

TCTI AUDIT COMMITTEE REPORT NO.

MEETING DATE: December 19, 2013

SUBJECT: PricewaterhouseCoopers LLP 2012 Management Letter – Follow-up Report

ACTION ITEM

RECOMMENDATION

It is recommended that the Audit Committee:

- 1) Receive the attached follow-up report on the PricewaterhouseCoopers LLP (“PWC”), management letter, for information; and
- 2) Approve the forwarding of the attached report to a regular meeting of the TCTI Board for information;
- 3) Approve the forwarding of TCTI’s response to PWC’s management letter in a combined report for information, to the TTC Board and the Audit Committee of the City of Toronto.

BACKGROUND

A management letter provides recommendations for the improvement of internal controls and accounting procedures. The PWC audit results report, presented at the April 25, 2013 TCTI Audit Committee meeting, included one internal control recommendation. Management’s initial response to this recommendation was included in the April 25th report. PWC’s recommendation and the initial management response are reproduced in the attached. This is followed by a status update detailing the action staff has taken to address the recommendation.

Based on the City of Toronto Audit Committee July 2004 report, TCTI is required to provide an update of outstanding issues raised in the management letter, within six months after the issuance of the management letter. This internal control recommendation will be combined with TTC’s internal control recommendations into one Management Letter – Follow-up report for the TTC Board and City of Toronto Audit Committee.

DISCUSSION

The internal control recommendation has since been addressed, as detailed in the attached.

November 18, 2013

42-48

Attachment: PWC LLP 2012 Management Letter with December 2013 Update

PricewaterhouseCoopers LLP 2012 Management Letter with December 2013 Update

Toronto Coach Terminal Inc. (TCTI)

1. Lack of segregation of duties and inappropriate approval in processing manual journal entries

Observation

In our testing manual journal entries in the current year we noted two circumstances where journal entries, drafted by managers and supervisors, were being reviewed by subordinates to those who drafted the entries.

Implications

Inadequate review and approval of manual journal entries may lead to a risk that unauthorized journal entries are made without detection

Recommendation

PwC recommends that all manual journal entries be independently reviewed in accordance with the TTC's approval matrix before being posted to the general ledger.

Management Response

We agree. The current policy will be reviewed, updated and communicated as required, by mid-year.

December 2013 Update

The policy for the preparation and approval of manual journal entries was updated, reviewed, and approved by PWC and communicated to staff in early July.

Status

Complete