



PricewaterhouseCoopers LLP Audit Results Report on the Toronto Transit Commission Consolidated Financial Statements for the Year Ended December 31, 2019

Date: June 17, 2020

To: TTC Board

Summary

This subject report was considered by the TTC Audit & Risk Management Committee on June 3, 2020 and was adopted without amendments.

Contact

Alex Cassar – Director – Budgets, Costing and Financial Reporting
(416) 393-3647
Alex.Cassar@ttc.ca



For Action

PricewaterhouseCoopers LLP Audit Results Report on the Toronto Transit Commission Consolidated Financial Statements for the Year Ended December 31, 2019

Date: June 3, 2020
To: TTC Audit & Risk Management Committee
From: Chief Financial Officer

Summary

This report from the TTC's external auditors, PricewaterhouseCoopers LLP (PwC) outlines the results from the audit of the TTC's consolidated financial statements for the year ended December 31, 2019.

Recommendations

It is recommended that the TTC Audit and Risk Management Committee:

1. Approve this report; and
2. Forward a copy of this report to the TTC Board and then to the City Clerk for appropriate handling to the next City Audit Committee meeting.

Implementation Points

This report requires approval at the June 3, 2020 TTC Audit & Risk Management Committee Meeting to ensure timely submission to the June 17, 2020 TTC Board Meeting and then to the next City Audit Committee Meeting of the City of Toronto.

Financial Summary

There are no financial implications resulting from the adoption of this report.

Equity/Accessibility Matters

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

Decision History

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.

At its meeting on February 9, 2017, the TTC Audit & Risk Management Committee approved that the terms of reference of the Audit & Risk Management Committee include a requirement to “review with management and the external auditors the results of the audit, including any difficulties encountered”.

[https://www.ttc.ca/About the TTC/Commission reports and information/Committee meetings/Audit Risk Management/2017/February 9/Reports/2 TTC Audit %20and Risk Management Committee Terms Of Referenc.pdf](https://www.ttc.ca/About%20the%20TTC/Commission%20reports%20and%20information/Committee%20meetings/Audit%20Risk%20Management/2017/February%209/Reports/2%20TTC%20Audit%20and%20Risk%20Management%20Committee%20Terms%20Of%20Referenc.pdf)

Issue Background

This report presents the financial audit results of the consolidated financial statements of the TTC for the fiscal year December 31, 2019.

Comments

The consolidated financial statements of the TTC for the year ended December 31, 2019 were prepared by management. They were audited by PwC in accordance with the plan approved by the Audit & Risk Management Committee at its December 12, 2019 meeting.

[http://www.ttc.ca/About the TTC/Commission reports and information/Committee meetings/Audit Risk Management/2019/Dec 12/Reports/4 PricewaterhouseCoopers LLP Consolidated Financial Statemen.pdf](http://www.ttc.ca/About%20the%20TTC/Commission%20reports%20and%20information/Committee%20meetings/Audit%20Risk%20Management/2019/Dec%2012/Reports/4%20PricewaterhouseCoopers%20LLP%20Consolidated%20Financial%20Statemen.pdf)

The attached report was prepared by PwC and it includes their comments on the significant accounting, auditing and reporting matters.

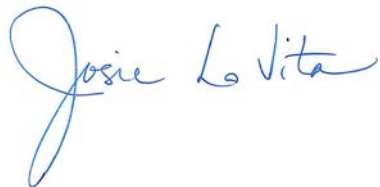
PwC proposes to issue an unqualified Independent Auditor’s Report on the 2019 consolidated financial statements (see Appendix 1) once the outstanding items noted on page 1 have been completed.

Terri McKinnon, the Assurance Partner from PwC will be at the Audit & Risk Management Committee meeting to present this report. You may wish to request the auditors to address any specific areas related to the audit.

Contact

Alex Cassar, Director – Budgets, Costing and Financial Reporting
(416) 393-3647
Alex.Cassar@ttc.ca

Signature



Josie La Vita
Chief Financial Officer (Interim)

Attachments

Attachment 1 – Toronto Transit Commission PwC audit results for the year ending 2019

Toronto Transit Commission audit results for the year ending 2019

For presentation to the Audit and Risk Management Committee
May 26, 2020



A message from Terri McKinnon

I am pleased to provide you with the results of our audit of the consolidated financial statements of Toronto Transit Commission and its subsidiaries (TTC) for the year ended December 31, 2019.

The accompanying report is prepared to assist you in your review of the financial statements. It includes an update on the status of our work, as well as a discussion on the significant audit, accounting and financial reporting matters and insights from our audit that we believe would be of greatest interest to the Audit and Risk Management Committee.

The scope and proposed focus of our audit work was summarized in our audit plan, which we presented to the Audit and Risk Management Committee in November 2019. We have subsequently reviewed our audit plan and concluded that our original risk assessment remains appropriate.

We have substantially completed our audit work and expect to be able to issue an unqualified audit opinion on the financial statements pending resolution of outstanding items noted in this report. Our draft auditor's report is included as Appendix 1.

We look forward to discussing our report with you on June 3, 2020. If you have any questions or concerns prior to the Committee meeting, please do not hesitate to contact me in advance.

Yours very truly,

PricewaterhouseCoopers LLP

Terri McKinnon
Partner
Assurance



On behalf of our team, I would like to express our sincere gratitude to the management and staff of Toronto Transit Commission for their cooperation and assistance throughout the course of our audit, especially during this unprecedented event.



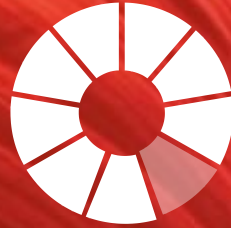
Terri McKinnon
Partner

We are reimagining the possible, investing in our people and our technology to provide you with a digitally amplified and insightful audit.



Enhancing quality.
Building trust.
Embracing innovation.

01 Status of the audit →



We have substantially completed our audit of the 2019 consolidated financial statements.

Outstanding items at the time of mailing are referred to in this report.

02 Significant audit, accounting and financial reporting matters →

1. Risk of material misstatement due to fraud in management override of controls
2. Risk of Fraud in Revenue Recognition
3. Critical accounting estimates
4. Upload of Rapid Transit Projects

03 Audit findings →

Misstatements

1	Unadjusted	0	Adjusted
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Control deficiencies

0	Significant deficiencies	0	Material weaknesses
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04 Other items for discussion →

