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City of Toronto

Audit plan for the year ending December 31, 2018

Prepared as of February 6, 2019

February 6, 2019

Members of the Audit Committee, Sub Committee of City Council
City of Toronto

Dear Members of the Audit Committee:

We are pleased to present an overview of our audit plan for the 2018 audit of the consolidated financial statements of City of Toronto (the City) prepared in accordance with Canadian public sector accounting standards (referred to as the financial statements).

Our plan includes our view on audit risks; the nature, extent and timing of our audit work; as well as our proposed fees and the terms of our engagement.

We look forward to presenting this overview, addressing your questions and discussing any other matters of interest at the upcoming Audit Committee meeting on February 22, 2019.

Yours very truly,

PricewaterhouseCoopers LLP

Michael Hawtin
Partner
Assurance

c.c.: Mr. Chris Murray, City Manager
Ms. Heather Taylor, Chief Financial Officer and Treasurer
Ms. Beverly Romeo-Beehler, Auditor General

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
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Communications to the Audit Committee

Key matters for discussion	*Comments*
Client service team	• Michael Hawtin is your engagement leader and Umar Farooq and Milan Kshatriya are your engagement managers for the consolidated City audit engagement.
Service deliverables	• We will audit the City's financial statements as of December 31, 2018 and for the year then ending prepared in accordance with Public Sector Accounting Standards (PSAS). • Our engagement letter dated November 30, 2015 covering the years ending December 31, 2015 through December 31, 2019 sets out the terms and conditions for our engagement as the independent auditor of the City and certain of the City's Agencies and Corporations (A&Cs) and also outlines the responsibilities of the auditor, management and those charged with governance. We have included in Appendix A our engagement letter as well as our annual letter confirming our terms of this engagement remain in force for the current year.
Audit timeline	• We worked with management to develop this project timeline: ○ Planning: August and September 2018 ○ Interim visit: October to December 2018 ○ Year-end visit: April to June 2019
Audit approach	• Our audit approach is a mixture of tests of internal controls (within the payroll, purchases/payables/payments and revenue/receivables cycles), analytical review and detailed testing of selected transactions. In addition, we will place reliance on certain of the City's information technology systems. • Significant risks are risks of material misstatement that require special audit consideration. We identified certain significant audit risks below and our plan to address them. Please let us know if you agree that these are the most significant risks from your point of view and if you have any other areas of concern.

Key matters for discussion	*Comments*
Significant risks to discuss	***Management's response and our audit approach***
1 - Revenue recognition and reserve funds Canadian Auditing Standards assume a 'rebuttable presumption' that there is a significant risk of fraud in revenue recognition. Revenue is recognized from government transfers based on specific contracts and arrangements and is subject to management judgment with respect to the timing of revenue recognition**.**	**Management's response** • The City has established revenue recognition accounting policies in accordance with PSAS. In addition, the City has processes, controls and other procedures in place to ensure that revenue is appropriately measured and recognized. This includes monitoring controls over revenue streams that require significant management judgement in determining when revenue can be recognized. **Our audit approach** • Update our understanding of management processes and internal controls surrounding revenue recognition and assess the accounting policies adopted by the City for recognizing revenue. • Perform substantive tests of detail on revenue streams where the risk of misstatement in revenue recognition is considered to be most pervasive. • For obligatory reserve funds, perform tests of detail to assess the appropriateness of revenue recognition within the various revenue streams. • Examine significant funding agreements between the City and other governments, on a sample basis, for eligibility criteria and stipulations to test that revenue from transfers from other governments is recognized in accordance with the City's accounting policy. • Test that certain management review controls over revenue and reserve funds are operating effectively. • Test significant and unusual journal entries affecting revenue and reserve fund accounts.
2 - Consolidation process The City's organizational structure is complex as there are many individual legal entities which are included in the consolidated accounts of the City. In addition, the consolidation process is manually performed in Excel spreadsheets and requires top-level adjustments to conform to the accounting policies of the City**.**	**Management's response** • Management performs a detailed review of the consolidation schedules to ensure that all entities are appropriately included and accounted for in accordance with the City's accounting policies under PSAS. **Our audit approach** • Test the consolidation process including testing of significant manual journal entries and adjustments recorded in the consolidation and comparing the consolidation information for the significant subsidiaries to the source accounting records or financial statements of the respective A&Cs. • The PwC City audit team will keep in close communication with the PwC A&C audit teams to ensure that accounting differences and issues raised by the PwC A&C audit teams and management are identified, discussed and resolved in a timely manner and are appropriately included in the consolidation of the City accounts.

Key matters for discussion	*Comments*
3 - Risk of material misstatement due to management override of controls Canadian Auditing Standards requires that management override of controls be considered a significant audit risk**.**	**Management's response** • Appropriate segregation of duties has been established in order to mitigate the risk of management override of controls. • Management has implemented controls over the review and approval of journal entries. • The City has policies and procedures in place to prevent and deter fraud. **Our audit approach** • Assess the control environment and segregation of duties and access parameters established in SAP to mitigate this risk. • Review Fraud and Waste hotline reports for issues that may have a material impact to the consolidated financial statements. • Test significant and non-standard journal entries made during the year. • Introduce an element of unpredictability into our audit through our sample selections for audit testing.
Materiality	• Misstatements are considered to be material if they could reasonably be expected to influence the economic decisions of users of the financial statements. • We have set a preliminary materiality of $259 million (2017 - $184 million). Generally accepted guidance for materiality measures for an organization such as the City range up to 3% of expenditures. For 2018, we used a benchmark of 2.0% (2017 - 1.5%) based on our cumulative audit experience over the past eight years. • We will report unadjusted and adjusted differences over $12.95 million (2017 - $9.2 million) to the Audit Committee on completion of the audit. Our reporting threshold is based on 5% of overall materiality.

Fraud risk	• We discuss fraud risk annually with the Audit Committee.
	• Through our planning process (and prior years' audits), we developed an understanding of your oversight processes including:
	  ○ Fraud and Waste hotline review
	  ○ Code of conduct
	  ○ Audit Committee (and other) charters
	  ○ Discussion at the Audit Committee meetings and our attendance at those meetings
	  ○ Presentations by management, including business performance reviews
	  ○ Review of related party transactions
	  ○ Consideration of tone at the top
	  ○ Internal audit

Key matters for discussion	*Comments*
	○ Auditor's General Office ○ Organization wide online fraud training • We are not aware of any new processes or changes to the items above during 2018. • We will be having detailed fraud discussions with various levels of management during the course of our work. • If the Audit Committee is aware of any known, suspected or alleged incidents of fraud or illegal acts or non-compliance with laws or regulations, please contact Michael Hawtin.
Group audit considerations	• While PwC performs audits of many A&Cs, for the purposes of the consolidated audit, we will focus on the audits of the significant entities included in the consolidated financial statements of the City (i.e. the City, Toronto Transit Commission, Toronto Community Housing Corporation and Toronto Hydro). This will result in audit coverage of greater than 90% of the City's consolidated assets and expenses for the 2018 year. • We have taken the following steps to ensure the overall quality of the audit engagement: ○ issued formal instructions to the local A&C audit teams leveraging the work of the significant individual A&C audits; ○ arranged for continuous communication throughout our engagement between the City and the PwC A&C audit teams; ○ arranged for debriefing conference calls with management and respective local A&C audit teams to review results and findings of work performed; and ○ planned adherence to engagement timelines in order to meet your reporting objectives.
Enhanced auditor reporting standards effective for years ending on or after December 15, 2018	• Revised Canadian auditor's reporting standards will be effective for the 2018 year-end audit, and will include the following changes: ○ Different format, opinion will be presented first. ○ Enhanced descriptions for responsibilities of the auditor, management and those charged with governance. ○ New requirements and reporting related to other information. ○ Requirement to include name of audit partner for listed entities. ○ Enhanced requirements relating to going concern. ○ Communication of key audit matters (KAMs) is voluntary at this time. • An illustrative auditor's report is included in Appendix D. The sections labelled as applicable to listed entities do not apply to the City of Toronto. A draft of our new auditor's report will be shared at the year-end Audit Committee meeting for your review.

Key matters for discussion	*Comments*
2018 audit fees	• Our fee for the audit of the consolidated financial statements of the City for the 2018 year is outlined in our response to proposal No. 9171-14-7121 dated December 5, 2014. We will advise if we incur more costs due to changes in the level of audit effort or scope changes (see Appendix B - Audit service guideline).

