



## **PricewaterhouseCoopers LLP Consolidated Financial Statements Audit Plan for the Year Ended December 31, 2018**

**Date:** February 26, 2019

**To:** TTC Audit & Risk Management Committee

**From:** Chief Financial Officer

### **Summary**

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This report from the TTC's external auditors, PricewaterhouseCoopers LLP (PwC) outlines the audit plan for the audit of TTC's consolidated financial statements and its subsidiary company, TTC Insurance Company, for the year ended December 31, 2018.

### **Financial Summary**

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Total 2018 audit fees for TTC and the TTC Insurance Company audit are estimated to total \$261,200 and have been charged to 2018 operating expenses. The \$183,100 increase from the 2017 fees are primarily related to one-time work associated with the SAP implementation.

### **Equity/Accessibility Matters**

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This report and its recommendations have no accessibility or equity issues or impacts.

### **Decision History**

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The *City of Toronto Act* requires the city auditor (PwC) to annually audit the accounts and transactions of the City and its local boards and to express an opinion on their financial statements.

In addition, section 102, paragraph 3, of the Insurance Act (Ontario), *Auditor's report*, requires annual audited financial statements of the TTC Insurance Company.

### **Issue Background**

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The Audit & Risk Management Committee is tasked with the responsibility of reviewing the external auditors' proposed annual financial statement audit scope and plan.

## Comments

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The appended report outlines PwC's audit plan for the audit of TTC's consolidated financial statements and its subsidiary company, TTC Insurance Company, for the year ended December 31, 2018.

The audit plan includes:

- The nature, approach, extent & timing of PwC's audit work
- PwC's view on audit & fraud risks
- PwC's materiality levels
- PwC's 2018 fees

With respect to fees, PwC's audit plan includes additional one-time fees related to the SAP implementation. See page 6 of the PwC audit plan.

Cathy Russell of PwC will be at the Audit & Risk Management Committee meeting to present this report. You may wish to direct the auditors to address any specific areas that require a more detailed evaluation.

## Contact

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Stephen Conforti, Head – Finance & Treasurer

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E-mail: [Stephen.Conforti@ttc.ca](mailto:Stephen.Conforti@ttc.ca)

Alex Cassar, Director, Budgets, Costing & Financial Reporting

Tel: (416) 393-3647

E-mail: [Alex.Cassar@ttc.ca](mailto:Alex.Cassar@ttc.ca)

## Signature

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Dan Wright

Chief Financial Officer

## Attachments

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Attachment 1 - PwC's Audit Plan for the Year-Ended December 31, 2018

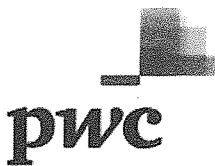
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# *Toronto Transit Commission*

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*Audit Plan for the year  
ending December 31,  
2018*

*Prepared as of  
February 14, 2019*





February 14, 2019

Members of the Audit and Risk Management Committee  
of the Toronto Transit Commission  
1900 Yonge Street  
Toronto ON M4S 1Z2

Dear Members of the Audit and Risk Management Committee:

We are pleased to present an overview of our audit plan for the 2018 audit of the consolidated financial statements of the Toronto Transit Commission (the TTC) and the Toronto Transit Commission Insurance Company (TTCIC) prepared in accordance with Canadian public sector accounting standards (PSAS) established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (referred to as the financial statements from now on).

This overview includes our view on audit risks; the nature, extent and timing of our audit work; as well as our proposed fees and the terms of our engagement.

We look forward to presenting this plan, addressing your questions and discussing any other matters of interest at the upcoming meeting on February 26, 2019.

Yours very truly,

*PricewaterhouseCoopers LLP*

Cathy Russell  
Partner  
Assurance

c.c.: Mr. Richard Leary, Chief Executive Officer  
Mr. Dan Wright, Chief Financial Officer

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*PricewaterhouseCoopers LLP*  
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada, M5J 0B2  
T: +1 416 863 1133, F: +1 416 365 8215, [www.pwc.com/ca](http://www.pwc.com/ca)

\*PwC\* refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

## *Communications to the Audit and Risk Management Committee*

<i>Key matters for discussion</i>	<i>Comments</i>
<b>Client service team</b>	<ul style="list-style-type: none"> <li>• Cathy Russell is your engagement leader and Julianne Cooke is your engagement manager for the TTC audit.</li> <li>• Akif Siddiqui is the TTCIC engagement leader and Haaris Khan is the engagement manager.</li> <li>• We also assigned a quality review partner, who is independent of the audit team.</li> </ul>
<b>Service deliverables</b>	<ul style="list-style-type: none"> <li>• We will audit the consolidated TTC and TTCIC financial statements as of December 31, 2018 and for the year then ended prepared in accordance with PSAS.</li> <li>• Our engagement letter for the years ended December 31, 2015 through December 31, 2019 which sets out the terms and conditions for our engagement as the independent auditor of the City and certain of the City's Agencies and Corporations (A&amp;C's) and also outlines the responsibilities of the auditor, management and those charged with governance has been included as Appendix A for the information of the Audit and Risk Management Committee. We also issue an annual letter confirming the terms of this engagement remain in force for the current year, which has been included in Appendix A.</li> <li>• As your auditor, we are responsible for forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.</li> </ul>
<b>Audit timeline</b>	<ul style="list-style-type: none"> <li>• We worked with management to develop this project timeline:               <ul style="list-style-type: none"> <li>- Interim visits: October 1 and December 3, 2018.</li> <li>- Year-end visits: March 18 to April 19, 2019.</li> <li>- Clearance meeting with management: April 2019 (TBD).</li> <li>- Year-end Audit and Risk Management Committee meeting: May 29, 2019.</li> <li>- Delivery/filing of financial statements: June 2019.</li> </ul> </li> </ul>
<b>Audit approach</b>	<ul style="list-style-type: none"> <li>• Our audit approach is a mixture of tests of internal controls (within payroll, purchases/payables, capital, inventory and revenue/receivables cycles), and substantive testing.</li> <li>• Significant risks are risks of material misstatement that we think need special audit consideration. We identified 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.</li> </ul>

<i>Key matters for discussion</i>	<i>Comments</i>
<i>Significant audit risks</i>	<i>Management's response and our audit approach</i>
<p><b>1. Fraud risk – management override of controls</b></p>	<p>There is an inherent risk of fraud in all entities as a result of potential management override of controls over financial reporting. This is a required significant risk under Canadian auditing standards.</p> <p><b>Management's response</b></p> <ul style="list-style-type: none"> <li>• Appropriate segregation of duties.</li> <li>• Communication of code of conduct and strong tone at the top.</li> <li>• Approval of all significant manual journal entries.</li> </ul> <p><b>Our audit approach</b></p> <ul style="list-style-type: none"> <li>• Understand management's assessment of the risk and the overall control environment in place. This includes understanding the tone of the business and controls in place.</li> <li>• Obtain a list of journal entries and confirm its completeness. A sample of journal entries will be tested, focusing on riskier journals and periods.</li> <li>• Perform unpredictable testing of certain balances; for example, those that are immaterial or would not normally be included in our testing.</li> <li>• Focus detailed audit work on areas where fraud could be committed or where there is less segregation of duties.</li> </ul>
<p><b>2. Fraud risk in revenue recognition</b></p>	<p>Auditing standards assume a rebuttable presumption that there is a significant risk of fraud in revenue recognition in all businesses.</p> <p><b>Management's response</b></p> <ul style="list-style-type: none"> <li>• Strong tone at the top.</li> <li>• Controls over revenue recognition.</li> <li>• Other processes and procedures to ensure revenue is appropriately recognized and measured.</li> </ul> <p><b>Our audit approach</b></p> <ul style="list-style-type: none"> <li>• Understand the potential risks of fraud and error related to revenue recognition.</li> <li>• Understand and test the operating effectiveness of internal controls over revenue recognition on which we plan to rely.</li> <li>• Obtain a service auditor's report for the operating effectiveness of controls in place at PRESTO, and perform testing on relevant user complementary controls in place at TTC.</li> <li>• Perform additional audit testing to validate the operating effectiveness of PRESTO controls not captured in the service auditor's report.</li> </ul>

