

Audit Planning – Year Ended December 31, 2009

Date:	January 18, 2010
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 2009 financial statements for the Toronto Public Library Board.

FINANCIAL IMPACT

The proposed base audit fee of \$43,720, inclusive of expenses and exclusive of Goods and Services Tax (GST), is included in the 2009 operating budget. It is important to note that the audit fee does not include the extra audit work required for implementation of new financial reporting standards, including tangible capital asset reporting, which will significantly impact the 2009 financial statements, nor for additional audit work on unusual or unexpected items. This is the second year of a two-year audit contract which the City has negotiated.

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 conduct the 2009 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, Audit Process, Audit Team and Fees, Timetable and Key Dates, New

Developments in Accounting or Auditing Standards, Current Year Developments and Areas of Audit Emphasis, and an Engagement Letter.

New financial reporting standards, issued by the Public Sector Accounting Board (PSAB), intended to require local governments (including the City of Toronto and the Toronto Public Library Board) to apply the same reporting model currently adopted by senior governments, will significantly impact the reporting of the 2009 financial statements. New reporting standards for the Government Reporting Model and Tangible Capital Assets, described on pages 8 and 11 of Ernst & Young's report, will result in a new statement 'Changes in Net Debt' and the introduction of an accumulated surplus (deficit) balance. Other changes will include the recording of tangible capital assets on the Statement of Financial Position and the inclusion of non-cash expenditures such as amortization, gains/losses or write-offs on disposals of capital assets and discontinuance of the Schedule of Capital Operations. The new accounting treatment of recording tangible capital assets on the Statement of Financial Position is a significant departure from the practice of recording them as expenditures in the year incurred.

In preparing the 2009 financial statements, work will also be done on restating the 2008 comparative financials to conform to the new reporting standards.

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
City Librarian

ATTACHMENTS

Attachment 1: Toronto Public Library Board Audit Planning – Year Ending
December 31, 2009