Appendices

Appendix A - Engagement letter, engagement letter amendment, and annual confirmation of engagements

Appendix B - Audit service guideline

Appendix C - Upcoming changes to accounting standards

Appendix D - Illustrative Auditor's Report

Appendix A: Engagement letter, engagement letter amendment, and annual confirmation of engagements

TORONTO

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File No. 4300-801-2015-206009934

December 18, 2015

Tasha M. Dewan
PricewaterhouseCoopers LLP
18 York Street, Suite 2600
Toronto, Ontario
M5J 0B2

Dear Tasha:

Re: Engagement Letter between the City of Toronto and PricewaterhouseCoopers LLP

Please find enclosed one fully executed original copy of the above-noted engagement letter for your records.

Yours truly,

for
Jasmine Stein
Solicitor
Municipal Law

JS:olm

pwc

November 30, 2015

Ms. Beverly Romeo-Beehler
Auditor General
City of Toronto, Metro Hall
55 John Street, 9th Floor
Toronto ON M5V 3C6

Dear Ms. Romeo-Beehler:

PricewaterhouseCoopers LLP (we, us or our), a limited liability partnership organized under the laws of the Province of Ontario, is pleased to provide services to the City of Toronto and its major agencies, corporations and other entities listed in Schedule A of this engagement letter (collectively, the City) for the calendar years ending December 31, 2015, 2016, 2017, 2018 and 2019 and including fiscal year ends extending to 2020. The engagement leader for each engagement will be responsible for the services we perform including coordination with internal specialists, as considered necessary. This engagement letter confirms our mutual understanding of the specific terms of our engagement, which are supplemented by the standard terms of business attached to this engagement letter.

Services and related report

We will provide the services and issue the related reports in accordance with Request for Proposal No. 9171-14-7121 (the RFP), and our Proposal dated December 5, 2014 (the Proposal), as set out in this Letter of Engagement and further detailed in Schedule A (the Services):

Our responsibilities for audit of annual Financial Statements

Annual Financial Statements audit

The purpose of a financial statement or financial information (Financial Statement) audit is to express an opinion on the Financial Statements. We will be responsible for performing the audit engagements, as outlined in Schedule A, in accordance with Canadian generally accepted auditing standards. These standards require that we comply with ethical standards, which include independence and professional competence, and plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the City as well as evaluating the overall presentation of the Financial Statements.

Risk assessment

In making our risk assessments, we will consider internal controls relevant to the preparation of the Financial Statements 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 City's internal controls. We will however, let the City and its Audit Committee or the appropriate equivalent governance committee as set out in Appendix G of the RFP, (collectively, the Appendix G Committees) know, as appropriate, in writing about any significant deficiencies in internal controls relevant to the audit of the Financial Statements that we have identified during the audit.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Canadian generally accepted auditing standards.

Informing the Audit Committees or the appropriate Appendix G Committees

We also are responsible for ensuring that the Audit Committee and the appropriate Appendix G Committees are informed about certain other matters related to the performance of our audit, including but not limited to:

(i) our views about significant qualitative aspects of the City's accounting practices, including accounting policies, accounting estimates and Financial Statement disclosures. In certain circumstances, we may be required to explain to the Audit Committee or the appropriate Appendix G Committees, why we consider a significant accounting practice, that is acceptable under the applicable financial reporting framework, not to be most appropriate to the City's particular circumstances;

(ii) significant difficulties, if any, encountered during our audit;

(iii) where the Audit Committee or the appropriate Appendix G Committees are not involved in managing the entity, we are also required to communicate:
- significant matters, if any, arising from our audit that were discussed, or subject to correspondence with management; and
- written representations we are requesting; and

(iv) other matters, if any, arising from our audit that, in our professional judgment, are significant to the oversight of the financial reporting process.

Reliance by third parties

The services will not be planned or conducted in contemplation of reliance by any specific third party or with respect to any specific transaction unless specified in Schedule A. Therefore, items of possible interest to a third party will not be specifically addressed and matters may exist that would be assessed differently by a third party, possibly, in connection with a specific transaction.

Auditor's report

Once we complete our annual audit or other engagements referred to in Schedule A, we will provide the City with our report. The form and content of our auditor's report will be in accordance with the standards outlined in Schedule A.

There may be circumstances where our report may differ from the expected form and content. In such cases, we will discuss such differences with the City in advance of finalizing our report and seek to resolve any differences of view that may exist.

If, for any reason caused by or relating to the affairs of the City or its management, we are unable to complete our audit, we may decline to issue our report.

Quarterly reviews

The purpose of a review of quarterly financial statements is to assist the Audit Committees or the appropriate Appendix G Committees in discharging their regulatory obligations to review the quarterly financial statements. We will perform the quarterly reviews, as outlined in Schedule A, in accordance with standards established by CPA Canada for reviews of interim financial statements by an entity's auditor. An interim review is substantially less in scope than an audit and does not provide assurance that we would become aware of any or all significant matters that might be identified in an audit.

Our responsibilities for review of annual Financial Statements

Review of annual Financial Statements

We will be responsible for performing the review engagement, as outlined in Schedule A, in accordance with Canadian generally accepted standards for review engagements. These standards require that we comply with ethical standards, which include independence and professional competences.

The objective of a review of annual Financial Statements is not to provide assurance that we will become aware of any or all significant matters that might be identified in an audit.

The scope of a review is substantially less in scope than an audit in accordance with Canadian generally accepted auditing standards, the objective of which is the expression of an opinion regarding the Financial Statements taken as a whole.

Accordingly, our services will not result in the expression of an audit opinion on the Financial Statements or the fulfilling of any statutory or other audit requirement.

Ms. Beverly Romeo-Beehler
City of Toronto, Metro Hall
November 30, 2015

(cont'd)
Review of annual Financial Statements

Our review will consist primarily of inquiries of the City's personnel and analytical procedures applied to financial data. Based on our review, we will report whether or not we are aware of any material modifications that should be made to the Financial Statements in order for them to be in accordance with the standards as outlined in Schedule A.

Internal control, fraud and error

A review does not contemplate obtaining an understanding of internal control over financial reporting or assessing control risk, tests of accounting records and responses to inquiries by obtaining corroborating evidential matter, and certain other procedures ordinarily performed during an audit.

Our engagement cannot be relied upon to prevent and detect errors, fraud or illegal acts that may exist. The control over and the responsibility for the prevention and the detection of fraud, error or illegal acts remains solely with the City.

Informing the Audit Committees or the appropriate Appendix G Committees

We also are responsible for ensuring that those having oversight responsibility for the financial reporting process are informed about certain other matters related to the performance of our review, including but not limited to:

(i) our views about significant qualitative aspects of the City's accounting practices, including accounting policies, accounting estimates and Financial Statement disclosures. In certain circumstances, we may be required to explain to those having oversight responsibility for the financial reporting process why we consider a significant accounting practice, that is acceptable under the applicable financial reporting framework, not to be most appropriate to the City's particular circumstances;

(ii) significant difficulties, if any, encountered during our review;

(iii) where those having oversight responsibility for the financial reporting process are not involved in managing the entity we are also required to communicate:
- significant matters, if any, arising from our review that were discussed, or subject to correspondence with management; and
- written representations we are requesting; and

(iv) other matters, if any, arising from our review that, in our professional judgment, are significant to the oversight of the financial reporting process.

Since the scope and objectives of a review vary from those of an audit, there is less likelihood that we will become aware of all matters to communicate with those having oversight responsibility for the financial reporting process that would be identified as a result of an audit.

Reliance by third parties

The services will not be planned or conducted in contemplation of reliance by any specific third party or with respect to any specific transaction unless specified in Schedule A. Therefore, items of possible interest to a third party will not be specifically addressed and matters may exist that would be assessed differently by a third party, possibly in connection with a specific transaction.

Our responsibilities for compilation of Financial Statements

Compilation of Financial Statements

We will compile the Financial Statements, as outlined in Schedule A, in accordance with the requirements of the CPA Canada Handbook - Assurance, Section 9200, Compilation Engagements.

We will not perform an audit or a review of the Financial Statements. A compilation is limited to presenting information provided by the City in the form of Financial Statements.

