



**For Action**

## **KPMG LLP's Audit Plan for Year Ended December 31, 2022**

**Date:** February 13, 2023  
**To:** TTC Audit and Risk Management Committee  
**From:** Chief Financial Officer

### **Summary**

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This report from the TTC's external auditors, KPMG LLP, outlines the audit plan for the audit of the TTC's consolidated financial statements and its subsidiary company, TTC Insurance Company Limited, for the year ended December 31, 2022.

### **Recommendations**

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It is recommended that the TTC Audit and Risk Management Committee:

1. Receive this report for information.

### **Financial Summary**

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The cost of the TTC and TTC Insurance Company Ltd. external audits for the year ending December 31, 2022 is \$139,000. Funding from the 2022 Operating budget has been set aside to cover this cost.

### **Equity/Accessibility Matters**

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This report and its recommendations have no accessibility or equity issues or impacts.

### **Decision History**

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Under Section 139 of the City of Toronto Act, 2006 (the Act), the City is required to appoint an auditor licensed under the Public Accounting Act 2004, who is responsible for annually auditing the accounts and transactions of the City and its local boards and expressing an opinion on the financial statements of these bodies based on the audit. The Act provides that the City's auditor shall not be appointed for a term exceeding five years. In addition, section 102, paragraph 3, of the Insurance Act (Ontario), Auditor's report, requires annual audited financial statements of the TTC Insurance Company.

On June 29, 2020, a contract award was approved by City Council that appointed KPMG LLP as the auditor for the City and its local boards to express an opinion on their respective financial statements.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.AU5.7>

## **Issue Background**

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The Audit and Risk Management Committee is tasked with the responsibility of reviewing the external auditors' proposed annual financial statement audit scope and plan as set out in the Terms of Reference.

[Terms of Reference – Audit & Risk Management Committee](#)

## **Comments**

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The appended report outlines KPMG's audit plan for the audit of the TTC's consolidated financial statements and its subsidiary company, TTC Insurance Company Ltd., for the year ended December 31, 2022.

The audit plan includes:

- The nature, approach, extent and timing of KPMG's audit work;
- KPMG's view on TTC audit risks and areas of audit focus; and
- KPMG's materiality levels.

Kevin Travers, Partner, and Reagen Travers, Senior Manager of KPMG, will be at the Audit and Risk Management Committee meeting to present the plan and answer any questions.

## **Contact**

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## **Signature**

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Josie La Vita  
Chief Financial Officer

## **Attachments**

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Attachment 1 – KPMG’s Audit Planning Report for the Year Ending December 31, 2022



# Toronto Transit Commission

**Audit Planning Report  
for the year ending  
December 31, 2022**

*KPMG LLP*

Licensed Public Accountants  
Prepared on November 7, 2022



# KPMG contacts

Key contacts in connection with this engagement



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This report to the Audit Committee 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 report to the Audit Committee has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

## Digital use information

This Audit Planning Report is also available as a “hyper-linked” PDF document.

If you are reading in electronic form (e.g. In “Adobe Reader” or “Board Books”), clicking on the home symbol on the top right corner will bring you back to this page.



Click on any item in the table of contents to navigate to that section.



# 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 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**.



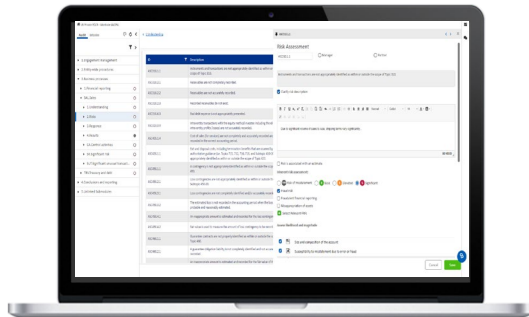
**Doing the right thing. Always.**



# Our audit platform - KPMG Clara

Building upon our sound audit quality foundations, we are making significant investments to drive consistency and quality across our global audit practices. We've committed to an ongoing investment in innovative technologies and tools for engagement teams, such as KPMG Clara, our smart audit platform.

## KPMG Clara workflow

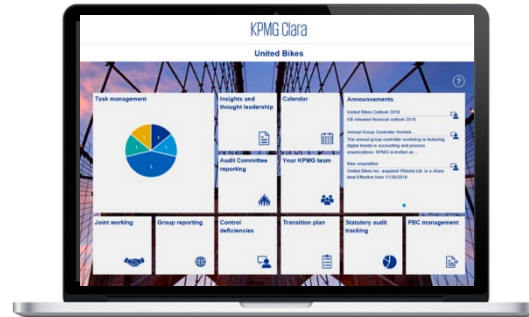


### Globally consistent execution

A modern, intuitively written, highly applicable audit methodology that allows us to deliver globally consistent engagements.

[Learn more](#)

## KPMG Clara for clients

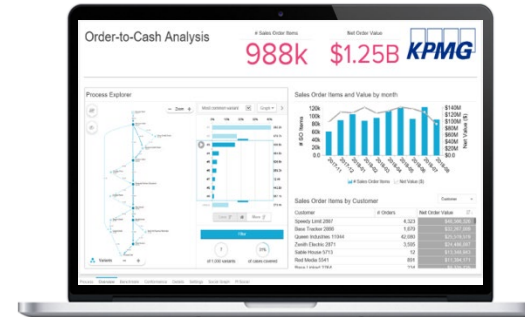


### Real-time collaboration and transparency

Allows the client team to see the real-time status of the engagement and who from our KPMG team is leading on a deliverable.

[Learn more](#)

## KPMG Clara analytics



### Insights-driven efficient operations

Using the latest technologies to analyze data, KPMG Clara allows us to visualise the flow of transactions through the system, identify risks in your financial data and perform more specific audit procedures.

[Learn more](#)





# Highlights

## Scope of the audit

Our audit of the consolidated financial statements (“financial statements”) of Toronto Transit Commission (“TTC”) and Toronto Transit Commission Insurance Company Limited (“TTCIC”) (“the Entities”) as of and for the year ending December 31, 2022, will be performed in accordance with Canadian generally accepted auditing standards (CASs).

The Entities are controlled by the City of Toronto (the “City”) and thus the Entities’ financial results get consolidated into the City’s consolidated financial statements. The audit engagement team for the City (the “Group auditor”) has noted that they will use the work our audit and the auditors’ report related to the Entities financial statements. TTC is considered a significant component for the audit engagement of the City. 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.