<i>Key matters for discussion</i>	<i>Comments</i>
	<ul style="list-style-type: none"> <li>• Obtain confirmations from the City of Toronto for capital and operating subsidies received during the year and trace amounts to additional supporting documentation.</li> <li>• Obtain confirmation for PRESTO revenues and reconcile confirmed amounts to revenue amounts recorded.</li> <li>• Test significant revenue streams through substantive analytical procedures and tests of detail.</li> </ul>
<p><b>3. Certain significant accounting estimates</b></p>	<p>The preparation of the financial statements requires the use of significant accounting estimates that are subject to management judgment in the following areas:</p> <ul style="list-style-type: none"> <li>• Fair value of certain investments of the post-retirement benefits plan; and</li> <li>• Certain assumptions used in the calculation of property and liability claims (covering both self-insured and insured liabilities).</li> </ul> <p><b><i>Management's response</i></b></p> <ul style="list-style-type: none"> <li>• Processes and controls in place for formulating these estimates.</li> <li>• Engage external specialists (specifically actuaries) to assist in determining the valuation of post-employment and post-retirement benefits and certain other contingent liabilities (accident claims).</li> </ul> <p><b><i>Our audit approach</i></b></p> <ul style="list-style-type: none"> <li>• Meet with non-finance management and management's internal specialists to understand key assumptions.</li> <li>• Obtain independent confirmation from management's experts.</li> <li>• Validate assumptions against our expectations.</li> <li>• Test management calculations and supporting data.</li> <li>• Utilize PwC experts (ie. PwC actuary) to assess appropriateness of methodology and assumptions used.</li> <li>• Assess competency and objectivity of experts engaged by management.</li> </ul>

<i>Key matters for discussion</i>	<i>Comments</i>
<i>Other areas of focus</i>	
<b>SAP Implementation</b>	<p>In late 2017, TTC Pension Fund Society went live with SAP for pension payment processing; and in late 2018, TTC went live with the next wave of Phase I of the SAP Implementation project. This includes the general ledger, employee payroll and human resources management processes.</p> <p>To date, we have:</p> <ul style="list-style-type: none"> <li>• Performed initial reviews of SAP security controls; and</li> <li>• Performed testing of program development controls relating to TTC Pension Fund Society payroll.</li> </ul>
	<p>We continue to work with management to complete the following:</p> <ul style="list-style-type: none"> <li>• Post-implementation testing of operational effectiveness of key financial controls for the general ledger, employee payroll and human resources management processes;</li> <li>• Testing of data migration between existing system and SAP; and</li> <li>• Post-implementation testing of program development controls for employee payroll and human resources management processes.</li> </ul> <p>Our testing is ongoing and expected to be completed in March 2019 for the 2018 audit.</p>
<b>Materiality</b>	<ul style="list-style-type: none"> <li>• Misstatements are considered to be material if they could reasonably be expected to influence the economic decisions of users of the financial statements.</li> <li>• We have set a preliminary materiality at 2% (2017 - 1.75%) of total operating expenses as of December 31, 2017 for the consolidated TTC financial statement audit. This results in a preliminary materiality of \$46 million (2017 - \$38 million) for the consolidated TTC financial statements audit. We'll report unadjusted and adjusted items over \$4.6 million (2017 - \$1.9 million) to the Audit and Risk Management Committee on completion of the audit.</li> <li>• We have set a preliminary materiality at 2% (2017 - 2%) of total assets as of December 31, 2017. This results in a preliminary materiality of \$2.9 million (2017 - \$3.5 million) for the TTCIC financial statement audit. We'll report unadjusted and adjusted items over \$290,000 (2017 - \$175,000) to the Audit and Risk Management Committee on completion of the audit.</li> </ul>



<i>Key matters for discussion</i>	<i>Comments</i>
<b>Fraud risk</b>	<ul style="list-style-type: none"> <li>• We discuss fraud risk annually with the Audit and Risk Management Committee. Through our planning process (and prior years' audits), we developed an understanding of your oversight processes including: <ul style="list-style-type: none"> <li>- Code of conduct</li> <li>- Audit and Risk Management Committee Terms of Reference</li> <li>- Discussion and presentations by management at Audit and Risk Management Committee meetings and our attendance at those meetings</li> <li>- Chief Executive Officer's Reports</li> <li>- Review and approval of manual journal entries</li> <li>- Consideration of tone at the top</li> <li>- Internal audit</li> <li>- Enterprise Risk Management</li> <li>- Quarterly communication protocol report by the Investigative Services Unit to the Chief Financial Officer and the CEO</li> <li>- TTC's Integrity Reporting Program</li> <li>- City of Toronto's Fraud and Waste Hotline</li> </ul> </li> <li>• Based on our planning procedures to date, we are not aware of any fraud.</li> <li>• We will be having detailed fraud discussions with various levels of management during the course of our work and will have a discussion with the Audit and Risk Management Committee during our year-end meeting.</li> </ul>
<b>Independence</b>	<ul style="list-style-type: none"> <li>• As auditors, we are required to comply with the fundamental principles of objectivity, integrity, audit quality and professional behaviour, including independence. Our global independence systems continue to provide real-time identification of independence issues.</li> </ul>
<b>Enhanced auditor reporting standards effective for years ending on or after December 15, 2018</b>	<ul style="list-style-type: none"> <li>• Revised Canadian auditor's reporting standards will be effective for the 2018 year-end audit, and will include the following changes: <ul style="list-style-type: none"> <li>- Different format, opinion will be presented first.</li> <li>- Enhanced descriptions for responsibilities of the auditor, management and those charged with governance.</li> <li>- New requirements and reporting related to other information.</li> <li>- Requirement to include name of audit partner for listed entities.</li> <li>- Enhanced requirements relating to going concern.</li> <li>- Communication of key audit matters (KAMs) is currently voluntary.</li> </ul> </li> </ul> <p>An illustrative auditor's report is included in Appendix B.</p> <p>A draft of our new auditor's report will be shared ahead of the year-end Audit and Risk Management Committee meeting for your review.</p>

<i>Key matters for discussion</i>	<i>Comments</i>
<b>2018 audit fees</b>	<ul style="list-style-type: none"> <li>• The 2018 base audit fee is \$62,500 for TTC and \$12,000 for TTCIC.</li> <li>• In addition, we will be performing the following procedures to support our 2018 audit opinion (these procedures were not contemplated in our original fee estimate included in our engagement letter with the City of Toronto dated November 30, 2015): <ul style="list-style-type: none"> <li>○ Testing of certain controls not included in the PRESTO service auditor's report. The fee for this work is \$3,700. We also incur additional effort to test both legacy fare revenue and revenue derived from PRESTO (i.e. test two revenue streams as both are significant to the audit in the current year). The fee associated with this incremental effort is estimated to be \$5,000.</li> <li>○ The fee for audit work relating to the system conversion and SAP Phase I IT general control testing and testing the Success Factors implementation is \$148,000. In addition, our fee for testing the new automated controls on which we plan to place reliance is \$30,000.</li> </ul> </li> <li>• We'll advise management if we incur any other additional costs due to changes in the level of audit effort or scope changes.</li> <li>• Any non-audit services requested by management will be billed in accordance with the terms of the approved Statement of Work for the project.</li> </ul>

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. Comments and conclusions should only be taken in the context of the financial statements as a whole, as we do not mean to express an opinion on any individual item or accounting estimate. This report has been prepared solely for your use. It was not prepared for, and is not 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.

