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# ***Toronto Parking Authority***

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*2018 year-end report to  
the Board of Directors*

*Prepared as of  
May 2, 2019*





May 2, 2019

Members of the Board of Directors  
Toronto Parking Authority  
33 Queen Street East  
Toronto ON M5C 1R5

Dear Members of the Board of Directors:

We have substantially completed our audit of the financial statements of Toronto Parking Authority (the organization or TPA) prepared in accordance with International Financial Reporting Standards (IFRS) for the year ended December 31, 2018. We propose to issue an unqualified report on those financial statements, pending resolution of outstanding items outlined on page 2. Our draft auditor's report is included in Appendix A.

We prepared the accompanying report to assist you in your review of the financial statements. It includes an update on the status of our work, as well as a discussion on the significant accounting and financial reporting matters dealt with during the audit process.

We will review the key elements of this report at the upcoming meeting and discuss our findings with you.

We would like to express our sincere thanks to the management and staff of TPA who have assisted us in carrying out our work, and we look forward to your meeting on May 10, 2019. If you have any questions or concerns prior to the Board of Directors meeting, please do not hesitate to contact me in advance.

Yours very truly,

*PricewaterhouseCoopers LLP*

Terri McKinnon  
Partner  
Risk Assurance Services

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*PricewaterhouseCoopers LLP*  
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2  
T: +1 416 863 1133, F: +1 416 365 8215, [www.pwc.com/ca](http://www.pwc.com/ca)

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## Communications to the Board of Directors

<b>Key matters for discussion</b>	<b>Comments</b>
<b>Status of the audit</b>	<p>We have substantially completed our audit of the 2018 financial statements (the financial statements). We have included our draft auditor's report, which reflects the enhanced auditor reporting standards effective for years ending on or after December 15, 2018, in Appendix A.</p> <p>Significant outstanding items at time of mailing include the following:</p> <ul style="list-style-type: none"> <li>• Receipt of signed management representation letter;</li> <li>• Review and approval of final financial statements; and</li> <li>• Subsequent events procedures.</li> </ul>
<b>Client service team</b>	<p>Terri McKinnon is your engagement leader and Matt Crisafulli is your engagement manager.</p>
<b>Service deliverables</b>	<p>The services we are providing:</p> <ul style="list-style-type: none"> <li>• Financial statement audit in accordance with IFRS for Toronto Parking Authority (TPA)</li> <li>• Audit of Statement of Operations for Toronto Parking Authority Carpark No. 161 – St. Clair-Yonge Garage</li> </ul> <p>The engagement letter was signed by the City of Toronto and sets out the terms and conditions for the audits, and outlines the responsibilities of the auditors, management and those charged with governance.</p>
<b>Audit timeline</b>	<p>We worked with management to develop this project timeline:</p> <ul style="list-style-type: none"> <li>• Interim visit: November 26th – 2 weeks;</li> <li>• Year-end visit: April 1st – 2 weeks;</li> <li>• Closing meeting with management: April 30, 2019;</li> <li>• Board of Directors meeting: May 10, 2019;</li> <li>• Delivery of financial statements: June 2019.</li> </ul>
<b>Audit approach</b>	<p>Our audit approach is a mixture of tests of internal controls and substantive testing and has not changed significantly from the prior year. In the current year, our work included testing of key controls in the following areas:</p> <ul style="list-style-type: none"> <li>• Revenue;</li> <li>• Purchases, payables and disbursements; and</li> <li>• Property, plant and equipment acquisitions.</li> </ul>

<b>Key matters for discussion</b>	<b>Comments</b>
<b>Audit approach - cont'd</b>	All other areas were subject to tests of detail and substantive analytical testing.
<b>Materiality</b>	Misstatements are considered to be material if they could reasonably be expected to influence the economic decisions of users of the financial statements. We set a materiality level of \$6,000,000 based on 10% of the net income. Reporting threshold for unadjusted and adjusted items was \$600,000.

