
Toronto Public Library Board

*Audit plan for the year
ending
December 31, 2016*





October 28, 2016

Members of the Board
Toronto Public Library Board

Dear Members of the Board:

We are pleased to present an overview of our audit plan for the 2016 audit of the financial statements of Toronto Public Library Board (the Library) prepared in accordance with Canadian Public Sector Accounting Standards (PSAS) (referred to as the “financial statements” from now on).

This overview includes our view on audit risks and the nature, extent and timing of our audit work.

We value your feedback and if you have any questions about the identified risks and our audit approach, please do not hesitate to contact the undersigned at (416) 228-1922.

Yours very truly,

A handwritten signature in blue ink, appearing to read "T. McKinnon", followed by a period.

Terri McKinnon
Partner
Risk Assurance Services

cc: Mr. Larry Hughsam, Director, Finance and Treasurer

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

Communications to the Board

Key matters for discussion	Comments
Client service team	Terri McKinnon is your engagement leader and Julianne Cooke is your engagement manager.
Service deliverables	<p>We will audit the Library's financial statements as of December 31, 2016 and for the year then ending prepared in accordance with PSAS.</p> <p>Our engagement letter which has been signed by the City of Toronto sets out the terms and conditions for our engagement as the independent auditor of the Library for the above-mentioned year. In addition, our engagement letter outlines our responsibilities as the auditor and the responsibilities of management.</p>
Audit timeline	<p>We worked with management to develop this project timeline:</p> <ul style="list-style-type: none"> - Interim visit: October 17-21, 2016 - Year-end visit: March 20 – March 31, 2017 - Clearance meeting with management: To be confirmed - Delivery/filing of financial statements: To be confirmed
Audit approach	<p>Our audit approach is a mixture of tests of internal controls and substantive testing. Our audit approach is designed to allow us to execute a quality and efficient audit. We do this by:</p> <ol style="list-style-type: none"> i. gaining an understanding of the business by focusing on new developments and key business issues affecting the Library as well as management's monitoring of controls and business processes; ii. identifying significant audit risks, sharing our perspectives, obtaining your feedback and ensuring our audit is tailored to these risks; iii. using well-reasoned professional judgment, especially in areas that are subjective or require estimates; and iv. leveraging reliance where possible on the Library's internal controls and information technology and data systems. <p>In the current year, our planned work will include testing of key controls in the following areas:</p> <ul style="list-style-type: none"> - Purchases, payables and disbursements - Payroll <p>All other areas will be subject to tests of detail.</p> <p>Significant risks are risks of material misstatement that we think need special audit consideration. We identified several significant audit risks and plan to address them as follows. Please let us know if you agree that these are the most significant risks from your point of view and if you have any other areas of concern.</p>

Significant risk to discuss	Management's response and our audit approach
Risk of management override of controls	<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>This represents the risk that internal controls at the Library may be circumvented to achieve desired financial results or gain inappropriate access to financial resources.</p> <p>In order to address this risk, we will perform the following</p> <ul style="list-style-type: none"> • All non-routine journal entries are reviewed and approved by the appropriate level of management. • We will review manual journal entries focusing on large and unusual entries. • We will review accounting estimates for biases that could result in material misstatement. • We will incorporate unpredictable procedures in the audit approach.
Risk of fraud in revenue recognition	<p>The risk of fraud in revenue recognition is a presumed significant risk under Canadian Auditing Standards. We will assess this risk through the consideration of the Library's revenue recognition policies, the incentive/pressure to fraudulently misstate revenue and the potential opportunity.</p> <p>In order to address this risk, we will perform the following:</p> <ul style="list-style-type: none"> • Update our understanding of management's processes and internal controls surrounding revenue recognition. • Obtain confirmations from the City of Toronto for subsidies received during the year. • Test significant revenue streams through testing a sample of transactions to supporting documents.
Materiality	<p>Misstatements are considered to be material if they could reasonably be expected to influence the economic decisions of users of the financial statements. We have set a preliminary materiality of \$6,160,000. We will report unadjusted and adjusted items over \$616,000 to the Board on completion of the audit.</p>
Fraud risk	<p>We discuss fraud risk annually with the Board. Through our planning process (and prior years' audits), we developed an understanding of your oversight processes including:</p> <ul style="list-style-type: none"> - Employee code of ethics - Discussion at Board meetings and our attendance at those meetings, or reviewing minutes of meetings - Presentations by management, including business performance reviews - Signing authorities <p>Are there any new processes or changes to the items above that we should be aware of?</p> <p>We are not aware of any fraud. Are you aware of instances of any actual, suspected or alleged fraud affecting the Library?</p>

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. This report has been prepared solely for your use. It was not prepared or 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.