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***Appendix A: City of Toronto engagement letter***



Anna Kinastowski, B.A., LL.B.\*  
City Solicitor  
Legal Services  
Metro Hall, 26th Fl., Stn. 1260  
55 John Street  
Toronto, ON M5V 3C6  
Tel. 416-392-8047  
Fax 416-397-5624

*\* Certified by the Law Society as a Specialist in  
Municipal Law: Local Government / Land  
Use Planning & Development*

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Reply To: Jasmine Stein  
Tel: 416 392-7226  
Fax: 416 397-5624  
E-Mail: [jstein@toronto.ca](mailto:jstein@toronto.ca)

File No. 4300-801-2015-206009934

December 18, 2015

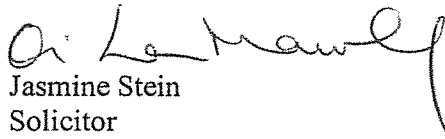
Tasha M. Dewan  
PricewaterhouseCoopers LLP  
18 York Street, Suite 2600  
Toronto, Ontario  
M5J 0B2

Dear Tasha:

**Re: Engagement Letter between the City of Toronto and PricewaterhouseCoopers LLP**

Please find enclosed one fully executed original copy of the above-noted engagement letter for your records.

Yours truly,

*JS*  
  
Jasmine Stein  
Solicitor  
Municipal Law

JS:olm



TORONTO 2015  
Pan Am/Parapan Am

HOST CITY





November 30, 2015

Ms. Beverly Romeo-Beehler  
Auditor General  
City of Toronto, Metro Hall  
55 John Street, 9th Floor  
Toronto ON M5V 3C6

Dear Ms. Romeo-Beehler:

PricewaterhouseCoopers LLP (we, us or our), a limited liability partnership organized under the laws of the Province of Ontario, is pleased to provide services to the City of Toronto and its major agencies, corporations and other entities listed in Schedule A of this engagement letter (collectively, the City) for the calendar years ending December 31, 2015, 2016, 2017, 2018 and 2019 and including fiscal year ends extending to 2020. The engagement leader for each engagement will be responsible for the services we perform including coordination with internal specialists, as considered necessary. This engagement letter confirms our mutual understanding of the specific terms of our engagement, which are supplemented by the standard terms of business attached to this engagement letter.

### *Services and related report*

We will provide the services and issue the related reports in accordance with Request for Proposal No. 9171-14-7121 (the RFP), and our Proposal dated December 5, 2014 (the Proposal), as set out in this Letter of Engagement and further detailed in Schedule A (the Services):

### *Our responsibilities for audit of annual Financial Statements*

**Annual Financial Statements audit** The purpose of a financial statement or financial information (Financial Statement) audit is to express an opinion on the Financial Statements. We will be responsible for performing the audit engagements, as outlined in Schedule A, in accordance with Canadian generally accepted auditing standards. These standards require that we comply with ethical standards, which include independence and professional competence, and plan and perform the audit to obtain reasonable assurance 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the City as well as evaluating the overall presentation of the Financial Statements.

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*PricewaterhouseCoopers LLP*  
*PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2*  
*T: +1 416 863 1133, F: +1 416 365 8215, [www.pwc.com/ca](http://www.pwc.com/ca)*

\*PwC\* refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Ms. Beverly Romeo-Beehler  
City of Toronto, Metro Hall  
November 30, 2015

**Risk assessment** In making our risk assessments, we will consider internal controls relevant to the preparation 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 City's internal controls. We will however, let the City and its Audit Committee or the appropriate equivalent governance committee as set out in Appendix G of the RFP, (collectively, the Appendix G Committees) know, as appropriate, in writing about any significant deficiencies in internal controls relevant to the audit of the Financial Statements that we have identified during the audit.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Canadian generally accepted auditing standards.

**Informing the  
Audit  
Committees or  
the appropriate  
Appendix G  
Committees**

We also are responsible for ensuring that the Audit Committee and the appropriate Appendix G Committees are informed about certain other matters related to the performance of our audit, including but not limited to:

- (i) our views about significant qualitative aspects of the City's accounting practices, including accounting policies, accounting estimates and Financial Statement disclosures. In certain circumstances, we may be required to explain to the Audit Committee or the appropriate Appendix G Committees, why we consider a significant accounting practice, that is acceptable under the applicable financial reporting framework, not to be most appropriate to the City's particular circumstances;
- (ii) significant difficulties, if any, encountered during our audit;
- (iii) where the Audit Committee or the appropriate Appendix G Committees are not involved in managing the entity, we are also required to communicate:
  - significant matters, if any, arising from our audit that were discussed, or subject to correspondence with management; and
  - written representations we are requesting; and
- (iv) other matters, if any, arising from our audit that, in our professional judgment, are significant to the oversight of the financial reporting process.

**Reliance by third  
parties**

The services will not be planned or conducted in contemplation of reliance by any specific third party or with respect to any specific transaction unless specified in Schedule A. Therefore, items of possible interest to a third party will not be specifically addressed and matters may exist that would be assessed differently by a third party, possibly, in connection with a specific transaction.



Ms. Beverly Romeo-Beehler  
City of Toronto, Metro Hall  
November 30, 2015

**Auditor's report** Once we complete our annual audit or other engagements referred to in Schedule A, we will provide the City with our report. The form and content of our auditor's report will be in accordance with the standards outlined in Schedule A.

There may be circumstances where our report may differ from the expected form and content. In such cases, we will discuss such differences with the City in advance of finalizing our report and seek to resolve any differences of view that may exist.

If, for any reason caused by or relating to the affairs of the City or its management, we are unable to complete our audit, we may decline to issue our report.

**Quarterly reviews** The purpose of a review of quarterly financial statements is to assist the Audit Committees or the appropriate Appendix G Committees in discharging their regulatory obligations to review the quarterly financial statements. We will perform the quarterly reviews, as outlined in Schedule A, in accordance with standards established by CPA Canada for reviews of interim financial statements by an entity's auditor. An interim review is substantially less in scope than an audit and does not provide assurance that we would become aware of any or all significant matters that might be identified in an audit.

***Our responsibilities for review of annual Financial Statements***

**Review of annual Financial Statements** We will be responsible for performing the review engagement, as outlined in Schedule A, in accordance with Canadian generally accepted standards for review engagements. These standards require that we comply with ethical standards, which include independence and professional competences.

The objective of a review of annual Financial Statements is not to provide assurance that we will become aware of any or all significant matters that might be identified in an audit.

The scope of a review is substantially less in scope than an audit in accordance with Canadian generally accepted auditing standards, the objective of which is the expression of an opinion regarding the Financial Statements taken as a whole.

Accordingly, our services will not result in the expression of an audit opinion on the Financial Statements or the fulfilling of any statutory or other audit requirement.



Ms. Beverly Romeo-Beehler  
City of Toronto, Metro Hall  
November 30, 2015

*(cont'd)*  
**Review of  
annual Financial  
Statements**

Our review will consist primarily of inquiries of the City's personnel and analytical procedures applied to financial data. Based on our review, we will report whether or not we are aware of any material modifications that should be made to the Financial Statements in order for them to be in accordance with the standards as outlined in Schedule A.

**Internal control,  
fraud and error**

A review does not contemplate obtaining an understanding of internal control over financial reporting or assessing control risk, tests of accounting records and responses to inquiries by obtaining corroborating evidential matter, and certain other procedures ordinarily performed during an audit.

Our engagement cannot be relied upon to prevent and detect errors, fraud or illegal acts that may exist. The control over and the responsibility for the prevention and the detection of fraud, error or illegal acts remains solely with the City.