### Significant risks



- The presumed fraud risk related to management override of controls.
- The presumed fraud risk related to fraudulent revenue recognition.

### Required communications



See Appendix A: Engagement letter and Appendix B: Other required communications

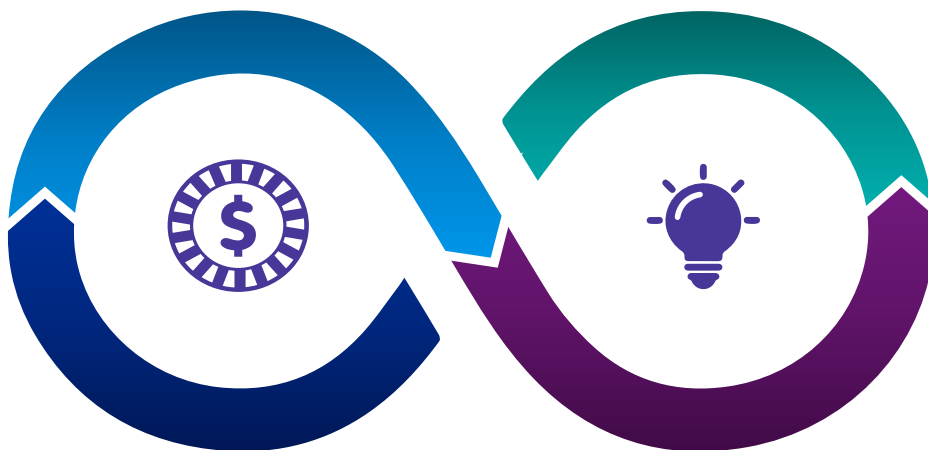
## Report highlights

14

Other areas of focus



# Materiality



We **initially determine materiality** at a level at which we consider that misstatements could reasonably be expected to influence the economic decisions of users. Determining materiality is a matter of **professional judgement**, considering both quantitative and qualitative factors, and is affected by our perception of the common financial information needs of users of the financial statements as a group. We do not consider the possible effect of misstatements on specific individual users, whose needs may vary widely.

We **reassess materiality** throughout the audit and revise materiality if we become aware of information that would have caused us to determine a different materiality level initially.

## Plan and perform the audit

We **initially determine materiality** to provide a basis for:

- Determining the nature, timing and extent of risk assessment procedures;
- Identifying and assessing the risks of material misstatement; and
- Determining the nature, timing, and extent of further audit procedures.

We design our procedures to detect misstatements at a level less than materiality in individual accounts and disclosures, to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

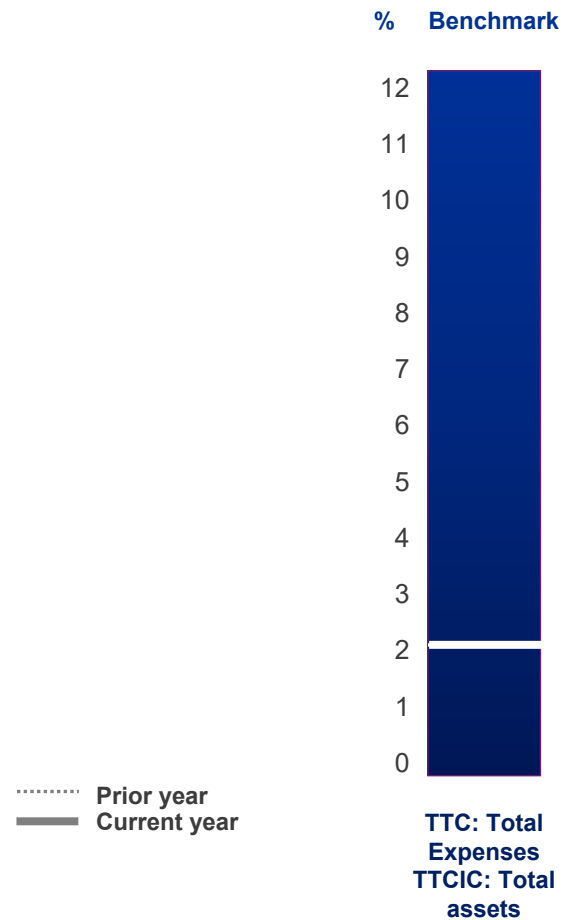
## Evaluate the effect of misstatements

We also use materiality to evaluate the effect of:

- Identified misstatements on our audit; and
- Uncorrected misstatements, if any, on the financial statements and in forming our opinion.



# Materiality



## Materiality

TTC: \$57.2 million  
(2021: \$54.6)

TTCIC: \$2.6 million  
(2021: \$2.6)

TTC: Estimated total expenses from continuing operations

\$2.86 billion

(2021: \$2.73 billion)

TTCIC: Estimated total assets

\$132 million

(2021: \$132 million)



# Updates to our prior year audit plan

## New significant risks

No new significant financial reporting risks identified.

## Other significant changes



### Changes in accounting standards



- Refer to appendix C for changes in accounting standards.



### Newly effective auditing standards



- CAS 315 (Revised) *Identifying and Assessing the Risks of Material Misstatement*.

Newly effective  
auditing standards





# Involvement of others

Involved party	Nature and extent of planned involvement	Involvement In
<p>KPMG professionals with specialized skill or knowledge who are involved in performance of audit procedures</p>	<p><b>Actuarial Specialist – Employee Future Benefits (TTC):</b></p> <ul style="list-style-type: none"> <li>Evaluation of valuation of the employee future benefits.</li> </ul> <p><b>IT Audit Specialist (TTC):</b></p> <ul style="list-style-type: none"> <li>Assisting Audit team in obtaining an understanding of the entity's IT environment, evaluating the design of relevant general and application IT controls and testing their operating effectiveness.</li> </ul> <p><b>P&amp;C Actuarial Specialist - Accident claims liability (TTCIC and TTC):</b></p> <ul style="list-style-type: none"> <li>Assessing the reasonableness of the estimates of claim liabilities, including the underlying assumptions and the methodology used in the determination of the liability.</li> </ul>	<p>Audit of financial statements</p>



# Risk assessment summary

Our planning begins with an assessment of risks of material misstatement in your financial statements.

We draw upon our understanding of the Company and its environment (e.g. the industry, the wider economic environment in which the business operates, etc.), our understanding of the Company's components of its system of internal control, including our business process understanding.