Since we are accepting this engagement as accountants, not as auditor, we request that the City does not record this as an auditing engagement in the minutes of its shareholders' meetings. Our services will not result in the expression of an audit opinion or any other form of assurance on the Financial Statements nor the fulfilling of any statutory or other audit requirement. The City may wish to obtain legal advice concerning statutory (or contractual) audit requirements.

Compilation Communication

Unless unexpected difficulties are encountered, our communication will be substantially in the following form:

> **Notice to Reader**
>
> On the basis of information provided by management, we have compiled the statement of financial position of [name of organization] as at December 31, 2014 and the statements of operations and deficit and cash flows for the year then ended.
>
> We have not performed an audit or a review engagement in respect of these Financial Statements and, accordingly, we express no assurance thereon.
>
> Readers are cautioned that these financial statements may not be appropriate for their purposes.
>
> [signed] PricewaterhouseCoopers LLP
>
> Chartered Professional Accountants, Licensed Public Accountants

Our responsibilities for Specified Procedures Engagements

Procedures

We will perform these engagements and report our findings to the City in accordance with the requirements of CPA Canada Handbook - Assurance Section 9100. We have not been engaged to, and will not, perform an audit, the objective of which would be to express an opinion on specified financial statement elements, accounts or items. Accordingly, we will not express such an opinion.

If we were to perform additional procedures or if we were to perform an audit of specified financial statement elements, accounts or items, other matters might come to our attention that would be reported to the City.

Specified users

Our reports are solely for the information of specified users and is not to be used for any other purpose.

Consequently, our reports should not be distributed to other parties without our prior consent. Any use that a third party makes of this report, or any reliance or decisions made based on it, are the responsibility of such third party. We accept no responsibility for any loss or damages suffered by any third party as a result of decisions made or actions taken based on this report.

The City's responsibilities for Audits and Review engagements

Responsibility for Financial Statements and internal control

The City is responsible for the preparation and the fair presentation of the Financial Statements and information referred to above. The City is also responsible for establishing and maintaining an effective system of internal control over financial reporting to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error. In this regard, the City is responsible for establishing policies and procedures that ensure Financial Statements are prepared in accordance with the requirements of the accounting standards as outlined in Schedule A.

Correction of errors

The City is responsible for adjusting the Financial Statements to correct material misstatements and for confirming to us that all uncorrected misstatements identified by us during our audit are immaterial, both individually and in total, to the Financial Statements taken as a whole. In addition, we expect management will correct all known non-trivial errors.

Prevention and detection of fraud

The City is also responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us:

(i) of the risk that the Financial Statements may be materially misstated as a result of fraud;

(ii) about all known or suspected fraud affecting the City involving
(a) management;

(cont'd)
Prevention and detection of fraud

(b) employees who have significant roles in internal control over financial reporting; and
(c) others where the fraud could have a non-trivial effect on the Financial Statements; and

(iii) of the City's knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, investors or others.

Related party

The City is responsible for disclosing to us, the identity of each related party for each entity as directed by the specific accounting framework outlined in Schedule A, and all the related party relationships and transactions of which the City is aware and, for providing to us any updates that occur during the course of this engagement.

Subsequent events

The City is responsible for informing us of subsequent events that may affect the Financial Statements which it may become aware of up to the date the Financial Statements are issued.

Laws and regulations

The City is responsible for identifying and ensuring that it complies with the laws and regulations applicable to its activities, including those pertaining to the services. The City will make available to us information relating to any illegal or possibly illegal acts, and all facts related thereto and will provide information to us relating to any known or probable instances of non-compliance with legislative or regulatory requirements, including financial reporting requirements.

Providing information on a timely basis

The City is responsible for making available to us, on a timely basis, all of its original accounting records and related information relevant to the preparation of the Financial Statements, additional information that we may request from the City for the purposes of our audit and unrestricted access to its personnel who we may determine necessary to obtain evidence necessary to support our audit of the Financial Statements.

Management representation letter

The City will provide us with written representations concerning representations made to us during the audit covering the Financial Statements.

The City's responsibilities for Compilation engagements

Compilation of financial statements

The City is responsible for providing us with accurate and complete information necessary to compile the financial statements.

The City is also responsible for the accuracy and completeness of the representations in the financial statements.

(cont'd)
Compilation of financial statements

The City agrees that each page of the financial statements will be conspicuously marked as being "Unaudited - See Notice to Reader."

Prevention and detection of errors and fraud

Our services cannot be relied on to prevent or detect errors and fraud or other irregularities. Therefore, the responsibility for the prevention and the detection of error and fraud and other irregularities remains solely with the City.

Providing information on a timely basis

The City is responsible for making available to us, on a timely basis, all information relevant to the compilation of the financial statements.

Notice to reader

Because the financial statements may either lack disclosure required by, or otherwise not be in accordance with generally accepted accounting principles, and may not be appropriate for general purpose use, the City agrees that it will attach our Notice to Reader if it plans to distribute the financial statements to third parties.

Uninformed readers could be misled, unless they are aware of the possible limitations of the financial statements and our very limited involvement.

Fees for Audit Services

Fee Estimate

Our fees for the Audit Services as outlined 5.3 Section 7 – Cost of Services of the RFP are set out and shall be paid in accordance with Schedule B attached to this Letter of Engagement.

Other matters

City Preparation

Our time and fee estimates take into account the agreed upon level of preparation and assistance from the City's personnel. We will advise the City on a timely basis when and if for any reason the City's personnel does not the agreed upon level of preparation and assistance as outlined in this Letter of Engagement and in accordance with the City's Responsibilities in Section 6 of the RFP. In addition, should these or any other issues arise that will require an extra effort to resolve, we will communicate with management, the Auditor General and the Audit Committee or the appropriate Appendix G Committees for approval to revise our fee to reflect any additional services, required of us in order to complete our work in accordance with terms of this Letter of Engagement.

Term – agreement continues in force

If neither we nor the City exercise our respective right to terminate the services as outlined in the attached terms of business, this engagement letter will continue until we execute a new engagement letter.

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Terms of Business

Term Reference 4.1. of the attached Terms of Business is amended by replacing the phrase "You agree that we may give confidential information to third party service providers, subcontractors, and other PwC Firms as long as they are bound by reasonable confidentiality obligations." in the last sentence of the provision, should be replaced with the phrase "The City agrees that we may give confidential information to third party service providers, subcontractors, and other PwC Firms as long as they are bound by the same reasonable confidentiality obligations."

Term Reference 4.2 of the Terms of Business is deleted.

Term Reference 8.1 of the Terms of Business is deleted.

Term Reference 8.4 of the Terms of Business is deleted and replaced with the following: "The City agrees to release and indemnify PwC and its Personnel from and against all claims, loss, costs, liabilities and damages arising in circumstance where there has been a negligent misrepresentation by the City in connection with the City's responsibilities as set out in this Letter of Engagement."

Term Reference 9.1, shall be deleted in its entirety and replaced with the following: "Subject to the CPA Rules of Professional Conduct, either party may terminate this agreement, for any reason, upon thirty (30) days written notice to the other party. In the event of such termination the City shall pay PwC for the Services provided to the satisfaction of the City in accordance with the terms and conditions of this Agreement up to the date of termination. "

Other relevant documents

The terms and conditions contained in the RFP No. 9171-14-7121 and the Proposal by PricewaterhouseCoopers in response to RFP No. 9171-14-7121 are incorporated into and form a part of this agreement. In the event of any inconsistency between the terms of the documents which make up this agreement, the following shall be the order of priority of the documents to the extent of any inconsistency:

1. This Engagement letter;
2. Request for Proposal No. 9171-14-7121;
3. The Proposal; and
4. The Terms of Business attached to the engagement letter.

Notwithstanding the above, it is acknowledged and agreed that clause 14 of Appendix B to the RFP which states that "All information, data, plans, specifications, reports, estimates, summaries, photographs, and all other documentation prepared by the Vendor in the performance of the Services under the agreement, whether they be in draft or final format, shall be the exclusive property of the City" is superseded by clause 7.1 of the Terms of

Ms. Beverly Romeo-Beehler
City of Toronto, Metro Hall
November 30, 2015

(cont'd)
Other relevant documents

Business which provides that "Any documents prepared by us or for us in connection with this Letter of Engagement belong to us."

