

AU6.9f Appendix 2

Toronto Public Library Board audit results for the year ended December 31, 2019

For presentation to the Board Members
September 21, 2020


pwc



A message from Terri McKinnon

I am pleased to provide you with the results of our audit of the financial statements of Toronto Public Library Board (the Library Board or the organization) for the year ended December 31, 2019.

The accompanying report is prepared 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 and insights from our audit that we believe would be of greatest interest to the Board Members.

The scope and proposed focus of our audit work was summarised in our audit plan, which we distributed to Board Members in October 2019. We have subsequently reviewed our audit plan and concluded that our original risk assessment remains appropriate.

We have substantially completed our audit work and expect to be able to issue an unqualified audit opinion on the financial statements, pending resolution of outstanding items noted in this report. Our draft auditor's report is included as Appendix 1.

We look forward to discussing our report with you on September 21, 2020. If you have any questions or concerns prior to the Board meeting, please do not hesitate to contact me in advance.

Yours very truly,

PricewaterhouseCoopers LLP

Terri McKinnon
Partner
Assurance

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On behalf of our team, I would like to express our sincere gratitude to the management and staff of Toronto Public Library Board for their cooperation and assistance throughout the course of our audit.”



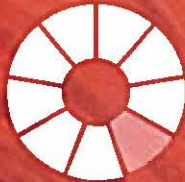
Terri McKinnon
Partner

We are reimagining the possible, investing in our people and our technology to provide you with a digitally amplified and insightful audit.



Enhancing quality.
Building trust.
Embracing innovation.

01 Status of the audit →



We have substantially completed our audit of the 2019 financial statements.

Outstanding items at the time of mailing are referred to in this report.

02 Significant audit, accounting and financial reporting matters →

1. Risk of fraud in management override of controls
2. Risk of fraud in revenue recognition

03 Audit findings →

Misstatements

2	Unadjusted	0	Adjusted
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Control deficiencies

0	Significant deficiencies	0	Material weaknesses
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04 Other items for discussion →

05 PwC Canada's response to COVID-19 →

06 Appendices →



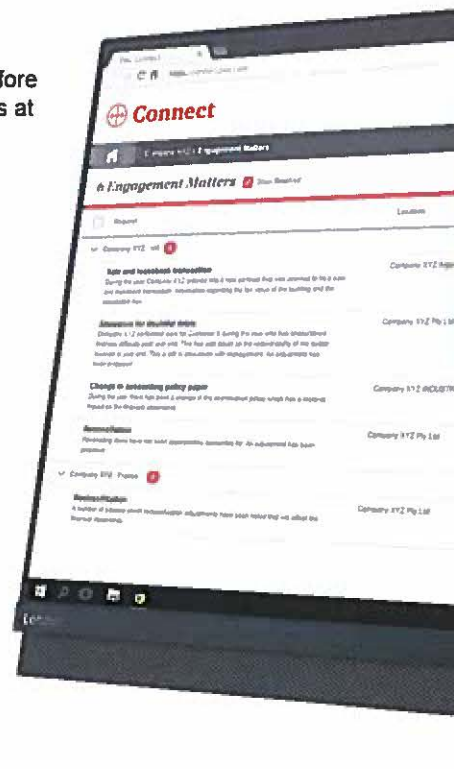
01 Status of the audit



We have substantially completed our audit of the 2019 financial statements.

The following items are outstanding at the time of mailing and need to be addressed before we can issue our auditor's report. We will provide an update on the status of these items at our upcoming meeting.

1. Update legal confirmations
2. Receipt of signed management representation letter
3. Board of Directors' approval of the financial statements



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Requests

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Library Board's employees

02 Significant audit, accounting and financial reporting matters



We are responsible for discussing our views about the significant qualitative aspects of the organization's accounting practices, including accounting policies, accounting estimates and financial statement disclosures.

