrity
We do what is right.

 Excellence
We never stop learning
and improving.

 Courage
We think and act boldly.

 Together
We respect each other
and draw strength from
our differences.

 For Better
We do what matters.



Audit Quality: How do we deliver audit quality?

Quality essentially means doing the right thing and remains our highest priority. Our **Global Quality Framework** outlines how we deliver quality and how every partner and staff member contributes to its delivery.

‘**Perform quality engagements**’ sits at the core along with our commitment to continually monitor and remediate to fulfil on our quality drivers.

Our **quality value drivers** are the cornerstones to our approach underpinned by the **supporting drivers** and give clear direction to encourage the right behaviours in delivering audit quality.

We define ‘**audit quality**’ as being the outcome when:

- audits are **executed consistently**, in line with the requirements and intent of **applicable professional standards** within a strong **system of quality controls**; and
- all of our related activities are undertaken in an environment of the utmost level of **objectivity, independence, ethics, and integrity**.



Visit our [Resources](#) page for more information.

Doing the right thing. Always.

Audit highlights

Purpose of this report¹

The purpose of this Audit Findings Report is to assist you, as Members of the Toronto Public Library Board (the “Board”), in your review of the results of our audit of the financial statements as at and for the period ended December 31, 2021.

Status of the audit

As of April 11, 2022, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include amongst others:

- Completing our discussions with the Members of the Board
- Obtaining evidence of the Members of the Board’s approval of the financial statements
- Receipt of the signed management representation letter (dated upon Board approval of the financial statements)
- Completion of subsequent events procedures, up to the date of approval of the financial statements

We will update the Members of the Board on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures.

Our auditors’ report, a draft of which is provided in Appendix: Draft Auditors’ Report, will be dated upon the completion of any remaining procedures.

Significant changes from the audit plan

There were no significant changes to our audit plan which was originally communicated to you in the audit planning report.

Going concern

No matters to report.

Significant risks and other significant matters

There are no significant findings to communicate related to significant risks or other significant matters.

Uncorrected audit misstatements

No matters to report.

Significant accounting policies and practices

There have been no initial selections of, or changes to, significant accounting policies and practices to bring to your attention.

¹ This Audit Findings Report is intended solely for the information and use of Management and the Members of the Board and should not be used for any other purpose or any other party. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this Audit Findings Report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Audit risks and results

Significant risk - professional requirements	Why is it significant?
Presumption of the risk of fraud involving improper revenue recognition	We have not identified any risk of material misstatement resulting from fraudulent revenue recognition.
Presumption of the risk of fraud resulting from 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.

Our response

- Fraud risk from revenue recognition has been rebutted. We have not identified any risk of material misstatement resulting from fraudulent revenue recognition. Our audit methodology incorporates the required procedures in professional standards to address and rebut this risk. These procedures include substantive revenue testing, testing of relevant journal entries and other adjustments and evaluating the business rationale of significant unusual transactions.
- As the presumed risk of material misstatement due to fraud resulting from management override of controls is not rebuttable, our audit methodology incorporates the required procedures in professional standards to address this risk. These procedures include testing of journal entries and other adjustments, performing a retrospective review of estimates and evaluating the business rationale of significant unusual transactions.

Significant findings

- We did not note any significant control deficiencies in our evaluation of the design and implementation and test operating effectiveness of selected relevant controls over financial reporting.
- We tested manual and automated journal entries and other adjustments by using Data & Analytics routines. Using extractions from the complete general ledger, we selected a sample of journal entries meeting pre-determined high-risk criteria and verified if they were supported by proper documentation and appropriately recorded in the general ledger. We also followed the journal entry initiation and approval controls and process in place.
- We did not identify any issues or concerns after performing our review of estimates.
- We did not identify any significant unusual transactions or any specific additional risks of management override during our audit.

Audit risks and results (continued)

We highlight our significant findings in respect of **other areas of focus** as well as any additional areas of focus identified.

Area of focus	New or changed?	Estimate?
Cash and cash equivalents	No	No
Capital assets	No	Yes

Our response

Cash:

- Obtained confirmations of the year-end cash and cash equivalents balances from third parties.
- Reviewed bank reconciliations and agreed significant reconciliation items to supporting documentation.
- Reviewed financial statements disclosures.

