

TTC AUDIT COMMITTEE REPORT NO.

MEETING DATE April 19, 2011

SUBJECT PricewaterhouseCoopers LLP Audit Results Report on the Toronto Transit Commission Consolidated Financial Statements for the Year Ended December 31, 2010

ACTION ITEM

REASON FOR CONFIDENTIAL INFORMATION

This report contains information which is subject to solicitor-client privilege.

RECOMMENDATION

It is recommended that the Audit Committee:

- 1) receive the attached report from PricewaterhouseCoopers LLP ("PWC"), including the information noted in the confidential attachment, regarding the audit of the consolidated financial statements of the Toronto Transit Commission for the year ended December 31, 2010, for information; and
- 2) approve the forwarding of the attached report to a regular meeting of the Commission for information and then to City Council through the Audit Committee of the City of Toronto.
- 3) the contents of the Confidential Attachment remain confidential in their entirety as it contains advice which is subject to solicitor-client privilege.

BACKGROUND

The mandate and responsibilities of the Audit Committee include a requirement to "...review with staff and the External Auditors the results of the audits, including any significant accounting and reporting issues, and the reasonableness of any significant estimates....".

DISCUSSION

The consolidated financial statements of the Toronto Transit Commission for the year ended December 31, 2010 have been prepared by management. They have been audited by PWC, in accordance with the plan presented to the Audit Committee on February 4, 2011. The attached report from PWC provides comments on significant audit, accounting and financial

reporting matters which are summarized on pages 4 through 7.

A summary of uncorrected misstatements is shown on page 29 of the attached report. The summary of uncorrected misstatements is a normal component of an audit report. If the total of all differences is below the audit materiality level (\$19.5 million), the auditors do not require a change to the financial statements, which is the case for 2010. In fact, the largest item (\$10 million depreciation adjustment) was initially identified and corrected by management. It appears on the summary because it was corrected in 2010, but relates to prior years. The first item on the summary is discussed in the confidential attachment.

Appendix E of the attached report contains the management letter on internal control recommendations. A management letter provides recommendations for the improvement of internal controls and accounting procedures. Staff welcome these suggestions as they strive to improve their procedures on a continuing basis. Management's initial response to these recommendations is included in the attachment. A follow-up report on these recommendations will also be presented to the Audit Committee, later this year.

Both staff and PWC would be pleased to answer any questions that you may have about the report and the audit in general.

April 6, 2010

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Attachment: PWC LLP Year-end Report to the Audit Committee