**Informing the  
Audit  
Committees or  
the appropriate  
Appendix G  
Committees**

We also are responsible for ensuring that those having oversight responsibility for the financial reporting process are informed about certain other matters related to the performance of our review, including but not limited to:

- (i) our views about significant qualitative aspects of the City's accounting practices, including accounting policies, accounting estimates and Financial Statement disclosures. In certain circumstances, we may be required to explain to those having oversight responsibility for the financial reporting process why we consider a significant accounting practice, that is acceptable under the applicable financial reporting framework, not to be most appropriate to the City's particular circumstances;
- (ii) significant difficulties, if any, encountered during our review;
- (iii) where those having oversight responsibility for the financial reporting process are not involved in managing the entity we are also required to communicate:
  - significant matters, if any, arising from our review that were discussed, or subject to correspondence with management; and
  - written representations we are requesting; and
- (iv) other matters, if any, arising from our review that, in our professional judgment, are significant to the oversight of the financial reporting process.

Since the scope and objectives of a review vary from those of an audit, there is less likelihood that we will become aware of all matters to communicate with those having oversight responsibility for the financial reporting process that would be identified as a result of an audit.





Ms. Beverly Romeo-Beehler  
City of Toronto, Metro Hall  
November 30, 2015

**Reliance by  
third parties**

The services will not be planned or conducted in contemplation of reliance by any specific third party or with respect to any specific transaction unless specified in Schedule A. Therefore, items of possible interest to a third party will not be specifically addressed and matters may exist that would be assessed differently by a third party, possibly in connection with a specific transaction.

***Our responsibilities for compilation of Financial Statements***

**Compilation of  
Financial  
Statements**

We will compile the Financial Statements, as outlined in Schedule A, in accordance with the requirements of the CPA Canada Handbook - Assurance, Section 9200, Compilation Engagements.

We will not perform an audit or a review of the Financial Statements. A compilation is limited to presenting information provided by the City in the form of Financial Statements.

Since we are accepting this engagement as accountants, not as auditor, we request that the City does not record this as an auditing engagement in the minutes of its shareholders' meetings. Our services will not result in the expression of an audit opinion or any other form of assurance on the Financial Statements nor the fulfilling of any statutory or other audit requirement. The City may wish to obtain legal advice concerning statutory (or contractual) audit requirements.

**Compilation  
Communication**

Unless unexpected difficulties are encountered, our communication will be substantially in the following form:

**Notice to Reader**

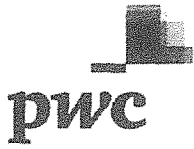
On the basis of information provided by management, we have compiled the statement of financial position of [name of organization] as at December 31, 2014 and the statements of operations and deficit and cash flows for the year then ended.

We have not performed an audit or a review engagement in respect of these Financial Statements and, accordingly, we express no assurance thereon.

Readers are cautioned that these financial statements may not be appropriate for their purposes.

[signed] PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants



Ms. Beverly Romeo-Beehler  
City of Toronto, Metro Hall  
November 30, 2015

### *Our responsibilities for Specified Procedures Engagements*

**Procedures** We will perform these engagements and report our findings to the City in accordance with the requirements of CPA Canada Handbook - Assurance Section 9100. We have not been engaged to, and will not, perform an audit, the objective of which would be to express an opinion on specified financial statement elements, accounts or items. Accordingly, we will not express such an opinion.

If we were to perform additional procedures or if we were to perform an audit of specified financial statement elements, accounts or items, other matters might come to our attention that would be reported to the City.

**Specified users** Our reports are solely for the information of specified users and is not to be used for any other purpose.

Consequently, our reports should not be distributed to other parties without our prior consent. Any use that a third party makes of this report, or any reliance or decisions made based on it, are the responsibility of such third party. We accept no responsibility for any loss or damages suffered by any third party as a result of decisions made or actions taken based on this report.

### *The City's responsibilities for Audits and Review engagements*

**Responsibility for Financial Statements and internal control** The City is responsible for the preparation and the fair presentation of the Financial Statements and information referred to above. The City is also responsible for establishing and maintaining an effective system of internal control over financial reporting to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error. In this regard, the City is responsible for establishing policies and procedures that ensure Financial Statements are prepared in accordance with the requirements of the accounting standards as outlined in Schedule A.

**Correction of errors** The City is responsible for adjusting the Financial Statements to correct material misstatements and for confirming to us that all uncorrected misstatements identified by us during our audit are immaterial, both individually and in total, to the Financial Statements taken as a whole. In addition, we expect management will correct all known non-trivial errors.

**Prevention and detection of fraud** The City is also responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us:

- (i) of the risk that the Financial Statements may be materially misstated as a result of fraud;
- (ii) about all known or suspected fraud affecting the City involving
  - (a) management;



Ms. Beverly Romeo-Beehler  
City of Toronto, Metro Hall  
November 30, 2015

*(cont'd)*  
**Prevention and  
detection of  
fraud**

- (b) employees who have significant roles in internal control over financial reporting; and
- (c) others where the fraud could have a non-trivial effect on the Financial Statements; and
- (iii) of the City's knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, investors or others.

**Related party**

The City is responsible for disclosing to us, the identity of each related party for each entity as directed by the specific accounting framework outlined in Schedule A, and all the related party relationships and transactions of which the City is aware and, for providing to us any updates that occur during the course of this engagement.

**Subsequent  
events**

The City is responsible for informing us of subsequent events that may affect the Financial Statements which it may become aware of up to the date the Financial Statements are issued.

**Laws and  
regulations**

The City is responsible for identifying and ensuring that it complies with the laws and regulations applicable to its activities, including those pertaining to the services. The City will make available to us information relating to any illegal or possibly illegal acts, and all facts related thereto and will provide information to us relating to any known or probable instances of non-compliance with legislative or regulatory requirements, including financial reporting requirements.

**Providing  
information on a  
timely basis**

The City is responsible for making available to us, on a timely basis, all of its original accounting records and related information relevant to the preparation of the Financial Statements, additional information that we may request from the City for the purposes of our audit and unrestricted access to its personnel who we may determine necessary to obtain evidence necessary to support our audit of the Financial Statements.

**Management  
representation  
letter**

The City will provide us with written representations concerning representations made to us during the audit covering the Financial Statements.

***The City's responsibilities for Compilation engagements***

**Compilation of  
financial  
statements**

The City is responsible for providing us with accurate and complete information necessary to compile the financial statements.

The City is also responsible for the accuracy and completeness of the representations in the financial statements.



Ms. Beverly Romeo-Beehler  
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*(cont'd)*  
**Compilation of financial statements** The City agrees that each page of the financial statements will be conspicuously marked as being "Unaudited - See Notice to Reader."

**Prevention and detection of errors and fraud** Our services cannot be relied on to prevent or detect errors and fraud or other irregularities. Therefore, the responsibility for the prevention and the detection of error and fraud and other irregularities remains solely with the City.

**Providing information on a timely basis** The City is responsible for making available to us, on a timely basis, all information relevant to the compilation of the financial statements.

**Notice to reader** Because the financial statements may either lack disclosure required by, or otherwise not be in accordance with generally accepted accounting principles, and may not be appropriate for general purpose use, the City agrees that it will attach our Notice to Reader if it plans to distribute the financial statements to third parties.

Uninformed readers could be misled, unless they are aware of the possible limitations of the financial statements and our very limited involvement.

***Fees for Audit Services***

**Fee Estimate** Our fees for the Audit Services as outlined 5.3 Section 7 – Cost of Services of the RFP are set out and shall be paid in accordance with Schedule B attached to this Letter of Engagement.

***Other matters***

**City Preparation** Our time and fee estimates take into account the agreed upon level of preparation and assistance from the City's personnel. We will advise the City on a timely basis when and if for any reason the City's personnel does not the agreed upon level of preparation and assistance as outlined in this Letter of Engagement and in accordance with the City's Responsibilities in Section 6 of the RFP. In addition, should these or any other issues arise that will require an extra effort to resolve, we will communicate with management, the Auditor General and the Audit Committee or the appropriate Appendix G Committees for approval to revise our fee to reflect any additional services, required of us in order to complete our work in accordance with terms of this Letter of Engagement.