05 PwC Canada's Response to COVID-19 →

06 Appendices →



01

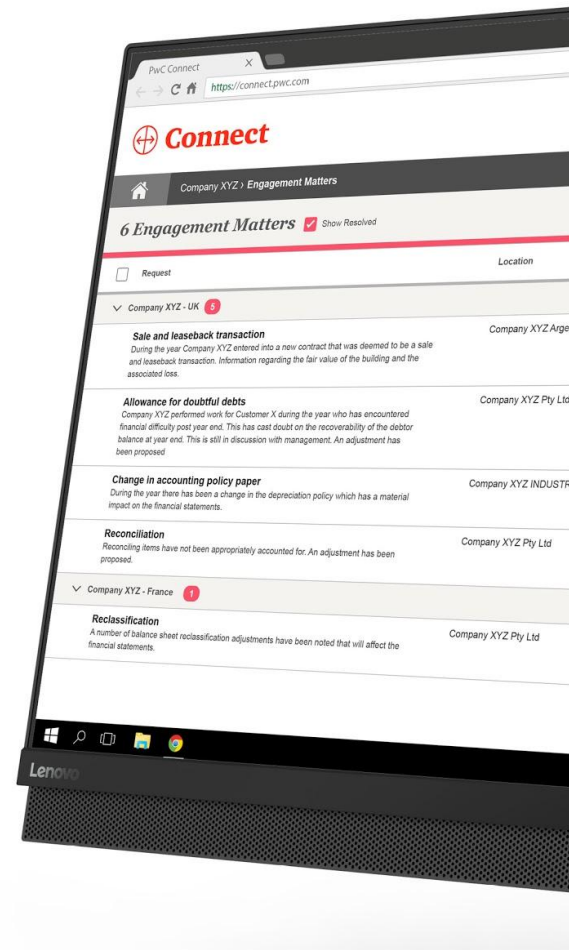
Status of the audit



We have substantially completed our audit of the 2019 consolidated financial statements.

The following items are outstanding at the time of mailing and need to be addressed before we can issue our auditor's report. We will provide an update on the status of these items at our upcoming meeting.

1. Reconciliation of City of Toronto confirmation (capital & operating subsidiaries and receivables);
2. Legal letters from lawyers (external and internal);
3. Subsequent events procedures;
4. Receipt of signed management representation letter; and
5. Board of Director's approval of the financial statements.



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Watch now:
Connect: PwC's global audit workflow tool

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500+

Requests

84

TTC employees



02

Significant audit, accounting and financial reporting matters



We are responsible for discussing our views about the significant qualitative aspects of TTC's accounting practices, including accounting policies, accounting estimates and financial statement disclosures.



Significant audit, accounting and financial reporting matters

Audit risks and results

Risk of material misstatement due to fraud in management override of controls

Background information

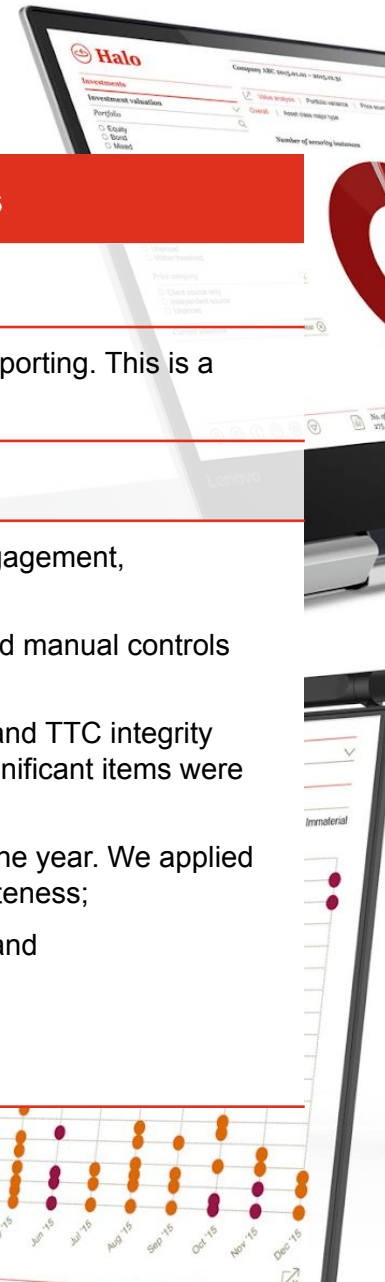
There is an inherent risk of fraud in all entities of potential management override of controls over financial reporting. This is a required significant risk under auditing standards.

PwC's views

In completing our audit, we are responsible for maintaining professional skepticism throughout our audit engagement, considering the potential for management override of controls.

- We assessed the control environment to ensure there is appropriate segregation of duties and assessed manual controls established to mitigate this risk;
- We reviewed the quarterly fraud investigation reports and the call log of the City Whistleblower hotline and TTC integrity hotline. Further, we held discussions with management, internal audit and internal legal counsel. No significant items were noted as a result of the review and discussions held;
- We utilized our data analytics tool, Halo, to obtain a complete listing of journal entries recorded during the year. We applied risk criteria and selected non-standard journal entries to test to supporting documentation for appropriateness;
- We reviewed assumptions used by management in making significant estimates for indicators of bias; and
- We incorporated unpredictable procedures into our audit approach.

Based on our work performed, we found no matters to bring to your attention.



Halo for Journals

Dynamic visualisation software allows us to explore your data in different ways, supporting our auditors in understanding your business, including your fraud risk exposure.



Watch now:
How Halo works



2016 Audit Innovation of the Year Winner,
International Accounting Bulletin



Significant audit, accounting and financial reporting matters

Audit risks and results

Risk of fraud in revenue recognition

Background information

Auditing standards assume a rebuttable presumption that there is a significant risk of fraud in revenue recognition in all entities. Management has procedures in place to ensure revenues from TTC's various operations are appropriately recorded in the correct accounting period. As revenue derived from PRESTO devices continues to increase significantly, the reliability of controls in place at PRESTO is critical to ensuring the accuracy and completeness of PRESTO revenues.

PwC's views

- We updated our understanding of management's processes and internal controls surrounding revenue recognition and tested certain controls on which we take reliance for operating effectiveness;
- We obtained the service auditor's report for the operating effectiveness of controls in place at PRESTO and performed testing on relevant user complementary controls in place at the TTC;
- We obtained confirmation for PRESTO revenues and reconciled confirmed amounts to revenue amounts recorded;
- We obtained confirmation from the City of Toronto for capital and operating subsidies received during the year and traced amounts to additional supporting documentation (reconciliation currently outstanding); and
- We tested significant revenue streams through substantive analytical procedures and tests of detail.

We have no items to report as a result of the above procedures.



Significant audit, accounting and financial reporting matters

Audit risks and results

Critical accounting estimates

Background information

In preparing the financial statements, there were a number of significant accounting estimates that required management judgment:

- Assets in the Pension Fund Society: the fair value measurement of certain complex investments and actuarial assumptions;
- Property and liability claims (self-insured and insured liabilities): the measurement of the unsettled accident claims; and
- Other significant provisions: certain accruals use a number of estimates and assumptions.

PwC's views

Employee benefits (complex investments and actuarial valuation): We tested acquisitions of investments that occurred throughout the year, as well as reviewed the investments from date of acquisition to year-end for any indication of significant change in fair values. We reviewed management's process for determining the actuarial assumptions that are used in the actuarial valuation, as well as utilized our internal pension specialists to assess their reasonableness. We also relied on the TTC's actuary, Mercer, who provided a reliance letter to us. Based on the work performed, a difference in the accounting for past service costs of \$9.3 million was noted (see 'Audit Findings').

Property and liability claims (self-insured and insured liabilities): We utilized our PwC actuarial specialists in order to assess the reasonableness of the assumptions and methodology used by the TTC in recording the unsettled accident claims liability. We further tested the accuracy and completeness of the data used in the calculation and our specialists independently projected a reserve estimate, which was compared to the estimate recorded by the TTC.

