



2016 Year-end  
audit  
communication

Calgary Public  
Library Board

For the year ended December 31, 2016  
Presented to the Audit and Finance Committee  
March 23, 2017



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

Tel: 403-267-1700  
Fax: 403-213-5791  
[www.deloitte.ca](http://www.deloitte.ca)

March 17, 2017

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

Dear Members:

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

As agreed in our engagement letter dated October 18, 2016, we have performed an audit of the financial statements of the Calgary Public Library Board (the "Library") as at and for the year ended December 31, 2016, in accordance with Canadian generally accepted auditing standards ("GAAS") and expect to issue our audit report thereon dated March 29, 2017.

This report summarizes our findings during the audit. Our audit has been conducted in accordance with the Audit Plan that was presented to the Audit and Finance Committee (the "Committee") members at the meeting on October 18, 2016.

### **Use of our report**

This report is intended solely for the information and use of the Committee, management and others within the Library and is not intended to be, and should not be, used by anyone other than these specified parties. Accordingly, we disclaim any responsibility to any other party who may rely on it.

We would like to express our appreciation for the cooperation we received from the officers and employees of the Library with whom we worked to discharge our responsibilities.

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

# Table of contents

Audit scope matters .....	1
Audit findings .....	3
Audit risks.....	4
Appendix 1 – Draft version of our Auditor’s report.....	5
Appendix 2 – Draft independence.....	7
Appendix 3 – Draft management representation letter .....	9
Appendix 4 – Communication requirements.....	15

# Audit scope matters

Canadian GAAS requires that we communicate to the Committee on the following matters:

<b>Status of our audit</b>	<p>We expect to be in a position to render our audit opinion dated March 29, 2017 on the financial statements of the Library following approval of the financial statements by the Calgary Public Library Board and the completion of the following outstanding procedures:</p> <ul style="list-style-type: none"> <li>• Receipt of signed management representation letter and update of subsequent events to audit report date</li> <li>• Receipt of legal letters</li> <li>• Minor documentation items</li> </ul>
<b>Audit strategy and scope</b>	<p>The audit planning and the preliminary risk assessment activities we conduct enable us to set the scope of our audit and to design procedures tailored to that scope. Refer to our audit plan communicated on October 18, 2016.</p>
<b>Materiality</b>	<p>Materiality is the magnitude of misstatements, including omissions, in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the financial statement users. Judgments about materiality are made in the light of surrounding circumstances, and are affected by our perception of the information needs of the financial statement users, and by the size or nature of a misstatement, or a combination of both. We are responsible for providing reasonable assurance that your financial statements as a whole are free from material misstatement.</p> <p>Materiality levels were determined on the basis of total revenues. For the year ended December 31, 2016 the materiality of \$1,500,000 (2015, \$1,500,000) was used.</p>
<b>Significant difficulties encountered in performing the audit</b>	<p>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.</p>
<b>Changes to the audit plan</b>	<p>The audit was conducted in accordance with our audit plan, which was communicated to the Library on October 18, 2016. We confirm that there have been no significant amendments to the audit scope and approach communicated in the audit plan.</p>
<b>Disagreements with management</b>	<p>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.</p>
<b>Consultation with other accountants</b>	<p>Management has informed us that the Library has not consulted with other accountants about auditing or accounting matters.</p>

<b>Management judgment, accounting estimates and accounting policies.</b>	<p>Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. These judgments are normally based on knowledge and experience about past and current events, assumptions about future events and interpretations of the financial reporting standards.</p> <p>In our judgment, the significant accounting estimates made by management are, in all material respects, free of possible management bias and of material misstatement. The disclosure in the financial statements around estimation uncertainty is in accordance with public sector accounting standards ("PSAS") and is appropriate to the particular circumstances of the Library.</p> <p>During the year ended December 31, 2016, there was a change in the accounting policy related to the building asset class to comply with a change in the accounting policy at The City of Calgary level. The impact of this change in accounting policy is described in note 1 to the financial statements.</p> <p>Management advised us that there were no other significant changes in accounting estimates or in judgments relating to the application of the accounting policies.</p>
<b>Legal and regulatory compliance</b>	<p>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.</p> <p>The auditor is not and cannot be held responsible for preventing non-compliance with laws and regulations.</p> <p>Our limited procedures did not identify any areas of material non-compliance with laws and regulations by the Library.</p>
<b>Post-statement of financial position financial events</b>	<p>Management is responsible for assessing subsequent events up to the date of the release of the financial statements.</p> <p>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 29, 2017.</p>
<b>Management representation letter</b>	<p>A draft version of the management representation letter to be signed by management is included in Appendix 3.</p>
<b>Independence</b>	<p>We have developed appropriate safeguards and procedures to eliminate threats to our independence or to reduce them to an acceptable level.</p> <p>As required under Canadian GAAS, we have reported all relationships and other relevant matters that, in our professional judgment, may reasonably be thought to bear on our independence. We have provided a draft version of the independence letter we intend to use to confirm our independence for the year ended December 31, 2016, in Appendix 2.</p>
<b>Quality control</b>	<p>Our firm's quality control process embraces each of the elements identified in the CPA Canada Handbook sections covering Canadian standards of quality control for firms that perform audits and reviews of financial statements and other assurance engagements.</p>
<b>Fees</b>	<p>We communicated our proposed audit fees of \$37,825 (2015, \$36,900), excluding 7% administration charge and GST. We have no changes to these proposed fees.</p>
<b>Communications</b>	<p>As a part of our audit plan, we committed to communicate certain matters to the Committee on a regular basis or as specified events occur.</p> <p>A summary of our communications is provided in Appendix 4.</p>