**Term – agreement continues in force** If neither we nor the City exercise our respective right to terminate the services as outlined in the attached terms of business, this engagement letter will continue until we execute a new engagement letter.



Ms. Beverly Romeo-Beehler  
City of Toronto, Metro Hall  
November 30, 2015

**Terms of  
Business**

Term Reference 4.1. of the attached Terms of Business is amended by replacing the phrase "You agree that we may give confidential information to third party service providers, subcontractors, and other PwC Firms as long as they are bound by reasonable confidentiality obligations." in the last sentence of the provision, should be replaced with the phrase "The City agrees that we may give confidential information to third party service providers, subcontractors, and other PwC Firms as long as they are bound by the same reasonable confidentiality obligations."

Term Reference 4.2 of the Terms of Business is deleted.

Term Reference 8.1 of the Terms of Business is deleted.

Term Reference 8.4 of the Terms of Business is deleted and replaced with the following: "The City agrees to release and indemnify PwC and its Personnel from and against all claims, loss, costs, liabilities and damages arising in circumstance where there has been a negligent misrepresentation by the City in connection with the City's responsibilities as set out in this Letter of Engagement."

Term Reference 9.1, shall be deleted in its entirety and replaced with the following: "Subject to the CPA Rules of Professional Conduct, either party may terminate this agreement, for any reason, upon thirty (30) days written notice to the other party. In the event of such termination the City shall pay PwC for the Services provided to the satisfaction of the City in accordance with the terms and conditions of this Agreement up to the date of termination. "

**Other relevant  
documents**

The terms and conditions contained in the RFP No. 9171-14-7121 and the Proposal by PricewaterhouseCoopers in response to RFP No. 9171-14-7121 are incorporated into and form a part of this agreement. In the event of any inconsistency between the terms of the documents which make up this agreement, the following shall be the order of priority of the documents to the extent of any inconsistency:

1. This Engagement letter;
2. Request for Proposal No. 9171-14-7121;
3. The Proposal; and
4. The Terms of Business attached to the engagement letter.

Notwithstanding the above, it is acknowledged and agreed that clause 14 of Appendix B to the RFP which states that "All information, data, plans, specifications, reports, estimates, summaries, photographs, and all other documentation prepared by the Vendor in the performance of the Services under the agreement, whether they be in draft or final format, shall be the exclusive property of the City" is superseded by clause 7.1 of the Terms of



Ms. Beverly Romeo-Beehler  
City of Toronto, Metro Hall  
November 30, 2015

*(cont'd)*  
**Other relevant  
documents**

Business which provides that "Any documents prepared by us or for us in connection with this Letter of Engagement belong to us."

As part of our process of assessing the quality of our services, the City may receive questionnaires from us and visits from senior partners not directly involved in providing services to the City. We appreciate the attention given to these questionnaires and visits and value the City's feedback.

If the services outlined herein are in accordance with the City's requirements and, if the above terms are acceptable, please have one copy of this letter executed in the spaces provided below and return it to us.

Yours very truly,

A handwritten signature in cursive script that reads "PricewaterhouseCoopers LLP".

**Chartered Professional Accountants**



Ms. Beverly Romeo-Beehler  
City of Toronto, Metro Hall  
November 30, 2015

By signing below the parties agree to the services and terms as set forth in this Letter of Engagement, including the schedules attached hereto and to discharge their respective responsibilities and obligations in accordance with the terms hereof.

**City of Toronto**

By:

*[Signature]*  
Marilyn M. Toft

*[Signature]*  
Ulli S. Watkiss, City Clerk

*December 17, 2015*  
Date

*[Signature]*  
Mike St. Armand for  
Roberto Rossini, Deputy City Manager and  
Chief Financial Officer

Date

**PricewaterhouseCoopers LLP**

*PricewaterhouseCoopers LLP*  
Name: Cathy Russell  
Title: Partner

*December 9, 2015*  
Date

I have the authority to bind the partnership.

*[Signature]*  
Authorized by AU1.20 as adopted by City of  
Toronto Council on March 31, April 1 and 2, 2015.  
*[Signature]*  
Marilyn M. Toft  
City Clerk

**APPROVED AS TO FORM**  
*[Signature]*  
For Anna Kinastowski, City Solicitor  
File # 204568520

## Schedule A

### Accounting Framework and Reporting by Entity

Entity	Accounting Framework	Report	Intended Users other than addressee
<b>City of Toronto</b>			
1. Consolidated Financial Statements of the City of Toronto	PSAS	CAS 700 (Financial statement audit)	
2. Consolidated Financial Statements of the City of Toronto Trust Funds	Disclosed basis	CAS 700 (Financial statement audit)	
3. City of Toronto Sinking Funds	Disclosed basis	CAS 700 (Financial statement audit)	
4. City of Toronto – Report on Compliance with Investment Policy	N/A	Specified procedures	
5. City of Toronto – Report on Compliance with the Building Canada Fund Contribution Agreement for the Toronto-York-Spadina Subway Extension and Report on accounts, records, claims and expenditures incurred under this Agreement.	PSAS	CAS 805 (Audit of financial information)	Regional Municipality of York and Minister of Transport, Infrastructure and Communities
6. Long-term Care Homes – Annual Reconciliation Reports (10 as listed below): a) Bendal Acres; b) Carefree Lodge; c) Castleview Wychwood Towers; d) Cummer Lodge; e) Fudger House; f) Kipling Acres; g) Lakeshore Lodge; h) Seven Oaks; i) True Davidson Acres; and j) Wesburn Manor.	Annual Report Technical Instructions and Guidelines issued by the Ministry of Health and Long Term Care	Specified procedures	Ministry of Health and Long Term Care
7. The Toronto Track and Field Centre – Statement of Operating Costs.	PSAS	CAS 805 (Audit of financial information)	York University and Government of Canada
<b>(Ontario Business Corporation Act) OBCA Corporations</b>			
8. Toronto Community Housing Corporation (TCHC): a) Audit of Consolidated Financial	PSAS + 4200	CAS 700 (Financial	



**Schedule A**  
**Accounting Framework and Reporting by Entity**

Entity	Accounting Framework	Report	Intended Users other than addressee
Statements of TCHC;		statement audit)	
b) Audit of Financial Statements of Regent Park Energy Inc.;	PSAS + 4200	CAS 700 (Financial statement audit)	
c) Audit of Financial Statements of Access Housing Connections Inc.;	PSAS + 4200	CAS 700 (Financial statement audit)	
d) Audit of Financial Statements of Innoserv Inc.;	PSAS + 4200	CAS 700 (Financial statement audit)	
e) Audit of Financial Statements of Group 1, Group 2, Group 3 and Group 859 of Toronto Community Housing Corporation (Property Management Audits);	Property Management Specifications as provided by Toronto Community Housing Corporation	CAS 700 (Financial statement audit)	
f) Audit of Financial Statements of Group 4 of Toronto Community Housing Corporation (Property Management Audits);			
g) Audit of Financial Statements of Group 6 of Toronto Community Housing Corporation (Property Management Audits);			
h) Audit of Financial Statements of TCHC Issuer Trust;	PSAS + 4200	CAS 700 (Financial statement audit)	
i) Quarterly Reviews of Condensed Interim Consolidated Financial Statements of TCHC;	PSAS + 4200	Section 7060 (Review of interim financial statements)	
j) Review of Financial Statements of Regent Park Development Corporation;	PSAS + 4200	Section 8200 (Review of financial statements)	
k) Review of Consolidated Financial Statements of Toronto Community Housing Enterprise Inc.;	PSAS + 4200	Section 8200 (Review of financial statements)	
l) Review of Financial Statements of Toronto Affordable Housing Fund;	PSAS + 4200	Section 8200 (Review of financial statements)	
m) Review of Financial Statements of 2001064 Ontario Inc.;	PSAS + 4200	Section 8200 (Review of financial statements)	

