Attachment 1 - KPMG Report: Toronto Parking Authority – ERM Project Update October 2023

KPMG

Toronto Parking Authority

ERM Project Update

Prepared as of October 17, 2023 for presentation to the Audit and Risk Management Committee on November 2, 2023

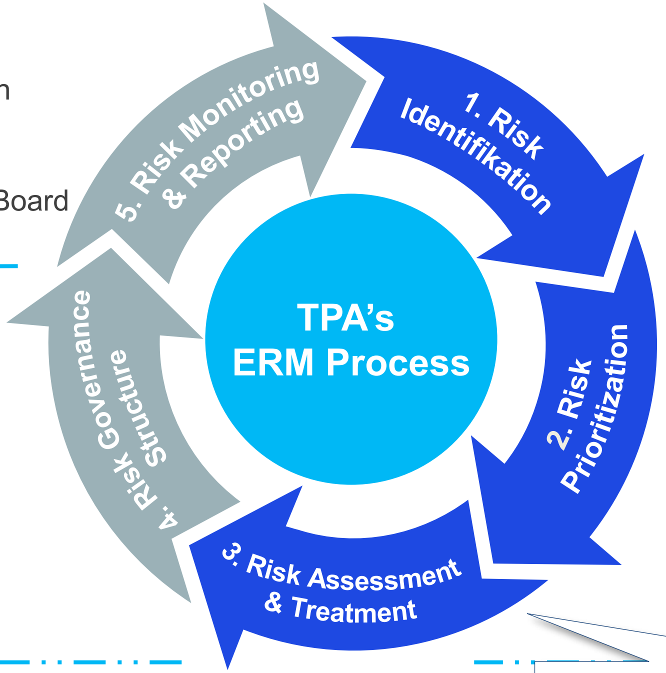
Disclaimer

This presentation has been prepared by KPMG LLP ("KPMG") for the internal use of Toronto Parking Authority ("Client") pursuant to the terms of our engagement agreement with Client dated 2023-06-15 (the "Engagement Agreement"). This presentation is being provided to the Client on a confidential basis and may not be disclosed to any other person or entity without the express written consent of KPMG and Client. KPMG neither warrants nor represents that the information contained in this present is accurate, complete, sufficient or appropriate for use by any person or entity other than Client or for any purpose other than set out in the Engagement Agreement. This presentation may not be relied upon by any person or entity other than Client, and KPMG hereby expressly disclaims any and all responsibility or liability to any person or entity other than Client in connection with their use of this presentation.

What Have We Achieved to Date?

The Toronto Parking Authority (TPA) engaged KPMG to support the organization as it looks to design and implement an Enterprise Risk Management (ERM) program. In line with industry good practices, the following five-step risk management process is being implemented.

- Develop an **implementation roadmap** to sustain TPA's ERM program.
- Develop a **risk reporting template** that enables **continuous risk communication** between the Board and Management.



- Facilitated 11 individual sessions with TPA's Board Members and Management team to **identify risks** (including new / emerging risks) to be included within **TPA's risk universe**.

- Define a **risk governance structure** with clear risk roles and responsibilities (including Management / Board levels).
- Develop a **user-friendly ERM Framework**.

- Facilitated a **risk prioritization survey and workshop** with the Board and Management team to:
  - ✓ Validate the **risk universe** and identify any **additional risks.**
  - ✓ Prioritize TPA's **key risks.**
  - ✓ Appoint **Risk Owners** for each key risk.

- Hold discussions with Risk Owners to determine **root causes / risk drivers, existing mitigations, additional / incremental mitigations and timelines.**

We Are Here: We are currently in the process of facilitating detailed risk assessments for the prioritized key risks.

1. We Identified and Categorized TPA's Risk Universe

The TPA's risk universe was developed based on: (1) **11** interviews held with select Board Members and members of the Management Team; and (2) KPMG insights (e.g. peers). The risks are classified into six key categories in line with industry good practices.