We use advanced technologies in performing our risk assessment procedures.

	Risk of fraud	Risk of error
● Fraudulent revenue recognition	✓	
● Management override of controls	✓	
● Revenue, subsidies receivable, accounts receivable, and deferred revenue		✓
● Cash and investments		✓
● Accounts payable, accrued liabilities and other expenses		✓
● Unsettled accident claims (TTC & TTC Insurance Company Limited)		✓
● Tangible capital assets		✓
● Inventory		✓
● Salaries, benefits and employee future benefits		✓
● Contingencies, commitments & subsequent events		✓

● PRESUMED RISK OF MATERIAL MISSTATEMENT ● OTHER AREA OF FOCUS

## Advanced Technologies

**KPMG Clara Account Analysis** allows us to analyze the flow of transactions through your business to drive a more meaningful risk assessment.

[▶ Learn more](#)



# Audit Risks- Significant risks



## Management Override of Controls

RISK OF



FRAUD

**Presumption  
of the risk of fraud  
resulting from  
management  
override of  
controls**

### Why is it significant?

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.

### 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
- evaluating the business rationale of significant unusual transactions.

## Technologies

Our **KPMG Clara 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.



[Click to learn more](#)



# Audit Risks- Significant risks



## Fraudulent revenue recognition

RISK OF



FRAUD

**Presumption  
of the risk of fraud  
resulting from  
fraudulent revenue  
recognition**

### Why is it significant?

This is a presumed risk of material misstatement due to fraud. This risk has not been rebutted. Audit standards require us to assume there are generally pressures/incentives on management to commit fraudulent financial reporting through inappropriate revenue recognition. This can be perpetrated through revenue cut-off or manual journal entries and other adjustments related to revenue recognition.

### Audit approach

Our audit methodology incorporates the required procedures in professional standards to address this risk. These procedures include:

- substantive testing of subsidy and passenger revenues (both recognized and amounts recorded as deferred at year end),
- assessment of management methodology in determining appropriate cut-off as at year-end,
- obtaining an understanding of potential risks of fraud and error related to revenue recognition, and Management's response to fraud risk in revenue recognition and test the design, implementation, and operating effectiveness of selected internal controls over revenue recognition,
- performing test of details to substantively test significant revenue streams,
- journal entry review of revenue entries matching predetermined high-risk criteria,
- revenue cut-off procedures, including review of the completeness of deferred revenue balances.



