
Toronto Public Library Board

*Audit plan for the year
ending
December 31, 2015*





November 11, 2015

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 2015 audit of the financial statements of Toronto Public Library Board (the Library) prepared in accordance with Canadian Public Sector Accounting Standards (GAAP) (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 hope to have a dialogue with you about the identified risks and our audit approach.

Yours very truly,

PricewaterhouseCoopers LLP

Terri McKinnon
Partner
Risk Assurance Services

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

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

Communications to the Board

<i>Key matters for discussion</i>	<i>Comments</i>
Client service team	Terri McKinnon is your engagement leader and Kevin Fung is your engagement manager.
Service deliverables	<p>We will audit the Library's financial statements as of December 31, 2015 and for the year then ending prepared in accordance with GAAP.</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"> <li data-bbox="486 798 975 827">– Interim visit: October 19-23, 2015 <li data-bbox="486 830 1041 859">– Year-end visit: March 21 – April 4, 2016 <li data-bbox="486 861 1220 891">– Clearance meeting with management: To be confirmed <li data-bbox="486 893 1237 922">– 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"> <li data-bbox="486 1062 1465 1125">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; <li data-bbox="486 1127 1465 1191">ii. identifying significant audit risks, sharing our perspectives, obtaining your feedback and ensuring our audit is tailored to these risks; <li data-bbox="486 1193 1416 1256">iii. using well-reasoned professional judgment, especially in areas that are subjective or require estimates; and <li data-bbox="486 1258 1432 1322">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"> <li data-bbox="486 1431 1041 1461">– Purchases, payables and disbursements <li data-bbox="486 1463 665 1493">– 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.
Materiality	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 \$6,000,000. We will report unadjusted and adjusted items over \$600,000 to the Board on completion of the audit.
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.