Other significant provision: We tested this significant provision by inquiring with management regarding estimates and methods used, reviewing supporting documentation and, where applicable, reviewing settlements after year-end. We also engaged our PwC internal specialists to assess the reasonability of the assumptions and methodology used by the TTC.

Other than what disclosed above, we have concluded that the significant accounting estimates included in the financial statements are supportable within an acceptable range, based on our audit work performed.

Critical accounting estimates

An accounting estimate where the nature of the estimate is material due to the levels of subjectivity and judgment necessary to account for highly uncertain matters or the susceptibility of such matters to change and the impact of the estimate on financial condition or operating performance is material.



Significant audit, accounting and financial reporting matters

Other Matters

Upload of Rapid Transit Projects

Background information

In July 2019, the Province of Ontario legislated that the Scarborough Subway Extension, Eglinton Crosstown LRT, Yonge Subway Extension and Relief Line/Ontario Line (the Projects) are the sole responsibility of Metrolinx. Therefore TTC transferred the assets, liabilities, rights and obligations related to the Projects to Metrolinx. In August 2019, Metrolinx developed a project plan to transfer the Projects and the consultant contracts related to the Projects have been reassigned to Metrolinx. In February 2020, the Province of Ontario-City of Toronto Transit Partnership preliminary agreement was signed, which included the following:

1. The existing subway system will remain the responsibility – and under the ownership – of the City and the TTC.
2. The Province will have 'sole responsibility' for the planning, design and construction of the Provincial Projects, and intends to own the resulting assets. Although TTC will operate and maintain the Projects.

As of December 31, 2019, TTC had capitalized \$181 million for Scarborough Subway Extension, \$5.1 million Yonge North and \$52.9 million for Downtown Relief Line. Costs incurred were primarily for design work performed.

PwC's views

- We reviewed management's analysis for accounting for the transaction and assessed whether there has been a transfer of 'accounting control' (vs legal title);
- We assessed the accounting for the transfer of assets for the projects under PSAS, and consulted with our internal Technical Partner; and
- We reviewed note disclosure of the transaction in the audited financial statements.

We concur with management's accounting for the transaction as a charge to the Statement of Operations and disclosures made in the audited financial statements.

03

Audit findings



We are required to communicate any unadjusted and adjusted items, including disclosures and items that relate to prior periods or could impact future periods, and the effect that they may have on our opinion.



Audit findings

Summary of unadjusted and adjusted items

Our responsibility is to issue an opinion as to whether the financial statements are free of material misstatement.

Taken as a whole, the financial statements are free of material misstatement. We did identify certain items and have discussed these with management, and management adjusted the financial statements for some of these items. Management has concluded that the unadjusted items, which are summarized below, are immaterial individually and in aggregate.

We're also required to communicate the effects of any unadjusted items that relate to prior periods or those that could impact future periods. We did not identify any such items.

Unadjusted items

The materiality levels previously communicated to you have changed from \$50 million to \$55 million. As a result of our audit, we noted the following items with an impact on the accumulated surplus.

	\$ (CAD) '000
Unadjusted items for the year ended December 31, 2019	
To recognize past service costs to the oldest net unamortized actuarial gains (Medical and LTD plans)	\$9,259

Adjusted items

To date we have not identified any items that were communicated to management and subsequently corrected in the financial statements.

Final results of unadjusted and adjusted items will be dependent on the receipt of outstanding confirmations and completion of our work. Any misstatements identified, as a result of the ongoing audit work, will be included as part of the management representation letter.



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Other items for discussion



Working in harmony with you, we combine our judgment and experience to communicate matters that may assist you in overseeing both management's financial reporting process and our commitment to an effective audit.



Other items for discussion

2019 audit fees

We previously communicated our estimated fees to you when we presented our audit plan on November 4, 2019. The final actual fees for the 2019 audit have been discussed with management and are presented below.

Service description	Estimated fees 2019 (per audit plan) \$	Incremental services and fees approved \$	Actual fees and expenses 2019 \$
Audit of the TTC's financial statements (base audit fee)	\$62,500	\$-	\$62,500
Audit of the TTCIC's financial statements (base audit fee)	\$12,000	\$-	\$12,000
PRESTO service auditor's report - additional controls	\$3,700	\$-	\$3,700
Legacy fare revenue testing	\$5,000	\$-	\$5,000
Accounting for the Expansion Projects Subway Upload	\$-	\$14,800	\$14,800
ITGC testing - incremental work over SAP	\$-	\$10,800	\$10,800
Incremental audit work	\$-	TBD	TBD
Total Audit and audit-related services	\$83,200	\$25,600	\$108,800



Other items for discussion

Required communications

Draft auditor’s report	The draft auditor’s report is included as Appendix 1.
Management’s representations	<p>We are required to inform you of the representations we are requesting from management. A copy of the management representation letter is included in Appendix 2.</p> <p>We requested our standard representations. Additional representations were requested in relation to the following matters:</p> <ol style="list-style-type: none"> 1) Loss on provincial expansion project upload; and 2) Other significant provision.
Independence	We confirm our independence with respect to TTC in our annual independence letter attached as Appendix 3 to this report.
Significant deficiencies in internal control	We have no significant internal control recommendations to report.
Fraud and illegal acts	<p>No fraud involving senior management or employees with a significant role in internal control or that would cause a material misstatement of the financial statements and no illegal acts came to our attention.</p> <p>We would like to reconfirm that the Audit and Risk Management Committee is not aware of any such fraud or illegal acts not previously discussed with us.</p>





Other items for discussion

Required communications

Other information in documents containing audited financial information

As available, we will read the non-financial information, other than the financial statements and our auditor's report thereon, included in TTC's annual report (collectively, other information) and consider whether there is a material inconsistency between the other information and the financial statements or with our knowledge obtained in the course of the audit. While reading the other information, we will remain alert for indications that the other information not related to the financial statements or our knowledge obtained in the audit appears to be materially misstated.

Based on our reading, we will provide comments to management. No instances of information inconsistent with the financial statements or our knowledge obtained in the course of the audit came to our attention as a result of our reading these items.



05

PwC Canada's response to COVID-19



We appreciate the potentially significant challenges this may have on your people, your operations and results. We are committed and prepared to support you and ensure continuity of our services during this difficult time.



PwC Canada's response to COVID-19

PwC Canada's response to COVID-19

One of our core values is care. This means personally caring about each and every person who works for our organization, our clients, and is part of our communities. The health and safety of all these individuals, and their families, is our number one priority. Therefore, a component of our business continuity efforts is around pandemic planning. We believe pandemic planning and response efforts are a continuous cycle of information sharing and teaming with experts to help prevent, contain and recover from infectious diseases and viruses impacting our people and our clients.

While this coronavirus presents new challenges, PwC's approach to managing external risks remains the same — including our commitment to the safety of our people and having an open dialogue with internal and external stakeholders.

PwC has a well established Business Continuity and Disaster Recovery plan which includes pandemic planning to ensure that the firm can respond and operate within a range of scenarios. With regards to COVID-19, PwC has taken the necessary steps including implementing travel restrictions and equipping our staff with the tools they need to work remotely to continue to assist you in this challenging time.