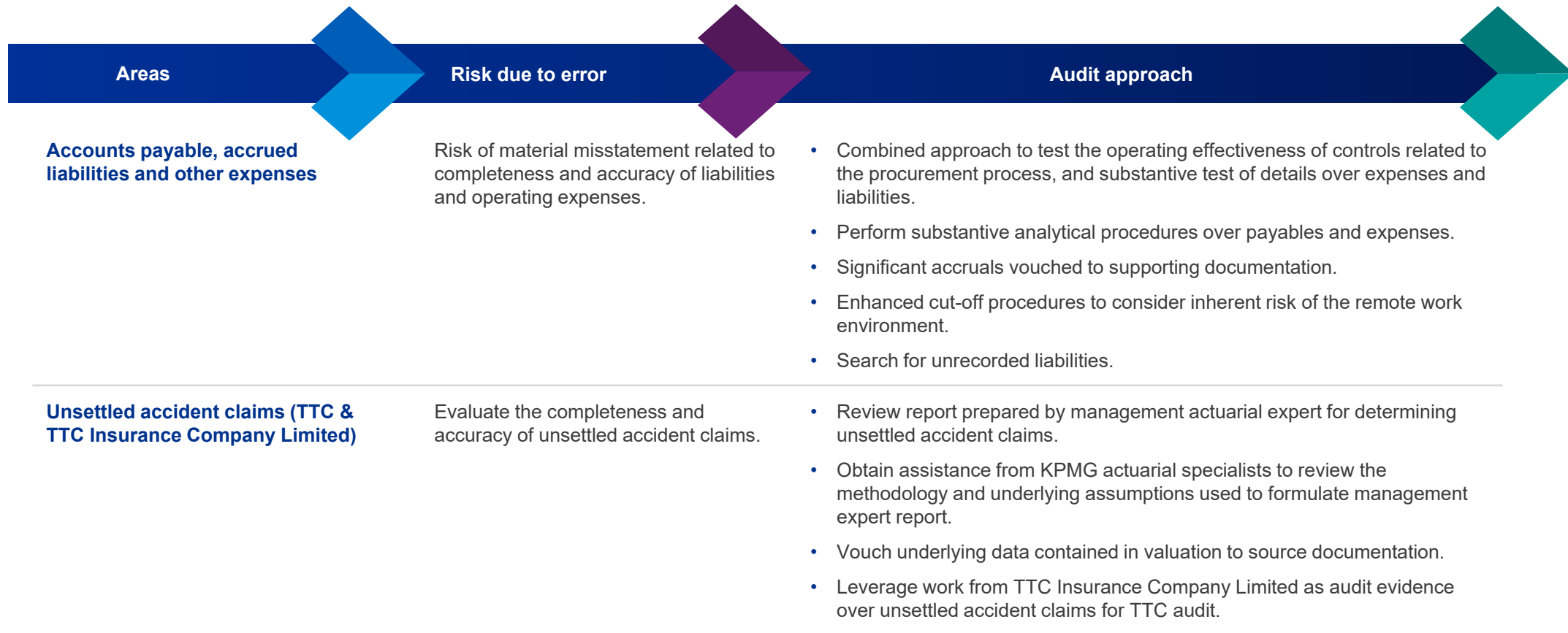


# Other areas of focus



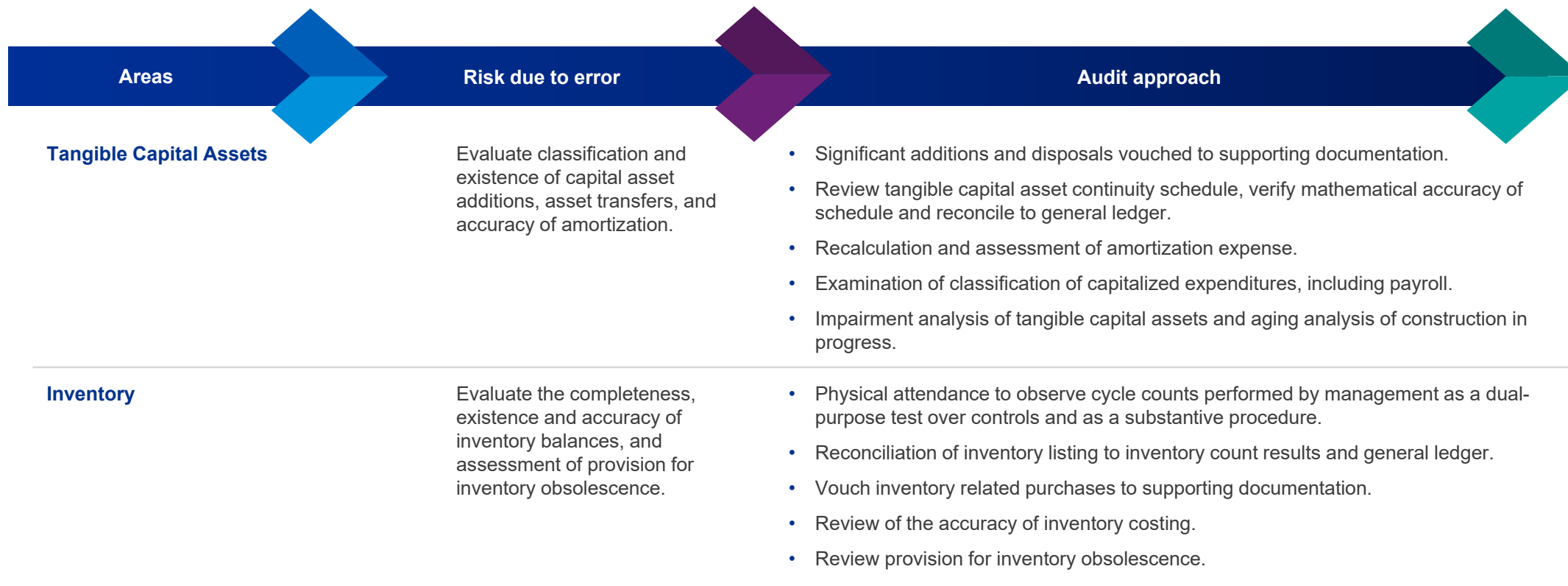


# Other areas of focus





# Other areas of focus



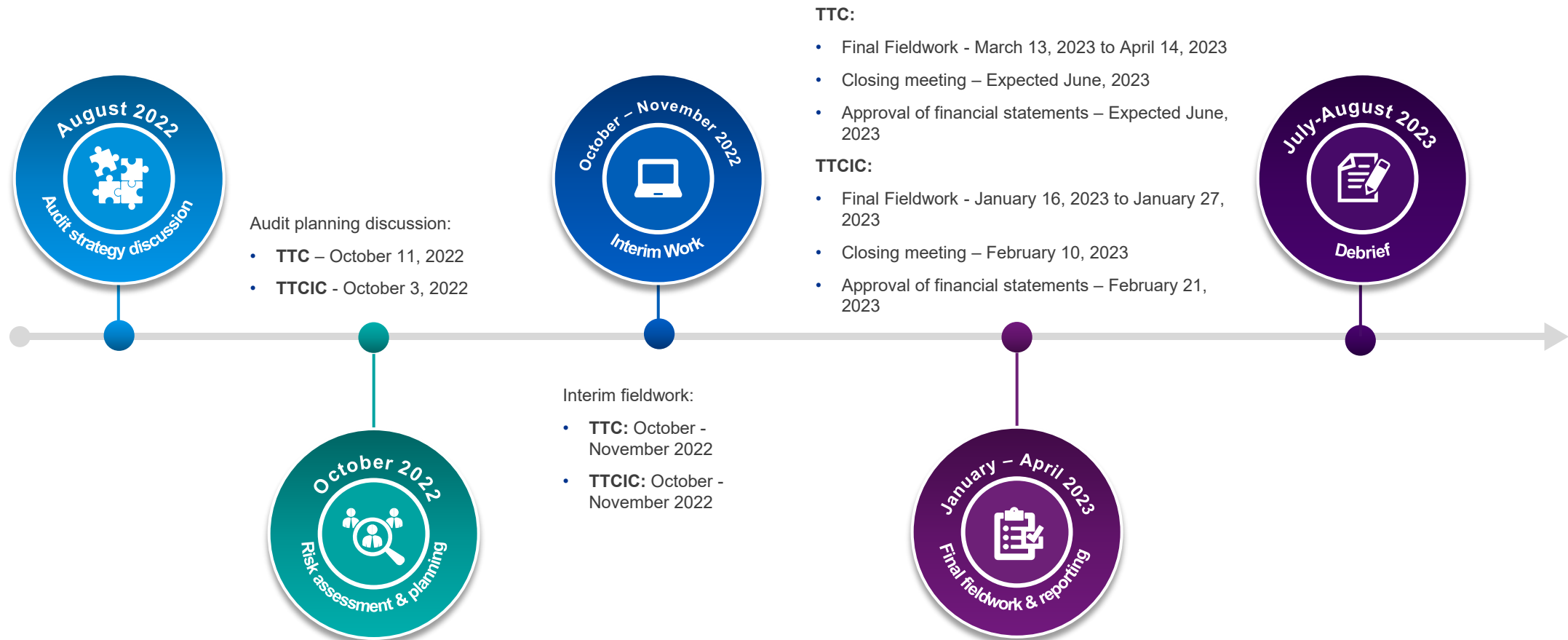


# Other areas of focus





# Key milestones and deliverables





# Appendices



**Engagement letter**



**Other required communications**



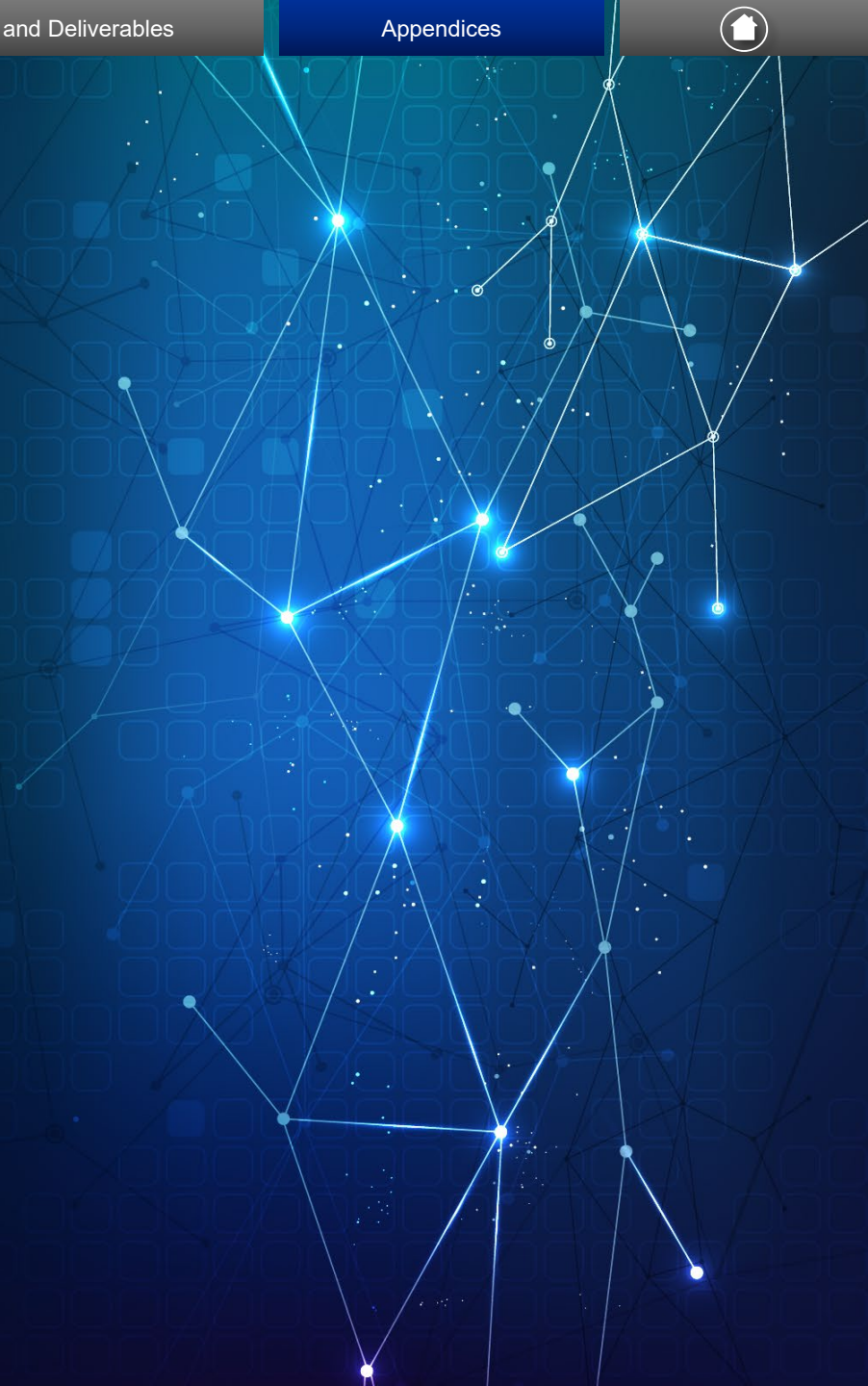
**Newly effective auditing standards**



**Changes in accounting standards**



**Audit and assurance insights**





# Appendix A: Engagement letter

(See attachment below)



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Telefax (905) 265-6390

Ms. Heather Taylor  
Chief Financial Officer and Treasurer  
City of Toronto  
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Toronto, ON M5H 2N2

Mr. Chris Murray  
City Manager and Chief Administrative Officer  
City of Toronto  
100 Queen St W,  
Toronto, ON M5H 2N2

September 23, 2020

Dear Ms. Taylor and Mr. Murray,

The purpose of this letter is to outline the terms of our engagement to audit the consolidated annual financial statements (“financial statements” or “annual financial statements”) of The City<sup>1</sup> of Toronto (“the Entity”); and other engagements as listed in Part I, 2, 3, and 4 of this letter, commencing for the year ending December 31, 2020, all as further outlined in this letter.

The terms of the engagement outlined in this letter are for a term of five (5) years commencing on July 1, 2020 and ending on June 30, 2025 (the “Initial Term”), unless amended or terminated or renewed in writing as set out elsewhere in this Engagement Letter (as defined below).

The attached Terms and Conditions, City of Toronto Supplementary Terms and Conditions and any exhibits, attachments and appendices hereto and subsequent amendments form an integral part of the terms of this engagement and are incorporated herein by reference (collectively the “Engagement Letter”).

### **Priority of Documents:**

In the event of any conflict or disagreement between the various documents or any omissions contained in the documents making up this Engagement Letter, the documents shall govern in the following order of precedence:

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<sup>1</sup> “City” is defined as the City of Toronto including its Agencies and Corporations

KPMG LLP is a Canadian limited liability partnership and member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative “KPMG International”), a Swiss entity.

KPMG Canada provides services to KPMG LLP





- (a) A written amendment to this Engagement Letter in accordance with the terms hereof, the amendment bearing the later date having priority (if any);
- (b) This Engagement Letter;
- (c) Appendix A – City of Toronto Supplementary Conditions;
- (d) Appendix B – KPMG Terms and Conditions for Assurance Engagements;
- (e) The Request for Proposal (RFP) and Addenda;
- (f) Clarification Letters (if any); and
- (g) KPMGs Proposal and Addenda.

The foregoing documents are incorporated into and form part of this Engagement Letter, even if they are not physically attached hereto. The Auditor acknowledges receipt of all such documents.

