ATTACHMENT 1:

Toronto Parking Authority

Audit Planning Report
for the year ended
December 31, 2021

KPMG LLP

Licensed Public Accountants

Prepared on January 19, 2022

kpmg.ca/audit

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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.

Executive summary

Audit quality

See pages 2 and 3 for how we deliver audit quality and how you can measure our audit quality.

Materiality

Materiality has been established by considering various metrics that are relevant to the users of the financial statements, including total revenue, net assets, and net income and comprehensive income. We have determined materiality to be $1,896,000.

See page 4.

Audit risks

Our audit is risk-focused. In planning our audit, we have identified areas of financial reporting where significant risks of material misstatement may arise. These include:

- Presumption of the risk of fraud involving improper revenue recognition
- Presumption of the risk of fraud resulting from management override of controls

See pages 5 and 6.

Other areas of focus are communicated on pages 7 – 9.

Group reporting

The Entity is controlled by the City of Toronto (the "City") and is considered a government business enterprise, and accordingly its financial results are included in the City's consolidated financial statements via the modified equity basis.

In accordance with Canadian auditing standards, we will be communicating matters of significance to the group auditor throughout the audit including planning and risk assessment, execution, and reporting.

Current developments and audit trends

Please refer to pages 12 to 15 and Appendix 3 for relevant accounting and/or auditing changes relevant to the Entity.

Proposed fees

Our 2021 fees are in accordance with the City of Toronto RFP, which were communicated by the City of Toronto in the External Audit Fees letter issued in September 2020 to management.

This report is intended solely for the information and use of to the Members of the Board and Management of the Entity 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 report has to been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Audit Quality: How do we deliver audit quality?

Transparency report

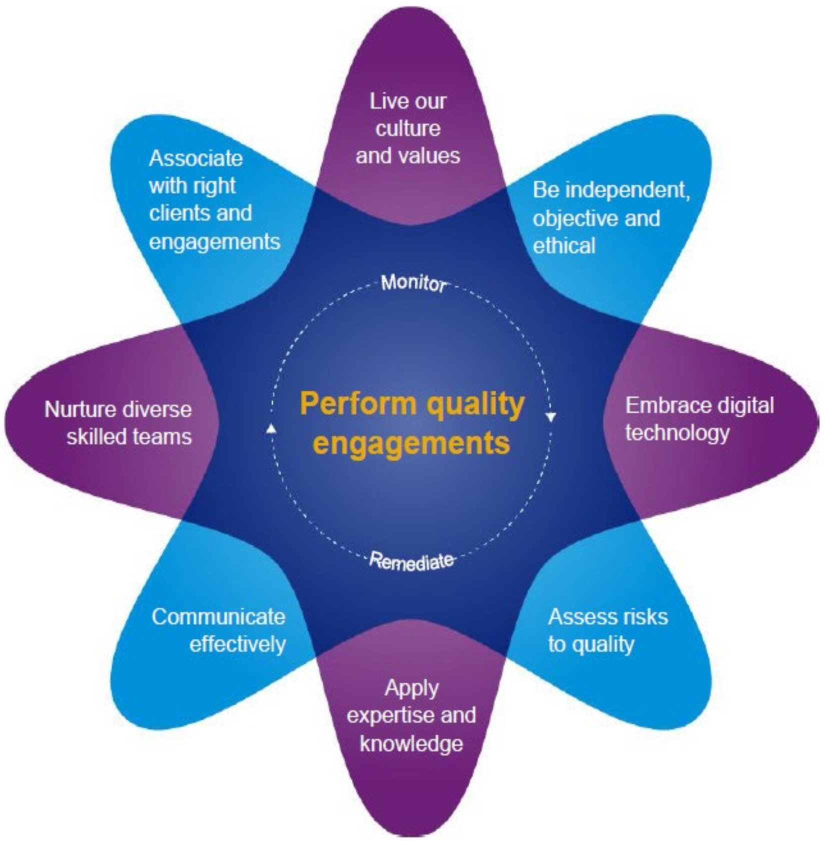
Quality essentially means doing the right thing and remains our highest priority. Our Global Quality Framework outlines how we deliver quality and how every partner and staff member contribute to its delivery.

'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.**



Doing the right thing. Always.

Audit Quality: Indicators (AQIs)

The objective of these measures is to provide more in-depth information about factors that influence audit quality within an audit process. Below are the AQIs that we have agreed with management are relevant for the audit. We will communicate the status of the below AQIs as requested.