As part of our process of assessing the quality of our services, the City may receive questionnaires from us and visits from senior partners not directly involved in providing services to the City. We appreciate the attention given to these questionnaires and visits and value the City's feedback.

If the services outlined herein are in accordance with the City's requirements and, if the above terms are acceptable, please have one copy of this letter executed in the spaces provided below and return it to us.

Yours very truly,

PricewaterhouseCoopers LLP

Chartered Professional Accountants

pwc

Ms. Beverly Romeo-Beehler
City of Toronto, Metro Hall
November 30, 2015

By signing below the parties agree to the services and terms as set forth in this Letter of Engagement, including the schedules attached hereto and to discharge their respective responsibilities and obligations in accordance with the terms hereof.

City of Toronto

By:

Marilyn M. Toft

for Ulli S. Watkiss, City Clerk

December 17, 2015

Date

Mike St. Amant for

Roberto Rossini, Deputy City Manager and
Chief Financial Officer

Date

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Name: Cathy Russell
Title: Partner

December 9, 2015

Date

I have the authority to bind the partnership.

DK

Authorized by AU1.20 as adopted by City of Toronto Council on March 31, April 1 and 2, 2015.

Marilyn M. Toft

City Clerk

APPROVED AS TO FORM

For Anna Kinastowski, City Solicitor
File # 204568520

Schedule A
Accounting Framework and Reporting by Entity

Entity	Accounting Framework	Report	Intended Users other than addressee
City of Toronto			
1. Consolidated Financial Statements of the City of Toronto	PSAS	CAS 700 (Financial statement audit)	
2. Consolidated Financial Statements of the City of Toronto Trust Funds	Disclosed basis	CAS 700 (Financial statement audit)	
3. City of Toronto Sinking Funds	Disclosed basis	CAS 700 (Financial statement audit)	
4. City of Toronto – Report on Compliance with Investment Policy	N/A	Specified procedures	
5. City of Toronto – Report on Compliance with the Building Canada Fund Contribution Agreement for the Toronto-York-Spadina Subway Extension and Report on accounts, records, claims and expenditures incurred under this Agreement.	PSAS	CAS 805 (Audit of financial information)	Regional Municipality of York and Minister of Transport, Infrastructure and Communities
6. Long-term Care Homes – Annual Reconciliation Reports (10 as listed below): a) Bendal Acres; b) Carefree Lodge; c) Castleview Wychwood Towers; d) Cummer Lodge; e) Fudger House; f) Kipling Acres; g) Lakeshore Lodge; h) Seven Oaks; i) True Davidson Acres; and j) Wesburn Manor.	Annual Report Technical Instructions and Guidelines issued by the Ministry of Health and Long Term Care	Specified procedures	Ministry of Health and Long Term Care
7. The Toronto Track and Field Centre — Statement of Operating Costs.	PSAS	CAS 805 (Audit of financial information)	York University and Government of Canada
(Ontario Business Corporation Act) OBCA Corporations			
8. Toronto Community Housing Corporation (TCHC):			
a) Audit of Consolidated Financial	PSAS + 4200	CAS 700 (Financial	

Schedule A
Accounting Framework and Reporting by Entity

Entity		Accounting Framework	Report	Intended Users other than addressee
	Statements of TCHC;		statement audit)	
b)	Audit of Financial Statements of Regent Park Energy Inc.;	PSAS + 4200	CAS 700 (Financial statement audit)	
c)	Audit of Financial Statements of Access Housing Connections Inc.;	PSAS + 4200	CAS 700 (Financial statement audit)	
d)	Audit of Financial Statements of Innoserv Inc.;	PSAS + 4200	CAS 700 (Financial statement audit)	
e)	Audit of Financial Statements of Group 1, Group 2, Group 3 and Group 859 of Toronto Community Housing Corporation (Property Management Audits);	Property Management Specifications as provided by Toronto Community Housing Corporation	CAS 700 (Financial statement audit)	
f)	Audit of Financial Statements of Group 4 of Toronto Community Housing Corporation (Property Management Audits);			
g)	Audit of Financial Statements of Group 6 of Toronto Community Housing Corporation (Property Management Audits);			
h)	Audit of Financial Statements of TCHC Issuer Trust;	PSAS + 4200	CAS 700 (Financial statement audit)	
i)	Quarterly Reviews of Condensed Interim Consolidated Financial Statements of TCHC;	PSAS + 4200	Section 7060 (Review of interim financial statements)	
j)	Review of Financial Statements of Regent Park Development Corporation;	PSAS + 4200	Section 8200 (Review of financial statements)	
k)	Review of Consolidated Financial Statements of Toronto Community Housing Enterprise Inc.;	PSAS + 4200	Section 8200 (Review of financial statements)	
l)	Review of Financial Statements of Toronto Affordable Housing Fund;	PSAS + 4200	Section 8200 (Review of financial statements)	
m)	Review of Financial Statements of 2001064 Ontario Inc.;	PSAS + 4200	Section 8200 (Review of financial statements)	

Schedule A
Accounting Framework and Reporting by Entity

Entity	Accounting Framework	Report	Intended Users other than addressee
n) Review of Financial Statements of Alexandra Park Development Corporation;	ASPE	Section 8200 (Review of financial statements)	
o) Regent Park Sustainable Community – Report on Compliance with the Loan Agreement between TCHC and Federation of Canadian Municipalities, as Trustee of the Green Municipal Fund;	N/A	Section 8600 (Report on compliance)	
p) Compilation (Notice to Reader) of Financial Statements of Don Mount Court Development Corporation; and	PSAS + 4200	Section 9200 (Compilation)	
q) Compilation (Notice to Reader) of Financial Statements of Leslie Nymark Development Corporation.	PSAS + 4200	Section 9200 (Compilation)	
9. Consolidated Financial Statements of Build Toronto Inc.	IFRS	CAS 700 (Financial statement audit)	
10. Financial Statements of Invest Toronto Inc.	PSAS	CAS 700 (Financial statement audit)	
11. Consolidated Financial Statements of City of Toronto Economic Development Corporation c.o.b. – Toronto Port Lands Company	IFRS	CAS 700 (Financial statement audit)	
Local Boards			
12. Toronto Parking Authority a) Financial Statements of Toronto Parking Authority; and	IFRS	CAS 700 (Financial statement audit)	
b) Toronto Parking Authority Carpark No.161 – St. Clair-Yonge Garage – Statement of Revenues and Expenditures.	N/A	CAS 805 (Audit of financial information)	Sutter Hill Developments Limited
13. Toronto Police Services Board Special Fund (TPSB Special Fund) – *Section 9110 Agreed Upon Procedures regarding internal control over financial reporting entity*	PSAS	Section 9110 (Agreed upon procedures)	

Schedule A
Accounting Framework and Reporting by Entity

Entity	Accounting Framework	Report	Intended Users other than addressee
14. Toronto Public Health — *Audits as required by the Ministry of Health and Long-term Care and Ministry of Children and Youth Services in connection with various settlements of Toronto Public Health programs (7 as listed below):*	PSAS + Instructions and Guidelines issued by the Ministry of Health and Long Term Care or Ministry of Children and Youth Services		
a) Program-Based Grants Annual Reconciliation Report to include: • Audited Financial Statements • Auditor's Attestation Report • Annual Reconciliation (Certificate of Settlement) Report Forms		CAS 805 (Audit of financial information)	Ministry of Health and Long Term Care
b) AIDS Bureau Program – Statement of Revenue and Expenditures; and Annual Reconciliation Report		CAS 805 (Audit of financial information)	Ministry of Health and Long Term Care
Settlement reports for the 5 programs listed below to include: • Settlement Forms • Auditor's Questionnaire • Audited Financial Statements for the Settlement			
c) 9,000 Nurses - Healthy Babies Healthy Children Program Settlement Report;		CAS 805 (Audit of financial information)	Ministry of Children and Youth Services
d) Healthy Babies Healthy Children Program Settlement Report;		CAS 805 (Audit of financial information)	Ministry of Children and Youth Services
e) Preschool Speech and Language Program Settlement Report;		CAS 805 (Audit of financial information)	Ministry of Health and Long Term Care
f) Infant Hearing Program Settlement Report; and		CAS 805 (Audit of financial information)	Ministry of Health and Long Term Care
g) Blind Low Vision Settlement Report;		CAS 805 (Audit of financial information)	Ministry of Health and Long Term Care
15. Toronto Public Library Board (TPL):			
• Financial Statements of Toronto Public Library Board; and	PSAS+4200	CAS 700 (Financial statement audit)	