Capital assets:

- Selected a sample of additions and agreed to original invoices to ensure proper accounting treatment.
- Assessed the reasonableness of amortization expense.
- All useful lives are based on corporate policies and did not change from prior year. KPMG reviewed the useful lives used in amortization calculation and ensured that all were in line with the Board's policy. The estimation uncertainty related to useful lives does not result in a risk of material misstatement.

Significant findings

- No issues noted.

Audit risks and results (continued)

Area of focus	New or changed?	Estimate?
Revenue and accounts receivable	No	No
Deferred revenue	No	No

Our response

Revenue and accounts receivable:

- Revenue recognition considerations (deferred vs. recognized).
- Reconciliation of accounts receivable and review sub-ledger for credit balances.
- Assessed the reasonability of the Allowance for Doubtful Accounts balance of \$431K over the receivable balance in the current year.
- Selected samples from fines and user charges, donations and other grants, and other revenue. Agreed to supporting documentation and ensured revenue recognition was appropriate.

Deferred revenue:

- Inquired of management on the nature of various deferral revenue.
- Selected samples of inflows for deferred revenues, agreed to supporting documentation and ensured appropriate deferrals were made.
- Selected samples of outflow for deferred revenues, agreed to supporting documentation and ensured appropriate revenue recognitions or refund reversals were made.

Significant findings

- The Board received \$235 million (2020 - \$ 232 million) of operating and capital funding from the City to support its operations and maintain cashflow. Furthermore, the City is responsible for the Board's operating deficits and is entitled to its operating surpluses.
- No issues noted.

Audit risks and results (continued)

Area of focus	New or changed?	Estimate?
Due to/from the City, City of Toronto Revenue and Province of Ontario Revenue	No	No
Accounts payable and operating expenses	No	No
Legal claim liability	No	No

Our response

Our procedures for due to/from the City, City of Toronto revenue and Province of Ontario revenue included:

- Obtained an understanding over the revenue recognition policy and controls in place.
- Obtained confirmation from City of Toronto to ensure existence, accuracy and completeness of the intercompany receivable/payable balance and revenue received.
- Obtained grant approval letter from Ontario Ministry of Heritage, Sport, Tourism and Culture Industries to ensure the existence, accuracy and completeness of Province of Ontario Revenue received.

Our procedures for accounts payable and operating expenses included:

- Performed a search for unrecorded liabilities by extracting lists of subsequent payments and accounts payable details and selected samples for testing.
- Selected a sample of expense transactions and agree to original invoices to ensure the proper classification of expenses.
- Reviewed supporting documentation for significant accruals.

Our procedures for legal claim liability included:

- Reviewed Board meeting minutes.
- Discussed any outstanding litigations and claims with management.
- Obtained direct confirmation with the City and third party legal counsel.
- Evaluated whether significant contingent liabilities are appropriately disclosed and/or recorded.

Significant findings

- No issues noted.

Uncorrected and corrected audit misstatements

Audit misstatements include presentation and disclosure misstatements, including omissions.

Professional standards require that we request of management and the audit committee that all identified differences be corrected. We have already made this request of management.

Uncorrected audit misstatements

We did not identify misstatements that remain uncorrected.

Corrected audit misstatements

We did not identify any misstatements that were communicated to management and subsequently corrected in the financial statements.

Appendices

Content

Appendix 1: Other required communications

Appendix 2: Technology in the audit

Appendix 3: Upcoming changes to auditing standards

Appendix 4: Current Developments

Appendix 5: Audit and assurance insights



Appendix 1: Other required communications

Audit Quality in Canada	Engagement terms
<p>The reports available through the following links were published by the Canadian Public Accountability Board to inform audit committees and other stakeholders about the results of quality inspections conducted over the past year:</p> <ul style="list-style-type: none">• CPAB Audit Quality Insights Report: 2021 Interim Inspections Results• CPAB Audit Quality Insights Report: 2020 Annual Inspections Results	<p>Unless you inform us otherwise, we understand that you acknowledge and agree to the terms of the engagement set out in the engagement letter provided by City's management.</p>
Reports to the Audit Committee	Representations of management
<p>Audit findings report – as attached</p>	<p>We will obtain from management certain representations at the completion of the audit.</p>
Report	Control deficiencies
<p>The conclusion of our audit is set out in our draft auditors' report attached to the draft financial statements.</p>	<p>None noted.</p>

Appendix 2: Technology in the audit

We have utilized technology to enhance the quality and effectiveness of the audit.