Our technology enabled approach allows us to continue to deliver our services seamlessly:

- Our teams are working remotely and have the technology needed to do so. We also have the ability to conduct essential meetings with management and Audit and Risk Management Committees via voice/video conferencing and expect no disruption in this regard.
- We will stay connected with local management and be responsive to changes, particularly in terms of your policies and working practices.
- We have digital tools, like Connect, DocuSign and Google Visitor Sharing, to electronically administer the secure sharing of supporting documentation and deliverables between PwC and you.
- Our National office is evaluating the most effective way to address remote work options for procedures ordinarily conducted in person. We will work with management to complete these procedures safely and consistently with the policies instituted by both of our institutions.

We appreciate the potentially significant challenges this may have on your people, your operations and results. We are committed and prepared to support you and ensure continuity of our services during this difficult time.



Use PwC's COVID-19 Navigator tool to assess the potential impact to your business and gauge your readiness to respond.

<https://www.pwc.com/ca/en/covid-19/response-navigator.html>



PwC Canada's response to COVID-19

Are you prepared for the potential impacts of COVID-19?

Financial reporting and finance

Potential impacts could arise in the areas of:

- Liquidity and going concern
- Impairment of non-financial assets
- Measurement of financial instruments
- Restructuring
- Insurance benefits
- Employee benefits
- Disclosures
- and more

Other key areas of focus

Other key areas that business leaders should focus on include:

- Workforce
- Crisis management and response
- Operations
- Financial planning and analysis



Read PwC In depth: Accounting implications of the effects of coronavirus

This In depth considers the broad implications of COVID-19 on periods ending after December 31, 2019.

<https://inform.pwc.com/show?action=applyInformContentTerritory&id=2033163303178016&tid=37>



Read COVID-19: What Canadian business leaders should know and listen to our weekly webcasts

This page includes content related to the key areas of focus and daily updates on the Government economic response

<https://www.pwc.com/ca/en/covid-19.html>



PwC's COVID-19 CFO Pulse Survey

87%

Potential for significant impact to business operations is causing great concern

40%

Estimate it would take 1 to 3 months for their company to get back to business as usual

Expect a decrease in revenue and profits

80%

Potential global recession is a concern

84%

Financial impact is a concern

64%



Click for more survey results
<https://www.pwc.com/us/en/library/covid-19/pwc-covid-19-cfo-pulse-survey.html>

Survey results displayed above are as of March 25, 2020.



PwC Canada's response to COVID-19

Impact of COVID-19 on the audit

Financial reporting and audit impact

We performed incremental procedures due to the impact of COVID-19, which could impact our risk assessment, materiality levels, and planned controls reliance. We have outlined key areas of focus and our procedures for TTC below:

Area of focus	Description	PwC response
Impact on operations	Passenger revenues will decline in fiscal 2020 as a result of the lockdown in mid March following the government measures taken to control COVID-19.	<ul style="list-style-type: none"> As the event has taken place subsequent to year-end, a subsequent note has been included in the financial statements to describe the impact on fiscal 2020 revenues.
Disclosures in financial statements	Additional disclosures may be required regarding the effect of COVID-19 on your operations within financial statements, based on PSAS disclosure standards.	<ul style="list-style-type: none"> The subsequent event note also includes a reference to fiscal 2020 revenues.



Appendices

06

- 1 Draft auditor's report
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- 2 Management representation letter
.....
- 3 Independence letter
.....
- 4 Responding to COVID-19
.....



Appendix 1

Draft auditor's report





Independent auditor's report

To the Board of Directors of Toronto Transit Commission

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 Entity) as at December 31, 2019 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

What we have audited

The Entity's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2019;
- the consolidated statement of operations and accumulated surplus for the year then ended;
- the consolidated statement of remeasurement gains and losses for the year then ended;
- the consolidated statement of net debt 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.

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 Entity 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.

PricewaterhouseCoopers LLP
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T: +1 416 863 1133, F: +1 416 365 8215

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



Other information

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

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.



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 Entity'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 Entity'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 Entity 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 Entity 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.

(to be signed - PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l.)

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
June @@, 2020



Appendix 2

Management representation letter



Client Letterhead

June @@, 2020

PricewaterhouseCoopers LLP
PwC Tower
18 York Street, Suite 2600
Toronto ON M5J 0B2

Dear Ms. McKinnon:

We are providing this letter in connection with your audit of the consolidated financial statements of Toronto Transit Commission and its subsidiaries (together, TTC) as at December 31, 2019 and for the year then ended for the purpose of expressing an opinion as to whether such consolidated financial statements present fairly, in all material respects, the financial position of TTC and results of its operations, changes in its net debt, its remeasurement gains and losses and its cash flows in accordance with Canadian public sector accounting standards (the consolidated financial statements).

We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated November 30, 2015.

We confirm the following representations:

- The preparation and fair presentation of the consolidated financial statements are in accordance with Canadian public sector accounting standards including disclosures and other information referred to below;
- We designed, implemented and maintained an effective system of internal control over financial reporting to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error;
- We designed, implemented and maintained an effective system of internal control to prevent and detect fraud;
- We provided you with all relevant information and access, as agreed in the terms of the audit engagement; and
- We ensured all transactions have been recorded in the accounting records and are reflected in the consolidated financial statements.

Preparation of consolidated financial statements

The consolidated financial statements are fairly presented in accordance with Canadian public sector accounting standards, and include all disclosures necessary for such fair presentation and disclosures otherwise required to be included therein by the laws and regulations to which TTC is subject. We have prepared TTC's consolidated financial statements on the basis that TTC is able to continue as a going concern.

We have appropriately reconciled our books and records (e.g. general ledger accounts) underlying the consolidated financial statements to their related supporting information (e.g. subledger or third party data). All related reconciling items considered to be material were identified and included on the reconciliations and were appropriately adjusted in the consolidated financial statements. There were no material unreconciled differences or material general ledger suspense account items that should have been adjusted or reclassified to another account balance. There were no material general ledger suspense account items written off to a consolidated statement of financial position account, which should have

been written off to a profit and loss account and vice versa. All consolidating entries have been properly recorded. All intra-entity and inter-entity accounts have been eliminated or appropriately measured and considered for disclosure in the consolidated financial statements.

Other information

We have informed you of all of the documents, listed below, that we expect to issue or are otherwise required to be issued in accordance with law, regulation or custom that will contain or accompany the consolidated financial statements and the auditor's report thereon and which will include information on TTC's operations and TTC's financial results and financial position as set out in the consolidated financial statements.

Name of document provided before the auditor's report date that will contain or accompany the consolidated financial statements	Name of document that will not be provided before the auditor's report date that will contain or accompany the consolidated financial statements
2019 Annual Report	None

The consolidated financial statements and the other information, included in the document referred to above, that we have provided to you are consistent with one another, and the other information does not contain any material misstatements.

Accounting policies

We confirm that we have reviewed TTC's accounting policies and, having regard to the possible alternative policies, our selection and application of accounting policies and estimation techniques used for the preparation and presentation of the consolidated financial statements is appropriate in TTC's particular circumstances.

Internal control over financial reporting

We have disclosed to you all deficiencies in the design or operation of disclosure controls and procedures and internal control over financial reporting that we are aware of.

Minutes

All matters requiring disclosure to or approval of the Board of Directors have been brought before them at appropriate meetings and are reflected in the minutes.