Level 1 Risk Categories	Strategic	Financial	Regulatory & Legal	Operational	
Level 2 Risk Sub-Categories	Relationship with the City	Pricing Model	Regulatory Changes	Brand / Marketing	Talent Attraction & Retention
	Financial Sustainability	Liquidity	Regulatory / External Standards Compliance	Social Media	Loss of Key Personnel
	TPA Parking Inventory Availability	Credit / Counterparty	Zoning	Product Deployments	Talent Development
	Competition	Financial Reporting	Legal & Contracts	Customer Experience	Evolving Employee Expectations
	Electric Vehicle Ecosystem Changes		Disputes & Litigations	Natural & Man-Made Emergencies	Employee & Labour Relations
	Parking Equipment / Technology Management		Fraud & Ethics	Pandemic	Outdated IT Infrastructure & Systems
	Macroeconomic Uncertainty			Physical Health & Safety	Information System Downtime
	Prioritization of Initiatives			Security / Vandalism / Theft	Data Ownership
	Organizational Culture			Vendor Management	Cyber Security
	Internal Scalability			Joint Venture Management	Privacy Breach
				Parking Lot Management	
				Aging Parking Infrastructure	

Legend: Strategic · Financial · Regulatory & Legal · Operational · People · Information Security, Management & Technology

Note: The risks presented here have not been ranked in order of severity / importance.

2. We Surveyed the Board & Management Team to Prioritize Risks

We preliminarily prioritized TPA's key risks using input gathered from a survey that was completed by **18** members of TPA's Board and Management Team. Below we ranked TPA's risk universe based on the frequency at which a risk was identified as **key by both the Board and Management Team**.

Key Risk Themes

1 **Uncertainty / potential for changes** in TPA's **external environment** that can positively or negatively impact the organization:
- *Relationship with the City*
- *Financial Sustainability*

2 Investing in the organization's **aging IT and parking infrastructure / assets**:
- *Transportation Technology Innovation*
- *Outdated IT Infrastructure & Systems*
- *Outdated Parking Equipment*
- *Aging Parking Infrastructure*
- *Data Management & Governance*
- *Cyber Security*

3 **Attracting, retaining and motivating people** to buy-in to TPA's aspirations to become a mobility leader:
- *Talent Attraction & Retention*
- *Organizational Culture*
- *Employee & Labour Relations*

4 **Defining the priority** for initiatives in order to remain **scalable**:
- *Prioritization of Initiatives*
- *Internal Scalability*

5 Creating a **seamless and safe** customer experience:
- *Customer Experience*
- *Security / Vandalism / Theft*

Rank	Risk Title	Count
1	Relationship with the City	15
2	Financial Sustainability	15
3	Transportation Technology Innovation	13
4	Outdated IT Infrastructure & Systems	12
5	Outdated Parking Equipment	11
6	Talent Attraction & Retention	11
7	Security / Vandalism / Theft	10
8	Aging Parking Infrastructure	10
9	Prioritization of Initiatives	9
10	Internal Scalability	9
11	Customer Experience	9
12	Organizational Culture	8
13	Employee & Labour Relations	8
14	Data Management & Governance	8
15	Cyber Security	8
16	Vendor Management	7
17	Macroeconomic Uncertainty	6
18	Pricing Model	5
19	Legal & Contracts	5
20	Loss of Key Personnel	5
21	TPA Parking Inventory Availability	4
22	Electric Vehicle Ecosystem Changes	4
23	Brand / Marketing	4
24	Product Deployments	4
25	Talent Development	4
26	Evolving Employee Expectations	4
27	Regulatory Changes	3
28	Pandemic	3
29	Physical Health & Safety	3
30	Parking Lot Management	3
31	Privacy Breach	3
32	Competition	2
33	Liquidity	2
34	Joint Venture Management	2
35	Credit / Counterparty	1
36	Regulatory / External Standards Compliance	1
37	Zoning	1
38	Disputes & Litigations	1
39	Information System Downtime	1
40	Financial Reporting	0
41	Fraud & Ethics	0
42	Social Media	0
43	Natural & Man-Made Emergencies	0