**Schedule A****Accounting Framework and Reporting by Entity**

Entity	Accounting Framework	Report	Intended Users other than addressee
n) Review of Financial Statements of Alexandra Park Development Corporation;	ASPE	Section 8200 (Review of financial statements)	
o) Regent Park Sustainable Community – Report on Compliance with the Loan Agreement between TCHC and Federation of Canadian Municipalities, as Trustee of the Green Municipal Fund;	N/A	Section 8600 (Report on compliance)	
p) Compilation (Notice to Reader) of Financial Statements of Don Mount Court Development Corporation; and	PSAS + 4200	Section 9200 (Compilation)	
q) Compilation (Notice to Reader) of Financial Statements of Leslie Nymark Development Corporation.	PSAS + 4200	Section 9200 (Compilation)	
9. Consolidated Financial Statements of Build Toronto Inc.	IFRS	CAS 700 (Financial statement audit)	
10. Financial Statements of Invest Toronto Inc.	PSAS	CAS 700 (Financial statement audit)	
11. Consolidated Financial Statements of City of Toronto Economic Development Corporation c.o.b. – Toronto Port Lands Company	IFRS	CAS 700 (Financial statement audit)	
<b>Local Boards</b>			
12. Toronto Parking Authority	IFRS	CAS 700 (Financial statement audit)	
a) Financial Statements of Toronto Parking Authority; and			
b) Toronto Parking Authority Carpark No.161 – St. Clair-Yonge Garage – Statement of Revenues and Expenditures.	N/A	CAS 805 (Audit of financial information)	Sutter Hill Developments Limited
13. Toronto Police Services Board Special Fund (TPSB Special Fund) – Section 9110 Agreed Upon Procedures regarding internal control over financial reporting entity	PSAS	Section 9110 (Agreed upon procedures)	



**Schedule A****Accounting Framework and Reporting by Entity**

Entity	Accounting Framework	Report	Intended Users other than addressee	
<ul style="list-style-type: none"> <li>Toronto Public Library Board – Literacy Base Skills Program Statement of Revenue and Expenditures</li> </ul>	PSAS+4200	CAS 805 (Audit of financial information)	Ministry of Training, Colleges and Universities	
16. Financial Statements of Toronto Public Library Foundation	PSAS+4200	CAS 700 (Financial statement audit)		
17. Exhibition Place:				
<ul style="list-style-type: none"> <li>Consolidated Financial Statements of the Board of Governors of Exhibition Place; and</li> </ul>	PSAS	CAS 700 (Financial statement audit)		
<ul style="list-style-type: none"> <li>Ricoh Coliseum – Special Audit of Schedule of Expenditures</li> </ul>	PSAS	CAS 805 (Audit of financial information)		
18. Financial Statement of the Board of Directors of the Hummingbird Centre for the Performing Arts (operating as Sony Centre for the Performing Arts).	PSAS+4200	CAS 700 (Financial statement audit)		
19. Financial Statements of St. Lawrence Centre for the Arts.	PSAS+4200	CAS 700 (Financial statement audit)		
20. Financial Statements of the North York Performing Arts Centre Corporation (operating as the Toronto Center for the Arts)	PSAS+4200	CAS 700 (Financial statement audit)		
21. Financial Statements of the Board and Management of the Toronto Zoo	PSAS+4200	CAS 700 (Financial statement audit)		
<b>Transit</b>				
22. Consolidated Financial Statements of Toronto Transit Commission	PSAS	CAS 700 (Financial statement audit)		
23. Financial Statements of TTC Insurance Company Limited – To the Board & to FSCO	PSAS	CAS 700 (Financial statement audit)		Financial Services Commission of Ontario
<b>Financial Trusts- Pension Bodies</b>				
24. The Pension Fund of the Corporation of the City of York Employee Pension Plan;	Basis of accounting disclosed in	CAS 800 (Audit of financial statements under special purpose		Financial Services Commission of Ontario

**Schedule A****Accounting Framework and Reporting by Entity**

<b>Entity</b>	<b>Accounting Framework</b>	<b>Report</b>	<b>Intended Users other than addressee</b>
25. The Fund of the Metropolitan Toronto Pension Plan	the notes to the financial statements (engagements # 24-28)	framework) CAS 800 (Audit of financial statements under special purpose framework)	Financial Services Commission of Ontario
26. The Fund of the Metropolitan Toronto Police Benefit Fund;		CAS 800 (Audit of financial statements under special purpose framework)	Financial Services Commission of Ontario
27. The Fund of the Toronto Civic Employees' Pension and Benefit Fund;		CAS 800 (Audit of financial statements under special purpose framework)	Financial Services Commission of Ontario
28. The Fund of the Fire Department Superannuation and Benefit Fund;		CAS 800 (Audit of financial statements under special purpose framework)	Financial Services Commission of Ontario
29. Financial Statements of Toronto Commission Pension Fund Society; and	Part IV – Canadian Accounting Standards for Pension Plans	CAS 700 (Financial statement audit)	
30. Financial Statements of Toronto Transit Commission Sick Benefit Association	PSAS	CAS 700 (Financial statement audit)	

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## ***Schedule B***

### ***Fees and billing schedule***

#### **Fee estimate**

Our fees for the Audit Services as outlined 5.3 Section 7 – Cost of Services of the RFP are attached to this Letter of Engagement.

#### **Billing schedule**

Our fees for the following engagements will be billed as 40% of fees at the commencement of planning, 50% of fees during year end field work and 10% of fees upon completion:

- Consolidated Financial Statements of the City of Toronto
- Audit of Consolidated Financial Statements of TCHC
- Consolidated Financial Statements of Build Toronto Inc.
- Consolidated Financial Statements of City of Toronto Economic Development Corporation c.o.b. – Toronto Port Lands Company
- Financial Statements of Toronto Parking Authority
- Financial Statements of Toronto Public Library Board
- Consolidated Financial Statements of the Board of Governors of Exhibition Place
- Financial Statement of the Board of Directors of the Hummingbird Centre for the Performing Arts (operating as Sony Centre for the Performing Arts).
- Financial Statements of St. Lawrence Centre for the Arts.
- Financial Statements of the North York Performing Arts Centre Corporation (operating as the Toronto Center for the Arts)
- Financial Statements of the Board and Management of the Toronto Zoo
- Consolidated Financial Statements of Toronto Transit Commission
- Financial Statements of TTC Insurance Company Limited
- Financial Statements of Toronto Commission Pension Fund Society

Our fees for the following engagements will be billed upon completion:

- Consolidated Financial Statements of the City of Toronto Trust Funds
- City of Toronto Sinking Funds
- City of Toronto – Report on Compliance with Investment Policy
- City of Toronto – Report on Compliance with the Building Canada Fund Contribution Agreement for the Toronto-York Spadina Subway Extension and Report on accounts, records, claims and expenditures incurred under this Agreement.
- Long-term Care Homes – Annual Reconciliation Reports (10 as listed below):
  - Bendal Acres'
  - Carefree Lodge;
  - Castlerview Wychwood Towers;
  - Cummer Lodge;
  - Fudger House;
  - Kipling Acres;
  - Lakeshore Lodge;
  - Seven Oaks;
  - True Davidson Acres; and
  - Wesburn Manor.
- The Toronto Track and Field Centre – Statement of Operating Costs.
- Audit of Financial Statements of Regent Park Energy Inc.
- Audit of Financial Statements of Access Housing Connections Inc.
- Audit of Financial Statements of Innoserv Inc.
- Audit of Financial Statements of Group 1, Group 2, Group 3 and Group 859 of Toronto Community Housing Corporation (Property Management Audits)