Completeness of transactions

All contractual arrangements entered into by TTC with third parties have been properly reflected in the accounting records or/and, where material (or potentially material) to the consolidated financial statements, have been disclosed to you. TTC has complied with all aspects of contractual agreements that could have a material effect on the consolidated financial statements in the event of non-compliance. There are no side agreements or other arrangements (either written or oral) undisclosed to you.

Fraud

We have disclosed to you:

- The results of our assessment of the risk that the consolidated financial statements may be materially misstated as a result of fraud;
- All information in relation to fraud or suspected fraud of which we are aware affecting TTC involving management, employees who have significant roles in internal control or others where the fraud could have a material effect on the consolidated financial statements; and

- All information in relation to any allegations of fraud, or suspected fraud, affecting TTC's consolidated financial statements communicated by employees, former employees, or others.

Disclosure of information

We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the consolidated financial statements, such as records, documentation and other matters including:
 - Contracts and related data;
 - Information regarding significant transactions and arrangements that are outside the normal course of business; and
 - Minutes of the meetings of management, directors and committees of directors. The most recent meetings held were February 25, 2020;
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within TTC from whom you determined it necessary to obtain audit evidence.

Compliance with laws and regulations

We have disclosed to you all aspects of laws, regulations and contractual agreements that may affect the consolidated financial statements, including any known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the consolidated financial statements.

There have been no communications from regulatory agencies concerning non-compliance with or deficiencies in financial reporting practices.

Accounting estimates and fair value measurements

Significant assumptions used by TTC in making accounting estimates, including fair value accounting estimates, are reasonable.

For recorded or disclosed amounts in the consolidated financial statements that incorporate fair value measurements, we confirm that:

- The measurement methods are appropriate and consistently applied;
- The significant assumptions used in determining fair value measurements represent our best estimates, are reasonable and have been consistently applied;
- No subsequent event requires adjustment to the accounting estimates and disclosures included in the consolidated financial statements; and
- The significant assumptions used in determining fair value measurements are consistent with TTC's planned courses of action. We have no plans or intentions that have not been disclosed to you, which may materially affect the recorded or disclosed fair values of assets or liabilities.

Significant estimates and measurement uncertainties known to management that are required to be disclosed in accordance with CPA Canada Public Sector Accounting Handbook Section 2130, *Measurement Uncertainty*, have been appropriately disclosed.

Related parties

We confirm that we have disclosed to you the identity of TTC's related parties as defined by CPA Canada Public Sector Accounting Handbook Section PS 2200, *Related Party Disclosures*, and all the related party relationships and transactions.

The identity and relationship of, and balances and transactions with, related parties have been properly recorded and adequately disclosed in the consolidated financial statements as required by CPA Canada Public Sector Accounting Handbook Section PS 2200, *Related Party Disclosures*. We provided support for any assertion that a transaction with a related party was conducted on terms equivalent to those prevailing in an arm's length transaction.

The list of related parties attached to this letter as Appendix A accurately and completely describes TTC's related parties and the relationships with such parties.

Going concern

There are no events or conditions that, individually or collectively, may cast significant doubt on TTC's ability to continue as a going concern.

We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the consolidated financial statements (e.g. to dispose of the business or to cease operations).

Assets and liabilities

We have satisfactory title or control over all assets. There are no liens or encumbrances on TTC's assets and assets pledged as collateral.

We have recorded or disclosed, as appropriate, all liabilities, in accordance with Canadian public sector accounting standards. All liabilities and contingencies, including those associated with guarantees, whether written or oral, under which TTC is contingently liable in accordance with CPA Canada Public Sector Accounting Handbook Section PS 3300, *Contingent Liabilities*, have been disclosed to you and are appropriately reflected in the consolidated financial statements.

Litigation and claims

All known actual or possible litigation and claims, which existed as at December 31, 2019 or exist now, have been disclosed to you and accounted for and disclosed in accordance with Canadian public sector accounting standards, whether or not they have been discussed with legal counsel.

Misstatements

Certain representations in this letter are described as being limited to those matters that are material. Items are also considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.

We confirm that the consolidated financial statements are free of material misstatements, including omissions.

The effects of the uncorrected misstatements in the consolidated financial statements, as summarized in Appendix B, are immaterial, both individually and in the aggregate, to the consolidated financial statements taken as a whole. We confirm that we are not aware of any uncorrected misstatements other than those included in Appendix B.

There are no adjusted misstatements in the consolidated financial statements.

Events after consolidated statement of financial position date

We have identified all events that occurred between December 31, 2019 and the date of this letter that may require adjustment of, or disclosure in, the consolidated financial statements, and have effected such adjustment or disclosure.

For the following specific representations, the terms “year-end” and “year” are defined as each year-end and each year respectively, covered by the audit of the consolidated financial statements as stated above.

Cash and banks

The books and records properly reflect and record all transactions affecting cash funds and bank accounts of TTC.

All cash balances are under the control of TTC, free from assignment or other charges, and unrestricted as to use, except as disclosed to you.

The amount shown for cash on hand or in bank accounts excludes trust or other amounts, which are not the property of TTC.

Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements have been properly disclosed.

All cash and bank accounts and all other properties and assets of TTC are included in the consolidated financial statements.

Accounts receivable

All amounts receivable by TTC were recorded in the books and records.

All receivables were free from hypothecation or assignment as security for advances to TTC, except as hereunder stated.

Receivables, other than transfers receivable accounted for in accordance with the CPA Canada Public Sector Accounting Handbook Section PS 3410, *Government Transfers*, recorded in the consolidated financial statements, represent bona fide claims against debtors for sales or other charges arising on or before year-end and are not subject to discount except for normal cash discounts.

Portfolio investments and other financial assets

All securities and other financial assets that were owned by TTC were recorded in the accounts.

All income earned on the financial assets has been recorded in the accounts, and any interest income has been accrued using the effective interest rate method.

We are not aware of any objective evidence of impairment that would result in the recognition of an impairment loss on any financial asset.

All transactions with subsidiaries have been recorded in the accounts presented to you. All investments in and advances to subsidiaries are appropriately recorded, and there is no evidence of impairment in value below the resulting balances shown in the consolidated financial statements.

There has been no activity in any dormant or inactive subsidiaries, except as disclosed to you.

We hold no investments in equity securities, business enterprises, partnerships or joint ventures.

Spare parts and supplies inventory

Inventories classified as held for resale and held for consumption in the consolidated financial statements are stated at the lower of cost or net realizable value, cost being determined on the basis of weighted average cost, with due provision recorded to reduce all damaged, wholly or partially obsolete, or unusable inventories to their estimated selling price less estimated cost to sell. Inventory quantities as at year-end were determined from physical counts or from TTC's perpetual inventory records, which have been adjusted on the basis of physical inventories taken by competent employees as at year-end. Liabilities for amounts unpaid are recorded for all items included in inventories as at year-end.

Provision has been made to reduce excess or obsolete inventories to their estimated net realizable value.

There have been no events conditions or changes in circumstances that indicate inventory held for consumption will no longer be used or consumed in TTC's operations.

Tangible capital assets

All charges to capital asset accounts represented the actual cost of additions or the fair value at the date of contribution.