Schedule A
Accounting Framework and Reporting by Entity

Entity	Accounting Framework	Report	Intended Users other than addressee
• Toronto Public Library Board – Literacy Base Skills Program Statement of Revenue and Expenditures	PSAS+4200	CAS 805 (Audit of financial information)	Ministry of Training, Colleges and Universities
16. Financial Statements of Toronto Public Library Foundation	PSAS+4200	CAS 700 (Financial statement audit)	
17. Exhibition Place:			
• Consolidated Financial Statements of the Board of Governors of Exhibition Place; and	PSAS	CAS 700 (Financial statement audit)	
• Ricoh Coliseum – Special Audit of Schedule of Expenditures	PSAS	CAS 805 (Audit of financial information)	
18. Financial Statement of the Board of Directors of the Hummingbird Centre for the Performing Arts (operating as Sony Centre for the Performing Arts).	PSAS+4200	CAS 700 (Financial statement audit)	
19. Financial Statements of St. Lawrence Centre for the Arts.	PSAS+4200	CAS 700 (Financial statement audit)	
20. Financial Statements of the North York Performing Arts Centre Corporation (operating as the Toronto Center for the Arts)	PSAS+4200	CAS 700 (Financial statement audit)	
21. Financial Statements of the Board and Management of the Toronto Zoo	PSAS+4200	CAS 700 (Financial statement audit)	
Transit			
22. Consolidated Financial Statements of Toronto Transit Commission	PSAS	CAS 700 (Financial statement audit)	
23. Financial Statements of TTC Insurance Company Limited – To the Board & to FSCO	PSAS	CAS 700 (Financial statement audit)	Financial Services Commission of Ontario
Financial Trusts- Pension Bodies			
24. The Pension Fund of the Corporation of the City of York Employee Pension Plan;	Basis of accounting disclosed in	CAS 800 (Audit of financial statements under special purpose	Financial Services Commission of Ontario

Schedule A
Accounting Framework and Reporting by Entity

Entity	Accounting Framework	Report	Intended Users other than addressee
	the notes to the financial statements (engagements # 24-28)	framework)	
25. The Fund of the Metropolitan Toronto Pension Plan		CAS 800 (Audit of financial statements under special purpose framework)	Financial Services Commission of Ontario
26. The Fund of the Metropolitan Toronto Police Benefit Fund;		CAS 800 (Audit of financial statements under special purpose framework)	Financial Services Commission of Ontario
27. The Fund of the Toronto Civic Employees' Pension and Benefit Fund;		CAS 800 (Audit of financial statements under special purpose framework)	Financial Services Commission of Ontario
28. The Fund of the Fire Department Superannuation and Benefit Fund;		CAS 800 (Audit of financial statements under special purpose framework)	Financial Services Commission of Ontario
29. Financial Statements of Toronto Commission Pension Fund Society: and	Part IV – Canadian Accounting Standards for Pension Plans	CAS 700 (Financial statement audit)	
30. Financial Statements of Toronto Transit Commission Sick Benefit Association	PSAS	CAS 700 (Financial statement audit)	

Schedule B
Fees and billing schedule

Fee estimate
Our fees for the Audit Services as outlined 5.3 Section 7 – Cost of Services of the RFP are attached to this Letter of Engagement.

Billing schedule
Our fees for the following engagements will be billed as 40% of fees at the commencement of planning, 50% of fees during year end field work and 10% of fees upon completion:

- Consolidated Financial Statements of the City of Toronto
- Audit of Consolidated Financial Statements of TCHC
- Consolidated Financial Statements of Build Toronto Inc.
- Consolidated Financial Statements of City of Toronto Economic Development Corporation c.o.b. – Toronto Port Lands Company
- Financial Statements of Toronto Parking Authority
- Financial Statements of Toronto Public Library Board
- Consolidated Financial Statements of the Board of Governors of Exhibition Place
- Financial Statement of the Board of Directors of the Hummingbird Centre for the Performing Arts (operating as Sony Centre for the Performing Arts).
- Financial Statements of St. Lawrence Centre for the Arts.
- Financial Statements of the North York Performing Arts Centre Corporation (operating as the Toronto Center for the Arts)
- Financial Statements of the Board and Management of the Toronto Zoo
- Consolidated Financial Statements of Toronto Transit Commission
- Financial Statements of TTC Insurance Company Limited
- Financial Statements of Toronto Commission Pension Fund Society

Our fees for the following engagements will be billed upon completion:

- Consolidated Financial Statements of the City of Toronto Trust Funds
- City of Toronto Sinking Funds
- City of Toronto – Report on Compliance with Investment Policy
- City of Toronto – Report on Compliance with the Building Canada Fund Contribution Agreement for the Toronto-York Spadina Subway Extension and Report on accounts, records, claims and expenditures incurred under this Agreement.
- Long-term Care Homes – Annual Reconciliation Reports (10 as listed below):
  - Bendal Acres'
  - Carefree Lodge;
  - Castleview Wychwood Towers;
  - Cummer Lodge;
  - Fudger House;
  - Kipling Acres;
  - Lakeshore Lodge;
  - Seven Oaks;
  - True Davidson Acres; and
  - Wesburn Manor.
- The Toronto Track and Field Centre — Statement of Operating Costs.
- Audit of Financial Statements of Regent Park Energy Inc.
- Audit of Financial Statements of Access Housing Connections Inc.
- Audit of Financial Statements of Innoserv Inc.
- Audit of Financial Statements of Group 1, Group 2, Group 3 and Group 859 of Toronto Community Housing Corporation (Property Management Audits)

Schedule B
Fees and billing schedule

- Audit of Financial Statements of Group 4 of Toronto Community Housing Corporation (Property Management Audits)
- Audit of Financial Statements of Group 6 of Toronto Community Housing Corporation (Property Management Audits)
- Audit of Financial Statements of TCHC Issuer Trust
- Quarterly Reviews of Condensed Interim Consolidated Financial Statements of TCHC
- Review of Financial Statements of Regent Park Development Corporation
- Review of Consolidated Financial Statements of Toronto Community Housing Enterprise Inc.
- Review of Financial Statements of Toronto Affordable Housing Fund
- Review of Financial Statements of 2001064 Ontario Inc.
- Review of Financial Statements of Alexandra Park Development Corporation
- Review of Financial Statements of Allenbury Gardens Development Corporation
- Review of Financial Statements of Railway Lands Development Corporation
- Regent Park Sustainable Community – Report on Compliance with the Loan Agreement between TCHC and Federation of Canadian Municipalities, as Trustee of the Green Municipal Fund
- Compilation (Notice to Reader) of Financial Statements of Don Mount Court Development Corporation
- Compilation (Notice to Reader) of Financial Statements of Leslie Nymark Development Corporation
- Financial Statements of Invest Toronto Inc.
- Toronto Parking Authority Carpark No.161 – St. Clair-Yonge Garage – Statement of Revenues and Expenditures
- Toronto Police Services Board Special Fund (TPSB Special Fund) – Section 9110 Agreed Upon Procedures regarding internal control over financial reporting entity
- Toronto Public Health — Audits as required by the Ministry of Health and Long-term Care and Ministry of Children and Youth Services in connection with various settlements of Toronto Public Health programs (7 as listed below):
    - Program based grants annual reconciliation report;
    - AIDS Bureau Program – Statement of Revenue and Expenditures and Annual Reconciliation report;
    - 9,000 Nurses - Healthy Babies Healthy Children Program Settlement Report;
    - Healthy Babies Healthy Children Program Settlement Report;
    - Preschool Speech and Language Program Settlement Report;
    - Infant Hearing Program Settlement Report;
    - Blind Low Vision Program Settlement Report;
- Toronto Public Library Board – Literacy Base Skills Program Statement of Revenue and Expenditures
- Financial Statements of Toronto Public Library Foundation
- Ricoh Coliseum – Special Audit of Schedule of Expenditures
- The Pension Fund of the Corporation of the City of York Employee Pension Plan
- The Fund of the Metropolitan Toronto Pension Plan
- The Fund of the Metropolitan Toronto Police Benefit Fund
- The Fund of the Toronto Civic Employees' Pension and Benefit Fund
- The Fund of the Fire Department Superannuation and Benefit Fund
- Financial Statements of Toronto Transit Commission Sick Benefit Association

Conditions impacting our time and fee estimates

Our time and fee estimates take into account the agreed level of preparation and assistance from the City. We will let the City know promptly when and if for any reason the schedules, information and assistance to be provided, as outlined in this Letter of Engagement, are not sufficient for our services. We will provide the City with a separate listing of required schedules, information requests and the dates such items are needed. We will also discuss with the City and the persons responsible any other issues that will require extra time and effort to resolve and seek approval for any request to revise our time and fee estimates to reflect any additional services, required in order for us to complete our work in accordance with the terms of this Letter of Engagement.

