

**TTC INSURANCE COMPANY LIMITED
AUDIT COMMITTEE
REPORT NO.**

MEETING DATE: JUNE 21, 2011

SUBJECT: PRICEWATERHOUSECOOPERS - 2010

INFORMATION ITEM

RECOMMENDATION

It is recommended that the Audit Committee receive the attached letter from PricewaterhouseCoopers expressing its opinion on the 2010 financial statements, noting that no issues of concern have been identified.

BACKGROUND

Each year the external auditors provide a summary of their findings in letter format.

DISCUSSION

The PricewaterhouseCoopers audit for the financial year 2010 enables the TTC Insurance Company Limited to meet the statutory reporting requirement to the Financial Services Commission of Ontario.

February 22, 2011

Mr. Vincent Rodo
President – TTC Insurance Company Limited
Toronto Transit Commission
1900 Yonge Street
Toronto, Ontario
M4S 1Z2

Dear Mr. Rodo

Reporting letter on results of audit examination for the year ended December 31, 2010

We are pleased to provide this report following the completion of our audit examination of the financial statements and Annual Return P&C-1 (collectively the financial statements) of TTC Insurance Company Limited (TTCIC) for the year ended December 31, 2010.

As auditor, we are expected by Canadian Auditing Standards on “Communication with Those Charged with Governance” to communicate with you on a timely basis on the auditor’s responsibilities and any significant matters that came to our attention affecting the financial statements of TTCIC. We set out below a summary of our comments on the various matters to be addressed in this regard.

The auditor’s responsibility under Canadian generally accepted auditing standards

The preparation of the financial statements and the accompanying notes are the responsibility of management. Our primary responsibility is to express an opinion on the financial statements based on our audit. In addition, we also advise and assist management in all matters relating to the external audit process and financial statement presentation.

Our audit was performed to obtain reasonable, but not absolute, assurance as to whether the financial statements were free of material misstatement. Our audit included:

- assessing the risk that the financial statements may contain material misstatements;
- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessing the accounting principles used and their application; and
- assessing any significant estimates made by management.

Our audit was conducted in accordance with Canadian generally accepted auditing standards.

Audit approach

Our audit approach consisted of a mixture of key controls reliance and substantive tests of detail. As such, procedures related to TTCIC's internal control systems were directed to those which were necessary to achieve an understanding of the internal control environment including an assessment of the design and effectiveness of those internal controls, solely for the purpose of our audit of the financial statements.

Significant accounting principles and policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The accounting principles adopted by TTCIC are described in the notes to the financial statements. There were no significant changes in the application of accounting principles and policies during the year.

We have evaluated the quality of accounting policies applied to the financial reporting. As part of this evaluation, we consider TTCIC's accounting policies for acceptability, consistency, clarity and completeness. We have reviewed the accounting principles and policies disclosed in the notes to the financial statements and consider them reasonable. We have no specific matters to report in this regard.

We have noted no significant application of management's judgment and estimation other than valuation of unpaid accident claims. We consider that management has exercised reasonable care in developing its accounting estimates.

Audit adjustments

As a result of our audit examination, minor modifications were made in the notes to the financial statements.

Adjusted misstatements

There were no adjusted misstatements above our de minimis of \$57,000 identified during completion of our audit engagement.

Unadjusted misstatements

There were no unadjusted misstatements above our de minimis of \$57,000 identified during completion of our audit engagement.

Disagreements with management

We have had no disagreements with management.

Consultation by management with other accountants

We were informed that management has not sought a second opinion from other accountants on any auditing or accounting matters.

Issues discussed with management in connection with the initial or recurring appointment of the auditor

We have had no such discussions other than those discussed during the 2010 request for proposal process.

Serious difficulties encountered while performing the audit

No such difficulties have been encountered.

Co-operation in the performance of our audit

We were given complete access to all records, documents and other information we required. We received excellent co-operation from the staff with whom we interacted during the conduct of our work.

Fraud, material errors and illegal acts

Canadian Auditing Standards require us to discuss fraud risk annually with the audit committee. We are responsible for planning and performing the audit to obtain reasonable assurance that the financial statements are free of material misstatements, whether caused by error or fraud.

The likelihood of not detecting a material misstatement resulting from fraud is higher than the likelihood of not detecting a material misstatement resulting from error, because fraud may involve collusion as well as sophisticated and carefully organized schemes designed to conceal it.

During our audit, we performed the following procedures in order to fulfill our responsibilities:

- inquired of management and others related to any knowledge of fraud or suspected fraud;
- incorporated an element of unpredictability in the selection of the nature, timing and extent of our audit procedures; and
- performed additional required procedures to address the risk of management's override of controls.

Our discussion with management did not reveal the occurrence of any fraud or material errors during the fiscal year. We have also received a representation from management to the effect that no fraud or material errors were noted during the year.

During the course of our audit, no indications of fraud, material errors or illegal acts were detected. Our audit procedures were applied for the purpose of forming an opinion on the financial statements and, although they might bring possible fraud and illegal acts to our attention, they were not designed to detect fraud and illegal acts.

Illegal or possibly illegal acts

There were no noted cases of illegal or possible illegal acts through our audit examination.

Significant weaknesses in internal controls

No significant control weaknesses in internal controls were identified.

We will combine efforts with the group Toronto Transit Commission audit engagement team to compile a separate letter relating to internal control recommendations.

Related party transactions

We are not aware of any undisclosed related party transactions.

Independence

Our professional standards require that we communicate with you, at least annually, regarding any relationships between TTCIC and PricewaterhouseCoopers LLP that, in our professional judgment, may reasonably be thought to bear on our independence. We confirm that we are independent with respect to TTCIC within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario. We are not aware of any relationships between TTCIC and our firm that may reasonably be thought to bear on our independence.

Audit opinion

In accordance with Canadian Auditing Standards, an Other matter paragraph was included in the audit opinion as a result of the 2010 audit's being an initial engagement for PricewaterhouseCoopers LLP; thus, we did not audit the comparative figures. The wording of the Other matter paragraph included in the opinion was as follows:

“The financial statements as at December 31, 2009 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated February 4, 2010.”

Conclusion

We trust that the foregoing comments are helpful to you. We are proud to serve as your auditor and appreciate your confidence in our work.

PRICEWATERHOUSECOOPERS 

Yours very truly,

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants