

**Audit Year-End Report – December 31, 2011 – Toronto
Public Library Board**

Date:	June 25, 2012
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 2011 financial statements for Toronto Public Library (TPL).

FINANCIAL IMPACT

PwC's fee for the audit is \$26,730 (excluding the Harmonized Sales Tax) as reported to the Board at its meeting on December 12, 2011 in the *Audit Plan for the Year Ending December 31, 2011* report and the amount is included in the operating budget.

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

ISSUE BACKGROUND

At its meeting on December 12, 2011, the Library Board received for information the PwC's report on the *Audit Plan for the Year Ending December 31, 2011* that outlined their approach to the audit. This is the second year of a five-year contract with PwC.

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 *2011 Year-end report to the Board* for the audit of the financial statements for the year ended December 31, 2011. PwC's report includes: an Executive Summary; Significant Audit, Accounting and Financial Reporting Matters; Summary of

Unadjusted and Adjusted Items; Other Required Communications; and Internal Control Recommendations.

PwC proposes to issue an unqualified report when two outstanding matters are cleared: the receipt of a signed management representation letter as of the date of the June Board meeting; and Board approval of the draft financial statements.

In the Significant Audit, Accounting and Financial Reporting Matters on page 7, it is noted there are two issues regarding the accrual for the cost of the Voluntary Separation Program (VSP). The VSP was offered to staff towards the end of 2011 and approval of 112 applications for the VSP was confirmed in early 2012. An accrual was set up for the \$7.2 million VSP cost, comprised of salaries, and accrued sick and vacation pay that is being funded by the City.

1. There was an over accrual of vacation pay of approximately \$195,000 as the amounts owing to the employees participating in the VSP were double-counted in the VSP accrual and the regular vacation pay accrual. This amount was not adjusted in the financial statements and is reflected as an unadjusted item on the summary of Unadjusted items on page 8. The total unadjusted differences for 2011 is \$195,000 and this is not considered material.
2. The City has employed the services of Buck Consultants, a third party valuation expert, to value the employee future benefits. Towards the end of the 2011, the Library provided the necessary information on the composition of its workforce and benefits plans to the City, which was used by Buck Consultants to provide the Library with an estimate of the employee benefits liability as at December 31, 2011.

Approval of applications for the VSP was confirmed in early 2012 and an accrual was set up for the cost of the program at that time. Because of the sequence of events, the Buck estimate for employee future benefits double-counted the sick leave amount accrued for the approved VSP applications. The over accrual, which has been corrected in the financial statements, was for \$2,011,465 as noted in the summary of Adjusted items on page 9.

PwC did not note any significant deficiencies in internal controls. However, they have noted two best practice recommendations to improve internal controls as shown on pages 11 and 12. Library staff agrees with PwC's recommendations and has implemented them. The PwC report notes that two internal control deficiencies from the prior year have been resolved.

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

CONTACT

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SIGNATURE

Jane Pyper
City Librarian

ATTACHMENTS

Attachment 1: Toronto Public Library Board – 2011 Year-end Report to the Board