

TORONTO PARKING AUTHORITY

AUDIT & RISK MANAGEMENT COMMITTEE TERMS OF REFERENCE

October 2021



1. Purpose

The purpose of the Audit and Risk Committee (the “Committee”) is to assist the Board of Directors (the “Board”) of the Toronto Parking Authority (“TPA”) in overseeing and objectively assessing the integrity of TPA’s financial statements, internal controls, accounting standards, annual budget, capital management plan, enterprise risk, legal and regulatory compliance, and independence of the external auditor of the TPA (the “External Auditor”). The Committee does not have decision-making responsibility on behalf of the Board, and is authorized to make recommendations to the Board.

2. Composition of the Committee

- a. The Committee shall be composed of three members, or such other number of members as the Board may determine from time to time.
- b. One of the members shall be appointed by the Board as chair of the Committee (“Chair”). If the position of Chair is vacant or if the Chair is absent or unable to act, the Chair of the Board may designate or the Committee may elect an Acting Chair for the meeting in accordance with TPA procedures.
- c. Quorum is a majority of the members.
- d. Members of the Committee are appointed by the Board from time to time, and each hold office until they are replaced.

3. Roles and Responsibilities of the Committee

The Committee shall perform the following functions and prepare an annual report, and other reports as necessary, documenting any notable findings and recommending any relevant actions:

- a. review with the External Auditor and senior management the annual audited financial statements and the Management Letter arising from the External Audit of the financial statements, including any significant accounting estimates and adjustments to the statements required as a result of the audit, and any difficulties or disputes with management encountered in the course of the audit;
- b. review the auditor’s findings and recommendations relating to the internal controls in place for financial statement reporting and consider their impact on controls, risk management and governance processes;
- c. review with Management:
 - i. the adequacy of TPA’s accounting system;

- ii. the application of accounting policies, including whether appropriate accounting policies, estimates and judgements are implemented, considering the External Auditor's views on the financial statements;
 - iii. monitor and evaluate the TPA's enterprise risk management strategy, including regulatory compliance, and any internal control weaknesses that may materially impact the TPA;
 - iv. the methods used to account for significant or unusual transactions where different approaches are possible;
 - v. the annual operating budget and capital plan, including significant variances to plan;
 - vi. the plans, controls, and initiatives related to capital and infrastructure investment necessary to maintain a state of good repair and support of the TPA's strategic mandate;
 - vii. all material information presented with the financial statements, including the corporate governance statements relating to the audit;
 - viii. the status of every agreement entered into by the TPA using the Board's delegation of authority to the President, where management believes that one or more counterparties to the agreement is in breach of the agreement, which breach has not been cured for a period of at least 90 days;
 - ix. the status of all litigation matters with which the TPA is engaged, or has reason to believe that it may become engaged;
 - x. the status of all projects designated by the Board as "Designated Expenditures", including progression against budget (amounts incurred or spent, along with timeline) and variance in scope, budget or timeline; and
 - xi. the status of contracts that are over budget but were within the Board's delegation of authority to the President of the TPA;
- d. review a list prepared by Management of uses by the TPA President of authority granted to the President by the Board since the date of the last report of such uses;
- e. review annually the qualifications, independence, effectiveness and tenure of the External Auditors;
- f. meet with the External Auditor prior to the audit to review the scope and general extent of the External Auditor's annual audit including:
 - i. confirming the External Auditor's independence;
 - ii. the planning and staffing of the audit; and
 - iii. an explanation from the External Auditor of the factors considered in determining the audit scope, including the major risk factors;
- g. review annually the Audit Engagement Letter with the External Auditors to ensure that it addresses any specific risk areas identified by the External Auditors, management, or the Board, and require the External Auditor to provide a timely report setting out:
 - i. all critical accounting policies, significant accounting judgments and practices to be used;
 - ii. all applicable alternative treatments of financial information within International Financial Reporting Standards (IFRS) that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred or recommended by the External Auditor; and
 - iii. other material written communications between the External Auditor and Management; and
- h. such other tasks as are assigned to the Committee by the Board from time to time.

4. Conduct of the Committee

- a. The Committee shall meet at least three (3) times per year including at least once per year with the External Auditor, and shall report thereon to the Board.
- b. The External Auditor of TPA is entitled to receive notice of every meeting of the Committee and, at the expense of TPA, to attend.
- c. The Chair may call a meeting of the Committee. Members of the Committee may call a meeting of the Committee in accordance with the TPA's Procedures By-law.
- d. The TPA's Procedures By-Law shall apply to meetings of the Committee. Management, the External Auditor and any others may be invited to attend meetings and provide pertinent information, as necessary. Meeting agendas are to be provided in advance to Members, along with appropriate briefing materials. Minutes will be prepared for all meetings held. Meetings will be held in public other than matters to be dealt with in closed session in accordance with the *City of Toronto Act, 2006* (Ontario).

5. Conflict of Interest

- a. Members of the Committee will familiarize themselves with the *Municipal Conflict of Interest Act* (Ontario) and undertake to comply with its requirements. All declarations of interest must be filed in writing.

6. Confidentiality

- a. A Member shall not reveal or make known to any person, other than a Member of the Board, any confidential information disclosed to the Member through his or her involvement in the Committee.

Further, other than disclosures to a Member of the Board, or as expressly permitted by the Committee,

- i. a Member shall not reveal or make known to any person any part of a discussion that took place during the Committee's closed session proceedings, results or decisions made during those proceedings. As applicable, the TPA will make public final results following the official approval process;
 - ii. a Member shall keep confidential any information received in such Member's capacity as a member of the Committee; and
 - iii. a Member shall not distribute beyond the Board or, at the discretion of the Chair, any other person who by the nature of their role ought to receive such material, any of the material provided to Committee members that is not generally available to the public.
- b. Firms and advisors providing services to the Committee are expected to comply with their respective codes of professional conduct adopted by applicable regulatory bodies.