Significant audit, accounting and financial reporting matters

Audit risks and results

Risk of management override of controls

* Required significant risk

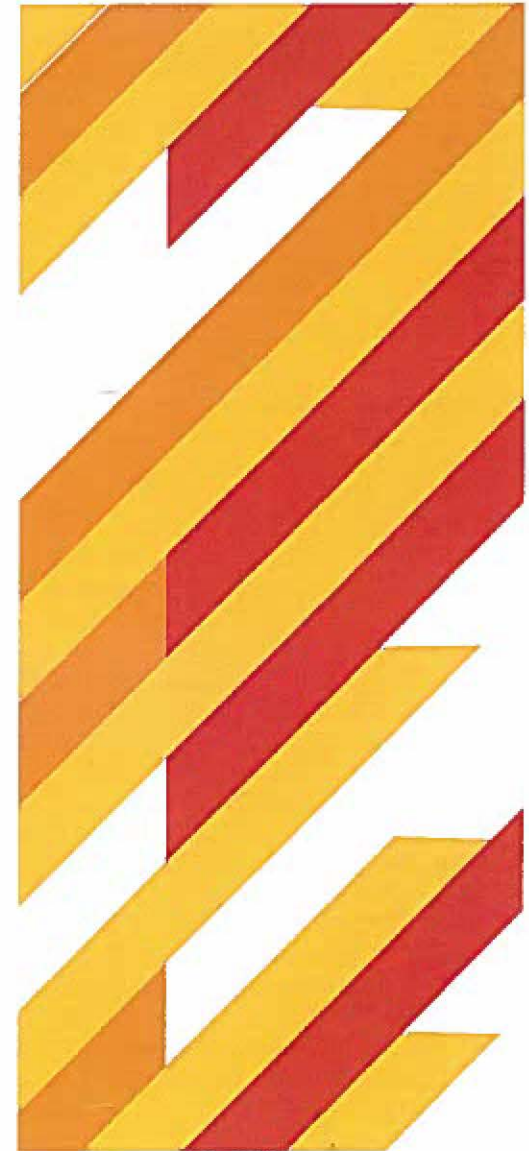
Background information

There is an inherent risk of fraud in all entities of potential management override of controls over financial reporting. This is a required significant risk under auditing standards.

PwC's views

- Although there is no history of the override of controls at the Library Board, there is a requirement to consider the override of controls as a significant audit risk.
- To address the risk of management override of controls, and as part of our fraud procedures, we performed the following:
 - Obtained an understanding of the entity's financial reporting processes and the controls over major business processes;
 - Inquired of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments;
 - Identified risk criteria specific to the entity to scope in journal entries for testing through our data analytics tool Halo; and
 - Incorporated an element of unpredictability into the current year audit procedures (management expenses approval).

Conclusion: As a result of the above procedures, we did not note any matters that require your attention.



Significant audit, accounting and financial reporting matters

Audit risks and results

Matter #2 Risk of fraud in revenue recognition

* Required significant risk

Background information

Auditing standards assume a rebuttable presumption, that there is a significant risk of fraud in revenue recognition in all entities.

In 2019, the Library Board recognised \$238 million in revenue, the majority of which was received from the City of Toronto.

PwC's views

In order to address this risk, we performed the following procedures:

- Confirmed all revenues received and receivable with the City of Toronto;
- Obtained agreement from the Province of Ontario for significant funding grants; and
- Agreed donations received from the Toronto Public Library Foundation (the Foundation) to the records of the Foundation.

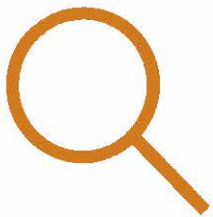
At December 31, 2019, \$2,556,844 of donations from the Foundation have been included in deferred revenue.

Conclusion: We did not note any matters to bring to your attention.





03 Audit findings



We are required to communicate any unadjusted and adjusted items, including disclosures and items that relate to prior periods or could impact future periods, and the effect that they may have on our opinion.



Audit findings

Summary of unadjusted and adjusted items

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

Taken as a whole, the financial statements are free of material misstatement. We did identify certain items and have discussed these with management. Management has concluded that the unadjusted items, which are summarized on the right, are immaterial individually and in aggregate.

We're also required to communicate the effects of any unadjusted items that relate to prior periods or those that could impact future periods. These are also included on the right.

Unadjusted items

The materiality levels previously communicated to you have changed from \$6.4 million to \$6.6 million as a result of actual revenues being higher than the estimate provided. As a result of our audit, we noted the following items with no impact on the annual surplus.

Unadjusted items for the year ended December 31, 2019 (CA\$)

To reverse offsetting of City of Toronto (COT) payables against COT receivables (amounts should be disclosed on a gross basis) (current year):

DR Receivables from the City of Toronto	\$1,738,088
CR Payables to the City of Toronto	(\$1,738,088)

To reverse offsetting of COT payables against COT receivables (prior year):

DR Receivables from the City of Toronto	\$821,605
CR Payables to the City of Toronto	(\$821,605)

