



# **The Calgary Public Library Board**

## **Report to Audit and Finance Committee on the 2017 audit**

March 22, 2018

March 14 , 2018

To the Audit and Finance Committee of The Calgary Public Library Board

## **Report on audited annual financial statements**

Dear Audit and Finance Committee Members:

We are pleased to submit this report on the status of our audit of The Calgary Public Library Board ("the Library") for the 2017 fiscal year. This report summarizes the scope of our audit, our findings and reviews certain other matters that we believe to be of interest to you.

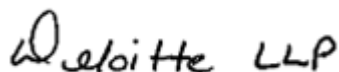
As agreed in our engagement letter dated October 19, 2017, we have performed an audit of the financial statements of the Library as of and for the year ended December 31, 2017, in accordance with Canadian generally accepted auditing standards ("Canadian GAAS") and expect to issue our audit report thereon dated March 28, 2018.

Our audit has been conducted in accordance with the audit plan that was presented to Audit and Finance Committee at the meeting on October 19, 2017.

This report is intended solely for the information and use of Audit and Finance Committee, management and others within Library and is not intended to be, and should not be, used by anyone other than these specified parties.

We look forward to discussing this report summarizing the outcome of our audit with you and answering any questions you may have.

Yours truly,

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

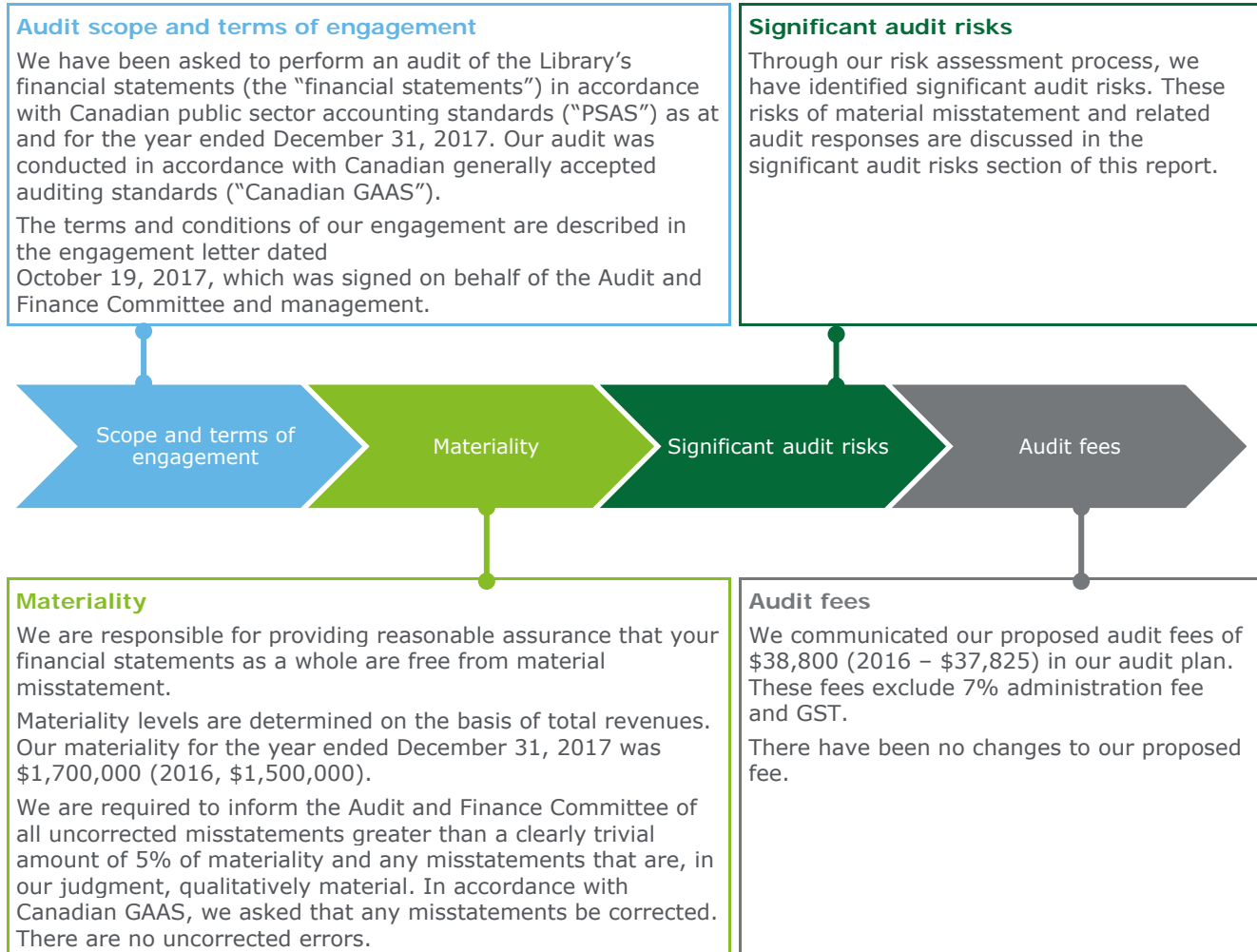
Chartered Professional Accountants

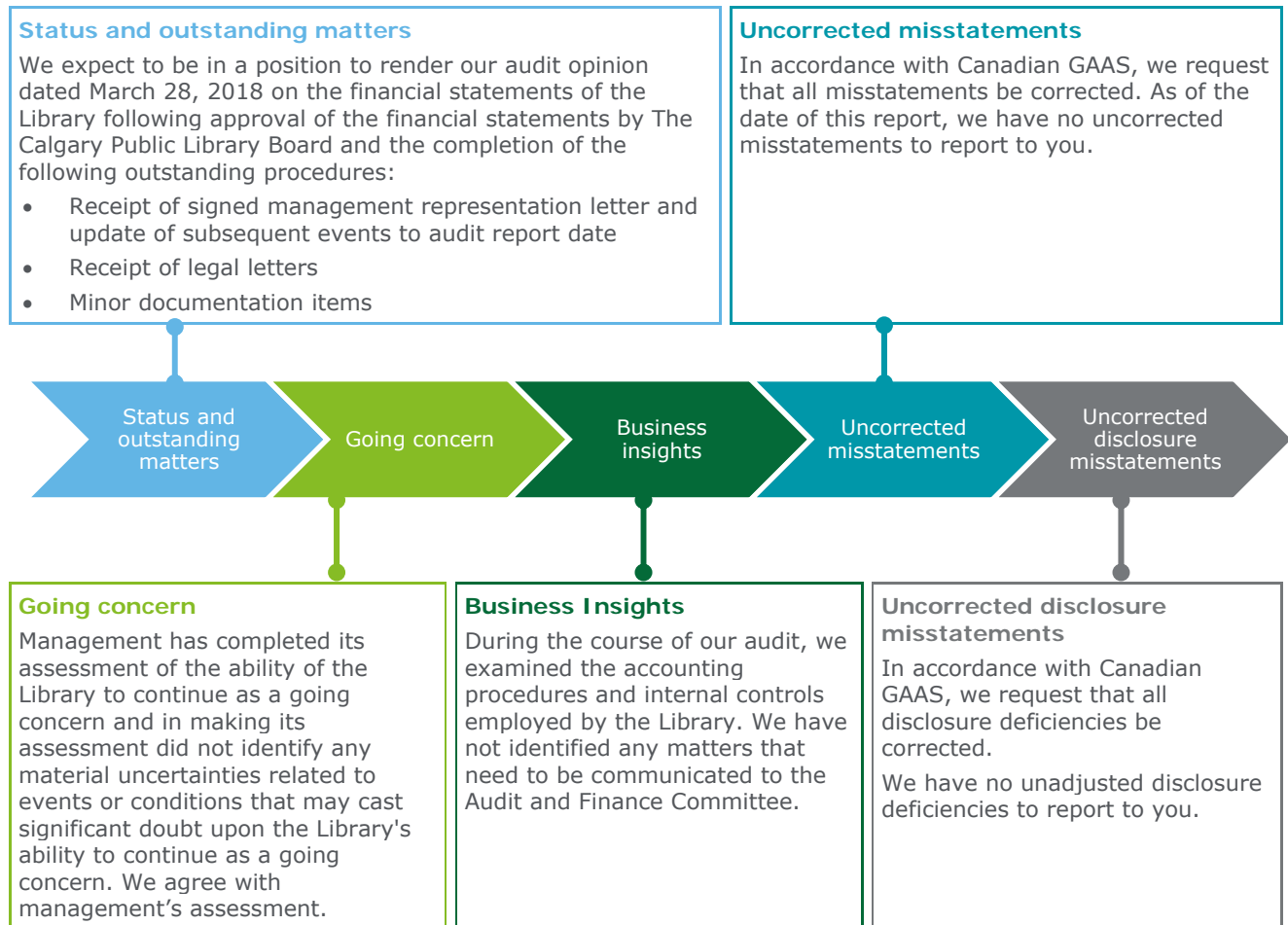
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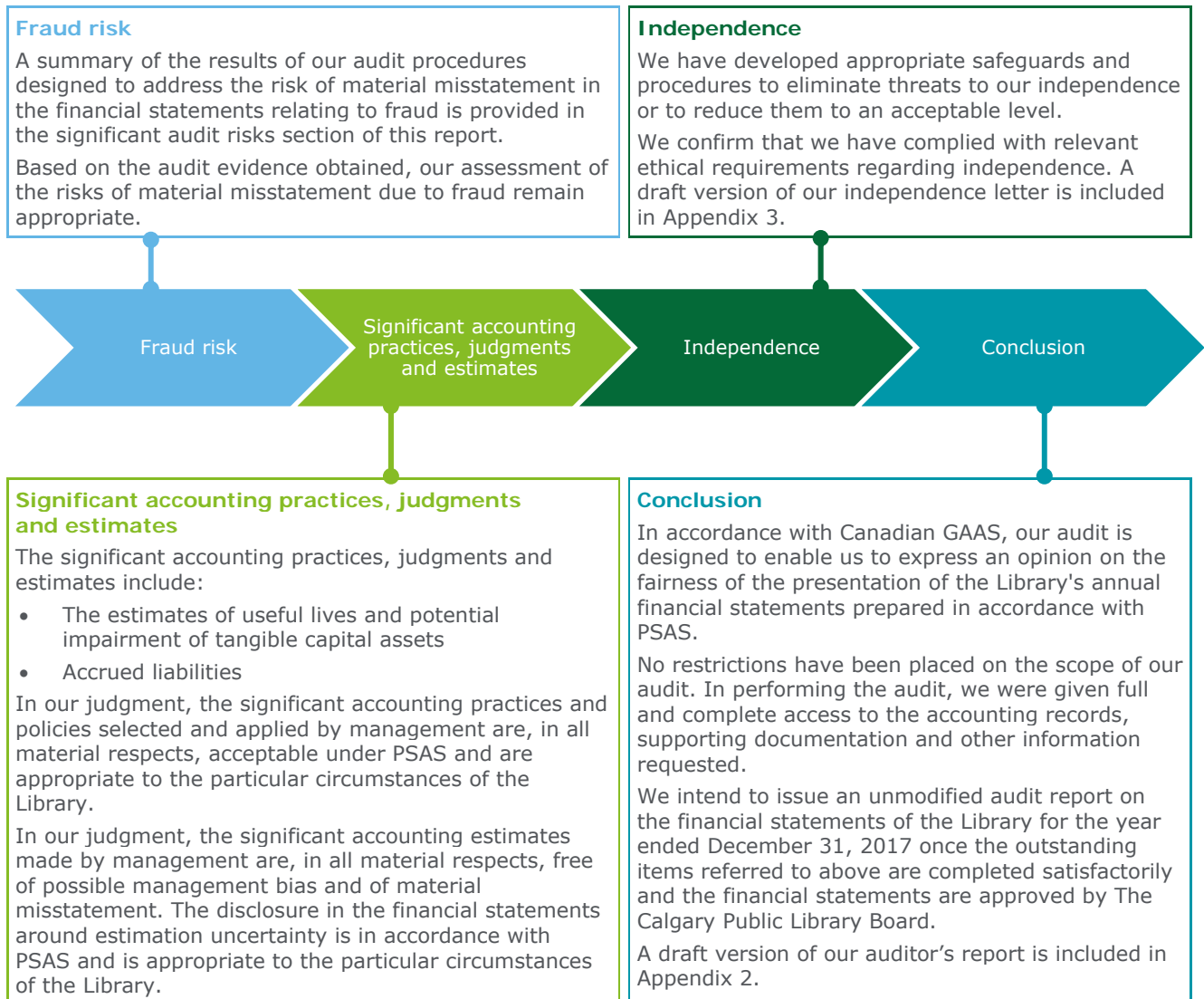
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# Our audit explained

This report summarizes the main findings arising from our audit.