The annual financial statements will include an adequate description of the financial reporting framework. Relevant financial frameworks include:

- Canadian public sector accounting standards (“PSAB”)
- Accounting Standards for Private Entities (“ASPE”)
- International Financial Reporting Standards (“IFRS”)
- Accounting Standards for not for profit organizations (“ASNPO”)
- Canadian accounting standards for pension plans (“CASPP”)



## Part I - Audit Engagements

The audit engagements include:

	<b>Entity</b>	<b>Consolidated/ Standalone</b>	<b>Framework</b>	<b>Intended Users other than Addressee</b>
1	The City of Toronto (the "Entity")	Consolidated	PSAB	
2	City of Toronto Trust Funds	Consolidated	PSAB	
3	City of Toronto Sinking Funds	Standalone	PSAB, except that investments are recorded at fair value	
<b>Ontario Business Corporation Act ("OBCA") Corporations:</b>				
4	Toronto Community Housing Corporation ("TCHC")	Consolidated	PSAB with 4200 series	
5	TCHC - Regent Park Energy Inc.	Standalone	PSAB	
6	TCHC - Group 1, Group 2, and Group 3	Standalone	ASPE except for items noted in basis of accounting note disclosure.	
7	Build Toronto Inc.	Consolidated	IFRS	
8	City of Toronto Economic Development Corporation c.o.b. – Toronto Port Lands Company	Consolidated	IFRS	
	<b>Entity</b>	<b>Consolidated/ Standalone</b>	<b>Framework</b>	
<b>Local Boards:</b>				
9	CreateTO	Standalone	PSAB	
10	Toronto Parking Authority	Standalone	IFRS	
11	Toronto Public Library Board	Standalone	PSAB	

	("TPL")			
12	TPL Foundation	Standalone	ASNPO	
13	Board of Governors of Exhibition Place	Consolidated	PSAB	
14	TO Live (formerly the Board of Directors of the Hummingbird Centre for the Performing Arts (operating as Civic Theatres Toronto))	Standalone	PSAB	
15	Board of Management of the Toronto Zoo	Standalone	PSAB with 4200 series	
<b>Transit:</b>				
16	Toronto Transit Commission ("TTC")	Consolidated	PSAB	
17	TTC Insurance Company Limited ("TTCICL")	Standalone	PSAB and <b>Note 1</b>	Financial Services Commission of Ontario
<b>Financial Trusts – Pension related entities:</b>				
18	The Fund of the Metropolitan Toronto Pension Plan	Standalone	CASPP and <b>Note 2</b>	Financial Services Commission of Ontario
19	The Fund of the Metropolitan Toronto Police Benefit Fund	Standalone	CASSP and <b>Note 2</b>	Financial Services Commission of Ontario

	Entity	Consolidated/ Standalone	Framework	
20	The Fund of the Toronto Civic Employees' Pension and Benefit Fund	Standalone	CASSP and <b>Note 2</b>	Financial Services Commission of Ontario
21	The Fund of the Toronto Fire Department Superannuation and Benefit Fund	Standalone	CASSP and <b>Note 2</b>	Financial Services Commission of Ontario
23	Toronto Transit Commission Sick Benefit Association	Standalone	PSAB	

**Note 1:**

In the absence of any specific guidance under PSAB, the guidance from IFRS 4, Insurance Contracts is used for measurement and presentation of Insurance Liabilities. Financial Services Regulatory Authority of Ontario ("FSRA") exempts TTCICL from IFRS until year-end 2020. TTCICL will request a continuation of the IFRS exemption, but if denied by FSRA, TTCICL may need to prepare the financial statements in IFRS and PSAB. Audited statements under PSAB and IFRS may be required.

**Note 2:**

CASSP, which excludes recognition and disclosure of the pension obligation and includes certain additional disclosures required by Section 76 of Regulation 909

**Note 3:**

Section 4600 Pension Plans and disclosure requirements outlined by FSRA under Index No. FSGN-100. Relevant sections of the Canadian ASPE in the CPA Canada Handbook, Investment accounting follows IFRS 13, Fair value measurement.



## **Management's Responsibilities – Audit engagements**

An audit does not relieve management or those charged with governance of their responsibilities.

Management acknowledges and understands that they are responsible for:

- (a) the preparation and fair presentation of the financial statements in accordance with the financial reporting framework referred to above.
- (b) providing us with all information of which management is aware that is relevant to the preparation of the financial statements ("relevant information") such as financial records, and related documentation required in order for the auditor to express an opinion on the fair presentation of the financial statements, including:
  - the names of all related parties and information regarding all relationships and transactions with related parties
  - the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of shareholders, board of directors, and committees of the board of directors that may affect the financial statements. All significant actions are to be included in such summaries.
- (c) providing us with reasonable access to such relevant information.
- (d) providing us with complete responses to all enquiries made by us during the engagement.
- (e) providing us with additional information that we may request from management for the purpose of the engagement.
- (f) providing us with unrestricted access to persons within the Entity from whom we determine it necessary to obtain evidence.
- (g) such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Management also acknowledges and understands that they are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.
- (h) ensuring that all transactions have been recorded and are reflected in the financial statements.
- (i) ensuring that internal auditors providing direct assistance to us, if any, will be instructed to follow our instructions and that management, and others within the entity, will not intervene in the work the internal auditors perform for us.
- (j) providing us with written representations required to be obtained under professional standards and written representations that we determine are necessary. Management also acknowledges and understands that, as required by professional standards, we may disclaim an audit opinion when management does not provide certain written representations required.

## **Auditor's Responsibilities – Audit engagements**

If management does not fulfill execute the responsibilities above, we cannot complete our audit. Our function as auditors of the Entity is:

- to report on the annual financial statements



- to express an opinion on whether the Entity's annual financial statements, prepared by management with the oversight of those charged with governance, are, in all material respects, in accordance with the financial reporting framework referred to above

We will conduct the audit of the Entity's annual financial statements in accordance with Canadian generally accepted auditing standards and relevant ethical requirements, including those pertaining to independence (hereinafter referred to as applicable "professional standards").

We will provide a copy of both the audit findings report and the management representation letters for all entities within the scope of our engagement letter to the City of Toronto's Chief Finance Officer and Treasurer, along with Entity officials.

We will plan and perform the audit to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error. Accordingly, we will, among other things:

- identify and assess risks of material misstatement, whether due to fraud or error, based on an understanding of the Entity and its environment, including the Entity's internal control. In making those risk assessments, we consider internal control relevant to the Entity's preparation of the annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control
- obtain sufficient appropriate audit evidence about whether material misstatements exist, through designing and implementing appropriate responses to the assessed risks
- form an opinion on the Entity's annual financial statements based on conclusions drawn from the audit evidence obtained
- communicate matters required by professional standards, to the extent that such matters come to our attention, to the appropriate level of management, those charged with governance and/or the board of directors. The form (oral or in writing) and the timing will depend on the importance of the matter and the requirements under professional standards.

### **Auditor's Deliverables**

The auditors' report(s) will be in writing and the expected content of our auditors' report(s) is provided below and in accordance with Canadian Audit Standards. However, in the event our report may differ from its expected form and content provided in this Engagement Letter, KPMG shall notify and discuss with management in advance.

