



14.

To: Toronto Public Library Board – April 19, 2004

From: City Librarian

Subject: **Audit Results – Year Ended December 31, 2003 – Trust Funds of the Toronto Public Library Board**

Purpose:

The attached report from Ernst & Young, the external auditors, summarizes the scope of the audit, the audit team, issues of audit significance discussed with management and provides the communications required by Ernst & Young's professional standards.

Funding Implications and Impact Statement:

Not applicable.

Recommendation:

It is recommended that the Toronto Public Library Board receive the report on Ernst & Young's *Audit Results – Year Ended December 31, 2003 – Trust Funds of the Toronto Public Library Board* for information.

Background:

As part of the annual audit, the external auditors provide an Audit Results report for the Trust Funds of the Toronto Public Library Board.

Comments:

Attached is Ernst & Young's Audit Results for the Trust Funds, which include the Terms of Engagement, Audit Approach, New Developments in Accounting or Auditing Standards, Other Required Communications, Items of Audit Significance Discussed with Management, Summary of Audit Differences, Independence Letter, and a Letter of Recommendations.

Contained within the Items of Audit Significance Discussed with Management (page 10) and the Summary of Audit Differences (page 11), is a discussion of the accounting treatment of the Friends of Osborne & L.H. Smith Trust. Currently the Library Trust Funds account for the Friends of Osborne & L.H. Smith by showing total revenues and total expenses received. The auditors recommend that only the net amount of revenues that are being passed onto the Library be recorded as revenue. As a result of the current method of accounting for the Friends of Osborne & L.H. Smith, the auditors noted a \$2,800 difference relating to equipment purchased

by the Friends of Osborne & L.H. Smith Trust. The amount is not considered material for audit purposes.

The auditors did not find any material weaknesses in internal control during their examination. However, they did identify areas in which improvements could be made in 2002 and have carried the comment forward again in 2003. The 2002 carry forward recommendation from Ernst & Young is in the Letter of Recommendation, page 17, which states that the funds contained within the Trust Funds be reviewed with a solicitor to assess the possibility of transferring the Trust Funds to the Toronto Public Library Foundation for more effective and efficient administration. In 2002, Management agreed with this recommendation and was reviewing with legal counsel all funds contained within the Trust Funds, with a view to transferring them to the Foundation. However, the review and transfer was delayed due to a staff absence. With the appointment of the Foundation President in December 2003, the Trust Funds are expected to be transferred in 2004. A future report will be prepared for the Library Board for approval when details of the transfer are finalized.

A representative from Ernst and Young will be in attendance at the April 19, 2004 Board meeting to respond to questions.

Conclusion:

The auditors provided an unqualified opinion in the Auditor's Report contained in Financial Statements – Trust Funds of the Toronto Public Library Board - December 31, 2003. An unqualified opinion means that the financial statements are presented fairly, in all material respects.

Contact:

Larry Hughsam, Director, Finance & Treasurer; Tel: 416-397-5946; Fax: 416-393-7115;
E-mail: lhughsam@tpl.toronto.on.ca

Josephine Bryant
City Librarian

List of Attachments:

Attachment 1: Trust Funds of the Toronto Public Library Board - Audit Results – Year Ended December 31, 2003