# Significant audit risks

The significant audit risks identified as part of our risk assessment, together with our planned responses and conclusions, are described below.

## Management override of controls

| Audit risk  | Our audit response  | Audit results  |
|---|---|--|
| <p>Management is in a unique position to perpetrate fraud because of management's ability to directly or indirectly manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> | <ul style="list-style-type: none"> <li>• We engaged in periodic fraud discussions with certain members of senior management and others within the Library's Audit and Finance Committee.</li> <li>• We considered the potential for bias in judgments and estimates, including performing a retrospective analysis of significant accounting estimates.</li> <li>• We evaluated the business rationale for any significant unusual transactions.</li> <li>• We evaluated the Library's fraud risk assessment and considered entity-level internal controls and internal controls over the closing and reporting process.</li> <li>• We tested journal entries that exhibit characteristics of possible management override of controls identified.</li> </ul> | <p>Overall, we conclude that there were no areas of concern noted relating to management override of controls in the context of the financial statements taken as a whole.</p> |

# Other reportable matters

The following summarizes the status and findings of key aspects of our audit. In the appendices to this report, we have provided additional information related to certain matters we committed to report to Audit and Finance Committee as part of the audit plan.

|   | Comment   |
|---|---|
| <b>Changes to the audit plan</b>                                    | The audit was conducted in accordance with our audit plan, which was communicated to the Library on October 19, 2017. We confirm that there have been no significant amendments to the audit scope and approach communicated in the audit plan.   |
| <b>Significant difficulties encountered in performing the audit</b> | We did not encounter any significant difficulties while performing the audit. There were no significant delays in receiving information from management required for the audit nor was there an unnecessarily brief timetable in which to complete the audit.   |
| <b>Related party transactions</b>                                   | Related party transactions are disclosed in Note 11 to the financial statements.<br>We have not identified any related party transactions that were not in the normal course of operations that involved significant judgments made by management concerning measurement or disclosure.   |
| <b>Disagreements with management</b>                                | In the course of our audit, we did not encounter any disagreements with management about matters that individually or in the aggregate could be significant to the financial statements.  |
| <b>Consultation with other accountants</b>                          | Management has informed us that the Library has not consulted with other accountants about auditing or accounting matters.  |
| <b>Legal and regulatory compliance</b>                              | Management is responsible for ensuring that the Library's operations are conducted in accordance with the laws and regulations applicable to the Library in the jurisdictions in which it operates. The responsibility for preventing and detecting non-compliance rests with management.<br>The auditor is not and cannot be held responsible for preventing non-compliance with laws and regulations.<br>Our limited procedures did not identify any areas of material non-compliance with laws and regulations by the Library. |
| <b>Post-statement of financial position events</b>                  | Management is responsible for assessing subsequent events up to the date of the release of the financial statements.<br>No post-statement of financial position events have been identified during the course of our audit which would have an impact on the financial statements. We will update subsequent events to the audit report date of March 28, 2018.   |



# Appendix 1 – Communication requirements

## Required communication

|  |   |
|--|---|
| 1. Our responsibilities under Canadian GAAS, including forming and expressing an opinion on the financial statements   | Engagement Letter and Audit Plan communicated on October 19, 2017   |
| 2. An overview of the overall audit strategy, addressing: <ul style="list-style-type: none"> <li>a. Timing of the audit</li> <li>b. Significant risks, including fraud risks</li> <li>c. Names, locations, and planned responsibilities of other independent public accounting firms or others that perform audit procedures in the audit</li> </ul> | Audit Plan communicated on October 19, 2017   |
| 3. Significant transactions outside of the normal course of business, including related party transactions   | Nothing to report.  |
| 4. Fraud or possible fraud identified through the audit process  | We are not aware of any fraudulent events.  |
| 5. Significant accounting policies, practices, unusual transactions, and our related conclusions   | Significant accounting practices, judgments and estimates   |
| 6. Alternative treatments for accounting policies and practices that have been discussed with management during the current audit period   | Significant accounting practices, judgments and estimates   |
| 7. Matters related to going concern  | We concluded that there was no substantial doubt about the Library's ability to continue as a going concern for the year ended December 31, 2017. |
| 8. Management judgments and accounting estimates   | Significant accounting practices, judgments and estimates   |
| 9. Significant difficulties, if any, encountered during the audit  | No significant difficulties.  |
| 10. Material written communications between management and us, including management representation letters   | Management representation letter  |
| 11. Other matters that are significant to the oversight of the financial reporting process   | None noted.   |
| 12. Modifications to our opinion(s)  | We will issue an unmodified opinion.  |
| 13. Significant matters discussed with management  | None noted.   |
| 14. Illegal or possibly illegal acts that come to our attention  | We are not aware of any illegal acts.   |
| 15. Significant deficiencies in internal control, if any, identified by us in the conduct of the audit of the financial statements   | No deficiencies to report based on audit procedures for the year ended December 31, 2017.   |

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#### Required communication

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|  |  |
|--|--|
| 16. Uncorrected misstatements and disclosure items | In accordance with Canadian GAAS, we request that all misstatements be corrected.<br><br>No uncorrected misstatements and uncorrected disclosure to report based on audit procedures for the year ended December 31, 2017. |
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# Appendix 2– Draft version of our auditor’s report

Our report on the financial statements is expected to be in the following form. However, the final form may need to be adjusted to reflect the final results of our audit.

## Independent Auditor's Report

To the Members of The Calgary Public Library Board

We have audited the accompanying financial statements of The Calgary Public Library Board, which comprise the statement of financial position as at December 31, 2017, and the statements of operations, and accumulated surplus, cash flows and changes in net financial liabilities for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Calgary Public Library Board as at December 31, 2017, and the results of its operations, cash flows and changes in net financial liabilities for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants  
March 28, 2018

# Appendix 3– Draft independence

March 28, 2018

The Members of the Audit and Finance Committee of The Calgary Public Library Board

Dear Members:

We have been engaged to perform an audit of the financial statements of The Calgary Public Library Board (“the Library”) as of and for the year ended December 31, 2017 in accordance with Canadian generally accepted auditing standards.

You have requested that we communicate in writing with you regarding our compliance with relevant ethical requirements regarding independence as well as all relationships and other matters between the Library, our Firm and network firms that, in our professional judgment, may reasonably be thought to bear on our independence. You have also requested us to communicate the related safeguards that have been applied to eliminate identified threats to independence or reduce them to an acceptable level.

We are not aware of any relationships between the Deloitte Entities and the Library and its affiliates, or persons in financial reporting oversight roles at the Library and its affiliates, that under the Rules of Professional Conduct of the Chartered Professional Accountants of Alberta may reasonably be thought to bear on independence, that have occurred from March 30, 2017 to March 28, 2018.

The total fees charged to the Library for audit services were \$41,516 (2016 – \$40,473) the period covered by the financial statements. This fee includes the 7% administration fee, but excludes GST.

We hereby confirm that we are independent with respect to the Library in accordance with the Rules of Professional Conduct of the Chartered Professional Accountants of Alberta as of March 28, 2018.

This letter is intended solely for the the information and use of the Audit and Finance Committee, management and others within the Library and is not intended to be and should not be used for any other purposes.

Yours truly,

Chartered Professional Accountants

# Appendix 4– Draft management representation letter

## [Library letterhead]

March 28, 2018

Deloitte LLP  
700, 850 – 2 Street SW  
Calgary, AB T2P 0R8

Dear Sirs:

**Subject:** Financial statements of The Calgary Public Library Board (“the Library”) for the year ended December 31, 2017

This representation letter is provided in connection with the audit by Deloitte LLP (“Deloitte” or “you”) of the financial statements of The Calgary Public Library Board (the “Library” or “we” or “us”) as at and for the year ended December 31, 2017, and a summary of significant accounting policies and other explanatory information (the “Financial Statements”), for the purpose of expressing an opinion as to whether the Financial Statements present fairly, in all material respects, the financial position, results of operations, cash flows, and changes in net financial assets of the Library in accordance with Public Sector Accounting Standards (“PSAS”).

