

## **Audit Plan for the Year Ending December 31, 2019**

<b>Date:</b>	November 25, 2019
<b>To:</b>	Toronto Public Library Board
<b>From:</b>	City Librarian

### **SUMMARY**

---

The attached report from PricewaterhouseCoopers, the external auditors, summarizes the planning for their audit of the 2019 financial statements for the Toronto Public Library Board.

### **FINANCIAL IMPACT**

---

The proposed audit fee of \$25,000, inclusive of expenses and exclusive of Harmonized Sales Tax (2018 – \$25,000) is included in the 2019 operating budget. It is important to note that the audit fee does not include extra audit work that may be required due to scope changes, and PricewaterhouseCoopers will advise management as soon as possible if this were to happen.

This is the final year of a five-year audit contract that the City has negotiated. The fee has remained unchanged for the duration of the contract. The City will be issuing a request for proposal for external audit services, including the Toronto Public Library Board, for 2020 to 2024.

The Director, Finance & Treasurer has reviewed this financial impact statement and agrees with it.

### **ISSUE BACKGROUND**

Under Section 139 of the City of Toronto Act, 2006, the City is required to appoint an auditor licensed under the Public Accounting Act, 2004, who is responsible for annually auditing the accounts and transactions of the City and its local boards, and expressing an opinion on the financial statements of these entities based on the audit.

Council, at its March 2015 meeting, approved the recommendation of the Audit Committee to appoint PricewaterhouseCoopers as the external auditor for the City and Library. The contract with PricewaterhouseCoopers is for five years, ending with the audit of the December 31, 2019 financial statements.

As part of the annual audit, PricewaterhouseCoopers provides an Audit Plan report to the Toronto Public Library Board. The auditors will conduct their audit of the 2019 financial statements pursuant to this plan.

## **COMMENTS**

Attached is PricewaterhouseCoopers' Audit Plan for the Library, which summarizes their view on audit risks, the nature, extent and timing of the audit work and the terms of engagement.

On completion of the audit, PricewaterhouseCoopers will issue the Audited Financial Statements and a Year-End Report to the Board that will provide: key matters for discussion; significant audit, accounting and financial reporting matters; summary of unadjusted and adjusted items; other required communications; internal control recommendations; and a confirmation of auditor independence.

## **CONTACT**

Larry Hughsam; Director, Finance & Treasurer; Tel: 416-397-5946;  
Email: lhughsam@tpl.ca

## **SIGNATURE**

---

Vickery Bowles  
City Librarian

## **ATTACHMENTS**

Attachment 1: Toronto Public Library Board – Audit Plan for the year ending December 31, 2019

---

# *Toronto Public Library Board*

---

*Audit plan for the  
year ending  
December 31, 2019*

*Prepared as of  
October 25, 2019*





October 25, 2019

The Board Members  
Toronto Public Library Board

Dear Members of the Board:

We are pleased to present an overview of our audit plan for the 2019 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; as well as our proposed fees and the terms of our engagement. We remain committed to ongoing dialogue with you, enabling us to deliver the highest level of service and audit quality, as well as provide an independent point of view.

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 +1 416 228 1922.

Yours very truly,

*PricewaterhouseCoopers LLP*

Terri McKinnon  
Partner  
Assurance

---

*PricewaterhouseCoopers LLP*  
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2  
T: +1 416 863 1133, F: +1 416 365 8215, [www.pwc.com/ca](http://www.pwc.com/ca)

\*PwC\* refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership

## Communications to the Board

<i>Key matters for discussion</i>	<i>Comments</i>
<b>Client service team</b>	Terri McKinnon is your engagement leader and Stefano Viola is your engagement manager.
<b>Service deliverables</b>	<p>We will audit the Library's financial statements as of December 31, 2019 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 the audit and outlines the responsibilities of the auditors, management and those charged with governance.</p> <p>As the auditor, we are responsible for forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.</p>
<b>Audit timeline</b>	<p>We worked with management to develop this project timeline:</p> <ul style="list-style-type: none"> <li>- Interim visit: October 21 – 25, 2019</li> <li>- Year-end visit: March 16 – 27, 2020</li> <li>- Clearance meeting with management: To be confirmed</li> <li>- Year-end Board meeting: To be confirmed</li> <li>- Delivery/filing of financial statements: To be confirmed</li> </ul>
<b>Audit approach</b>	<p>Our audit approach is a mixture of tests of internal controls and substantive testing.</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>

<b>Significant risks to discuss</b>	<b>Management's response and our audit approach</b>
<p><b>Fraud risk – management override of controls</b></p>	<p>There is an inherent risk of fraud in all entities as a result of potential senior management override of controls over financial reporting. This is a required significant risk under auditing standards.</p> <p><b>Management's response</b></p> <ul style="list-style-type: none"> <li>• Communication of code of conduct; and</li> <li>• Approval of all manual journal entries.</li> </ul> <p><b>Our audit approach</b></p> <ul style="list-style-type: none"> <li>• Understand management's assessment of the risk and the overall control environment in the place. This includes understanding the tone of the business and controls in place;</li> <li>• Through the use of our data analytics tool, Halo, we will select and test a selection of journal entries recorded during the year to ensure their validity and appropriateness;</li> <li>• Perform unpredictable testing of certain balances (i.e. those that are immaterial or would not normally be included in our testing); and</li> <li>• Focus detailed audit work on areas where fraud could be committed and where there is less segregation of duties.</li> </ul>
<p><b>Risk of fraud in revenue recognition</b></p>	<p>Auditing standards assume a rebuttable presumption that there is a significant risk of fraud in revenue recognition in all businesses.</p> <p><b>Management's response</b></p> <ul style="list-style-type: none"> <li>• Strong tone at the top;</li> <li>• Controls over revenue recognition; and</li> <li>• Reconciliation between the system and the general ledger.</li> </ul> <p><b>Our audit approach</b></p> <ul style="list-style-type: none"> <li>• Understand the potential risks of fraud and error related to revenue recognition;</li> <li>• Understand and evaluate the internal controls over revenue recognition;</li> <li>• Obtain confirmation from the City of Toronto for subsidies received during the year;</li> <li>• Perform testing of other significant revenue streams through a sample of transactions of supporting documents; and</li> <li>• Perform testing of journal entries related to revenue recognition (unusual combinations).</li> </ul>