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Other items for discussion

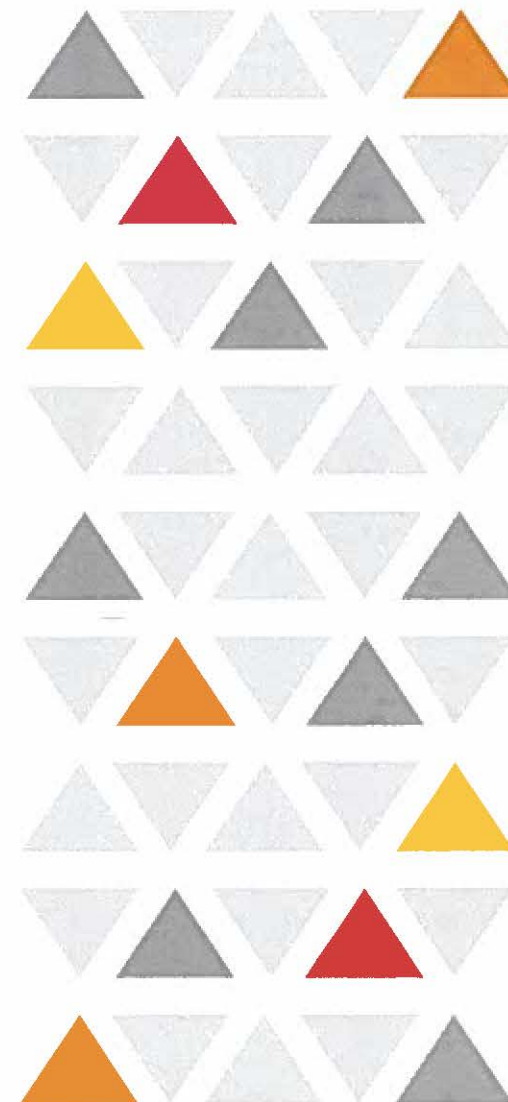


Working in harmony with you, we combine our judgment and experience to communicate matters that may assist you in overseeing both management's financial reporting process and our commitment to an effective audit.

Other items for discussion

Required communications

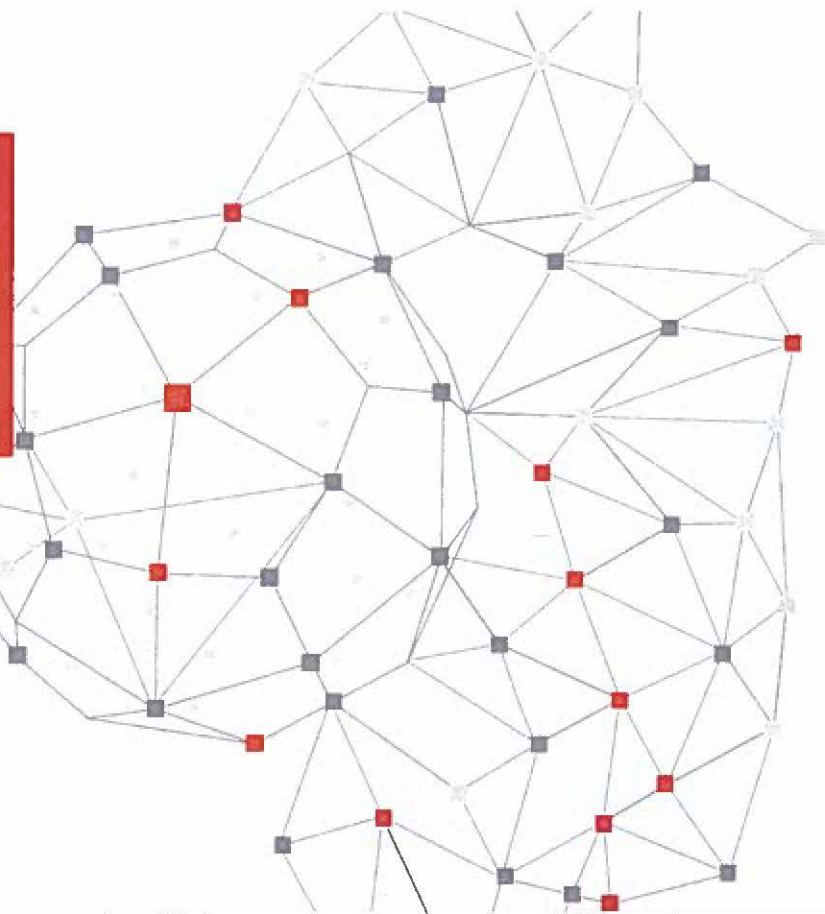
Draft auditor's report	The draft auditor's report is included as Appendix 1.
Management's representations	We are required to inform you of the representations we are requesting from management. A copy of the management representation letter is included in Appendix 2. We requested our standard representations.
Significant deficiencies in internal control	We have no significant internal control recommendations to report.
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. We would like to reconfirm that the Board Members are not aware of any such fraud or illegal acts not previously discussed with us.