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## ***Schedule B***

### ***Fees and billing schedule***

- Audit of Financial Statements of Group 4 of Toronto Community Housing Corporation (Property Management Audits)
- Audit of Financial Statements of Group 6 of Toronto Community Housing Corporation (Property Management Audits)
- Audit of Financial Statements of TCHC Issuer Trust
- Quarterly Reviews of Condensed Interim Consolidated Financial Statements of TCHC
- Review of Financial Statements of Regent Park Development Corporation
- Review of Consolidated Financial Statements of Toronto Community Housing Enterprise Inc.
- Review of Financial Statements of Toronto Affordable Housing Fund
- Review of Financial Statements of 2001064 Ontario Inc.
- Review of Financial Statements of Alexandra Park Development Corporation
- Review of Financial Statements of Allenbury Gardens Development Corporation
- Review of Financial Statements of Railway Lands Development Corporation
- Regent Park Sustainable Community – Report on Compliance with the Loan Agreement between TCHC and Federation of Canadian Municipalities, as Trustee of the Green Municipal Fund
- Compilation (Notice to Reader) of Financial Statements of Don Mount Court Development Corporation
- Compilation (Notice to Reader) of Financial Statements of Leslie Nymark Development Corporation
- Financial Statements of Invest Toronto Inc.
- Toronto Parking Authority Carpark No.161 – St. Clair-Yonge Garage – Statement of Revenues and Expenditures
- Toronto Police Services Board Special Fund (TPSB Special Fund) – Section 9110 Agreed Upon Procedures regarding internal control over financial reporting entity
- Toronto Public Health – Audits as required by the Ministry of Health and Long-term Care and Ministry of Children and Youth Services in connection with various settlements of Toronto Public Health programs (7 as listed below):
  - Program based grants annual reconciliation report;
  - AIDS Bureau Program – Statement of Revenue and Expenditures and Annual Reconciliation report;
  - 9,000 Nurses - Healthy Babies Healthy Children Program Settlement Report;
  - Healthy Babies Healthy Children Program Settlement Report;
  - Preschool Speech and Language Program Settlement Report;
  - Infant Hearing Program Settlement Report;
  - Blind Low Vision Program Settlement Report;
- Toronto Public Library Board – Literacy Base Skills Program Statement of Revenue and Expenditures
- Financial Statements of Toronto Public Library Foundation
- Ricoh Coliseum – Special Audit of Schedule of Expenditures
- The Pension Fund of the Corporation of the City of York Employee Pension Plan
- The Fund of the Metropolitan Toronto Pension Plan
- The Fund of the Metropolitan Toronto Police Benefit Fund
- The Fund of the Toronto Civic Employees' Pension and Benefit Fund
- The Fund of the Fire Department Superannuation and Benefit Fund
- Financial Statements of Toronto Transit Commission Sick Benefit Association

#### **Conditions impacting our time and fee estimates**

Our time and fee estimates take into account the agreed level of preparation and assistance from the City. We will let the City know promptly when and if for any reason the schedules, information and assistance to be provided, as outlined in this Letter of Engagement, are not sufficient for our services. We will provide the City with a separate listing of required schedules, information requests and the dates such items are needed. We will also discuss with the City and the persons responsible any other issues that will require extra time and effort to resolve and seek approval for any request to revise our time and fee estimates to reflect any additional services, required in order for us to complete our work in accordance with the terms of this Letter of Engagement.

# Terms of business

1	Introduction
2	PwC Firms, service providers and subcontractors
3	Your responsibilities
4	Confidentiality
5	Professional and regulatory oversight
6	Personal information
7	Working papers
8	Liability
9	Termination
10	Governing law
11	General

## 1 Introduction

- 1.1 **Interpretation** – In this agreement, the following words and expressions have the meaning given to them below:  
**services** – the services set out in the engagement letter  
**the agreement** – these terms and the engagement letter to which they relate (including any schedules)  
**we, us or our** – refer to PricewaterhouseCoopers LLP, a limited liability partnership organized under the laws of the Province of Ontario  
**you, your** – the party or parties, including their management, to the agreement (excluding us)
- 1.2 **Changes** – Either we or you may request a change to the services, deliverables or this agreement. Any change will be effective only when agreed in writing.
- 1.3 **Purpose** – You acknowledge that our report is intended for the purpose of the oversight of management and the affairs of the legal entity that is the subject of the services.

## 2 PwC Firms, service providers and subcontractors

- 2.1 **Our relationship with you** – We are a member of the global network of PricewaterhouseCoopers firms (PwC Firms), each of which is a separate and distinct legal entity.
- 2.2 **Subcontractors and service providers** – We may use other PwC Firms, service providers and subcontractors to provide the services and support service delivery. We remain solely responsible for the services and deliverables.
- 2.3 **Restriction on claims** – You agree not to bring any claim or action against another PwC Firm (or its partners, members, directors or employees) or our subcontractors in respect of any liability relating to the services, deliverables or the agreement.

## 3 Your responsibilities

- 3.1 **Your obligations** – The performance of our services and provision of the deliverables depends on your performing your obligations under the agreement. We are not responsible for any consequences arising from you not fulfilling your obligations.
- 3.2 **Solicitation and hiring of PwC personnel** – Our independence related to assurance engagements may be impaired if you solicit or hire certain PwC personnel. This may either delay the provision of the services or cause us to resign from the engagement. You agree not to offer or permit your related parties to offer employment to or hire the lead engagement partner, the quality review partner or any other PwC partner, employee and/or independent contractor who has provided more than ten (10) hours of audit or review services until a period of twelve (12) months has passed from the date of our report on the applicable financial statements without first consulting with and obtaining the approval of the lead engagement partner on any proposed offer of employment.
- 3.3 **Oral advice and draft deliverables** – You may rely on our final written deliverables, but should not rely on oral advice or draft deliverables provided during the term of this agreement. If you wish to rely on something we have said to you, please let us know and, if possible, we will prepare a written deliverable on which you may rely.

## 4 Confidentiality

- 4.1 **Confidential information** – We and you agree to use the other party's confidential information, if any, only in relation to the services or internal and administrative purposes and to take reasonable steps to prevent disclosure, recognizing that disclosure will be permitted where required by law or professional obligation. You agree that we may give confidential information to third party service providers, subcontractors and other PwC Firms as long as they are bound by reasonable confidentiality obligations.
- 4.2 **Benchmarking** – From time to time we may offer our clients, like you, the service of benchmarking your business against other businesses in your industry, and providing you with the result of such comparison. Your information, together with the information from other businesses in your industry, may be used in such benchmarking studies, but will always be pooled with information from other such businesses, so that no one will be able to identify or reverse engineer any of your confidential information. You consent to our use and disclosure of your information, in aggregate form, for benchmarking purposes.



- 4.3 **Working with competitors** – You agree that we may work with your competitors or other parties whose interests may conflict with yours, as long as we do not disclose your confidential information and we comply with our ethical obligations.

## 5 Professional and regulatory oversight

- 5.1 **Reviews of us** – We are required to meet certain professional standards in the performance of our services. As such, we are regulated or overseen by various professional and regulatory bodies both in Canada and abroad (which bodies will depend on the nature of the services performed under this agreement). These professional and regulatory bodies have the right to inspect our files, including working papers and other work product(s) relating to these services or the services provided in prior years to determine whether professional standards have been met. We may, from time to time, receive requests or orders from such bodies to provide them with information and copies of such working papers. We intend to provide such information and working papers in response to such requests.
- 5.2 **Reviews of you** – Certain regulatory bodies may also have the right to conduct investigations of you, including the services provided by us. To the extent practicable, we will advise you of any such investigation request or order prior to providing our working papers, except where we are prohibited by law from doing so.
- 5.3 **Privileged information** – Except where providing working papers is required by the laws of any jurisdiction that you or we are governed by, we will use all reasonable efforts to refuse access to any document over which you have expressly informed us that you assert privilege. You must mark any document over which you assert privilege as “PRIVILEGED”.
- 5.4 **Reimbursement of costs incurred** – You agree to reimburse us for our professional time and expenses, as well as reasonable fees and expenses of our legal counsel, incurred by us in responding to any investigation that is requested or authorized by you or of you required by government regulation, subpoena or other legal process.