Technology	Our results and insights
Journal Entry Analysis	We utilized Computer Assisted Audit Techniques (“CAATs”) to analyze journal entries and apply certain criteria to identify potential high-risk journal entries for further testing.
Data Extraction & Analytics Tools	We utilized data and analytics in the audit to evaluate the completeness of the journal entry population through a roll-forward of accounts. This consists of a summation of all automated and manual journal entries posted in the selected GL accounts during the fiscal year and comparison of the calculated final balances to the account balances as at and for the year ended December 31, 2021 as reported by management.

Appendix 3: Upcoming changes to auditing standards

The following changes to auditing standards applicable to our 2022 audit are listed below.

Standard	Key observations
Revised CAS 315, Identifying and Assessing the Risks of Material Misstatement	<p>Revised CAS 315, <i>Identifying and Assessing the Risks of Material Misstatement</i> has been released and is effective for audits of financial statements for periods beginning on or after December 15, 2021.</p> <p>The standard has been significantly revised, reorganized and enhanced to require a more robust risk identification and assessment in order to promote better responses to the identified risks. Key changes include:</p> <ul style="list-style-type: none">– Enhanced requirements relating to exercising professional skepticism– Distinguishing the nature of, and clarifying the extent of, work needed for indirect and direct controls– Clarification of which controls need to be identified for the purpose of evaluating the design and implementation of controls– Introduction of scalability– Incorporation of considerations for using automated tools and techniques– New and revised concepts and definitions related to identification and assessment of risk– Strengthened documentation requirements <p>CPA Canada plans to publish a Client Briefing document in early 2022 to help you better understand the changes you can expect on your 2022 audit.</p>

Appendix 4: Current Developments

Public Sector Accounting Standards

Standard

Summary and implications

Asset Retirement Obligations

- The new standard is effective for fiscal years beginning on or after April 1, 2022 (the Board's fiscal year ending December 31, 2023).
- The new standard addresses the recognition, measurement, presentation and disclosure of legal obligations associated with retirement of tangible capital assets in productive use. Retirement costs will be recognized as an integral cost of owning and operating tangible capital assets. PSAB currently contains no specific guidance in this area.
- The ARO standard will require the public sector entity to record a liability related to future costs of any legal obligations to be incurred upon retirement of any controlled tangible capital assets ("TCA"). The amount of the initial liability will be added to the historical cost of the asset and amortized over its useful life.
- As a result of the new standard, the public sector entity will have to:
 - Consider how the additional liability will impact net debt, as a new liability will be recognized with no corresponding increase in a financial asset;
 - Carefully review legal agreements, senior government directives and legislation in relation to all controlled TCA to determine if any legal obligations exist with respect to asset retirements;
 - Begin considering the potential effects on the organization as soon as possible to coordinate with resources outside the finance department to identify AROs and obtain information to estimate the value of potential AROs to avoid unexpected issues.

Revenue

- The new standard is effective for fiscal years beginning on or after April 1, 2023 (the Board's fiscal year ending December 31, 2024). The effective date was deferred by one year due to COVID-19.
- The new standard establishes a single framework to categorize revenues to enhance the consistency of revenue recognition and its measurement.
- The standard notes that in the case of revenues arising from an exchange transaction, a public sector entity must ensure the recognition of revenue aligns with the satisfaction of related performance obligations.
- The standard notes that unilateral revenues arise when no performance obligations are present, and recognition occurs when there is authority to record the revenue and an event has happened that gives the public sector entity the right to the revenue.

