
Toronto Public Library Board

*2017 year-end report
to the Board*

*Prepared as of
May 9, 2018*





May 9, 2018

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, 2017. 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 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 of the organization who have assisted us in carrying out our work, and we look forward to your meeting on May 28, 2018. 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

c.c.: Vickery Bowles, City Librarian
Larry Hughsam, Director, Finance & Treasurer

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

Communications to the Board

Key matters for discussion	Comments
<p>Status of the audit</p>	<p>PricewaterhouseCoopers LLP (PwC or we) have substantially completed our audit of the financial statements (the financial statements).</p> <p>Significant outstanding items at time of mailing include the following:</p> <ul style="list-style-type: none"> • update on legal confirmations; • receipt of signed management representation letter; • subsequent events procedures; and • approval of the financial statements by the Board.
<p>Significant accounting, auditing and reporting matters discussed with management</p>	
<p>Risk of material misstatement due to management override (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"> • obtained an understanding of the entity's financial reporting processes and the controls over major business processes; • identified risk criteria specific to the entity to scope in journal entries for testing; • 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 • incorporated an element of unpredictability into the current year audit procedures. <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.</p> <p>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>
<p>Risk of fraud in revenue recognition (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"> • confirmed all revenues received and receivable with the City of Toronto; • obtained confirmations from the Province of Ontario for significant funding grants; and • agreed grants received from the Toronto Public Library Foundation (the Foundation) to the records of the Foundation. <p>We did not note any matters to bring to your attention.</p>

<i>Key matters for discussion</i>	<i>Comments</i>
Fraud and illegal acts	<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 reconfirm that the Board is not aware of any known, suspected or alleged incidents of fraud or illegal acts not previously discussed with us.</p>
Summary of unadjusted and adjusted items	<p>Final materiality level determined for the year ended December 31, 2017 was \$6,180,000 (previously communicated a materiality level of \$6,140,000) as a result of actual results being higher than the initial estimate.</p> <p>As a result of our testing, we identified an understatement of both accounts receivable from City of Toronto and accounts payable to City of Toronto of \$7,932,954 due to the offsetting of financial assets and financial liabilities. Of this amount, \$6,016,570 relates to unspent capital advances and other capital project funding and was adjusted in the financial statements. The remaining \$1,916,384 relates to operating amounts and has not been adjusted in the financial statements. Please refer to Appendix C for details and other adjustments identified.</p> <p>As a result of our audit, we conclude the above unadjusted items are immaterial to the financial statements taken as a whole.</p>
Internal control recommendations	We have no significant internal control recommendations to report.
Subsequent events	<p>No subsequent events which would impact the financial statements other than those disclosed have come to our attention.</p> <p>We would like to reconfirm that the Board is not aware of any other subsequent events that might affect the financial statements.</p>
Significant difficulties or disagreements that occurred during the audit	We have no significant difficulties or disagreements during the course of the audit.
Significant related party transactions	PwC reviewed related party transactions conducted in the normal course of operations related to the transfer of grants or other funding 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

Appendix C: Summary of adjusted and unadjusted misstatements

a) Adjusted item

Description	Excess of revenue over expenses	Statement of financial position		
	(under) over stated	Assets under (over) stated	Liabilities (under) over stated	Net assets (under) over stated
To account for offsetting of City of Toronto capital amounts receivable at December 31, 2017				
DR. Accounts receivable		6,016,570		
CR. Accounts payable			(6,016,570)	
Total	\$nil	\$6,016,570	(\$6,016,570)	\$nil

b) Unadjusted item

Description	Excess of revenue over expenses	Statement of financial position		
	(under) over stated	Assets under (over) stated	Liabilities (under) over stated	Net assets (under) over stated
To account for offsetting of City of Toronto operating amounts receivable at December 31, 2017				
DR. Accounts receivable CR. Accounts payable		1,916,384	(1,916,384)	
To account for client adjustment to other accounts receivable for Canada 150 grant at December 31, 2017				
DR. Accounts payable CR. Accounts receivable		(661,375)	661,375	
To account for reclassification of revenue between City of Toronto and the federal government in relation to the Canada 150 grant				
DR. Federal government revenue	707,078			
CR. City of Toronto revenue	(707,078)			
Total	\$-	\$1,255,009	(\$1,255,009)	\$nil

Disclosure item:

We also identified an unadjusted reclassification item of \$1,097,500 with the budget in the statement of operations and accumulated surplus, resulting in an overstatement of the budgeted figures of Fines and user charges and an understatement of the budgeted figures of Other income.