

TORONTO TRANSIT COMMISSION REPORT NO.

MEETING DATE: May 30, 2012

SUBJECT: PricewaterhouseCoopers LLP Audit Results Report on the
Toronto Transit Commission Consolidated Financial Statements
for the Year Ended December 31, 2011

ACTION ITEM

REASON FOR CONFIDENTIAL INFORMATION

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

RECOMMENDATION

It is recommended that the Commission:

- 1) receive the attached report and update letter 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, 2011, for information;
- 2) forward a copy of the attached report and update letter 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 TTC's Audit Committee meeting on April 30, 2012, 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, 2011.

DISCUSSION

The consolidated financial statements of the Toronto Transit Commission for the year ended December 31, 2011 have been prepared by management. They have been audited by PWC, in accordance with the plan presented to the Audit Committee on January 23, 2012.

Since the review of the attached report at the April 30, 2012 Audit Committee meeting, PWC has worked to address the few remaining outstanding procedures. The appended PWC letter dated May 14, 2012, is an update to the PWC report. The letter provides the current status of the audit as well as an updated summary of unadjusted misstatements.

The summary of unadjusted misstatements is a normal component of an audit report. If the total of all differences is below the audit materiality level (\$20 million), the auditors do not require a change to the financial statements, which is the case for 2011. There is one item that was adjusted as a result of the audit. This item is discussed in the confidential attachment.

The attached report from PWC provides comments on significant audit, accounting and financial reporting matters which are summarized on pages 7 through 11. Pages 34 to 42 of the attached report contain 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.

18-May-12

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



May 14, 2012

Members of the Audit Committee of the
Toronto Transit Commission

Dear Members of the Audit Committee:

Further to our Year-End Audit Committee report, dated April 19, 2012 which was presented to the Audit Committee of the Toronto Transit Commission on April 30, 2012, we have provided below an update on the Status of the Audit section of our report (page 4) and also have included an updated summary of unadjusted misstatements which was included in Appendix B of our report dated April 19, 2012.

Status of the Audit

The following items will need to be completed/received prior to the issuance of our audit opinion:

Outstanding items
i. Completion of subsequent event procedures to the date of our audit opinion and finalization of the TTC consolidated financial statements to our audit opinion date
ii. General queries of management and miscellaneous outstanding information relating to audit work in progress
iii. Receipt of signed management representation letter

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*PwC refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership, which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.



Appendix B: Summary of unadjusted misstatements

Adjustment 3 (below) was added subsequent to the Audit Committee meeting held on April 30, 2012.

Description	Surplus Over/(Under) Stated	Financial Assets (Over)/Under Stated	Liabilities Over/(Under) Stated	Non-Financial Assets (Over)/Under Stated	Opening Accumulated Surplus Over/(Under) Stated
Current year unadjusted Misstatements:					
1. Understatement of accounts payables and accounts receivable related to a subsidized capital project		1,793	(1,793)		
2. Overstatement of prepaid expenses and understatement of tangible capital assets					
DR. Tangible capital assets				3,215	
CR. Prepaid expenses				(3,215)	
3. To correct for a misstatement noted in the completion of the PFS audit which results in a misstatement in the amount recorded for PFS in the TTC consolidated financial statements.	1,372			(1,372)	
Total unadjusted misstatements before impact of reversal of prior year differences	1,372	1,793	(1,793)	(1,372)	
Reversal of prior year unadjusted misstatements:					
Reversal of overstatement of depreciation expense in the prior year	2,786				(2,786)
Total Unadjusted Misstatements	4,158	1,793	(1,793)	(1,372)	(2,786)

Yours very truly,

PricewaterhouseCoopers LLP

Cathy Russell
Partner
Audit and Assurance Group