AQI	Measurement criteria	Milestone measurement and status
Team Composition	Experience of the team	Your current audit partner Kevin Travers has spent over 29 years practicing public accounting and has extensive experience providing audit, advisory and other services in the not-for-profit/public sector. In addition, the senior manager Elliot Cheng has spent 8 years auditing not-for-profit/public sector entities. We have talented resources and excellent ability to maintain continuity over the coming years to maximize audit efficiencies.
Engagement Hours	Hours spent by level and phase of the audit	Combined audit partner and manager hours on average are approximately 35% - 40% of total hours. What does this tell you... you are getting senior management attention, we are hands-on in our files. Our field staff split their hours between interim and year-end, allowing for work to be performed at points in time in the year to ensure that the finance department is not stretched to capacity. The staff are assigned based on years of service and seniority to the more complex sections.
Technology in the Audit	Implementation of Technology in the Audit	We have a number of technologies that are we are planning on implementing in the coming years after gaining a deeper understanding of the systems in place during our first year of audit. We use IT tools to run queries on journal entries and GL details to ensure completeness of financial information. These tools provide for a more efficient and effective audit.
Timing of Prepared by Client (PBC) items	Timeliness of PBC items	We have shared our PBC listing for the interim work with management and will be providing the year-end listing well in advance of the year-end audit weeks. This allows management sufficient time to go through our requests and have them ready for us prior to our arrival on the first of fieldwork.
Quality Reviews	Results of internal and external reviews	At KPMG we are externally reviewed by CPA Institute every 3 years and internally reviewed for in-depth quality standards by peers from other offices on the same schedule. Annually, your financial statements will undergo a technical review by a CPA unrelated to the audit team. This allows for a fresh set of eyes to comment on the readability and transparency of the financial statements.
Use of Specialists	Areas involving specialists	As part of the planning and risk assessment process this year, we will be discussing the involvement of specialists as per the needs and demands of the audit engagement. We may include some of these specialists in our planning and risk assessment process during interim audit work. We will report specific specialist involvement to you as part of our audit findings report upon completion of our audit.
	Specialists' hours	Having these resources internally allow for a more seamless and transparent audit process. Due to the complexity of specialist analysis, most of the hours are concentrated at Partner and Senior Manager level. This tells you that you are getting senior management attention from our specialists as well.

Materiality

Materiality is established to identify risks of material misstatements, to develop an appropriate audit response to such risks, and to evaluate the level at which we think misstatements will reasonably influence users of the financial statements. It considers both quantitative and qualitative factors.

To respond to aggregation risk, we design our procedures to detect misstatements at a lower level of materiality.

Materiality determination	Comments	Amount
Materiality	Determined to plan and perform the audit and to evaluate the effects of identified misstatements on the audit and of any uncorrected misstatements on the financial statements. The corresponding amount for the prior year's audit was $2,247,000. *Note that materiality will be recalculated at year-end using actual total revenue, and any changes will be communicated to the Members of the Board through year-end reporting.*	$1,896,000
Benchmark **(the metric that is *most* relevant to the users)**	Based on an estimate of total revenue for the year. This benchmark is consistent with the prior year.	$75,870,000
% of Benchmark	The corresponding percentage for the prior year's audit was 2.5%.	2.5%
Performance materiality	Used 75% of materiality, and used primarily to determine the nature, timing and extent of audit procedures. The corresponding amount for the prior year's audit was $1,685,000 million.	$1,422,000
Other Relevant Metric	Threshold used to accumulate misstatements identified during the audit (5% of materiality). The corresponding amount for the previous year's audit was $112,000.	$94,000

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We will report to the Members of the Board:

Uncorrected audit misstatements

Audit risks

Relevant factors affecting our risk assessment

Complexity Estimate Related party transaction

Significant risk - professional requirements	Why is it significant?
Presumption of the risk of fraud involving improper revenue recognition	Audit standards require us to assume there are generally pressures/incentives on management to commit fraudulent financial reporting through inappropriate revenue recognition. We have considered the type and complexity of revenue transactions, and the perceived opportunities and incentives to fraudulently misstate revenue for the Entity. The fraud risk resides with overstatement of revenue through posting manual journal entries and other adjustments.

Our audit approach

- Our audit approach consists of evaluating the design and implementation of selected relevant controls over the manual journal entry and other adjustment process. It also consists of performing substantive procedures such as substantively testing manual journal entries and other adjustments.
- In addition, we have incorporated a substantive approach to test revenues as noted on page 9.

