

ATTACHMENT 1

Toronto Parking Authority

Audit Findings Report
for the year ended
December 31, 2021

KPMG LLP

Licensed Public Accountant

April 11, 2022

kpmg.ca/audit



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KPMG contacts

The contacts at KPMG in connection with this report are:



Kevin Travers, CPA, CA

**Lead Audit Engagement
Partner**

Tel: 416-228-7004
ktravers@kpmg.ca



Elliot Cheng, CPA, CA

Audit Senior Manager

Tel: 416-228-4364
elliotcheng@kpmg.ca

Our refreshed Values

What we believe

 Integrity
We do what is right.

 Excellence
We never stop learning
and improving.

 Courage
We think and act boldly.

 Together
We respect each other
and draw strength from
our differences.

 For Better
We do what matters.



Audit Quality: How do we deliver audit quality?

Quality essentially means doing the right thing and remains our highest priority. Our **Global Quality Framework** outlines how we deliver quality and how every partner and staff member contributes to its delivery.

‘**Perform quality engagements**’ sits at the core along with our commitment to continually monitor and remediate to fulfil on our quality drivers.

Our **quality value drivers** are the cornerstones to our approach underpinned by the **supporting drivers** and give clear direction to encourage the right behaviours in delivering audit quality.

We define ‘**audit quality**’ as being the outcome when:

- audits are **executed consistently**, in line with the requirements and intent of **applicable professional standards** within a strong **system of quality controls**; and
- all of our related activities are undertaken in an environment of the utmost level of **objectivity, independence, ethics, and integrity**.



Visit our [Resources](#) page for more information.

Doing the right thing. Always.

Audit highlights

Purpose of this report¹

The purpose of this Audit Findings Report is to assist you, as a member of the Audit and Risk Management Committee of Toronto Parking Authority (“the Authority”), in your review of the results of our audit of the financial statements as at and for the period ended December 31, 2021.

Status of the audit

As of April 11, 2022, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include amongst others:

- Completing our discussions with the audit and risk management committee and the Board of Directors
- Obtaining evidence of the Board of Director’s approval of the financial statements
- Receipt of the signed management representation letter (dated upon Board approval of the financial statements)
- Completion of subsequent events procedures, up to the date of approval of the financial statements

We will update the audit committee, and not solely the Chair, on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures.

Our auditors’ report, a draft of which is provided in Appendix: Draft Auditors’ Report, will be dated upon the completion of any remaining procedures.

Going concern

No matters to report.

Changes from the audit plan

We updated our audit materiality calculation from what was reported to you in our Audit Planning Report. This update is due to use of actual total revenue for the year ended December 31, 2021 to determine materiality, which was higher than the projected total revenue used to determine the planning materiality. We have determined materiality to be \$2,324,000, increased from planning materiality of \$1,896,000.

Significant risks and other significant matters

There are no significant findings to communicate related to significant risks or other significant matters.

Uncorrected audit misstatements

No matters to report.

Significant accounting policies and practices

There have been no initial selections of, or changes to, significant accounting policies and practices to bring to your attention.

¹ This Audit Findings Report is intended solely for the information and use of Management, the Audit and Risk Management Committee, and the Board of Directors and should not be used for any other purpose or any other party. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this Audit Findings Report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Audit risks and results

Significant risk - professional requirements	Why is it significant?
Presumption of the risk of fraud involving improper revenue recognition	We have not identified any risk of material misstatement resulting from fraudulent revenue recognition.
Presumption of the risk of fraud resulting from management override of controls.	Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk nevertheless is present in all entities.

Our response

- Fraud risk from revenue recognition has been rebutted. We have not identified any risk of material misstatement resulting from fraudulent revenue recognition. Our audit methodology incorporates the required procedures in professional standards to address and rebut this risk. These procedures include substantive revenue testing, testing of relevant journal entries and other adjustments and evaluating the business rationale of significant unusual transactions.
- As the presumed risk of material misstatement due to fraud resulting from management override of controls is not rebuttable, our audit methodology incorporates the required procedures in professional standards to address this risk. These procedures include testing of journal entries and other adjustments, performing a retrospective review of estimates and evaluating the business rationale of significant unusual transactions.