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

### Financial statements

1. We have fulfilled our responsibilities as set out in the terms of the engagement letter between the Library and Deloitte dated October 19, 2017 for the preparation of the Financial Statements in accordance with PSAS. In particular, the Financial Statements are fairly presented, in all material respects, and present the financial position of the Library as at December 31, 2017 and the results of its operations, cash flows and changes in net financial assets for the year then ended in accordance with PSAS.
2. Significant assumptions used in making estimates, including those measured at fair value, are reasonable.

In preparing the Financial Statements in accordance with PSAS, management makes judgments and assumptions about the future and uses estimates. The completeness and appropriateness of the disclosures related to estimates are in accordance with PSAS. The Library has appropriately disclosed in the Financial Statements the nature of measurement uncertainties that are material, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the Financial Statements.

The measurement methods, including the related assumptions and models, used in determining the estimates, including fair value, were appropriate, reasonable and consistently applied in accordance with PSAS and appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the entity. No events have occurred subsequent to December 31, 2017 that require adjustment to the estimates and disclosures included in the Financial Statements.

There are no changes in management's method of determining significant estimates in the current year.

3. All related party relationships and transactions have been appropriately accounted for and disclosed in the Financial Statements in accordance with the requirements of PSAS.
4. We have determined that the Financial Statements are complete as of the date of this letter, as this is the date when there are no changes to the Financial Statements (including disclosures) planned or expected. The Financial Statements have been approved in accordance with our process to finalize financial statements.
5. We have completed our review of events after December 31, 2017 and up to the date of this letter. All events subsequent to the date of the Financial Statements and for which PSAS requires adjustment or disclosure have been adjusted or disclosed. Accounting estimates and disclosures included in the Financial Statements that are impacted by subsequent events have been appropriately adjusted.
6. The Financial Statements are free of material errors and omissions.

**Information provided**

7. We have provided you with:
  - a. Access to all information of which we are aware that is relevant to the preparation of the Financial Statements, such as records, documentation and other matters;
  - b. All relevant information as well as additional information that you have requested from us for the purpose of the audit, and
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
8. All transactions have been properly recorded in the accounting records and are reflected in the Financial Statements.
9. We have disclosed to you the results of our assessment of the risk that the Financial Statements may be materially misstated as a result of fraud.
10. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
  - a. Management
  - b. Employees who have significant roles in internal control, or
  - c. Others where the fraud could have a material effect on the Financial Statements.

11. We have disclosed to you all information in relation to allegations of actual, suspected or alleged fraud, or illegal or suspected illegal acts affecting the Library.
12. We have disclosed to you all communications from regulatory agencies concerning non-compliance with or deficiencies in financial reporting practices and all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the Financial Statements.
13. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware, including guarantees, non-monetary transactions and transactions for no consideration and participation in a defined benefit plan that shares risks between group entities.
14. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
15. We have disclosed to you all known, actual or possible litigation and claims, whether or not they have been discussed with our lawyers, whose effects should be considered when preparing the Financial Statements. As appropriate, these items have been disclosed and accounted for in the Financial Statements in accordance with PSAS.

#### **Independence matters**

For purposes of the following paragraphs, "Deloitte" shall mean Deloitte LLP and Deloitte Touche Tohmatsu Limited, including related member firms and affiliates.

16. Prior to the Library having any substantive employment conversations with a former or current Deloitte engagement team member, the Library has held discussions with Deloitte and obtained approval from the Audit and Finance Committee.

#### **Other matters**

17. There are no liens or encumbrances on assets that the Library holds title to. We have disclosed to you and in the Financial Statements all assets that have been pledged as collateral. The Library does not have title to any of the buildings that are included in the schedule of capital assets. The City has title to all of these assets. The Library is the steward of the assets, and records the asset value in the statements in our role as steward, but not as title owner. The Library does not have control over these assets, and to the best of our knowledge, there are no liens or encumbrances, and there have been no assets pledged as collateral.
18. We have disclosed to you all liabilities, provisions, contingent liabilities and contingent assets, including those associated with guarantees, whether written or oral, and they are appropriately reflected in the Financial Statements.
19. We have disclosed to you, and the Library has complied with all aspects of contractual agreements that could have a material effect on the Financial Statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.



