

Audit Planning – Year Ended December 31, 2008

Date:	December 15, 2008
To:	Toronto Public Library Board
From:	City Librarian

SUMMARY

The attached report from Ernst & Young, the external auditors, summarizes the planning for their audit of the 2008 financial statements for the Toronto Public Library Board.

FINANCIAL IMPACT

The proposed audit fee of \$43,720, inclusive of expenses and exclusive of Goods & Services Tax, is included in the operating budget. This represents a \$19,865 or 83% increase from last year's audit fee of \$23,855, which has remained fixed since 2003 throughout the original five year contract. The City has negotiated a two-year extension to the contract, and the new fees reflect the increase in Ernst & Young's salary costs and changes to audit standards. It is important to note that the audit fee does not include the extra audit work anticipated for the capital assets accounting that will be reported for the 2009 fiscal year.

DECISION HISTORY

As part of the annual audit, Ernst & Young, the external auditors, provide an Audit Planning report to the Toronto Public Library Board. The auditors will commence the 2008 audit pursuant to this Audit Plan.

ISSUE BACKGROUND

The original contract with Ernst & Young was for five years and ended with the audit of the December 31, 2007 financial statements. The City has negotiated a contract extension for an additional two years to be completed with the audit of the December 31, 2009 financial statements.

COMMENTS

Attached is Ernst & Young's Audit Planning for the Library which includes the Terms of Engagement, Required Communications, Audit Process, Audit Team and Fees, Audit Timetable, New Developments in Accounting or Auditing Standards, Current Year Developments and an Engagement Letter.

The new audit fees reflect the increase in Ernst & Young's salary costs and changes to audit standards. The U.S. accounting scandals (e.g. Enron, World Comm), triggered the Sarbanes-Oxley Act in the U.S. that requires CEOs, CFOs and their auditors to certify the adequacy of the organization's strengthened internal controls. This led to a huge demand for accountants which in turn drove up the salaries of qualified accountants. Further, as a result of the accounting scandals in the U.S. both the Canadian and American audit communities increased the generally accepted auditing standards (GAAS) that public accountants must follow. The increase in standards has resulted in increased hours spent on every audit and an increase in senior level staff involvement in the audit.

On completion of the Audit, Ernst & Young will issue the Audited Financial Statements and a report on Audit Results.

CONTACT

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SIGNATURE

Jane Pyper
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ATTACHMENTS

Attachment 1: Toronto Public Library Board Audit Planning – Year Ending
December 31, 2008