

TORONTO COACH TERMINAL INC. REPORT NO.

MEETING DATE: June 24, 2013

SUBJECT: DISCONTINUANCE OF EXTERNAL FINANCIAL AUDIT OF TORONTO COACH TERMINAL INC.

ACTION ITEM

RECOMMENDATION

It is recommended that the Board and the Chair, on behalf of the TTC (as shareholder), approve the discontinuance of the external financial audit of the Toronto Coach Terminal Inc. ("TCTI") effective January 1, 2013 as the change in its business model has significantly reduced the number and variety of financial transactions such that an external audit would not be beneficial.

BACKGROUND

At its meeting of June 21, 2010, TCTI's Audit Committee approved the appointment of PricewaterhouseCoopers LLP, the same auditors retained by the TTC, to perform the 2010 to 2014 financial year-end audits.

DISCUSSION

Effective July 8, 2012, TCTI entered into a lease agreement with Greyhound and Coach Canada Toronto Operations Ltd. (GACCTO) for the use of the entire terminal including the retail space, lockers, and parking facilities. Since that date, the terminal has been solely staffed and operated by GACCTO.

The change to TCTI's operations has eliminated the need for an audit as the multiple revenue streams have been replaced with a single source, namely, the lease. Total revenues have been reduced from a 2012 budgeted level of \$5.7 million to \$1.2 million for 2013. At the same time, most of TCTI's expenses have been eliminated except for depreciation (which is a non-cash expense) and interest expense payable to TTC. Total expenses for 2013 are budgeted to be \$0.9 million, significantly reduced from the 2012 budgeted level of \$5.1 million

The TCTI by-laws do not specify or require an audit of the annual financial statements and, according to Section 148 of the Business Corporations Act, a corporation is exempt from the audit requirements of the Act if the shareholder consents in writing to the exemption in respect of that year.

There will be annual savings of \$5.6K in 2013 from discontinuing the TCTI audit.

Staff will continue to prepare and report unaudited financial statements annually for TCTI and the external financial audit of TCTI's subsidiary, Toronto Transit Commission Insurance Company Limited, will continue.