In addition, if we become aware of information that relates to the financial statements after we have issued our audit report, but which was not known to us at the date of our audit report, and which is of such a nature and from such a source that we would have investigated that information had it come to our attention during the course of our audit, we will, as soon as practicable: (1) communicate such an occurrence to those charged with governance; and (2) undertake an investigation to determine whether the information is reliable and whether the facts existed at the date of our audit report. Further, management agrees that in conducting that investigation, we will have the full cooperation of the Entity's personnel. If the subsequently discovered information is found to be of such a nature that: (a) our audit report would have been



affected if the information had been known as of the date of our audit report; and (b) we believe that the audit report may have been distributed to someone who would attach importance to the information, appropriate steps will be taken by KPMG, and appropriate steps will also be taken by the Entity, to advise of the newly discovered facts and the impact to the financial statements.



## Expected Form of Report – Audit engagements

### INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of The City of Toronto

#### ***Opinion***

We have audited the consolidated financial statements of The City of Toronto (the “Entity”), which comprise:

- the consolidated statement of financial position as of December 31, 2020;
- the consolidated statement of operations and accumulated surplus for the year then ended;
- the consolidated statement of change in net debt for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- and notes to the consolidated financial statements, including a summary of significant accounting policies;

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2020 and its consolidated results of operations, net debt and cash flows for the period then ended in accordance with Canadian public sector accounting standards.

#### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “Auditors’ Responsibilities for the Audit of the Financial Statements” section of our auditors’ report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity’s ability to continue as a going concern, disclosing as applicable, matters related to going concern





and using the going concern basis of accounting unless management either intends to liquidate the Entity or cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.  
The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation



- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Chartered Professional Accountants, Licensed Public Accountants  
Toronto, Canada  
Date



## **Additional Responsibilities regarding “Other Information”**

“Other information” is defined in professional standards to be the financial or non-financial information (other than the financial statements and the auditors’ report thereon) included in the “annual report”. An “annual report” is defined in professional standards to comprise a document or combination of documents. Professional standards also indicate that:

- an annual report is prepared typically on an annual basis in accordance with law, regulation or custom (i.e., is reoccurring)
- an annual report contains or accompanies the financial statements and the auditors’ report thereon
- an annual report’s purpose is to provide owners (or similar stakeholders) with information on the Entity’s:
  - operations; and/or
  - financial results and financial position as set out in the financial statements.

Based on discussions with management, the following are expected to meet the definition of an “annual report” under professional standards:

- The document likely to be entitled “Annual Financial Report”

Management agrees, when possible, to provide us with the final versions of the document(s) comprising the “annual report” prior to the date of our auditors’ report on the financial statements. If that timing is not possible, management agrees to provide us with the final versions of the document(s) comprising the “annual report” prior to the entity’s issuance so that we can complete our responsibilities required under professional standards.

Management is responsible for the “other information”. Our responsibility is to read the “other information” and, in doing so, consider whether such information is materially inconsistent with:

- the financial statements; or
- our knowledge obtained in the audit.

Our responsibility is also to remain alert for indications that the “other information” appears to be materially misstated.

Our auditors’ report on the financial statements, when applicable under professional standards, will contain a separate section where we will report on this “other information”.



## Part 2 - Review engagements

The review engagements include:

	Entity	Consolidated/ Standalone	Framework
1	Toronto Affordable Housing Fund	Standalone	PSAB with 4200 series

### Management's Responsibilities – Review engagements

A review does not relieve management or those charged with governance of their responsibilities.

Management acknowledges and understands that they are responsible for:

- the preparation and fair presentation of the financial statements in accordance with the financial reporting framework referred to above
- providing us with all information of which management is aware that is relevant to the preparation of the financial statements (“relevant information”) such as financial records, documentation and other matters, including:
  - (i) the names of all related parties and information regarding all relationships and transactions with related parties
  - (ii) advising us of all actions taken at meetings of shareholders, board of directors, and committees of the board of directors that may affect the financial statements.
- providing us with reasonable access to such relevant information.
- providing us with complete responses to all enquiries made by us during the engagement.
- providing us with additional information that we may request from management for the purpose of the engagement.
- providing us with unrestricted access to persons within the Entity from whom we determine it necessary to obtain evidence.
- such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Management also acknowledges and understands that they are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.
- ensuring that all transactions have been recorded and are reflected in the financial statements.

providing us with written representations required to be obtained under professional standards and written representations that we determine are necessary. Management also acknowledges and understands that, as required by professional standards, we may disclaim a review conclusion when management does not provide certain written representations required.

### Practitioner’s Responsibilities – Review engagements

If management does not fulfill the responsibilities above, we cannot complete our review.



We will conduct the review of the Entity's financial statements in accordance with Canadian generally accepted standards for review engagements and relevant ethical requirements, including those pertaining to independence (hereinafter referred to as applicable "professional standards").

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. We will perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained.

A review is not an audit of the financial statements. Therefore, a review also does not contemplate certain audit procedures such as: obtaining corroborating evidence to responses to our enquiries; performing tests of internal control over financial reporting to evaluate design and implementation or test operating effectiveness; performing tests of accounting records using procedures such as inspection and confirmation; and performing other procedures ordinarily performed during an audit. There is a commensurate higher risk than there would be in an audit, that any material misstatements that exist in the financial statements reviewed may not be revealed by the review, even though the review is properly performed in accordance with Canadian generally accepted standards for review engagements.

However, we will perform additional procedures if we become aware of matters that cause us to believe the financial statements as a whole may be materially misstated.

The procedures performed are designed to enable us to express our conclusion on the financial statements in accordance with Canadian generally accepted standards for review engagements. The procedures selected will depend on what we consider necessary applying our professional judgment, based on our understanding of the Entity and its environment, and our understanding of the relevant financial reporting framework and its application in the industry context.

In expressing our conclusion from the review of the financial statements, our report on the financial statements will expressly disclaim any audit opinion on the financial statements.

### **Practitioner's Deliverables – Review engagements**

The practitioners' report(s) will be in writing and the expected content of our practitioners' report(s) is provided below. However, there may be circumstances in which a report may differ from its expected form and content.