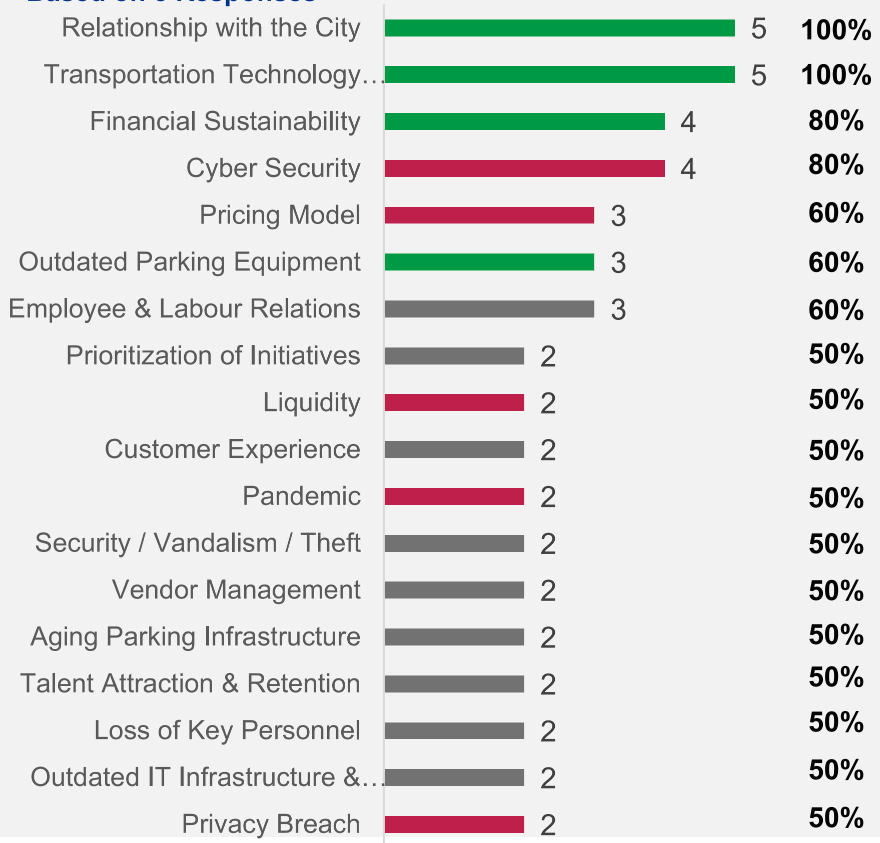
Legend:
- The risk was identified as key by more than 50% of respondents.
- The risk was identified within the top 15 risks, but by less than 50% of respondents.

2. We Surveyed the Board & Management Team to Prioritize Risks

Below we compared the responses between the **Board of Directors** and the **Management Team**.