All contributed tangible capital assets have been recorded at fair value at the date of the contribution.

No significant capital asset additions were charged to repairs and maintenance or other expense accounts.

Book values of capital assets sold, destroyed, abandoned or otherwise disposed of have been eliminated from the accounts.

Capital assets owned by TTC are being depreciated on a systematic basis over their estimated useful lives, and the provision for depreciation was calculated on a basis consistent with that of the previous date. During the year, we reviewed the appropriateness of the depreciation policy and estimate of useful lives for tangible capital assets, taking into account all pertinent factors. Any changes in our assessment from the prior year have been adequately disclosed and reflected in the consolidated financial statements.

There have been no events, conditions or changes in circumstances that indicate that a capital asset no longer contributes to TTC's ability to provide goods and services or that the value of future economic benefits associated with the tangible capital asset is less than its net book value. We believe that the carrying amount of TTC's long-lived tangible capital assets is fully recoverable in accordance with CPA Canada Public Sector Accounting Handbook PS 3150, *Tangible Capital Assets*.

Deferred revenue

All material amounts of deferred revenue and deferred contributions were appropriately recorded in the books and records.

Retirement benefits, post-employment benefits, compensated absences and termination benefits

All arrangements to provide retirement benefits, post-employment benefits, compensated absences and termination benefits have been identified to you and have been included in the actuarial valuation as required.

The actuarial valuations incorporate management's best estimates, as detailed in note 9 of the consolidated financial statements.

The actuarial assumptions and methods used to measure liabilities and costs for financial accounting purposes for pension and other post-retirement benefits are appropriate in the circumstances.

All changes to the plan and the employee group and the plan's performance since the last actuarial valuation have been reviewed, communicated to you and to the actuary and considered in determining the pension plan costs and the estimated actuarial present value of accrued pension benefits and value of pension plan assets for defined benefit pension plan (TTC Pension Fund), post-employment benefit plans, post-retirement non-pension benefit plans and supplemental pension plans.

TTC's actuaries have been provided with all information required to complete their valuation as at:

- September 30, 2019 for post-employment benefit plans, projected out to December 31, 2019;
- January 1, 2018 for post-retirement non-pension benefit plans, projected out to December 31, 2019;
- December 31, 2019 for supplemental pension plans; and
- January 1, 2019 for TTC Pension Fund.

We confirm that the extrapolations with regards to the post-employment benefit plans and post-retirement non-pension benefit plans are accurate and include the proper reflection of the effects of changes and events occurring subsequent to the most recent valuation that had a material effect on the extrapolation.

The employee future benefit costs, assets and obligations have been determined, accounted for and disclosed in accordance with CPA Canada Public Sector Accounting Handbook Section PS 3250, *Retirement Benefits* and CPA Canada Public Sector Accounting Handbook Section PS 3255, *Post-employment Benefits, Compensated Absences and Termination Benefits*. In particular:

- The significant accounting policies that TTC has adopted in applying CPA Canada Public Sector Accounting Handbook Section PS 3250, *Retirement Benefits*, and CPA Canada Public Sector Accounting Handbook Section PS 3255, *Post-employment Benefits, Compensated Absences and Termination Benefits*, are accurately and completely disclosed in the notes to the consolidated financial statements. Each of the best estimate assumptions used reflects management's judgment of the most likely outcomes of future events;
- The best estimate assumptions used are, as a whole, internally consistent, and consistent with the asset valuation method adopted;
- The discount rate used to determine the accrued benefit obligation was determined by reference to the City of Toronto's borrowing rate using assumptions that are internally consistent with other actuarial assumptions used in the calculation of the accrued benefit obligation and plan assets; and
- The assumptions included in the actuarial valuation are those that management instructed Mercer to use in computing amounts to be used by management in determining pension costs and obligations and in making required disclosures in the above-named consolidated financial statements, in accordance with CPA Canada Public Sector Accounting Handbook Section PS 3250, *Retirement Benefits*. In arriving at these assumptions, management has obtained the advice of consulting actuaries who assisted in reaching best estimates, but has retained the final responsibility for them.

The source data and plan provisions provided to the actuary for preparation of the actuarial valuation are accurate and complete.

The disclosure of the TTC's share of the risks and benefits under joint defined benefit plans, the total financial status of any joint plans, significant policies and a description of the unique nature and terms of any joint plans are accurate and complete.

All changes to plan provisions or events occurring subsequent to the date of the actuarial valuation and up to the date of this letter have been considered in the determination of pension costs and obligations and as such have been communicated to you as well as to the actuary.

Consolidated statements of operations and accumulated surplus, net debt and remeasurement gains and losses

All transactions entered into by TTC have been recorded in the books and records presented to you.

All amounts have been appropriately classified within the statements of operations and accumulated surplus and net debt and statement of remeasurement gains and losses.

The accounting principles and policies followed throughout the year were consistent with prior year's practices (except as disclosed in the consolidated financial statements).

Environmental matters

There are no liabilities or contingencies arising from environmental matters that have not already been disclosed to the auditor.

Liabilities or contingencies related to environmental matters have been recognized, measured and disclosed, as appropriate, in the consolidated financial statements.

We have considered the effect of environmental matters and the carrying value of the relevant assets is recognized, measured and disclosed, as appropriate, in the consolidated financial statements.

All commitments related to environmental matters have been measured and disclosed, as appropriate in the consolidated financial statements.

Consolidations

We confirm that TTC has 100% ownership of the Toronto Coach Terminal Inc. which in turn has a 100% ownership interest in Toronto Transit Commission Insurance Company and are all controlled entities of the TTC. In addition, the Toronto Transit Commission Sick Benefit Association is also controlled by the TTC. We also confirm that there is insignificant activity in Toronto Transit Commission Sick Benefit Association.

Use of a specialist

We assume responsibility for the findings of the specialist in evaluating the employee benefit obligation and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the consolidated financial statements and underlying accounting records. We did not give or cause any instructions to be given to the specialist with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.

Derivative financial instruments

TTC has recognized and recorded at fair value all embedded derivative instruments that are required to be separated from their host contracts, in accordance with CPA Canada Public Sector Accounting Handbook Section PS 3450, *Financial Instruments*.

TTC has recognized and recorded at fair value all non-financial derivatives that are included within the scope of CPA Canada Public Sector Accounting Handbook Section PS 3450, *Financial Instruments*.

We confirm that our objectives with respect to derivative financial instruments (for example, whether derivative financial instruments are used for hedging or speculative purposes) are for hedging purposes.

We confirm that the:

- The records reflect all transactions involving derivative financial instruments; and
- The assumptions and methodologies used in the valuation models applied to derivative financial instruments are reasonable.

All transactions involving derivative financial instruments have been conducted at arm's length and at fair values.

We have disclosed to you the terms of transactions involving derivative financial instruments.

There are no side agreements associated with any derivative financial instruments.

General

There are no proposals, arrangements or actions completed, in process, or contemplated that would result in the suspension or termination of any material part of TTC's operations. Information relative to any matters handled on behalf of TTC by any legal counsel, including all correspondence and other files, has been made available to you.

Government Transfers

We have disclosed all significant terms and agreements in respect of transfers received from governments.

Transfers without eligibility criteria or stipulations have been recognized as revenue once the transfer has been authorized.