Terms of business

1 Introduction

1.1 **Interpretation** – In this agreement, the following words and expressions have the meaning given to them below:
services – the services set out in the engagement letter
the agreement – these terms and the engagement letter to which they relate (including any schedules)
we, us or our – refer to PricewaterhouseCoopers LLP, a limited liability partnership organized under the laws of the Province of Ontario
you, your – the party or parties, including their management, to the agreement (excluding us)

1.2 **Changes** – Either we or you may request a change to the services, deliverables or this agreement. Any change will
be effective only when agreed in writing.

1.3 **Purpose** – You acknowledge that our report is intended for the purpose of the oversight of management and the affairs of the legal entity that is the subject of the services.

2 PwC Firms, service providers and subcontractors

2.1 **Our relationship with you** – We are a member of the global network of PricewaterhouseCoopers firms (PwC Firms), each of which is a separate and distinct legal entity.

2.2 **Subcontractors and service providers** – We may use other PwC Firms, service providers and subcontractors to provide the services and support service delivery. We remain solely responsible for the services and deliverables.

2.3 **Restriction on claims** – You agree not to bring any claim or action against another PwC Firm (or its partners, members, directors or employees) or our subcontractors in respect of any liability relating to the services, deliverables or the agreement.

3 Your responsibilities

3.1 **Your obligations** – The performance of our services and provision of the deliverables depends on your performing your obligations under the agreement. We are not responsible for any consequences arising from you not fulfilling your obligations.

3.2 **Solicitation and hiring of PwC personnel** – Our independence related to assurance engagements may be impaired if you solicit or hire certain PwC personnel. This may either delay the provision of the services or cause us to resign from the engagement. You agree not to offer or permit your related parties to offer employment to or hire the lead engagement partner, the quality review partner or any other PwC partner, employee and/or independent contractor who has provided more than ten (10) hours of audit or review services until a period of twelve (12) months has passed from the date of our report on the applicable financial statements without first consulting with and obtaining the approval of the lead engagement partner on any proposed offer of employment.

3.3 **Oral advice and draft deliverables** – You may rely on our final written deliverables, but should not rely on oral advice or draft deliverables provided during the term of this agreement. If you wish to rely on something we have said to you, please let us know and, if possible, we will prepare a written deliverable on which you may rely.

4 Confidentiality

4.1 **Confidential information** – We and you agree to use the other party's confidential information, if any, only in relation to the services or internal and administrative purposes and to take reasonable steps to prevent disclosure, recognizing that disclosure will be permitted where required by law or professional obligation. You agree that we may give confidential information to third party service providers, subcontractors and other PwC Firms as long as they are bound by reasonable confidentiality obligations.

4.2 **Benchmarking** – From time to time we may offer our clients, like you, the service of benchmarking your business against other businesses in your industry, and providing you with the result of such comparison. Your information, together with the information from other businesses in your industry, may be used in such benchmarking studies, but will always be pooled with information from other such businesses, so that no one will be able to identify or reverse engineer any of your confidential information. You consent to our use and disclosure of your information, in aggregate form, for benchmarking purposes.

4.3 **Working with competitors** – You agree that we may work with your competitors or other parties whose interests may conflict with yours, as long as we do not disclose your confidential information and we comply with our ethical obligations.

5 *Professional and regulatory oversight*

5.1 **Reviews of us** – We are required to meet certain professional standards in the performance of our services. As such, we are regulated or overseen by various professional and regulatory bodies both in Canada and abroad (which bodies will depend on the nature of the services performed under this agreement). These professional and regulatory bodies have the right to inspect our files, including working papers and other work product(s) relating to these services or the services provided in prior years to determine whether professional standards have been met. We may, from time to time, receive requests or orders from such bodies to provide them with information and copies of such working papers. We intend to provide such information and working papers in response to such requests.

5.2 **Reviews of you** – Certain regulatory bodies may also have the right to conduct investigations of you, including the services provided by us. To the extent practicable, we will advise you of any such investigation request or order prior to providing our working papers, except where we are prohibited by law from doing so.

5.3 **Privileged information** – Except where providing working papers is required by the laws of any jurisdiction that you or we are governed by, we will use all reasonable efforts to refuse access to any document over which you have expressly informed us that you assert privilege. You must mark any document over which you assert privilege as "PRIVILEGED".

5.4 **Reimbursement of costs incurred** – You agree to reimburse us for our professional time and expenses, as well as reasonable fees and expenses of our legal counsel, incurred by us in responding to any investigation that is requested or authorized by you or of you required by government regulation, subpoena or other legal process.

6 *Personal information*

6.1 **Personal information** – We may collect, use, disclose, transfer, store or otherwise process information about identified individuals ("personal information") to provide the services and deliverables. We may process such personal information in various jurisdictions in which we or applicable PwC Firms, service providers and subcontractors operate, and, as such, personal information may be subject to the laws of such jurisdictions. Such personal information will be at all times processed in accordance with the applicable laws and professional regulation. In addition, we will require any service providers that process personal information on our behalf to adhere to such requirements. You confirm that you have the authority to provide the personal information to us in connection with the performance of services and that the personal information provided to us has been provided in accordance with applicable law.

7 *Working papers*

7.1 **Ownership** – Any documents prepared by us or for us in connection with this agreement belong to us.

8 *Liability*

8.1 **Limitation of Liability** – Our aggregate liability for all claims, losses, liabilities or damages in connection with this agreement or the services or deliverables, whether as a result of breach of contract, tort (including negligence) or otherwise, regardless of the theory of liability asserted, is limited to $2 million. Our liability to you shall be several and not joint and several, and we shall only be liable for our proportionate share of any loss or damage, based on our contribution relative to the others' contributions. In addition, we will not be liable in any event for consequential, incidental, indirect, punitive, exemplary or special damages, including any amount for loss of profit, data or goodwill, whether or not the likelihood of such loss or damage was contemplated.

8.2 **No claims against individuals** – You agree claims or actions relating to the delivery shall be brought against us alone and not against any members, partners, principals, employees or subcontractors, including PwC Firms ("Personnel").

8.3 [Intentionally blank]

8.4 **Misrepresentation by you** - You agree to release and indemnify us and our Personnel from and against all claims, losses, costs, liabilities and damages arising in circumstances where there has been a misrepresentation by a member of your management or board of directors, regardless of whether such person was acting in your interest.

9 *Termination*

9.1 **By Either Party** – Either party may terminate this agreement, for any reason, upon written notice to the other party. We will not be liable for any loss, cost or expense arising from such termination.

9.2 **Fees payable on termination** – You agree to pay us for all services we perform and deliverables we provide up to the date of termination, including services performed, work-in-progress and expenses incurred.

10 *Governing law*

10.1 **Law and jurisdiction** – The agreement and any dispute arising from it, whether contractual or non-contractual, will be governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein and are subject to the exclusive jurisdiction of the courts of the Province of Ontario.

11 *General*

11.1 **Matters beyond reasonable control** – No party will be liable (other than payment obligations) to the other if it fails to meet its obligations due to matters beyond its reasonable control.

11.2 **Entire agreement** – The agreement, once executed by both parties, forms the entire agreement between the parties in relation to the services and deliverables. It replaces any earlier agreements, representations or discussions.

11.3 **Your actions** – Where you consist of more than one party, an act or omission of one party will be regarded as an act or omission of all.

11.4 **Assignment** – Without written consent, neither of us may assign any of our rights, obligations or claims under this agreement.

11.5 **Survival** – Any clause that is meant to continue to apply after termination of this agreement will do so.