Significant findings

- We did not note any significant control deficiencies in our evaluation of the design and implementation and test operating effectiveness of selected relevant controls over financial reporting.
- We tested manual and automated journal entries and other adjustments by using Data & Analytics routines. Using extractions from the complete general ledger, we selected a sample of journal entries meeting pre-determined high-risk criteria and verified if they were supported by proper documentation and appropriately recorded in the general ledger. We also followed the journal entry initiation and approval controls and process in place.
- We did not identify any issues or concerns after performing our review of estimates.
- We did not identify any significant unusual transactions or any specific additional risks of management override during our audit.

Audit risks and results (continued)

We highlight our significant findings in respect of **other areas of focus** as well as any additional areas of focus identified.

Other area of focus	New or changed?	Estimate?
Cash	No	No
Due to/from related parties	No	No
Property and equipment, and Amortization	No	Yes

Our response

Cash:

- Obtained confirmations of the year-end cash and cash equivalents balances from third parties.
- Reviewed bank reconciliations and vouched significant reconciliation items to supporting documentation.
- Reviewed financial statements disclosures.

Due to/from related parties:

- Obtained confirmation from City of Toronto to ensure existence, accuracy and completeness of the intercompany receivable/payable balance and revenue received.
- Reviewed financial statements note disclosures.

Our procedures for Property and equipment and Amortization of property and equipment included:

- Selected a sample of additions and agreed to original invoices to ensure proper accounting treatment.
- Assessed the reasonableness of amortization expense.
- All useful lives are based on corporate policies and did not change from prior year. KPMG reviewed the useful lives used in amortization calculation and ensured that all were in line with the Authority's policy. The estimation uncertainty related to useful lives does not result in a risk of material misstatement.

Significant findings

- No issues noted.

Audit risks and results (continued)

Other area of focus	New or changed?	Estimate?
Accounts payable and accrued liabilities and Direct expenses	No	Yes
Revenue and Accounts receivable	No	Yes

Our response

Our procedures for Accounts payable and accrued liabilities and Direct expenses included:

- For certain accrued liabilities, management performs their best estimate based on the available information prior to year end closing. KPMG reviewed large accruals to ensure the estimate is reasonable. The estimation uncertainty related to liabilities does not result in a risk of material misstatement.
- Performed a search for unrecorded liabilities by extracting lists of subsequent payments and accounts payable details and selected samples for testing.
- Selected a sample of expense transactions and agree to original invoices to ensure the proper classification of expenses.
- Reviewed supporting documentation for significant accruals.

Our procedures revenue and accounts receivable included:

- Allowance for doubtful accounts (AFDA) within accounts receivable is an estimate. We performed steps, as listed below, to evaluate the reasonability of management's estimate. The estimation uncertainty related to AFDA does not result in a risk of material misstatement.
- Obtained an understanding over the revenue and accounts receivable process, obtained the accounts receivable aging subledger and sampled subsequent receipt of payment to ensure management's assessment over the collectability is appropriate.
- Assessed management's approach in identifying customers at risk of non-payment and ensuring the sufficiency of the provision to net against accounts receivable
- Selected samples of parking and bike share revenue, agreed to supporting documentation and ensured revenue recognition was appropriate.

Significant findings

- Management has appropriately identified customers at risk of non-payment and has increased the allowance provision to ensure the net accounts receivable balance accurately reflects the underlying amounts expected to be collected
- No issues noted.

Uncorrected and corrected audit misstatements

Audit misstatements include presentation and disclosure misstatements, including omissions.

Professional standards require that we request of management and the audit committee that all identified differences be corrected. We have already made this request of management.

Uncorrected audit misstatements

We did not identify misstatements that remain uncorrected.

Corrected audit misstatements

We did not identify any misstatements that were communicated to management and subsequently corrected in the financial statements.