Audit risks (continued)

Significant risk – professional requirements	Why is it significant?
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 audit approach
As this presumed risk of material misstatement due to fraud 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.

Audit risks (continued)

Other areas of focus	Why are we focusing here?
Cash and cash equivalents	Material account balances and disclosures
Due to/from related parties	Material account balances and disclosures

Our audit approach

Cash and cash equivalents:

- Obtain confirmations of the year-end cash balances from third parties.
- Review of bank reconciliations and agree significant reconciliation items to supporting documentation.
- Review financial statements note disclosures.

Due to/from related parties:

- Obtain confirmations from City of Toronto to ensure existence, accuracy and completeness of the intercompany receivable and payable balance.
- Review financial statements note disclosures.

Audit risks (continued)

Other areas of focus	Why are we focusing here?
Property and equipment and Amortization of property and equipment	Material account balances and disclosures
Accounts payable and accrued liabilities and Direct expenses	Material account balances and disclosures

Our audit approach

Property and equipment and Amortization of property and equipment:

- Select a sample of additions and agree to original invoices to ensure proper accounting treatment.
- Review significant disposals, if any.
- Assess the reasonableness of amortization expense by performing recalculation.
- Review financial statements note disclosures.

Accounts payable and accrued liabilities and Direct expenses:

- Examine accruals for accuracy and completeness.
- Substantively test significant payables and accruals to source documents.
- Perform a search for unrecorded liabilities.
- Select a sample of expense transactions and agree to original invoices to ensure the proper classification of expenses.

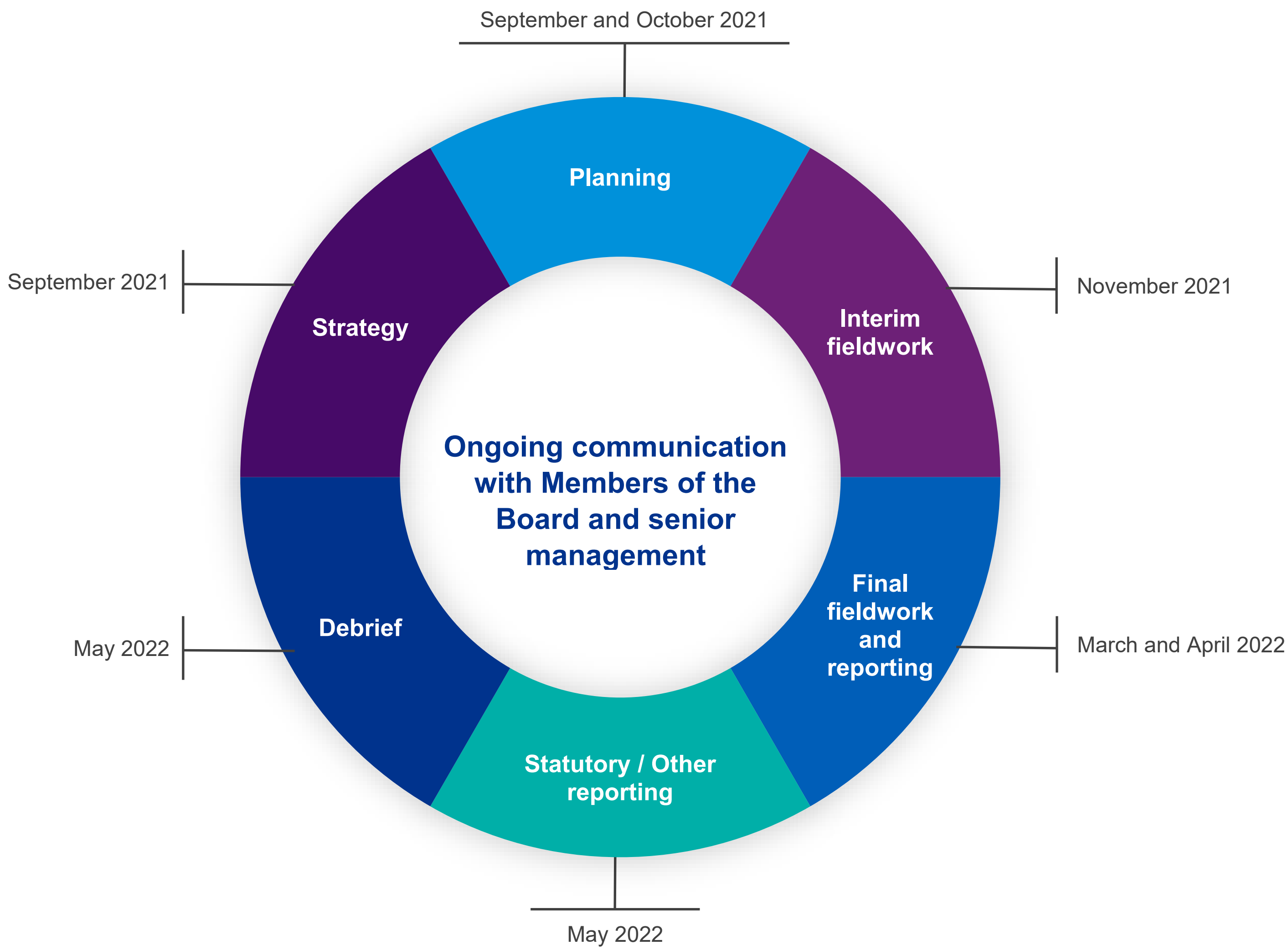
Audit risks (continued)