<b>Other matters</b>	
<b>Materiality</b>	<p>Misstatements are considered to be material if they could reasonably be expected to influence the economic decisions of users of the financial statements.</p> <p>We have set a preliminary materiality of \$6,400,000 based on 3% of projected revenues. We will report unadjusted and adjusted items over 10% of materiality to the Board on completion of the audit.</p>
<b>Fraud risk</b>	<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"> <li>• Code of ethics;</li> <li>• Discussion at Board meetings and our attendance at those meetings, or reviewing minutes of meetings;</li> <li>• Presentations by management, including business performance reviews; and</li> <li>• Consideration of tone at the top.</li> </ul> <p>Are there any new processes or changes to the items above that we should be aware of?</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>
<b>Independence</b>	<p>As auditors, we are required to comply with the fundamental principles of objectivity, integrity, audit quality and professional behaviour, including independence. Our global independence systems continue to provide real-time identification of independent issues.</p>
<b>New Public Sector Accounting Standards - developments related to 2019</b>	<p>See appendix A for a summary of pronouncements that must be applied, if applicable, by an entity preparing financial statements in accordance with the CPA Canada Public Sector Accounting Handbook.</p>
<b>2019 audit fees</b>	<p>The audit fee for 2019 is \$25,000. We will advise management if we incur more costs due to changes in the level of audit effort or scope changes.</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.

© 2019 PricewaterhouseCoopers LLP, an Ontario limited liability partnership. All rights reserved.

PwC refers to the Canadian firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see [www.pwc.com/structure](http://www.pwc.com/structure) for further details.

## **Recommended booklist for Wills and Estate Planning**

**The Canadian guide to will and estate planning: everything you need to know today to protect your wealth and your family tomorrow, 4th ed.**

by Gray, Douglas A.; Contributors: Budd, John S. (John Simpson), 1945-  
Year/Format: 2018, Book, 488 p. (Also available in ebook format)

**When I die: financial planning for life and death 2019**

by Duncan, Garry R.; Contributors: Duncan, Andrew G., Year/Format: 2018, Book, 145 p

**Canadian Estate Planning Made Easy**

By Hall, Terrance Hamilton, Year/Format: 2016, Book, 203 p

**Wills & estate planning for Canadians for dummies**

by Kerr, Margaret Helen; Contributors: Kurtz, JoAnn, Year/Format: 2010, Book, xx, 364 p.

**Write your legal will in 3 easy steps, 3rd ed.**

by Carter, Tom (G. Thomas), Year/Format: 2008, Book, xvi, 102, [12] leaves

**Wills guide for Canada, 1st ed.**

by Carter, Tom., Year/Format: 2001, Book, xxii, 199 p

**Estate to the heart : how to plan wills and estates for your loved ones**

by Olkovich, Edward , Year/Format: 2003, Book, 128 p

**You can't take it with you common-sense estate planning for Canadians, 5th ed.**

by Foster, Sandra E., Year/Format: 2007, eBook, 1 online resource (xxix, 353 p.)

**Give Smart : how to make a dramatic difference with your donation dollar**

By Kelly, Elaine Ricker., Year/Format: 2008, Book, 138 p.

**The 50 biggest estate planning mistakes ... and how to avoid them**

Blacklock, Jean, 1961- , Year/Format: 2011., Book, xxi, 262 p. ;

The Library also has a number of books, not listed above, specifically for Executors

# Recommended websites for Wills and Estate Planning

## Ontario Bar Association

<https://www.oba.org>

<https://www.oba.org/For-the-Public/Find-a-Lawyer/>

## Legal Aid Ontario

[http://www.legalaid.on.ca/en/getting/type\\_civil-willsandestates.asp](http://www.legalaid.on.ca/en/getting/type_civil-willsandestates.asp)

## The Law Society of Upper Canada

<https://www.lsuc.on.ca/with.aspx?id=2147483838>

<https://lsrs.lso.ca/lsrs> - Law Society Referral Service

## Government of Ontario

<https://www.ontario.ca/page/what-do-when-someone-dies>

## Ministry of the Attorney General

[https://www.attorneygeneral.ius.gov.on.ca/english/justice-ont/estate\\_planning.php](https://www.attorneygeneral.ius.gov.on.ca/english/justice-ont/estate_planning.php)

<https://www.attorneygeneral.ius.gov.on.ca/english/family/pqt/poa.pdf> - Power of Attorney Booklets

## Legal Information Websites

<http://www.advocacycentreelderly.org/> - Advocacy Centre for the Elderly

<https://www.cleo.on.ca/en> - Community Legal Education Ontario

<https://www.legalline.ca/> - Legal Line