20. We have disclosed to you all the documents that we expect to issue that may comprise other information, in the context of CAS 720, *The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements*.

### **Accounting policies**

21. The accounting policies selected and application of those policies are appropriate.
22. The Library's accounting policies and their method of application have been applied on a basis consistent with that of the audited Financial Statements as of and for the year ended December 31, 2016, except as described in Note 1 of the Financial Statements.

### **Management's responsibilities**

23. All transactions and events have been carried out in accordance with law, regulation or other authority.

### **Receivables**

24. The Library is responsible for determining the appropriate carrying amount of accounts receivable, as well as estimates used to determine such amounts. Management believes that the carrying amounts recorded and disclosed are appropriate.

### **Government transfers**

25. We have disclosed to you all correspondence relating to government transfers that the Library has had with the funding body.
26. We have assessed the eligibility criteria and determined that the Library is an eligible recipient for the government transfers received.
27. We have assessed the stipulations attached with the funding and have recognized the revenue in accordance with meeting the stipulations required.
28. All government transfers that have been recorded as unearned revenue give rise to an obligation that meets the definition of a liability. Those liabilities have been properly recorded and presented in the Financial Statements.

### **Tangible capital assets**

29. Tangible capital assets have been recorded properly and consistently according to the standards in Section PS 3150, *Tangible Capital Assets*.
30. We have assessed the useful lives of tangible capital assets and have determined all tangible capital assets contribute to the Library's ability to provide goods and services and therefore do not require a write down.

### **Communicating a threshold amount**

31. We understand that the threshold used for accumulating misstatements identified during the year was \$85,000 for purposes of reporting misstatements. Misstatements below this amount have been considered clearly trivial.

**City of Calgary Capital Asset Policy**

32. The Library is aware of The City of Calgary’s change in Capital Asset Policy for the Land and Land Improvements asset class for the year ended December 31, 2017. Management has reviewed and understands the policy. Management has determined that the change in Capital Asset Policy does not impact the Library, as the Library does not have Land and Land Improvement assets.

Yours truly,  
The Calgary Public Library Board

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Ms. Elrose Klause  
Controller and Director Financial Services

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Mr. Bill Ptacek  
CEO

## **Appendix A**

### **The Calgary Public Library Board**

**Summary of corrected and uncorrected misstatements and disclosure deficiencies**

**Year ended December 31, 2017**

#### **Summary of corrected misstatements**

None identified.

#### **Summary of uncorrected misstatements**

None identified.

#### **Summary of disclosure deficiencies**

None identified.

# Appendix 5 – New and revised auditor reporting standards

On April 11, 2017, the Canadian Auditing and Assurance Standards Board (AASB) approved new and revised Canadian Auditing Standards (CASs) on auditor reporting which will be effective for audits of financial statements for periods ending on or after December 15, 2018 with earlier application permitted.

While a number of CASs were impacted, the most significant changes made relate to the following four standards:

- Revised CAS 700, Forming an Opinion and Reporting on Financial Statements
- New CAS 701, Communicating Key Audit Matters in the Independent Auditor's Report
- Revised CAS 720, The Auditor's Responsibilities Relating to Other Information
- Revised CAS 570, Going Concern

These CASs are based on the International Auditing and Assurance Standards Board's (IAASB) new and revised International Standards on Auditing (ISAs) that were effective for periods ending on or after December 15, 2016 however there are two significant differences:

1. Deferral of the effective date for application by one year, and
2. Amending the scope of reporting Key Audit Matters so that such matters are communicated in the auditor's report only when required by law or regulation or the auditor decides to do so.