**Significant audit, accounting, and financial reporting matters discussed with management**

<p><b>Revenue recognition (significant risk)</b></p> <p>Auditing standards assume a rebuttable presumption, that there is a significant risk of fraud in revenue recognition in all organizations.</p>	<p>In particular, there is a risk of fraud in respect of off-street parking revenues due to cash that is collected from these operations. To address this risk, we tested internal controls surrounding the cash collections and reconciliations which are performed on a daily basis for parking revenues. We tested the reconciliations to ensure they were appropriately prepared and transactions accurately recorded in the general ledger.</p> <p>In respect of on-street parking revenues, we tested internal controls over the reconciliation of the cash collected by the security company (Inkas) and the amounts deposited by TPA.</p> <p>For the remaining revenue streams, we selected a sample of transactions and agreed them to supporting documentation. Our audit procedures also addressed the identification and elimination of the transactions for the parking lots managed for Toronto Transit Commission.</p> <p>There were no matters to bring to your attention as a result of our testing.</p>
<p><b>Management override (significant risk)</b></p> <p>Accounting regulatory authorities require that the risk of material misstatement due to management override of controls be considered a significant risk on every audit engagement.</p>	<p>To address the risk of management override of controls, and as part of our fraud procedures, we performed the following:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding of the entity's financial reporting processes and the controls over major business processes;</li> <li>• Identified risk criteria specific to the entity to scope in journal entries for testing and utilized our new tool, Halo, to identify entries for testing. For the journal entries identified, we agreed them to supporting documentation to ensure they were authorized and appropriate;</li> <li>• Inquired of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments; and</li> <li>• Incorporated an element of unpredictability into the current year audit procedures.</li> </ul> <p>For the unpredictable procedure, we reviewed the existence of employees at TPA. We selected 10 employees from the payroll records and contacted each employee.</p>



***Significant audit, accounting, and financial reporting matters discussed with management***

<b>Management override - cont'd</b>	As a result of this testing, we did not note any matters that require your attention.
<b><i>Other matters</i></b>	
<b>Summary of unadjusted and adjusted items</b>	<p>We identified no unadjusted or adjusted items.</p> <p>In our opinion, the financial statements, taken as a whole, are free of material misstatement.</p>
<b>Management's representations</b>	<p>We need to inform you of the representations we are requesting from management. A copy of the management representation letter is included in Appendix B.</p> <p>We requested our standard representations.</p>
<b>Internal controls recommendations</b>	No significant internal control findings to report.
<b><i>Key matters for discussion</i></b>	<b><i>Comments</i></b>
<b>Fraud and illegal acts</b>	<p>We discuss fraud risk annually with the Board of Directors. Through our planning process (and prior years' audits), we developed an understanding of your oversight processes including:</p> <ul style="list-style-type: none"> <li>• Discussion at the Board meetings;</li> <li>• Presentations by management, including business performance reviews; and</li> <li>• Consideration of tone at the top.</li> </ul> <p>Are there any new processes or changes to the items above that we should be aware of?</p> <p>No fraud involving senior management, or employees with a significant role in internal control or that would cause a material misstatement of the financial statements and no illegal acts came to our attention as a result of our audit procedures. We wish to confirm that the Board of Directors is not aware of any known, suspected or alleged incidents of fraud or illegal acts not previously discussed with us.</p>
<b>Subsequent events</b>	<p>No subsequent events which would impact the financial statements other than those disclosed have come to our attention.</p> <p>We would like to confirm that the Board of Directors is not aware of any other subsequent events that might affect the financial statements.</p>

<b><i>Other required communications</i></b>	<b><i>Summary</i></b>
<b>Significant difficulties or disagreements that occurred during the audit</b>	No difficulties or disagreements occurred while performing our audit that require the attention of the Board.

The matters raised in this and other reports that will flow from the audit are only those that have come to our attention arising from or relevant to our audit that we believe need to be brought to your attention. They are not a comprehensive record of all the matters arising and, in particular, we cannot be held responsible for reporting all risks in your business or all internal control weaknesses. Comments and conclusions should only be taken in context of the financial statements as a whole, as we do not mean to express an opinion on any individual item or accounting estimate. This report has been prepared solely for your use. It was not prepared for, and is not intended for, any other purpose. No other person or entity shall place any reliance upon the accuracy or completeness of statements made herein. PwC does not assume responsibility to any third party, and, in no event, shall PwC have any liability for damages, costs or losses suffered by reason of any reliance upon the contents of this report by any person or entity other than you.

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## ***Appendix A: Draft auditor's report***

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## ***Appendix B: Management representation letter***



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