11.6 **Severability** – If a court or regulator with proper jurisdiction determines that a provision of this agreement is invalid, then that provision will be interpreted in a way that is valid under applicable law or regulation. If any provision is invalid, the rest of this agreement will remain effective.

February 6, 2019

Ms. Beverly Romeo-Beehler
Auditor General
City of Toronto, Metro Hall
55 John Street, 9th Floor
Toronto ON M5V 3C6

Dear Ms. Romeo-Beehler:

This letter amends the engagement letter together with all schedules and the standard terms of business attached thereto between the City of Toronto and its major agencies, corporations and other entities listed in Schedule A (collectively, the City) and PricewaterhouseCoopers LLP (we, us or our) dated November 30, 2015 (collectively the original engagement letter). The parties agree that, except as otherwise amended by this letter, the terms and conditions of the original engagement letter shall apply to the services being provided hereunder.

The City agrees to the following modifications to the original engagement letter:

Our responsibilities

Risk Assessment – The paragraph in the original engagement letter in regards to risk assessment is deleted in its entirety and replaced as follows:

In making our risk assessments, we will obtain an understanding of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances and to determine the nature, timing and extent of audit procedures to be performed, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. But, we will let the City and its Audit Committee or the appropriate equivalent governance committee as set out in Appendix G of the Request for Proposal No. 9171-14-7121 (the RFP), (collectively, the Appendix G Committees) know, as appropriate, in writing about any significant deficiencies in internal control relevant to the audit of the financial statements that we have identified during the audit.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Canadian generally accepted auditing standards. In addition, the audit is not designed to detect error or fraud that is immaterial to the financial statements. Because of the characteristics of fraud, an audit designed and executed in accordance with Canadian generally accepted auditing standards may not detect a material misstatement due to fraud.

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City of Toronto
Ms. Beverly Romeo-Beehler

Characteristics of fraud include: (i) concealment through collusion among management, employees or third parties; (ii) withheld, misrepresented or falsified documentation; and (iii) the ability of management to override or instruct others to override what otherwise appears to be effective controls. Further, while effective internal control over financial reporting reduces the likelihood that errors or fraud will occur and remain undetected, it does not eliminate that possibility. For these reasons, we cannot ensure that errors or fraud, if present, will be detected. However, we will communicate to the Audit Committee and the appropriate Appendix G Committees, and the City, as appropriate, any such matters identified during our audit.

Other information – The following paragraph is added to the original engagement letter:
In conjunction with the audit, we are also required to read the City's other information which could comprise other information included in the 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.

If a material misstatement of the other information is identified, we are required to:

1. Report in our auditor's report if received before our auditor's report date; or
2. Communicate with the Audit Committee and the appropriate Appendix G Committees if received after our auditor's report date.

The City's responsibilities

Responsibility for financial statements and internal control – The paragraph in the original engagement letter in regards to responsibility for financial statements and internal control is deleted in its entirety and replaced as follows:

The City is responsible for the preparation and fair presentation of the financial statements, including disclosures and the other information referred to above. In preparing the financial statements, the City is responsible for assessing the entity's ability to continue as a going concern, disclosing as applicable matters relating to going concern and using the going concern basis of accounting unless the City either intends to liquidate the entity or to cease operations, or has no realistic alternative to do so. The Audit Committee and the appropriate Appendix G Committees are responsible for overseeing the financial reporting process.

The City is also responsible for establishing and maintaining an effective system of internal control over financial reporting to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In this regard, the City is responsible for establishing policies and procedures that ensure financial information is prepared in accordance with the requirements of the accounting standards as outlined in Schedule A.

Other information – The following paragraph is added to the original engagement letter:
The City is responsible for the other information and agree to provide us with final draft copies of those documents in a timely manner, and if possible, prior to the date of auditor's report.

We have summarized each of the engagements included in the Request for Proposal 9171-14-7121 dated December 5, 2014 in Schedule A. All other provisions of the original engagement letter are unchanged. If the changes above are acceptable, please have one copy of this letter executed in the spaces provided below and return it to us.

Yours very truly,

PricewaterhouseCoopers LLP

Chartered Professional Accountants

The services and terms as set forth in this letter and such terms that are included in the original engagement letter are agreed to.

City of Toronto,

By:

Beverly Romeo-Beehler, Auditor General

Date

By signing below, the services and terms as set forth in this letter and such terms that are included in the original engagement letter are agreed to, and I acknowledge and agree to my obligation to ensure that the responsibilities of the City as set forth herein are properly discharged:

By:

____
Ulli S. Watkiss, City Clerk

____
Date

By:

____
Heather Taylor, Chief Financial Officer and Treasurer

____
Date

Schedule A

Engagement	
1. Consolidated Financial Statements of the City of Toronto	Financial statement audit (CAS 700) in accordance with Canadian Generally Accepted Accounting Principles as issued by the Public Sector Accounting Board (Public Sector Accounting Standards).
2. Consolidated Financial Statements of the City of Toronto Trust Funds	Financial statement audit (CAS 700) in accordance with a specified basis of accounting (as disclosed in the notes to the financial statements).
3. City of Toronto Sinking Funds	Financial statement audit (CAS 700) in accordance with a specified basis of accounting (as disclosed in the notes to the financial statements).
4. City of Toronto – Report on Compliance with Investment Policy	Specified audit procedures in accordance Canadian Institute of Chartered Accountants Section 9100 – Reports on the Results of Applying Specified Auditing Procedures to Financial Information (a separate engagement letter was issued outlining the procedures).
5. City of Toronto – Report on Compliance with the Building Canada Fund Contribution Agreement for the Toronto-York Spadina Subway Extension and Report on accounts, records, claims and expenditures incurred under this Agreement	Audit of expenditures in accordance with CAS 805, Special Considerations, Audits of Single Financial Statements and Special Elements, Accounts or Other Items of a Financial Statement, in accordance with the provisions of the related agreement.
6. Long-term Care Homes – Annual Reconciliation Reports (10 as listed below): a. Bendal Acres; b. Carefree Lodge; c. Castleview Wychwood Towers; d. Cummer Lodge; e. Fudger House; f. Kipling Acres; g. Lakeshore Lodge; h. Seven Oaks; i. True Davidson Acres; and j. Wesburn Manor	Specified procedures in accordance with Annual Report Technical Instructions and Guidelines issued by the Ministry of Healthy and Long Term Care.
7. The Toronto Track and Field Centre — Statement of Operating Costs	Not required.

Engagement	
8. Toronto Community Housing Corporation: (a) Audit of Consolidated Financial Statements of Toronto Community Housing Corporation. (b) Review of Financial Statements of Regent Park Energy Inc. (c) Review of Financial Statements of Access Housing Connections Inc. (d) Audit of Financial Statements of Innoserv Inc. (e) Audits of Financial Statements of Group 1, 2, 3, 4 and 859 of Toronto Community Housing Corporation (property management). (f) Audit of Financial Statements of Group 6 of Toronto Community Housing Corporation (property management). (g) Audit of Financial Statements of TCHC Issuer Trust. (h) Quarterly review of condensed interim consolidated financial statements of TCHC. (i) Review of financial statements of Regent Park Development Corporation. (j) Review of Financial Statements of Toronto Affordable Housing Fund. (k) Review of Financial Statement of Alexandra Parking Development Corporation. (l) Report on Compliance - Regent Park Sustainable Community. (m) Compilation of Consolidated Financial Statements of Toronto Community Housing Enterprises Inc.	(a) Financial statement audit (CAS 700) in accordance with Public Sector Accounting Standards for Not-for-Profit Organizations. (b) Not required. (c) Review of financial statements (CSRE 2400) in accordance with Public Sector Accounting Standards for Not-for-Profit Organizations. (d) Not required. (e) Financial statement audit (CAS 700) in accordance with Property Management specifications. (f) Not required. (g) Not required. (h) Not required. (i) Review of financial statements (CSRE 2400) in accordance with Public Sector Accounting Standards for Not-for-Profit Organizations. (j) Review of financial statements (CSRE 2400) in accordance with Public Sector Accounting Standards for Not-for-Profit Organizations. (k) Review of financial statements (CSRE 2400) in accordance with Public Sector Accounting Standards for Not-for-Profit Organizations. (l) Not required. (m) Compilation (Section 9200). (n) Compilation (Section 9200). (o) Compilation (Section 9200). (p) Compilation (Section 9200).

