

Toronto Public Library Board

*2015 year-end report
to the Board*

*Prepared as of
April 28, 2016*





May 16, 2016

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 Library) prepared in accordance with Canadian public sector accounting standards (PSAS) for the year ended December 31, 2015. 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 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 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 30, 2016. If you have any questions or concerns prior to the Board meeting, please do not hesitate to contact me in advance.

Yours very truly,

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants, Licensed Public Accounts

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PwC refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership

Communications to the Board

Key matters for discussion

Status of the audit

Comments

PricewaterhouseCoopers LLP (PwC or we) have substantially completed our audit of the financial statements (the financial statements).

Significant outstanding items at time of mailing include the following:

- Update on legal confirmations;
- Board approval of the financial statements;
- Subsequent events procedures;
- Management representation letter.

Significant audit risk

Management override of controls

To address the risk of management override of controls, and as part of our fraud procedures, we reviewed a sample of manual journal entries to ensure they are appropriate, and that they have been approved. No matters arose that require your attention.

In addition, we performed an unpredictable procedure and tested the approval over new vendors that had purchases under \$3,000. There were no significant matters to bring to your attention.

Other matter for discussion

Liability for contaminated sites

Effective January 1, 2015, Public Sector Accounting Standards require that a government body recognize a liability for remediation of contaminated sites when the government is directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate for the amount can be made.

We reviewed management's assessment of the land and buildings owned by the Board and did not note any instances of contamination and therefore no liability has been recorded.

Other required communications

Fraud and illegal acts

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.

We wish to reconfirm that the Board is not aware of any known, suspected or alleged incidents of fraud or illegal acts not previously discussed with us.

*Key matters for discussion**Comments***Internal control recommendations**

We have no significant internal control recommendations to report for the current year.

Subsequent events

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.

Significant difficulties or disagreements that occurred during the audit

No difficulties or disagreements occurred while performing our audit that requires the attention of the Board.

Unadjusted or adjusted differences

Final materiality level determined for the year ended December 31, 2015 was \$6,160,000 (previously communicated a materiality level of \$6,000,000) as a result of actual results being higher than the initial estimate.

As a result of our testing, we identified an overstatement of lease commitments of \$1,448,875 due to lease agreements not yet signed or approved at December 31, 2015. This adjustment has been adjusted in the financial statements.

We also identified an understatement of both accounts receivable from City of Toronto and accounts payable to City of Toronto of \$3,152,325 due to the offsetting of financial assets and financial liabilities. This has not been adjusted in the financial statements.

Management's representations

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 B.

Significant related party transactions

PwC reviewed related party transactions conducted in the normal course of operations related to the transfer of grants from the Foundation or the City of Toronto to the Board and the allocation of certain shared costs. No other non-routine transactions were noted.

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.

Appendix A: Draft auditor's report

See Final Financial Statements – Appendix 1

Appendix B: Draft management representation letter

Not Included