Transfers with eligibility criteria but without stipulations have been recognized as revenue once the transfer has been authorized and all eligibility criteria have been met.

Transfers with or without eligibility criteria but with stipulations have been recognized as revenue in the year the transfer has been authorized and all eligibility criteria have been met, except when, and to the extent that, the transfer gives rise to an obligation that meets the definition of a liability for the recipient government in accordance with CPA Canada Public Sector Accounting Handbook PS 3200, *Liabilities*.

The major kinds of transfers recognized have all been disclosed in the consolidated financial statements as well as the nature and terms of liabilities arising from government transfers received.

Other significant provision

Regarding the significant provision, we have recorded all the provisions necessary regarding this matter in accordance with the accounting standards. In addition, we have provided you all the related support for this provision. There have been no material events which have occurred subsequent to December 31, 2019 which would require adjustment to this provision or further disclosure in the consolidated financial statements.

Loss on provincial expansion project upload

We confirm that we have provided all the necessary information in order to assess the appropriate accounting treatment of the loss on provincial expansion project upload (Relief Line/Ontario Line, Scarborough Subway Extension/Line 2 East Extension, Eglinton Crosstown LRT and Yonge Subway Extension), as outlined in the accounting memo provided by us. We also confirm that we are not aware of any agreement between the TTC and the City of Toronto regarding any compensation for the transfer from either the City of Toronto to the Province of Ontario.

Budgetary data

We have included budgetary data in our consolidated financial statements, which is relevant to the users of the consolidated financial statements and consistent with that originally planned and approved by Toronto City Council on March 7, 2019. Planned results were presented for the same scope of activities and on a basis consistent with that used for actual results.

Yours truly,

Toronto Transit Commission

Mr. Richard Leary, Chief Executive Officer

Ms. Josie La Vita, Chief Financial Officer (interim)

Jennifer Imbrogno, Director - Capital Accounting

Mr. Alex Cassar, Director – Budgets, Costing and
Financial Reporting

Ms. Donna Florindi, Manager – Capital Accounting

Ms. Sharon Tippett, Manager – Financial Statements

Ms. Angelet Lim, Accounting Policy & Financial
Reporting

Appendix A – List of related parties

Board Members:*

- Chair – Councillor Jaye Robinson
- Vice-Chair – Alan Heisey, Q.C. (Citizen)
- Councillor - Brad Bradford
- Councillor - Shelley Carroll
- Joanne De Laurentiis (Citizen)
- Councillor - Jim Karygiannis
- Councillor - Jennifer McKelvie
- Ron Lalonde (Citizen)
- Councillor - Denzil Minnan-Wong
- Julie Osborne (Citizen)

Senior Management:*

- Chief Executive Officer, Rick Leary
- Deputy Chief Executive Officer – Operations, Kirsten Watson
- General Counsel, Brian Leck
- Chief Operating Officer, Jim Ross
- Chief Capital Officer, Susan Reed Tanaka
- Chief Infrastructure and Engineering Officer, Fort Monaco
- Chief People Officer, Gemma Piemontese
- Chief Customer Officer (acting), Kathleen Llewellyn-Thomas
- Executive Director of Business Transformation, Megan MacRae
- Chief of Staff, Joan Taylor
- Chief Vehicles Officer, Rich Wong
- Chief Major Projects Officer, Gary Downie
- Chief Financial Officer (interim), Josie La Vita
- Chief Corporate Affairs Officer, Natalie Poole-Moffatt
- Chief Safety Officer (acting), Betty Hasserjian

* Although not explicitly listed, immediate family members are considered included as related parties by this reference.

Related Entities:

- City of Toronto, including all Agencies and Corporations
- The TTC Pension Fund Society

Appendix B – Summary of uncorrected misstatements

Description / (in \$ '000)	Statement of operations <i>(under) over stated</i>	Statement of financial position		
		Assets <i>under (over) stated</i>	Liabilities <i>(under) over stated</i>	Accumulated surplus <i>(under) over stated</i>
1 To recognize past service costs to the oldest net unamortized actuarial gains (Medical and LTD) DR. Conventional transit service CR. Employee future benefits	\$ 9,259		\$ (9,259)	



Appendix 3

Independence letter





May 26, 2020

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

Dear Audit and Risk Management Committee Members:

We have been engaged to audit the consolidated financial statements of Toronto Transit Commission (the organization) for the year ended December 31, 2019.

Canadian generally accepted auditing standards require that we communicate at least annually with you regarding all relationships between the organization, its management and us that may reasonably be thought to bear on our independence.

In determining which relationships to report, we are required to consider Chartered Professional Accountants of Ontario CPA Code of Professional Conduct and applicable legislation covering such matters as:

- a. holding a financial interest, either directly or indirectly, in a client;
- b. serving as an officer or director of a client;
- c. performance of management functions for an assurance client;
- d. personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client or its management;
- e. economic dependence on a client;
- f. long association of senior personnel with a listed entity audit client;
- g. Audit and Risk Management Committee approval of services to a listed entity audit client; and
- h. provision of services in addition to the audit engagement.

We have prepared the following comments to facilitate our discussion with you regarding independence matters arising since May 22, 2019, the date of our last letter.

We are not aware of any relationships between PwC and the organization or its management that may reasonably be thought to bear on our independence which have continued or occurred since May 22, 2019, the date of our last letter, through the date of this letter.

The total fees charged to the organization for non-audit services were \$nil during the period from January 1, 2019 to May 26, 2020.

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

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



We hereby confirm that we are independent with respect to the organization in compliance with the Chartered Professional Accountants of Ontario CPA Code of Professional Conduct as of June 3, 2020.

This letter is intended solely for the use of the Audit and Risk Management Committee, the Board of Directors, management and others within the organization and should not be used for any other purpose.

We look forward to discussing with you the matters addressed in this letter as well as other matters that may be of interest to you at our upcoming meeting on June 3, 2020. We will be prepared to answer any questions you may have regarding our independence as well as other matters.

Very truly yours,

PricewaterhouseCoopers LLP

Chartered Professional Accountants



Appendix 4

Responding to COVID-19





Responding to

potential business impacts of the COVID-19 outbreak

The coronavirus, officially known as COVID-19, has been declared a public health emergency of international concern by the World Health Organization, causing significant impact on people's lives, families and communities. Chinese health officials have reported tens of thousands of infections in China, with the virus reportedly spreading from person to person. Infections are being reported in a growing number of international locations, including Canada.

As the global response continues to evolve, companies across all industries are facing several potentially significant challenges to which they need to respond rapidly. Industry sectors such as retail, transportation, hospitality and industrial products are particularly impacted.

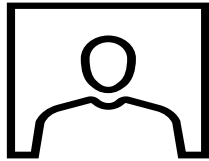
PwC specialists have significant experience helping a diverse range of companies build their crisis response capabilities, and have helped them respond and emerge stronger from some of the most highly publicized crises in recent history.



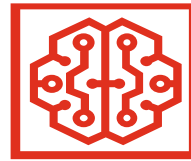
Responding to COVID-19: What Canadian business leaders should know



We know that as this situation unfolds, you are grappling with confusion, fear and a multitude of concerns. First and foremost, the safety and security of your people are your first priority. Our Global Crisis Centre team has been actively monitoring the situation and connecting with impacted companies and organizations since last month. We've worked with a diverse range of companies, helping them through some of the most publicized crises and disruptive events in recent history. We are prepared to help you manage the wide range of challenges affecting your organization.