Engagement	
(n) Compilation of Financial Statements of Don Mount Court Development Corporation. (o) Compilation of Financial Statements of Leslie Nymark Development Corporation. (p) Compilation of Financial Statements of 2001064 Ontario Inc.	
9. Build Toronto Inc.	Financial statement audit (CAS 700) in accordance with International Financial Reporting Standards (IFRS).
10. Invest Toronto Inc.	Financial statement audit (CAS 700) in accordance with Canadian Generally Accepted Accounting Principles as issued by the Public Sector Accounting Board (Public Sector Accounting Standards).
11. City of Toronto Economic Development Corporation – Toronto Port Lands Company	Financial statement audit (CAS 700) in accordance with International Financial Reporting Standards (IFRS).
12. Toronto Parking Authority: (a) Toronto Parking Authority; and (b) Toronto Parking Authority Carpark No. 161 – St. Clair-Yonge Garage – Statement of Operations.	(a) Financial statement audit (CAS 700) in accordance with IFRS. (b) Audit of Statement of Operations (CAS 805).
13. Toronto Police Services Board Special Fund – Section 9110 Report	Specified audit procedures in accordance with Canadian Institute of Chartered Accountants Section 9110 – Agreed Upon Procedures Regarding Internal Control Over Financial Reporting (a separate engagement letter was issued outlining the procedures).
14. Toronto Public Health – Specified procedures in connection with various Settlements of Toronto Public Health programs (7 as listed below): (a) Toronto Board of Health Cost Shared Programs; (b) Settlement of AIDS Bureau Program and Statement of Revenue & Expenditures – Toronto Public Health – AIDS Bureau Program; (c) Blind Low Vision;	Audit of financial information (CAS 805) in accordance with PSAS and Instructions and Guidelines issued by the Ministry of Healthy and Long Term Care or Ministry of Children and Youth Services.

Engagement	
(d) Healthy Babies Healthy Children Program; (e) Infant Hearing Program; (f) Preschool Speech and Language Program; (g) Smoke Free Ontario (if applicable)	
15. Toronto Public Library Board: (a) Toronto Public Library Board (b) Toronto Public Library Board – Literacy Base Skills Program Statement of Revenue and Expenditures	(a) Audit of the financial statements (CAS 700) in accordance with Public Sector Accounting Standards. (b) Audit of the financial statements (CAS 805) in accordance with Public Sector Accounting Standards.
16. Toronto Public Library Foundation	Audit of the financial statements (CAS 700) in accordance with Public Sector Accounting Standards for Not-for-Profit Organizations.
17. Board of Governors of Exhibition Place: (a) Consolidated Financial Statements of the Board of Governors of Exhibition Place (b) Ricoh Coliseum – Special Audit of Schedule of Expenditures	(a) Audit of the financial statements (CAS 700) in accordance with Public Sector Accounting Standards. (b) Audit of the financial information (CAS 805) in accordance with Public Sector Accounting Standards.
18. Civic Theatres Toronto (formerly known as The Sony Centre for the Performing Arts)	Audit of the financial statements (CAS 700) in accordance with Public Sector Accounting Standards for Not-for-Profit Organizations.
19. St. Lawrence Centre for the Arts	Not required.
20. 20. Toronto Centre for the Arts	Not required.
21. Board of Management of the Toronto Zoo	Financial statement audit (CAS 700) in accordance with Public Sector Accounting Standards for Not-for-Profit Organizations.
22. Consolidated Financial Statements for the Toronto Transit Commission	Audit of the financial statements (CAS 700) in accordance with Public Sector Accounting Standards.
23. TTC Insurance Company Limited	Audit of the financial statements (CAS 700) in accordance with Public Sector Accounting Standards.
24. The Pension Fund of the Corporation of the City of York Employee Pension Plan	Financial statement audit (CAS 800) in accordance with Canadian Generally Accepted Accounting Principles for Pension Plans.

Engagement	
25. The Fund of the Metropolitan Toronto Pension Plan	Financial statement audit (CAS 800) in accordance with Canadian Generally Accepted Accounting Principles for Pension Plans.
26. The Fund of the Metropolitan Toronto Police Benefit Fund	Financial statement audit (CAS 800) in accordance with Canadian Generally Accepted Accounting Principles for Pension Plans.
27. The Fund of the Toronto Civic Employees' Pension and Benefit Fund	Financial statement audit (CAS 800) in accordance with Canadian Generally Accepted Accounting Principles for Pension Plans.
28. The Fund of the Toronto Fire Department Superannuation and Benefit Fund	Financial statement audit (CAS 800) in accordance with Canadian Generally Accepted Accounting Principles for Pension Plans.
29. Toronto Transit Commission Pension Fund Society	Financial statement audit (CAS 700) in accordance with Canadian Generally Accepted Accounting Principles for Pension Plans.
30. Toronto Transit Commission Sick Benefit Association	Financial statement audit (CAS 700) in accordance with Canadian Generally Accepted Accounting Principles for Pension Plans.

Appendix B: Audit Service Guideline

Provided as a separate document

Appendix C: Upcoming changes to accounting standards

As part of our commitment to quality service, we draw your attention to new and emerging accounting, auditing and regulatory developments. We will work closely with City management to assess the impact of these new accounting standards as part of the 2018 audit.

The following standards apply to fiscal years in the future:

Revenue, Section PS3400

This Section would enhance the relevance, reliability and comparability of information reported in financial statements by establishing a framework and criteria for recognition and measurement of revenue. The decision usefulness of information provided to financial statement users would also be enhanced through additional disclosures. This new Section would apply to fiscal years beginning on or after April 1, 2021. Earlier adoption is permitted.

Restructuring Transactions, Section PS 3430

The Section establishes standards on how to account for and report restructuring transactions by both transferors and recipients of assets and/or liabilities, together with related program on operating responsibilities. This Section applies to fiscal years beginning on or after April 1, 2018.

D. Illustrative Auditor's Report

Independent auditor's report

Independent auditor's report

To the shareholders of Illustrative Company

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Illustrative Company and its subsidiaries (the Company) as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Opinion section is now first

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2017 and 2016;
- the consolidated statements of comprehensive income for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years 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 Company 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 these requirements.

Statement of auditor's independence

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KAMs - voluntary for all entities

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Key audit matter	How our audit addressed the Key audit matter
Recognition of deferred tax assets and uncertain tax positions	
The Company has recognized deferred tax assets in the amount of $400 million on the balance sheet. We focused on the recognition of deferred tax assets because the recognition of these assets involves judgment by management as to the likelihood of realization of the deferred tax assets, which is based on a number of factors including whether there will be sufficient taxable profits in future periods. The Company has recognized provisions against uncertain tax positions. We focused on this area because the assessment and estimate of provisions for uncertain tax positions involves significant judgment. Refer to Note 10 of the consolidated financial statements.	We evaluated management's assessment as to whether there will be sufficient taxable profits in future periods to support the recognition of deferred tax assets by comparing management's forecasts of future profits to historical results, and evaluating the assumptions used in those forecasts. We discussed with management the known uncertain tax positions and read communications from taxation authorities to identify uncertain tax positions. We considered the status of current and recent tax audits, judgmental positions taken in tax returns, and developments in the tax environment. We assessed the adequacy of management's key assumptions and methods to recognize provisions for uncertain tax positions.

Other information

Enhanced reporting with respect to Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis which we obtained prior to the date of this auditor's report, and the information, other than the consolidated financial statements and our auditor's report thereon, included in the Company's annual report which is expected to be made available to us after the date of this auditor's report.

For listed entities, identification of other information not yet received

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express an opinion or 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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the information, other than the consolidated financial statements and our auditor's report thereon, included in the Company's annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Auditor responsibility for listed entities for other information not yet received

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 IFRS, 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.
Those charged with governance are responsible for overseeing the Company's financial reporting process.

Enhanced description of management's responsibilities

Auditor's responsibilities for the audit of the consolidated financial statements

Enhanced description of auditor's responsibilities

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 scepticism 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 Company'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 Company'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 Company 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 Company 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

For listed entities only

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Auditor responsibility when communicating KAMs

The engagement partner on the audit resulting in this independent auditor's report is Jane Doe.

For listed entities, disclosure of engagement partner's name

(signed) PricewaterhouseCoopers

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario

February 8, 2018