**The following sets out the enhancements made to the new Independent Auditor's Report**

## Changes to the Auditor's Report and new reporting requirements

### For all audits

|  |  |
|--|--|
| <b>Auditor's opinion</b>                 | <ul style="list-style-type: none"> <li>• Auditor's opinion moved from the end of the auditor's report to the very beginning</li> </ul>   |
| <b>Auditor's independence and ethics</b> | <ul style="list-style-type: none"> <li>• An explicit statement of the auditor's independence in accordance with relevant ethical requirements and the auditor's fulfilment of other ethical responsibilities</li> </ul>  |
| <b>Going concern</b>                     | <ul style="list-style-type: none"> <li>• A separate section under the heading "Material Uncertainty Related to Going Concern", when a material uncertainty exists related to an entity's ability to continue as a going concern and is adequately disclosed in the financial statements</li> </ul>   |
| <b>Other information</b>                 | <ul style="list-style-type: none"> <li>• A separate section under the heading "Other Information", when an entity prepares other information (e.g., an annual report) containing or accompanying the entity's financial statements and auditor's report thereon, to explain management's and the auditor's responsibilities for the other information and the auditor's conclusion from reading and considering the other information</li> </ul> |

## Changes to the Auditor's Report and new reporting requirements

|  |   |
|--|---|
| <b>Roles and Responsibilities</b>  | <ul style="list-style-type: none"> <li>● An enhanced description of management's responsibilities for assessing the entity's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate</li> <li>● Identification of those charged with governance (when applicable) and their responsibility for the oversight of the financial reporting process</li> <li>● An enhanced description of the auditor's responsibilities to conclude on the appropriateness of management's use of the going concern basis of accounting</li> <li>● An enhanced description of the auditor's responsibilities in an audit of group financial statements</li> </ul> |
| <b>For audits of entities where the auditor decides or law or regulation requires reporting of key audit matters</b> |   |
| <b>Key audit matters</b>   | <ul style="list-style-type: none"> <li>● A separate section under the heading "Key Audit Matters", when law or regulation requires the auditor, or the auditor decides, to communicate key audit matters in the auditor's report to those charged with governance that, in the auditor's judgment, were of most significance to the audit</li> </ul>  |

We will work to provide The Calgary Public Library Board and the Audit and Finance Committee with guidance on the implications of the new and revised auditor reporting standards.

## Benefits

- **Transparency** into the audit and discussions between the auditor, those charged with governance, and management
- **More robust** discussions between auditors and those charged with governance
- **Enhanced** communications between all stakeholders including regulators
- **Relevant** auditor's reports and insights into the complexities of the entity
- **Comparability** across industries and audit firms
- **Improved** audit and financial reporting quality

## Highlights of Changes to Performance Requirements with respect to Going Concern

Auditors are now required to evaluate the adequacy of management's disclosure in the financial statements for "close calls" related to going concern (i.e., when events or conditions were identified that may cast significant doubt of an entity's ability to continue as a going concern but due to management's plans, the auditor concluded that no material uncertainty exists).

The following are some considerations for those charged with governance to start discussing with their auditor.

## Implementation considerations for those charged with governance

- **KAMs:** If applicable, this commentary in the audit report will have a significant impact on the timing of:
  - Meetings between the auditor and Audit and Finance Committee to discuss risks, which will form the basis of KAMs
  - Meetings with the auditor to identify, discuss and challenge KAMs as early as possible, and
  - Review of the auditor's report as the process will likely be more rigorous.
- **Going Concern:** Increased auditor focus may heighten your scrutiny of management's process for assessing the entity's ability to continue as a going concern and the relevance and completeness of related disclosures in the financial statements, particularly for "close calls".

- **Other information:** Discuss with the auditor which documents will be within the scope of “other information”, evaluate timeframes for drafting and finalizing these documents, and assess documents for consistency with financial statements to ensure factually correct and reasonable.

#### Resources

The AASB is currently working with CPA Canada and other groups to drive the effective implementation of the new standards through a broad range of communications, tools and guidance materials for stakeholders. CPA Canada has issued a number of [Audit and Assurance alerts](#) in June 2017 discussing key features of the changes and will be releasing a web portal devoted exclusively to the topic of implementing auditor reporting. Webinars and other publications will be issued throughout the remainder of the year, including an update expected in December incorporating the changes to the new auditor’s report into a revised reporting guide, “[Reporting Implications of New Auditing and Accounting Standards](#).”

- Keep abreast of the Canadian project at [www.cfr.deloitte.ca](http://www.cfr.deloitte.ca).
- Information relating to the new and revised CASs and conforming amendments to other CASs can be found on the [AASB website](#).

We encourage you to engage your engagement partner or any other member of the Deloitte Team with any questions or enquiries related to the new and revised auditor reporting standards.