Other areas of focus	Why are we focusing here?
Revenue and Accounts Receivable	Material account balances and disclosures

Our audit approach

- Perform control testing over parking and Bike Share revenues, and controls over review of payment vendor reports and reconciliation to general ledger.
- Select a sample of revenue transactions and agree to supporting documentation and ensure revenue recognition is appropriate.
- Obtain an understanding over the account receivable and revenue process.
- Obtain the accounts receivable aging subledger and testing the subsequent receipt of payment for samples to ensure management's assessment over the collectability is appropriate, considering the impact of COVID-19.
- Assess management's approach in identifying customers at risk of non-payment and ensuring the sufficiency of the provision to net against the accounts receivable balance.

Key milestones and deliverables



Appendices

Content

Appendix 1: Other required communications

Reports to the Members of the Board

Audit planning report – as attached.

At the completion of the audit, we will provide our findings report to the Members of the Board.

Engagement terms

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.

CPAB Communication Protocol

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 recent quality inspections in Canada:

- Audit Quality Insights Report: 2020 Annual Audit Quality Assessments
- CPAB 2020 Annual Report - Regulatory Oversight in a Global Pandemic
- CPAB Audit Quality Insights Report: 2021 Interim Inspections Results

Representations of management

We will obtain from management certain representations at the completion of the audit.

Matters pertaining to independence

All matters related to independence are dealt with directly by the Group audit team.

Control deficiencies

On a timely basis, identified significant deficiencies will be communicated to the audit committee in writing. Other control deficiencies identified that do not rise to the level of a significant deficiency will be communicated to management.

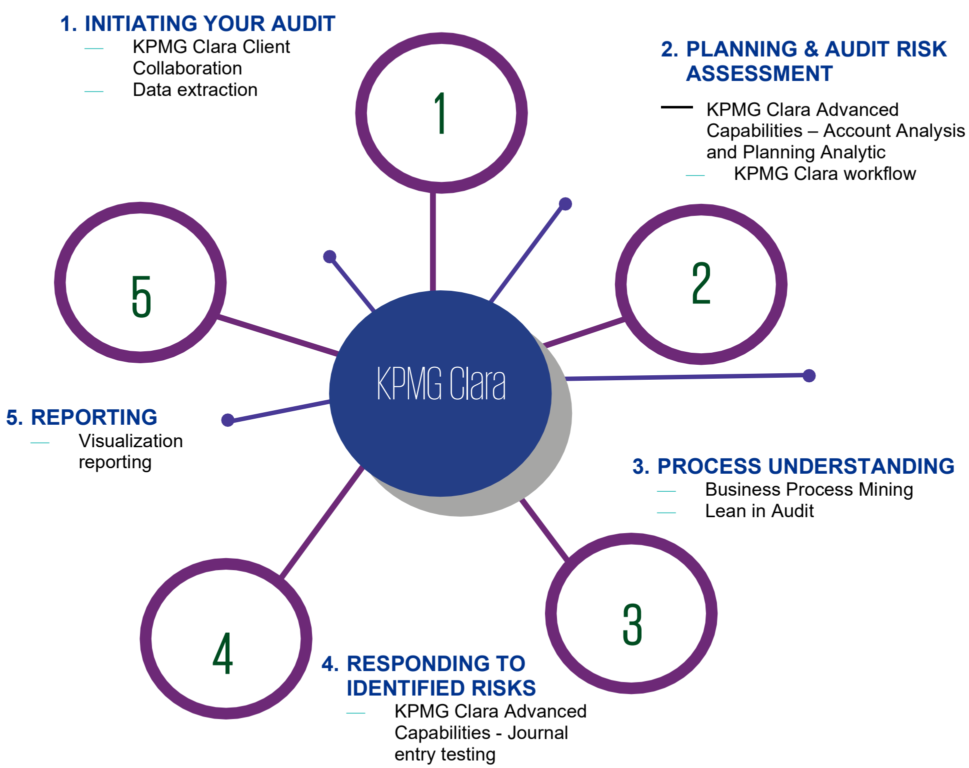
Appendix 2: Use of technology in the audit

