

TTC INSURANCE COMPANY LIMITED AUDIT COMMITTEE REPORT NO.

MEETING DATE: June 21, 2012

SUBJECT: APPOINTMENT OF EXTERNAL AUDITORS

ACTION ITEM

RECOMMENDATION

It is recommended that the Audit Committee:

1. Appoint PricewaterhouseCoopers LLP to perform the 2012 to 2014 financial year-end audits of TTC Insurance Company Limited, and
2. Forward this report to the Shareholders for approval.

FUNDING

Sufficient funds are available in the 2011 TTC operating budget. Future year's budgets will include adequate provision for these costs.

BACKGROUND

The contract with Ernst & Young LLP, the same auditors retained by the City of Toronto for the 2008 – 2009 financial year-end audits, expired with the completion of the December 31, 2009 year-end audit.

The City issued a Request for Proposal on November 3, 2009 for external audit services for the City and its Agencies, Boards and Commissions (including TTC and its related entities). Five firms submitted a proposal. The proposals were scored by an evaluation team, which included a representative from TTC.

DISCUSSION

Audit services are required to complete the annual financial audit pursuant to Section 102 of the Insurance Act (Ontario).

On February 10, 2010, the City's Audit Committee approved the appointment of PricewaterhouseCoopers LLP for the provision of external audit services for the City and its major Agencies, Boards and Commissions on the basis that the proponent had the highest

overall evaluated score and the lowest cost.

The fees for TTC Insurance Company Limited are summarized in the table below.

	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>
TTCICL	11,750	11,750	12,610	13,470	14,410
HST	1,528	1,528	1,639	1,751	1,873
Total	13,278	13,278	14,249	15,221	16,283

The new fees are substantially lower than the fees paid in 2008 and 2009 as illustrated below. The 2010 fees are 39% lower than the 2009 fees.

	<i>2009</i>	<i>2010</i>	<i>Change</i>
TTCICL	19,200	11,750	(7,450)
GST/HST	960	1,528	568
Total	20,160	13,278	(6,882)

JUSTIFICATION

This report will be forwarded to the Shareholders for approval.

42.35

Attachment

April 13, 2010

Private and Confidential

Mike Roach
Chief Financial Officer
Toronto Transit Commission
3rd Floor, 1900 Yonge Street
Toronto ON M4S 1Z2

Dear Mr. Roach:

Re: External Audit Fees

As you know on November 3, 2009, our office issued a request for proposal for the provision of external audit services for the City of Toronto and its major Agencies, Boards and Commissions. Council, at its February 2010 meeting, approved the recommendation of the Audit Committee to appoint PricewaterhouseCoopers LLP as the external auditor of each of these entities. The contract is for the fiscal years ending December 31, 2010 to December 31, 2014.

The contract with PricewaterhouseCoopers sets out the audit fee for each of the entities within the RFP. The fees are inclusive of expenses but net of applicable taxes. PricewaterhouseCoopers' invoices will clearly distinguish the applicable taxes component. Fees will be invoiced directly to you for approval and payment. Your annual audit fees excluding applicable taxes for the next five years are:

Entity Name	2010	2011	2012	2013	2014
Consolidated Financial Statements for the Toronto Transit Commission	\$57,840	\$57,840	\$62,080	\$66,320	\$70,950
Toronto Coach Terminal Inc.	\$4,880	\$4,880	\$5,240	\$5,600	\$5,990
TTC Insurance Limited	\$11,750	\$11,750	\$12,610	\$13,470	\$14,410
Toronto Transit Commission Pension Fund Society	\$17,420	\$17,420	\$18,700	\$19,980	\$21,370
Toronto Transit Commission Sick Benefit Association	\$4,600	\$4,600	\$4,960	\$5,300	\$5,600

If you have any questions or concerns, please do not hesitate to contact either my office or PricewaterhouseCoopers directly. The PricewaterhouseCoopers contact for all the audit requirements will be Cathy Russell and she can be reached at 416-815-5291.

Yours very truly,

A handwritten signature in black ink, appearing to read 'JG', with a long horizontal flourish extending to the right.

Jeff Griffiths
Auditor General
lgd