# Audit findings

This following summarizes the main findings arising from our audit

<b>Internal control</b>	<p>We obtained an understanding of internal control relevant to the audit, however not all controls are relevant to every audit. We evaluated the design of controls relevant to the audit and determined whether they have been implemented. We are not, however, required in a non-integrated audit to determine whether all relevant controls are operating effectively. Although not required by Canadian GAAS, we may decide that, for a particular engagement, it makes sense to rely on the effective operation of some controls to determine the planned substantive procedures we will perform.</p> <p>In such cases, we would go beyond evaluating the design of relevant controls and determining whether they have been implemented to also test whether the controls on which we intend to rely are operating effectively.</p> <p>In our audit of the Library's financial statements, we applied a substantive audit approach to testing of account balances and as such, we did not rely on internal controls.</p>
<b>Audit adjustments and uncorrected misstatements</b>	<p>In accordance with Canadian GAAS, we request that all misstatements be corrected. We are required to report all uncorrected misstatements greater than \$75,000 (2015, \$75,000), and those that are quantitatively insignificant but qualitatively significant, in the appendices attached to the management representation letter.</p> <p>As of the date of this report, we have no uncorrected misstatements to report to you. Refer to Appendix 3 for identified audit adjustments.</p>
<b>Unadjusted disclosure deficiencies</b>	<p>In accordance with Canadian GAAS, we request that all disclosure deficiencies be corrected.</p> <p>We have no unadjusted disclosure deficiencies to report to you.</p>
<b>Conclusion</b>	<p>In accordance with Canadian GAAS, our audit is designed to enable us to express an opinion on the fairness of the presentation of the Library's annual financial statements prepared in accordance with Canadian public sector accounting standards ("PSAS").</p> <p>No restrictions have been placed on the scope of our audit. In performing the audit, we were given full and complete access to the accounting records, supporting documentation and other information requested.</p> <p>We intend to issue an unmodified audit report on the financial statements of the Library as at and for the year ended December 31, 2016 once the financial statements are approved by the Calgary Public Library Board on March 29, 2017.</p> <p>A draft version of our Auditor's report is included in Appendix 1.</p>

# Audit risks

Our audit plan identified certain areas that we refer to as significant risks. The results of our audit work on these risks are set out below:

## Significant risks

Areas of significant risk	Our audit response	Our conclusion
<b>Management override of controls</b> 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.	We engaged in periodic fraud discussions with certain members of senior management and others within the Committee. We have considered the potential for bias in judgments and estimates, including performing retrospective analysis of significant accounting estimates. We evaluated the business rationale for any significant unusual transactions.  We evaluated the Library's fraud risk assessment and considered entity-level internal controls and internal controls over the closing and reporting process. We tested journal entries that exhibit characteristics of possible management override of controls.	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.

# Appendix 1 – Draft version of our Auditor's report

## 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, 2016, 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, 2016, 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 29, 2017

# Appendix 2 – Draft independence

March 29, 2017

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

Dear Members:

We have been engaged to audit the financial statements of the Calgary Public Library Board (the "Library") for the year ended December 31, 2016.

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, Deloitte and network firms that, in our professional judgment, may reasonably be thought to bear on our independence. We are also required to communicate the related safeguards that have been applied to eliminate identified threats to independence or reduce them to an acceptable level.

In determining which relationships to report, these standards require us to consider relevant rules and related interpretations prescribed by the appropriate provincial institute / ordre and applicable legislation, covering such matters as:

- (a) Holding a financial interest, either directly or indirectly, in a client;
- (b) Holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client;
- (c) Personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client;
- (d) Economic dependence on a client; and
- (e) Provision of services in addition to the audit engagement.

We confirm to you that the engagement team and others in the firm as appropriate, the firm and, when applicable, network firms have complied with relevant ethical requirements regarding independence.

We have prepared the following comments to facilitate our discussion with you regarding independence matters arising since March 30, 2016, the date of our last letter.

We are not aware of any relationships between the Library and Deloitte, including any network firms that, in our professional judgment, may reasonably be thought to bear on independence, that have occurred from March 31, 2016 to March 29, 2017.

The total fees charged to the Library for audit services were \$40,473 (2015, \$39,483) during the period covered by the financial statements.

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 29, 2017.

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

Yours truly,

Chartered Professional Accountants

# Appendix 3 – Draft management representation letter

## [Client Letterhead]

March 29, 2017

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, 2016

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, 2016, 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 Canadian 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 18, 2016 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, 2016 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, 2016 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. 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. All final adjusting journal entries have been reflected in the Financial Statements and the Financial Statements have been approved in accordance with our process to finalize financial statements.
4. We have completed our review of events after December 31, 2016 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.
5. The Financial Statements are free of material errors and omissions.
6. The Library has satisfactory title to and control over all assets, and there are no liens or encumbrances on such assets. 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. 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 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.

### **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. All financial statements and other financial information provided to you accurately reflect the activities and expenses of the Library and do not reflect any activities or expenses of any other person or entity;

- 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. 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.
9. 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.
10. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's Financial Statements and all knowledge of concerns or allegations of potential errors in the selection of accounting policies or the recording of transactions affecting the Library that have been communicated by employees, former employees or others, whether written or oral.
11. We have disclosed to you all communications from regulatory agencies 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.
12. 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.
13. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
14. 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.
15. 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.
16. 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.

### **Independence matters**

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

17. 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 Finance and Audit Committee.

#### **Accounting policies**

18. The accounting policies selected and application of those policies are appropriate.
19. 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, 2015, except as described in Note 1 of the Financial Statements.

#### **Management's responsibilities**

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

#### **Receivables**

21. 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**

22. We have disclosed to you all correspondence relating to government transfers that the Library has had with the funding body.
23. We have assessed the eligibility criteria and determined that the Library is an eligible recipient for the government transfers received.
24. We have assessed the stipulations attached with the funding and have recognized the revenue in accordance with meeting the stipulations required.
25. 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**

26. Tangible capital assets have been recorded properly and consistently according to the standards in Section PS 3150, *Tangible Capital Assets*.
27. 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**

28. We understand that the threshold used for accumulating misstatements identified during the year was \$75,000 for purposes of Appendix A. Misstatements below this amount have been considered clearly trivial.

**City of Calgary Capital Asset Policy**

29. The Library is aware of The City of Calgary's change in Capital Asset Policy for the Building asset class for the year ended December 31, 2016. Management has reviewed and understands the policy. Management has complied with the policy and Note 1 of the financial statements discusses the impact of the change in accounting policy on the fiscal 2016 financial statements.

Yours truly,

**The Calgary Public Library Board**

---

Ms. Elrose Klause  
Controller and Director Financial Services

---

Mr. Bill Ptacek  
CEO



## Appendix A

### The Calgary Public Library Board

Summary of corrected and uncorrected misstatements and disclosure deficiencies  
Year ended December 31, 2016

#### Summary of corrected misstatements

	Asset	Liability	Equity	Income Statement
To adjust the \$96K payment to the Quarry Park Asset Reserve Fund from a prepaid expense to an expense for the period ended December 31, 2016.	(96,000)			96,000

#### Summary of uncorrected misstatements

None identified

#### Summary of disclosure deficiencies

None identified

# Appendix 4 – Communication requirements

In our audit plan, we committed to communicate certain items to the Audit and Finance Committee on a regular basis or as specified events occur. These items are summarized below.

Required communication	Refer to this report or document described below
1. Our responsibilities under Canadian GAAS	Audit plan communicated on October 18, 2016
2. Our audit strategy and scope, including our approach to auditing financial information of components of the group audit and our planned involvement in work performed by component auditors	Audit plan communicated on October 18, 2016
3. Management judgment and accounting estimates	Management judgment and accounting estimates
4. Audit adjustments	Audit adjustments and uncorrected misstatements
5. Uncorrected and corrected misstatements and disclosure deficiencies	Audit adjustments and uncorrected misstatements and Unadjusted disclosure deficiencies
6. Our views about significant qualitative aspects of the Library's accounting practices, including accounting estimates	Management judgment and accounting estimates
7. Disagreements with management	Disagreements with management
8. Our views about significant matters that were the subject of consultation with other accountants	Consultation with other accountants
9. Significant difficulties, if any, encountered during the audit	Significant difficulties encountered in performing the audit
10. Material written communications between management and us	Engagement letter dated October 18, 2016 and this year-end report
11. All relationships between the Library and us that, in our professional judgment, may reasonably be thought to bear on independence	Independence letter - Appendix 2
12. A statement that, in our judgment, our engagement team and others in our firm as appropriate, our firm itself and, when applicable, network firms have complied with relevant ethical requirements regarding independence	Independence letter – Appendix 2
13. Illegal or possibly illegal acts	None identified based on audit procedures performed for the year ended December 31, 2016
14. Fraud or possible fraud identified through the audit process	None identified based on audit procedures performed for the year ended December 31, 2016

Required communication	Refer to this report or document described below
15. Non-compliance with laws and regulations that come to the auditor's attention	Legal and regulatory compliance
16. Matters that are significant to the oversight of the financial reporting process	All matters are documented within this year end communication document
17. Limitations placed on our scope	There were no limitations placed on our audit scope
18. Written management representations the auditor is requesting	Management representation letter – Appendix 3