Public Sector Accounting Standards

Standard	Summary and implications
Financial Instruments and Foreign Currency Translation	<ul style="list-style-type: none">— The accounting standards, PS3450 Financial Instruments, PS2601 Foreign Currency Translation, PS1201 Financial Statement Presentation and PS3041 Portfolio Investments are effective for fiscal years commencing on or after April 1, 2022 (the Board’s fiscal year ending December 31, 2023). The effective date was deferred by one year due to COVID-19.— Equity instruments quoted in an active market and free-standing derivatives are to be carried at fair value. All other financial instruments, including bonds, can be carried at cost or fair value depending on the public sector entity’s choice and this choice must be made on initial recognition of the financial instrument and is irrevocable.— Hedge accounting is not permitted.— A new statement, the Statement of Remeasurement Gains and Losses, will be included in the financial statements. Unrealized gains and losses incurred on fair value accounted financial instruments will be presented in this statement. Realized gains and losses will continue to be presented in the statement of operations.— In July 2020, PSAB approved federal government narrow-scope amendments to PS3450 Financial Instruments which will be included in the Handbook in the fall of 2020. Based on stakeholder feedback, PSAB is considering other narrow-scope amendments related to the presentation and foreign currency requirements in PS3450 Financial Instruments. The exposure drafts were released in summer 2020 with a 90-day comment period.
Employee Future Benefit Obligations	<ul style="list-style-type: none">— PSAB has initiated a review of sections PS3250 Retirement Benefits and PS3255 Post-Employment Benefits, Compensated Absences and Termination Benefits. In July 2020, PSAB approved a revised project plan.— PSAB intends to use principles from International Public Sector Accounting Standard 39 Employee Benefits as a starting point to develop the Canadian standard.— Given the complexity of issues involved and potential implications of any changes that may arise from the review of the existing guidance, PSAB will implement a multi-release strategy for the new standards. The first standard will provide foundational guidance. Subsequent standards will provide additional guidance on current and emerging issues.— PSAB released an exposure draft on proposed section PS3251, Employee Benefits in July 2021. Comments to PSAB on the proposed section are due by November 25, 2021. Proposed Section PS 3251 would apply to fiscal years beginning on or after April 1, 2026 and should be applied retroactively. Earlier adoption is permitted. The proposed PS3251 would replace existing Section PS 3250 and Section PS 3255. This proposed section would result in organizations recognizing the impact of revaluations of the net defined benefit liability (asset) immediately on the statement of financial position. Organizations would also assess the funding status of their post-employment benefit plans to determine the appropriate rate for discounting post-employment benefit obligations.

Public Sector Accounting Standards

Standard	Summary and implications
Public Private Partnerships (“P3”)	<ul style="list-style-type: none"> — PSAB has introduced Section PS3160, which includes new requirements for the recognition, measurement and classification of infrastructure procured through a public private partnership. The standard has an effective date of April 1, 2023, and may be applied retroactively or prospectively. — The standard notes that recognition of infrastructure by the public sector entity would occur when it controls the purpose and use of the infrastructure, when it controls access and the price, if any, charged for use, and it controls any significant interest accumulated in the infrastructure when the P3 ends. — The public sector entity recognizes a liability when it needs to pay cash or non-cash consideration to the private sector partner for the infrastructure. — The infrastructure would be valued at cost, which represents fair value at the date of recognition with a liability of the same amount if one exists. Cost would be measured in reference to the public private partnership process and agreement, or by discounting the expected cash flows by a discount rate that reflects the time value of money and risks specific to the project.
Concepts Underlying Financial Performance	<ul style="list-style-type: none"> — PSAB is in the process of reviewing the conceptual framework that provides the core concepts and objectives underlying Canadian public sector accounting standards. — PSAB released four exposure drafts in early 2021 for the proposed conceptual framework and proposed revised reporting model, and their related consequential amendments. The Board is in the process of considering stakeholder comments received. — PSAB is proposing a revised, ten chapter conceptual framework intended to replace PS 1000 Financial Statement Concepts and PS 1100 Financial Statement Objectives. The revised conceptual framework would be defined and elaborate on the characteristics of public sector entities and their financial reporting objectives. Additional information would be provided about financial statement objectives, qualitative characteristics and elements. General recognition and measurement criteria, and presentation concepts would be introduced. — In addition, PSAB is proposing: <ul style="list-style-type: none"> • Relocation of the net debt indicator to its own statement and the statement of net financial assets/liabilities, with the calculation of net debt refined to ensure its original meaning is retained. • Separating liabilities into financial liabilities and non-financial liabilities. • Restructuring the statement of financial position to present non-financial assets before liabilities. • Changes to common terminology used in the financial statements, including re-naming accumulated surplus (deficit) to net assets (liabilities). • Removal of the statement of remeasurement gains (losses) with the information instead included on a new statement called the statement of changes in net assets (liabilities). This new statement would present the changes in each component of net assets (liabilities), including a new component called “accumulated other”. • A new provision whereby an entity can use an amended budget in certain circumstances. • Inclusion of disclosures related to risks and uncertainties that could affect the entity’s financial position.