KPMG Clara is our integrated, smart global audit platform that allows our teams globally to work simultaneously on audit documentation while sharing real time information. KPMG Clara embeds analytics throughout all phases of the audit and allows us to visualise the flow of transactions through the system, identify risks in your financial data and perform more specific audit procedures. KPMG's use of technology provides for:

1. a **higher quality audit** – looking at 100% of selected data
2. a **more efficient audit** as we are focussed on the transactions that are considered higher risk and
3. an audit that provides **insights into your business** through the use of technology in your audit with our extensive industry knowledge.

We are also actively piloting Artificial Intelligence ("AI") tools which will be used in future audits and identifying areas to embed robotic process automation ("KPMG Bots").

Our five-phased audit approach



Appendix 2: Use of technology in the audit (continued)

Phase 1: Initiating your audit
To ensure that you are involved in every step of the audit, management and the audit committee will have access to **KPMG Clara Client Collaboration (KCCC)**. KCCC is our secure audit platform and a one-stop shop through which we plan, execute and manage the audit. KCCC supports seamless collaboration between our audit team and your finance team, including exchange of information and access to the real time reporting you need in one central location, reducing the impact to your people in coordinating and overseeing the audit. It ensures there are no surprises during the execution of the audit and the ability to efficiently track issues and outstanding matters with a single click.
Phase 2: Planning and audit risk assessment
KPMG Clara Advanced Capabilities – account analysis and planning analytics incorporates structured rules, specific to your industry, to review your financial data and assist the engagement team in obtaining a more thorough understanding of the business processes and underlying flow transactions. Our advanced analytic tool enables a more precise risk assessment and development of a tailored audit approach. *Want to know more about **Clara Advanced Capabilities**?*
Phase 3: Process understanding
As part of understanding your processes, KPMG uses our **Lean in Audit methodology**. Our Lean in Audit methodology allows our team to work collaboratively with you to gain an in-depth understanding of selected end-to-end processes.
We also incorporate **Business Process Mining (BPM)** technology. BPM provides immediate visualization of how 100% of your transactions are processed to complement your process narratives & flow charts. A deeper understanding of your processes enhances our understanding of your business. This will ensure our team is focused on auditing the right risks & leveraging your team's resources efficiently. It helps us identify inefficiencies or manual workarounds in a process and highlights where the process is under stress. *Want to know more about **Business Process Mining**?*
Phase 4: Responding to identified risks
Our KPMG advanced capabilities **journal entry analysis** tool assists in the performance of detailed journal entry testing based on engagement-specific risk identification and circumstances. Our tool provides auto-generated journal entry population statistics and focusses our audit effort on journal entries that are riskier in nature.

Appendix 3: Audit and Assurance Insights

Our latest thinking on the issues that matter most to audit committees, board of directors and management.

Featured insight	Summary
KPMG Audit & Assurance Insights	Curated research and insights for audit committees and boards
Accelerate	The key issues driving the audit committee agenda in the time of COVID-19
Board Leadership Centre	Supporting you in your Director role
Current Developments	Series of quarterly publications for Canadian businesses including Spotlight on IFRS, Canadian Securities & Auditing Matters and US Outlook.
KPMG Global IFRS Institute	The latest news, insights and guidance for boards, audit committee members, investors and all stakeholders about the evolving global financial reporting framework.
KPMG Climate Change Financial Reporting Resource Centre	Our climate change resource centre provides FAQs to help you identify the potential financial statement impacts for your business.
You can't go green without blue - The blue economy is critical to all companies' ESG ambitions	In this report, we consider how leading corporates and investors can take action to capture the value that can be found in a healthy, sustainable ocean economy.

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KPMG member firms around the world have 227,000 professionals in 146 countries.