Workforce: Protect your people + assets



Crisis management + response: Confidently navigate disruptive events



Financial Planning and Analysis: Rapid Scenario Planning and Business Intelligence

Our Global Crisis Centre is a team dedicated to enabling the PwC network to support our clients during their most stressful times. When a crisis hits, we can bring together people with the necessary skills within hours.

We bring the **right experts** to you **quickly**

We enable you to **continue to run your business**

We identify **priorities**, while not losing sight of the **bigger picture**

We share **insights** specific to your industry, region and crisis type

Workforce: Protect your people and assets



Common challenges + worries

- Tracking and having visibility into the safety, security and well-being of your workforce, including those on business travel and secondment. Travellers may be subject to quarantines, or may overstay visas due to travel restrictions
- Protecting employees and keeping the work environment safe, particularly for those in critical business operations roles
- Having timely and accurate information — and ability to fact-check it — in order to make important workforce decisions (e.g., regulation requirements, travel bans, evacuations)
- Ability for leaders to confidently guide their workforce, while inspiring them, managing fear, and reliably communicating news and contingency planning
- Having the infrastructure and management capabilities to support flexible and remote work arrangements
- Setting up hotlines so your workforce can ask questions and you can provide guidance and manage misinformation
- Managing and getting ahead of any negative publicity in cases where you don't respond in “just the right way”

Suggested next steps

- Align leaders on crisis communications readiness, and develop strategy and execution plans
- Get HR ready: review flexible and remote work, immigration, travel, first aid, and other relevant policies and regulations
- Ensure workforce safety: test emergency contact systems and ensure the accuracy of contact information for all employees
- Ramp up remote working and communication capabilities, prioritizing technology, IT infrastructure and security
- Review contingency plans for compromised infrastructure, power, water, fuel, transport
- Ensure the site management team's readiness on crisis response protocols (e.g., OSHA compliance) for those on-site

How we've helped others

In the wake of a prolific virus outbreak, a governmental client needed to rapidly reach out to their 270,000 health employees across the country. PwC worked directly with senior government officials to develop the internal communications strategy and plans for the Ministry of Health. We drafted content for internal communications on raising awareness of the virus in non-affected hospitals. This expanded to inform all health employees of the risks of a different outbreak on another continent. We also included a number of new communication channels to help drive employees online, including communication hotspots in sites across the country.

Our team has also helped multiple clients in the areas of communications, leadership alignment, and behavioral change as part of large scale risk and regulatory / crisis response.

You are not alone. We are here to help.

- Global employee mobility
- Immigration deployment + workforce planning
- Flexible work arrangements and remote working models
- Health + Welfare benefits planning
- Human Capital Management strategies
- Leadership + Communications
- Communications strategy + planning: direct to affected areas; duty of care; reactive communications
- Remote technology planning, IT infrastructure, security plans
- Organization purpose + strategy planning
- Inclusive work culture
- Corporate culture
- Employee well-being strategy



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Crisis Management + Response: Confidently navigate disruptive events



Common challenges + worries

- Not knowing who is in charge of managing the organization response
- Feeling that you are unprepared to handle the crisis or losing control of the situation
- Not understanding the crisis plan, or knowing where it is and who owns it
- Worrying that you don't have the right data to inform the decisions you need to make today
- Dealing with uncoordinated or competing internal priorities that can lead to internal or external miscommunications
- Succumbing to stakeholder pressures to take immediate action before the full picture is clear
- Neglecting critical stakeholders - including employees
- Losing authenticity and credibility because of mixed messaging or negative public sentiment
- Identifying longer-reaching risks and impacts
- Not knowing which experts to call

Suggested next steps

- Review crisis and business continuity plans
- Establish a core crisis team to coordinate response efforts and define objectives
- Identify functional workstreams and align activity with response objectives
- Determine strategies for engaging with key internal and external stakeholders
- Base the immediate response and communications on established facts
- Develop different scenarios and put them to the test in order to prepare for unknown variables surrounding the outbreak

How we've helped others

A major consumer financial data company publicly announced a significant data breach and sought support on various fronts related to crisis management, data security, business operations and strategy. The company needed to develop a response strategy for the immediate incident, while also engaging with regulators, customers and business partners about their plan to transform their security system to address longer-term business concerns.

PwC assisted the client with a host of response activities, including by helping them design and execute a stakeholder engagement strategy to align relevant business customers with the scope, impact and remediation plan that the company had developed.

You are not alone. We are here to help.

Prepare

- Planning and capabilities review
- Current state assessment and remediation roadmap
- Crisis scenario planning
- Exercises and simulations

Respond

- Response team mobilization
- Strategy and governance model
- Stakeholder engagement strategy
- Operational response and fact-finding support

Emerge stronger

- Recovery strategy and “looking around the corner”
- Crisis program build and enhancements
- Employee training and plan socialization



Domenic Marino
Partner, National Forensics & Crisis
Leader

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Financial Planning and Analysis: Rapid Scenario Planning and Business Intelligence



Common challenges + worries

- Increased pressure to re-forecast cash flows and scenario analysis from internal and external stakeholders (e.g. City of Toronto, Board of Directors, creditors, etc.)
- Having sufficient forecast information to enable your sales and operational teams to make effective decisions.
- Ensuring your forecast tools can adequately capture “downside” scenarios, incorporating impacts of fixed, variable and step-variable costs as well as sales and operational planning issues
- Ensuring you have robust forecast assumptions/drivers to allow you to confidently communicate the expected impact of COVID-19 on your operations. For example:
 - What is the overall impact on demand for our sector and business compared to others?
 - How would a lockdown impact our operations (e.g. demand, revenue opportunities, workforce productivity, etc.)?

Suggested next steps

- Rapid assessment of your current state forecasting and scenario planning capabilities. In particular, forecast tools needed to enable rapid updates and their granularity must meet the needs of relevant stakeholders to support better decision making, particularly around sales and operational planning
- Leveraging data and analytics to provide better business intelligence supporting your forecast assumptions
- Leveraging external data sources and predictive analytics to enhance the forecast process, including consideration of impact of comparable incidents (e.g. SARS, swine flu, etc.)

How we've helped others

- Development of strategic cash flow models based on value drivers that are aligned to the needs of the business and key stakeholders
- Development of 13 week cash flow models (based on receipts and disbursements of the business) that incorporate demand, and supply chain realities to better manage day-to-day cash flow
- Leveraging data and analytics to develop better business intelligence for forecast assumptions, incorporating internal and external data sources
- Utilizing predictive analytics to help forecast demand based on key variables (e.g. demographic, macroeconomic trends, prior incidents, etc)

You are not alone. We are here to help.

- Driver based **strategic planning models** that forecast cash flows under various scenarios.
- Detailed **13 week cash flow models** to support day-to-day cash flow management.
- **Data and analytics** to provide better business intelligence for key forecast assumptions.
- **Predictive forecasting** to provide greater insights into demand forecasting and risk assessment.
- **Financial model review** to enhance confidence in your forecast tools.



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