Public Sector Accounting Standards

Standard	Summary and implications
Purchased Intangibles	<ul style="list-style-type: none"> — In October 2019, PSAB approved a proposal to allow public sector entities to recognize intangibles purchased through an exchange transaction. Practitioners are expected to use the definition of an asset, the general recognition criteria and the GAAP hierarchy to account for purchased intangibles. — PSAB has approved Public Sector Guideline 8 which allows recognition of intangibles purchased through an exchange transaction. Narrow-scope amendments were made to Section PS 1000 Financial statement concepts to remove prohibition on recognition of intangibles purchased through exchange transactions and PS 1201 Financial statement presentation to remove the requirement to disclose that purchased intangibles are not recognized. — The effective date is April 1, 2023 (the Board’s fiscal year ending December 31, 2024) with early adoption permitted. Application may be retroactive or prospective.
Government Not-for-Profit Strategy	<ul style="list-style-type: none"> — PSAB is in the process of reviewing its strategy for government not-for-profit (“GNFP”) organizations. PSAB intends to understand GNFPs’ fiscal and regulatory environment, and stakeholders’ financial reporting needs. — PSAB released a second consultation paper in January 2021 which summarizes the feedback received to the first consultation paper. It also describes options for the GNFP strategy and the decision-making criteria used to evaluate the options. PSAB recommends incorporating the PS4200 series with potential customizations into PSAS. This means reviewing the existing PS4200 series to determine if they should be retained and added to PSAS. Incorporating the updated or amended PS4200 series standards in PSAS would make the guidance available to any public sector entity. Accounting and/or reporting customizations may be permitted if PSAB determines there are substantive and distinct accountabilities that warrant modification from PSAS. — PSAB is in the process of considering stakeholder comments.
2022 – 2027 Strategic Plan	<ul style="list-style-type: none"> — PSAB’s Draft 2022 – 2027 Strategic Plan was issued for public comment in May 2021. Comments were requested for October 6, 2021. — The Strategic Plan sets out broad strategic objectives that help guide PSAB in achieving its public interest mandate over a multi-year period, and determining standard-setting priorities — The Strategic Plan emphasizes four key priorities: <ul style="list-style-type: none"> — Develop relevant and high-quality accounting standards - Continue to develop relevant and high-quality accounting standards in line with PSAB’s due process, including implementation of the international strategy (focused on adapting International Public Sector Accounting Standards for new standards) and completion of the Conceptual Framework and Reporting Model project. — Enhance and strengthen relationships with stakeholders - Includes increased engagement with Indigenous Governments and exploring the use of customized reporting. — Enhance and strengthen relationships with other standard setters – In addition to continued collaboration with other standard setters, this emphasizes strengthened relationship with the IPSASB. — Support forward-looking accounting and reporting initiatives – Supporting and encouraging ESG reporting, and consideration of the development of ESG reporting guidance for the Canadian public sector.

Appendix 5: Audit and assurance insights

Our latest thinking on the issues that matter most to audit committees, Boards and Management.

Featured insight	Summary	Reference
Accelerate 2022	The key issues driving the audit committee agenda in 2022	Learn more
Audit Committee Guide – Canadian Edition	A practical guide providing insight into current challenges and leading practices shaping audit committee effectiveness in Canada	Learn more
Unleashing the positive in net zero	Real solutions for a sustainable and responsible future	Learn more
KPMG Audit & Assurance Insights	Curated research and insights for audit committees and boards.	Learn more
Board Leadership Centre	Leading insights to help board members maximize boardroom opportunities.	Learn more
KPMG Climate Change Financial Reporting Resource Centre	Our climate change resource centre provides insights to help you identify the potential financial statement impacts to your business.	Learn more
The business implications of coronavirus (COVID 19)	Resources to help you understand your exposure to COVID-19, and more importantly, position your business to be resilient in the face of this and the next global threat.	Learn more
Momentum	A quarterly Canadian newsletter which provides a snapshot of KPMG's latest thought leadership, audit and assurance insights and information on upcoming and past audit events – keeping management and board members abreast on current issues and emerging challenges within audit.	Sign-up now
Current Developments	Series of quarterly publications for Canadian businesses including Spotlight on IFRS, Canadian Securities & Auditing Matters and US Outlook reports.	Learn more
KPMG Learning Academy	Technical accounting and finance courses designed to arm you with leading-edge skills needed in today's disruptive environment.	Learn more
PSAB Resources	KPMG resources for the new developments and trends in the public sector.	Learn more



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