## 6 Personal information

- 6.1 **Personal information** – We may collect, use, disclose, transfer, store or otherwise process information about identified individuals (“personal information”) to provide the services and deliverables. We may process such personal information in various jurisdictions in which we or applicable PwC Firms, service providers and subcontractors operate, and, as such, personal information may be subject to the laws of such jurisdictions. Such personal information will be at all times processed in accordance with the applicable laws and professional regulation. In addition, we will require any service providers that process personal information on our behalf to adhere

to such requirements. You confirm that you have the authority to provide the personal information to us in connection with the performance of services and that the personal information provided to us has been provided in accordance with applicable law.

## 7 Working papers

- 7.1 **Ownership** – Any documents prepared by us or for us in connection with this agreement belong to us.

## 8 Liability

- 8.1 **Limitation of Liability** – Our aggregate liability for all claims, losses, liabilities or damages in connection with this agreement or the services or deliverables, whether as a result of breach of contract, tort (including negligence) or otherwise, regardless of the theory of liability asserted, is limited to \$2 million. Our liability to you shall be several and not joint and several, and we shall only be liable for our proportionate share of any loss or damage, based on our contribution relative to the others’ contributions. In addition, we will not be liable in any event for consequential, incidental, indirect, punitive, exemplary or special damages, including any amount for loss of profit, data or goodwill, whether or not the likelihood of such loss or damage was contemplated.
- 8.2 **No claims against individuals** – You agree claims or actions relating to the delivery shall be brought against us alone and not against any members, partners, principals, employees or subcontractors, including PwC Firms (“Personnel”).
- 8.3 [Intentionally blank]
- 8.4 **Misrepresentation by you** - You agree to release and indemnify us and our Personnel from and against all claims, losses, costs, liabilities and damages arising in circumstances where there has been a misrepresentation by a member of your management or board of directors, regardless of whether such person was acting in your interest.

## 9 Termination

- 9.1 **By Either Party** – Either party may terminate this agreement, for any reason, upon written notice to the other party. We will not be liable for any loss, cost or expense arising from such termination.
- 9.2 **Fees payable on termination** – You agree to pay us for all services we perform and deliverables we provide up to the date of termination, including services performed, work-in-progress and expenses incurred.

## 10 Governing law

- 10.1 **Law and jurisdiction** – The agreement and any dispute arising from it, whether contractual or non-contractual, will be governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein and are subject to the exclusive jurisdiction of the courts of the Province of Ontario.

## 11 General

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- 11.1 **Matters beyond reasonable control** – No party will be liable (other than payment obligations) to the other if it fails to meet its obligations due to matters beyond its reasonable control.
  - 11.2 **Entire agreement** – The agreement, once executed by both parties, forms the entire agreement between the parties in relation to the services and deliverables. It replaces any earlier agreements, representations or discussions.
  - 11.3 **Your actions** – Where you consist of more than one party, an act or omission of one party will be regarded as an act or omission of all.
  - 11.4 **Assignment** – Without written consent, neither of us may assign any of our rights, obligations or claims under this agreement.
  - 11.5 **Survival** – Any clause that is meant to continue to apply after termination of this agreement will do so.
  - 11.6 **Severability** – If a court or regulator with proper jurisdiction determines that a provision of this agreement is invalid, then that provision will be interpreted in a way that is valid under applicable law or regulation. If any provision is invalid, the rest of this agreement will remain effective.

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***Appendix B: Illustrative auditor's report***



## Independent auditor's report

To the Members of the Board of Directors of Toronto Transit Commission

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### Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Toronto Transit Commission and its subsidiaries, (together, the Organization) as at December 31, 2018 and the results of its operations, changes in its net debt, its remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Opinion section is now first section

### What we have audited

The Organization's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2018;
- the consolidated statement of operations and accumulated operating surplus for the year then ended;
- the consolidated statement of changes in net debt for the year then ended;
- the consolidated statement of remeasurement gains and losses for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

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### Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

### Independence

We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Statement of auditor's independence

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\*PwC\* refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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### *Responsibilities of management and those charged with governance for the consolidated financial statements*

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Enhanced description of management's responsibilities

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### *Auditor's responsibilities for the audit of the consolidated financial statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Enhanced description of auditor's responsibilities

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Organization to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**[DRAFT]**

**Chartered Professional Accountants, Licensed Public Accountants**

Toronto, Ontario  
June @@, 2019

## Appendix C: Audit Service Guideline

### Audit Service Guideline

	<b>Our commitment to you and expectations of the TTC</b>	<b>Additional audit services</b>
<b>Audit readiness and monitoring of audit progress</b>	<ul style="list-style-type: none"> <li>We will provide a detailed listing of audit information requests and agree with management up front the required dates to provide the requested information.</li> <li>We will agree with you the start dates of our interim and year-end audit fieldwork. A completed trial balance that includes all management year end closing entries will be provided at a date agreed to upfront with management.</li> <li>We will hold periodic meetings with management (dates and times to be agreed upfront) to discuss the status of the audit. As part of these meetings, we will provide a detailed list of outstanding items and will highlight any items that require more urgent attention and follow-up.</li> </ul>	<ul style="list-style-type: none"> <li>Delays in receiving requested information that results in idle staff time or staffing changes or any changes to the trial balance subsequent to the agreed upon date that results in additional audit testing will be billed separately.</li> </ul>
<b>Significant accounting and reporting matters</b>	<ul style="list-style-type: none"> <li>We will hold meetings with key staff at the TTC as part of the audit planning process to understand significant developments and changes for the current year and share with you our views on the accounting and audit implications.</li> <li>For significant new developments that have an accounting, reporting and/or auditing impact, management will prepare a position paper, in a format as outlined in our summary of audit information requests, summarizing the issue, the technical analysis/research supporting management's position and the impact to the TTC.</li> </ul>	<ul style="list-style-type: none"> <li>Time incurred to review management's position paper and resolve significant accounting matters will be billed separately.</li> <li>In addition, time incurred to quantify and perform additional audit procedures, as necessary, to validate adjustments will be billed separately.</li> </ul>

	<b>Our commitment to you and expectations of the TTC</b>	<b>Additional audit services</b>
<b>Financial statement review</b>	<ul style="list-style-type: none"> <li>Year-end financial statements and note disclosures will be prepared and reviewed by management and provided to us for our review in accordance with the timelines as outlined in our audit information request listing.</li> <li>We will review two versions of the financial statements. We will provide our comments, including any suggestions for change to management, on the first version and will review a second version of the financial statements for any changes made as a result of our initial review.</li> </ul>	<ul style="list-style-type: none"> <li>Significant revisions to the financial statements (i.e. re-writing of note disclosures or pervasive mathematical errors and/or internal inconsistencies) and reviewing multiple versions of the financial statements (i.e. more than two versions) will be billed separately.</li> </ul>
<b>Audit and Risk Management Committee/Board meetings</b>	<ul style="list-style-type: none"> <li>We will attend one meeting at year-end to present our draft year-end audit report (summarizing our key audit findings) to management and discuss any comments or revisions suggested by management.</li> <li>In addition, we will attend two Audit and Risk Management Committee/Board meetings to present our audit plan and final year-end audit report and the annual general meeting (if applicable).</li> </ul>	<ul style="list-style-type: none"> <li>Additional meetings with the Audit and Risk Management Committee/Board and additional drafting sessions or clearance meetings with management will be billed separately.</li> </ul>



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