



**STAFF REPORT
INFORMATION ONLY**

20.

Audit Year-End Report – December 31, 2010 – Toronto Public Library Board

Date:	June 7, 2011
To:	Toronto Public Library Board
From:	City Librarian

SUMMARY

As part of their audit function, the external auditors, PricewaterhouseCoopers LLP (PwC), are required to produce a year-end report to the Toronto Public Library Board. The attached report from PwC summarizes the results of their audit of the 2010 financial statements for Toronto Public Library (TPL), and provides information on the audit fees.

FINANCIAL IMPACT

PwC's fee for the regular audit of \$26,720 (excluding the Harmonized Sales Tax) was reported to the Board at its meeting on January 6, 2011, in the *Audit Plan for the Year Ending December 31, 2010* report. PwC is proposing \$6,500 in additional fees for work related to the restatement of the financial statements resulting from the removal of long-term debt and associated accumulated sinking fund, and additional disclosure of related party transactions with the City in the notes to the financial statements; this amount will be charged to the 2011 operating budget. For 2009, the audit fee charged by Ernst & Young was \$43,270 for the regular audit.

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

DECISION HISTORY

At the Toronto Public Library Board meeting of January 6, 2011, PwC's report on *Audit Plan for the Year Ending December 31, 2010* was received for information. This is the first year of a five-year contract with PwC.

ISSUE BACKGROUND

As part of the annual audit, PwC is required to provide a year-end report to the Library Board upon completion of the audit.

COMMENTS

Attached is PwC's year-end report to the Board – December 31, 2010 for TPL that includes an Executive Summary; Significant Audit, Accounting and Financial Reporting Matters; Summary of Unadjusted and Adjusted Items; Other Required Communications; and Internal Control Recommendations.

The financial statements are considered draft until all outstanding matters are cleared, including the receipt of a signed management letter as of the date of the Board meeting, in addition to Board approval of the draft financial statements.

In the Significant Audit, Accounting and Financial Reporting Matters on page 7, it is noted that the long-term debt and accumulated sinking fund previously recorded in the financial statements are not considered legal liability to the Library. As a result, the long-term debt obligation as well as the associated interest expense on the debt and interest revenue on the sinking fund have been removed from these financial statements. This is treated as an accounting error and retroactively corrected for December 31, 2009 that resulted in an increase in the accumulated surplus. Details of these changes are described in note 9 to the financial statements that are included under a separate report to the Board.

In the Summary of Uncorrected and Corrected Misstatements, on page 9, PwC has identified an unadjusted audit difference of \$188,000. This represents an estimated over-accrual of expenses related to Workplace Safety Insurance Board (WSIB) claims that is not material to the financial statements. While the WSIB liability fluctuates each year based on claims, the Library has provided for a fixed \$800,000 liability that should be adequate to fund claims and avoid annual budget fluctuations.

Two minor weaknesses in internal controls were identified on pages 11 and 12, and staff has agreed to implement PwC's recommendations.

Representatives from PwC will be in attendance at the Board meeting to respond to questions.

CONTACT

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SIGNATURE

Jane Pyper
City Librarian

ATTACHMENTS

Attachment 1: Toronto Public Library Board – Year-end Report to the Board – December 31, 2010