

TORONTO TRANSIT COMMISSION REPORT NO.

MEETING DATE: May 6, 2010

SUBJECT: Audit Results - Year Ended December 31, 2009

ACTION ITEM

RECOMMENDATION

It is recommended that the Commission:

- 1) receive the attached report from Ernst & Young regarding the audit results of the consolidated financial statements of the Toronto Transit Commission for the year ended December 31, 2009; and
- 2) forward a copy of the attached report to the Audit Committee of the City of Toronto, for information.

BACKGROUND

At the Audit Committee meeting on April 13, 2010, a review was undertaken of the attached report from the external auditors, regarding the audit of the consolidated financial statements of the Toronto Transit Commission for the year ended December 31, 2009.

DISCUSSION

The consolidated financial statements of the Toronto Transit Commission for the year ended December 31, 2009 have been prepared by management. They have been audited by Ernst & Young LLP ("E&Y"), in accordance with the plan presented to the Audit Committee on January 22, 2010. The attached report from E&Y outlines the scope of their audit and provides some comments on significant accounting and disclosure matters, including audit differences, which were encountered during the course of the audit. These matters are reported under 'Items of Audit Significance Discussed with Management' and 'Summary of Audit Differences' on pages 1 through 5 of the attached report.

It is also important to remember that a 'Summary of Audit Differences' is a normal component of an audit report. Besides identifying any accounting issues found during the audit, the auditors also note any differences of opinion on judgmental issues. However, if the total of all differences is below the audit materiality level (\$12.5 million), the auditors do not require a change to the financial statements and current year differences are corrected in the subsequent year. That is the case for 2009. The two most significant audit differences

relate to (1) management's conservative approach regarding a long-outstanding tax liability (\$2.7 million) and (2) a difference arising from an actuarial correction that pertains to prior years' post-retirement benefit liabilities (\$6.2 million).

The Auditors' Report provides an opinion that the consolidated financial statements present fairly the financial position of the Commission, in accordance with generally accepted accounting principles. 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. This year, E&Y is not presenting a management letter.

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4-May-10

42 - 129

Attachment: 2009 Audit Results report from Ernst & Young LLP