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Our response to COVID-19 outbreak



We appreciate the potentially significant challenges this may have on your people, your operations and results. We are committed and prepared to support you and ensure continuity of our services during this difficult time.



PwC Canada's response to COVID-19

One of our core values is care. This means personally caring about each and every person who works for our organization, our clients, and is part of our communities. The health and safety of all these individuals, and their families, is our number one priority. Therefore, a component of our business continuity efforts is around pandemic planning. We believe pandemic planning and response efforts are a continuous cycle of information sharing and teaming with experts to help prevent, contain and recover from infectious diseases and viruses impacting our people and our clients.

While this coronavirus presents new challenges, PwC's approach to managing external risks remains the same — including our commitment to the safety of our people and having an open dialogue with internal and external stakeholders.

PwC has a well established Business Continuity and Disaster Recovery plan which includes pandemic planning to ensure that the firm can respond and operate within a range of scenarios. With regards to COVID-19, PwC has taken the necessary steps including implementing travel restrictions and equipping our staff with the tools they need to work remotely to continue to assist you in this challenging time.

Our technology enabled approach allows us to continue to deliver our services seamlessly:

- Our teams are working remotely and have the technology needed to do so. We also have the ability to conduct essential meetings with management and Board Members via voice/video conferencing and expect no disruption in this regard.
- We will stay connected with local management and be responsive to changes, particularly in terms of your policies and working practices.
- We have digital tools, like Connect, DocuSign and Google Visitor Sharing, to electronically administer the secure sharing of supporting documentation and deliverables between PwC and you.
- Our National office is evaluating the most effective way to address remote work options for procedures ordinarily conducted in person. We will work with management to complete these procedures safely and consistently with the policies instituted by both of our institutions.

We appreciate the potentially significant challenges this may have on your people, your operations and results. We are committed and prepared to support you and ensure continuity of our services during this difficult time.



Use PwC's COVID-19 Navigator tool to assess the potential impact to your business and gauge your readiness to respond.

<https://www.pwc.com/ca/en/covid-19/response-navigator.html>



Financial reporting and audit impact

Impact of COVID-19 on the audit

We performed incremental procedures due to the impact of COVID-19, which could impact our risk assessment, materiality levels, and planned controls reliance. We have outlined key areas of focus and our procedures for the Library Board below:

Area of focus	Description	PwC response
Impact on operations	<p>Fines and user charges will decline in fiscal 2020 as a result of the closure of the libraries locations in mid March following the government measures taken to control COVID-19.</p> <p>If there are any accounts receivable remaining to be collected, management will need to assess their collectibility in light of recent events.</p>	<ul style="list-style-type: none"> As the event has taken place subsequent to year-end, a subsequent note has been included in the financial statements to describe the impact on fiscal 2020 revenues and collectibility of accounts receivable.
Disclosures in financial statements	<p>Additional disclosures may be required regarding the effect of COVID-19 on your operations within financial statements, based on PSAS disclosure standards.</p>	<ul style="list-style-type: none"> The subsequent event note also includes a reference to fiscal 2020 revenues and collectibility of accounts receivable.
Internal control over financial reporting	<p>When the company's personnel are working remotely, it often means the design and operation of internal controls will either need to change or will no longer be as effective. These changes may occur at any time during the period and may also increase potential risk of fraud.</p> <p>Working remotely may also have necessitated changes to IT General Controls and/or other system changes that may create new IT risks. The increased use of remote access to your systems may have implications related to system capacity and cybersecurity as threat actors are targeting devices used for remote access into work. This could come in the form of ransomware or other malware attacks introduced through phishing campaigns.</p>	<ul style="list-style-type: none"> We have performed walkthroughs to assess the design and implementation of all key controls over F2019 financial reporting. Based on inquiry with management, we understand that, despite working remotely, there were no substantial changes on internal controls, that anyway would not have any impact on the F2019 financial reporting.



Appendices

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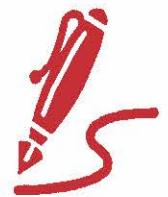
- 1 Draft auditor's report
- 2 Management representation letter



Appendix 1

Draft auditor's report

**See Appendix 1 for
Independent Auditor's Report and
Final 2019 Financial Statements**





Appendix 2

Management representation letter

Not Included





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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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