

# TORONTO TRANSIT COMMISSION REPORT NO.

**MEETING DATE:** May 11, 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.

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### **RECOMMENDATION**

It is recommended that the Commission:

- 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;
- 2) forward a copy of the attached report to the City Council through the Audit Committee of the City of Toronto; and
- 3) retain the contents of the Confidential Attachment as confidential in their entirety as it contains advice which is subject to solicitor-client privilege.

### **BACKGROUND**

At the Audit Committee meeting on April 19, 2011, 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, 2010.

### **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 TTC Audit Committee, later this year.

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21-Apr-11

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