Appendices

Content

Appendix 1: Other required communications

Appendix 2: Technology in the audit

Appendix 3: Upcoming changes to auditing standards

Appendix 4: Audit and assurance insights



Appendix 1: Other required communications

Audit Quality in Canada	Engagement terms
<p>The reports available through the following links were published by the Canadian Public Accountability Board to inform audit committees and other stakeholders about the results of quality inspections conducted over the past year:</p> <ul style="list-style-type: none">• CPAB Audit Quality Insights Report: 2021 Interim Inspections Results• CPAB Audit Quality Insights Report: 2020 Annual Inspections Results	<p>Unless you inform us otherwise, we understand that you acknowledge and agree to the terms of the engagement set out in the engagement letter provided by City's management.</p>
Reports to the Audit Committee	Representations of management
<p>Audit findings report – as attached</p>	<p>We will obtain from management certain representations at the completion of the audit.</p>
Report	Control deficiencies
<p>The conclusion of our audit is set out in our draft auditors' report attached to the draft financial statements.</p>	<p>None noted.</p>

Appendix 2: Technology in the audit

We have utilized technology to enhance the quality and effectiveness of the audit.

Technology	Our results and insights
Journal Entry Analysis	We utilized Computer Assisted Audit Techniques (“CAATs”) to analyze journal entries and apply certain criteria to identify potential high-risk journal entries for further testing.
Data Extraction & Analytics Tools	We utilized data and analytics in the audit to evaluate the completeness of the journal entry population through a roll-forward of accounts. This consists of a summation of all automated and manual journal entries posted in the selected GL accounts during the fiscal year and comparison of the calculated final balances to the account balances as at and for the year ended December 31, 2021 as reported by management.

Appendix 3: Upcoming changes to auditing standards

The following changes to auditing standards applicable to our 2022 audit are listed below.

Standard	Key observations
Revised CAS 315, Identifying and Assessing the Risks of Material Misstatement	<p>Revised CAS 315, <i>Identifying and Assessing the Risks of Material Misstatement</i> has been released and is effective for audits of financial statements for periods beginning on or after December 15, 2021.</p> <p>The standard has been significantly revised, reorganized and enhanced to require a more robust risk identification and assessment in order to promote better responses to the identified risks. Key changes include:</p> <ul style="list-style-type: none">– Enhanced requirements relating to exercising professional skepticism– Distinguishing the nature of, and clarifying the extent of, work needed for indirect and direct controls– Clarification of which controls need to be identified for the purpose of evaluating the design and implementation of controls– Introduction of scalability– Incorporation of considerations for using automated tools and techniques– New and revised concepts and definitions related to identification and assessment of risk– Strengthened documentation requirements <p>CPA Canada plans to publish a Client Briefing document in early 2022 to help you better understand the changes you can expect on your 2022 audit.</p>

Appendix 4: Audit and assurance insights

Our latest thinking on the issues that matter most to audit committees, Boards and Management.

Featured insight	Summary	Reference
Accelerate 2022	The key issues driving the audit committee agenda in 2022	Learn more
Audit Committee Guide – Canadian Edition	A practical guide providing insight into current challenges and leading practices shaping audit committee effectiveness in Canada	Learn more
Unleashing the positive in net zero	Real solutions for a sustainable and responsible future	Learn more
KPMG Audit & Assurance Insights	Curated research and insights for audit committees and boards.	Learn more
Board Leadership Centre	Leading insights to help board members maximize boardroom opportunities.	Learn more
KPMG Climate Change Financial Reporting Resource Centre	Our climate change resource centre provides insights to help you identify the potential financial statement impacts to your business.	Learn more
The business implications of coronavirus (COVID 19)	Resources to help you understand your exposure to COVID-19, and more importantly, position your business to be resilient in the face of this and the next global threat.	Learn more
	KPMG Global IFRS Institute - COVID-19 financial reporting resource center.	Learn more
IFRS Breaking News	A monthly Canadian newsletter that provides the latest insights on international financial reporting standards and IASB activities.	Learn more
Momentum	A quarterly Canadian newsletter which provides a snapshot of KPMG's latest thought leadership, audit and assurance insights and information on upcoming and past audit events – keeping management and board members abreast on current issues and emerging challenges within audit.	Sign-up now
Current Developments	Series of quarterly publications for Canadian businesses including Spotlight on IFRS, Canadian Securities & Auditing Matters and US Outlook reports.	Learn more
KPMG Learning Academy	Technical accounting and finance courses designed to arm you with leading-edge skills needed in today's disruptive environment.	Learn more



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