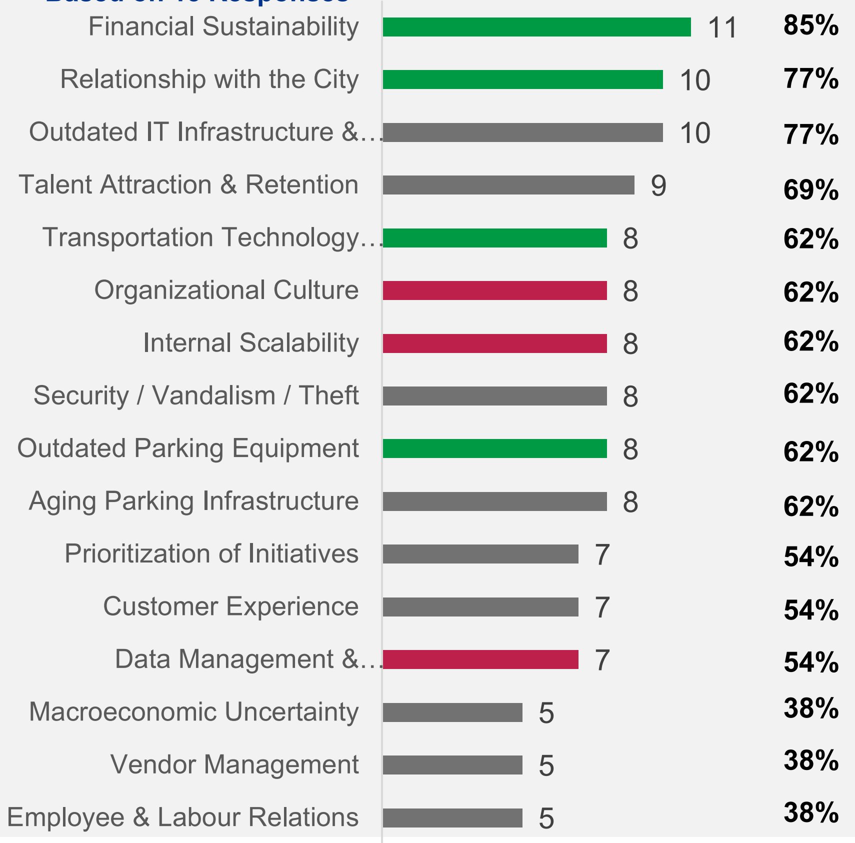
Board of Directors

Based on 5 Responses

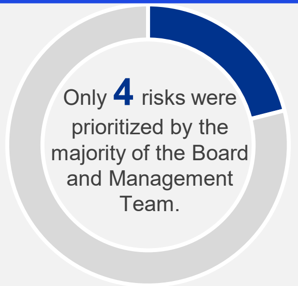


Management Team

Based on 13 Responses



Alignment across risks



Key Survey Takeaways

- The IT risks prioritized by the Management team (**Outdated IT Infrastructure & Systems, Data Management & Governance**) are focused on improving the IT environment, which can be linked to the Board's concern about the organization's readiness against internal / external breaches (**Cyber Security** & **Privacy Breach**).
- While closely related, there was a slight difference in the *People related risks* that were prioritized by the majority of each stakeholder group (Board: **Employee & Labour Relations** vs. Management: **Talent Attraction & Retention, Organizational Culture**).
- The majority of the Management Team prioritized risks that could significantly impact day-to-day operations. (**Internal Scalability, Security / Vandalism / Theft, Aging Parking Infrastructure**). These risks were only highlighted as key by some Board members.

Legend:

- The risk was identified as key by **more than 50% of both stakeholder groups** (Board and Management Team). (green)
- The risk was identified as key by **only one stakeholder group**. (red)
- The risk was identified as key by both stakeholder groups, but by **less than 50% of** one stakeholder group. (grey)

3. We Finalized TPA's Key Risks

A workshop was conducted with the **7** members of TPA's Management Team to discuss the survey results and agree on the key risks facing the organization:

#	Risk Title	Risk Description
1	**Relationship with the City**	Misalignment between the TPA and City Council / employees and/or a lack of support (e.g. competing financial pressures, mandate / program expansion (BikeShare & Electric Vehicle) alignment, infrastructure planning changes) may affect the ability to fund long-term plans, meet customer expectations and expand the organization's value proposition.
2	**Financial Sustainability**	Insufficient financial resources and/or an inappropriate income sharing agreement may affect the ability to fund long-term plans, meet customer expectations and expand the organization's value proposition.
3	**Parking Equipment / Technology Management**	Aging and/or outdated parking equipment (e.g. onstreet meters, cameras) that are not aligned with evolving trends / new technologies may affect the customer experience and operational efficiency, which ultimately can result in loss of revenue and/or reputational damage.
4	**Outdated IT Infrastructure & Systems**	Aging and/or outdated IT systems may affect the customer experience and increase TPA's vulnerability to cyber attacks / intrusions.
5	**Talent Attraction & Retention**	Inability to attract and retain the right talent with the right skillsets and competencies required to be successful within TPA's operational environment may result in the inability to achieve strategic priorities.
6	**Security / Vandalism / Theft**	Increasing frequency of crime related incidents (e.g. vehicle thefts, vandalism, drug usage, squatting) may affect the physical and psychological health and safety of TPA's customers, employees, contractors, and/or general public.
7	**Aging Parking Infrastructure**	Aging parking facility infrastructure may affect the sustainability of TPA's operations and the physical health and safety of TPA's customers, employees, contractors, and/or general public.
8	**Internal Scalability**	Underdeveloped internal processes, systems and/or skillsets that are misaligned with TPA's strategic priorities may result in the inability to adequately support / operate the business.
9	**Organizational Culture**	Inability to evolve the organizational culture to be collaborative, customer-focused, and responsive may result in missed opportunities to grow TPA's value proposition.
10	**Data Ownership**	Reduced and/or limited accessibility and availability of TPA data may affect the ability to identify opportunities to improve operations and the customer experience.
11	**Cyber Security**	Internal / external intrusion and / or attack on information systems which may result in a financial loss, loss / leakage of data, system disruptions and potential reputational damage.

We will be working with Risk Owners to complete a **detailed analysis** of each risk. As part of this process, action plans to further manage the risks will be developed where necessary, and validated by the Management Team.

Next Steps

1. KPMG will be defining the **risk governance structure** with clear risk roles and responsibilities (including Management / Board levels).

2. KPMG will be developing an **implementation roadmap and ERM Framework** to **sustain** the ERM program moving forward.

3. KPMG will be developing a **risk reporting template** that enables **continuous risk communication** between the Board and Management.

home.kpmg/ca