In addition, if we become aware of information that relates to the financial statements after we have issued our review report, but which was not known to us at the date of our review report, and which is of such a nature and from such a source that we would have investigated that information had it come to our attention during the course of our review, we will, as soon as practicable: (1) communicate such an occurrence to those charged with governance; and (2) undertake an investigation to determine whether the information is reliable and whether the facts existed at the date of our review report. Further, management agrees that in conducting that investigation, we will have the full cooperation of the Entity's personnel. If the subsequently discovered information is found to be of such a nature that: (a) our review report would have been affected if the information had been known as of the date of our review report; and (b) we believe that the review report may have been distributed to someone who would attach importance to the information, appropriate steps will be taken by KPMG, and appropriate steps will also be taken by the Entity, to advise of the newly discovered facts and the impact to the financial statements.



## Expected Form of Report – Review engagements

### INDEPENDENT PRACTITIONERS' REVIEW ENGAGEMENT REPORT

To the Members of Council, Inhabitants and Ratepayers of The City of Toronto

We have reviewed the accompanying financial statements of Toronto Affordable Housing Fund, which comprise the balance sheet as at December 31, 2019, the statement of operations, statement of retained earnings and statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Practitioners' Responsibility*

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

#### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of Toronto Affordable Housing Fund as at December 31, 2019, and its of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Chartered Professional Accountants, Licensed Public Accountants  
Toronto, Canada

Date



### Part 3 - Compilation (Notice to Reader) engagements

The compilation engagements include:

	Entity	Consolidated/ Standalone	Framework
1	Access Housing Connections Inc.	Standalone	PSAB with 4200 series
2	Toronto Community Housing Enterprise Inc.	Consolidated	PSAB with 4200 series
3	2001064 Ontario Inc.	Standalone	PSAB with 4200 series
4	Leslie Nymark Development Corporation	Standalone	PSAB with 4200 series
5	Don Mount Court Development Corporation	Standalone	PSAB with 4200 series
6	Railway Lands Development Corporation	Standalone	PSAB with 4200 series
7	Regent Park Development	Standalone	PSAB with 4200 series
8	Alexandra Park Development	Standalone	PSAB with 4200 series
9	Allenbury Gardens Development	Standalone	PSAB with 4200 series

### Management's Responsibilities – Compilation engagements

A compilation does not relieve management or those charged with governance of their responsibilities.

Management acknowledges and understands that they are responsible for:

1. providing us with access to all information of which management is aware that is relevant to the compilation of the financial statements (“relevant information”) such as financial records, documentation and other matters, including:
  - a) the names of all related parties and information regarding all relationships and transactions with related parties
  - b) advising us of all actions taken at meetings of shareholders, board of directors, and committees of the board of directors that may affect the financial statements.
2. providing us with reasonable access to such relevant information.
3. providing us with complete responses to all enquiries made by us during the engagement.



4. providing us with additional information that we may request from management for the purpose of the engagement.
5. providing us with unrestricted access to persons within the Entity from whom we determine it necessary in order to compile the financial statements
6. such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Management also acknowledges and understands that they are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.
7. providing us will all transactions so they are reflected in the compiled financial statements
8. the accuracy and completeness of the representations in the financial statements
9. ensuring that all pages of the financial statements are marked as being “Unaudited – See Notice to Reader”
10. ensuring our Notice to Reader is attached to the financial statements when distributing the financial statements to third parties.

### **Practitioner’s Responsibilities – Compilation engagements**

We will compile the financial statements of the Entity in accordance with the standards established by Chartered Professional Accountants of Canada as being applicable to compilation engagements.

The financial statements will be compiled from information provided by the Entity.

We will not perform an audit or a review engagement on such information. This engagement cannot be relied upon to prevent or detect error and fraud and other irregularities.

Although we are not required to be independent with respect to the Entity, we are required to disclose any activity, interest or relationship which, in respect of the engagement, would be seen by a reasonable observer to impair our independence. Such disclosure, if applicable, will be made in our deliverable described below and will indicate the nature of the influence or relationship and the nature and extent of the interest.

### **Practitioner’s Deliverables – Compilation engagements**

The practitioners’ report(s) will be in writing and the expected content of our practitioners’ report(s) is provided below. However, there may be circumstances in which a report may differ from its expected form and content.





## **Expected Form of Report – Compilation engagements**

### **NOTICE TO READER**

On the basis of information provided by management, we have compiled the balance sheet of Access Housing Connections Inc. as at December 31, 2019 and the statements of earnings, comprehensive income, retained earnings and cash flows for the year then ended. We have not performed an audit or a review engagement in respect of these financial statements and, accordingly, we express no assurance thereon. Readers are cautioned that these financial statements may not be appropriate for their purposes.

Chartered Professional Accountants, Licensed Public Accountants  
Toronto, Canada  
Date

## Part 4 – Other assurance or non-assurance engagements

These engagements include:

	<b>Entity</b>	<b>Nature</b>	<b>Framework</b>	<b>Intended Users other than Addressee</b>
1	Compliance with City of Toronto's investment policy	Agreed upon procedures	Compliance with the City of Toronto's Investment policy for the General Fund, Sinking Funds, and Trust Group Funds.	
2	Compliance with the Building Canada Fund Contribution Agreement for the Union Station Revitalization Project Agreement and Report on accounts, records, claims and expenditures incurred related to this	Audit of other historical financial information	Schedule A and B of the Building Canada Fund Agreement for the Revitalization of Union Station dated September 25, 2009 and as amended on July 13, 2015 between the Government of Canada and the City of Toronto and any subsequent amendments.	
3	Compliance with the Gas Tax Fund Administration Agreement and Report on information and expenditures incurred under this Agreement	Audit of other historical financial information	Financial reporting requirements of the Administrative Agreement dated April 1, 2014 and the 2019 funding letter between the Ministry of Infrastructure and Communities (Canada), the Ministry of Municipal Affairs and Housing (Ontario), the Association of Ontario and the City of Toronto.	Regional Municipality of York and Minister of Transport, Infrastructure, and Communities
4	Reaching Homes project (previously known as Homelessness Partnering Strategy Project) Statement of	Audit of other historical	Financial reporting requirements of the agreement between	

	Revenue and Expenditures	financial information	the Minister of Employment and Social Development Canada and the City of Toronto effective April 1, 2014 and any subsequent amendments.	
5	Toronto Parking Authority Carpark No. 161 – St. Clair-Yonge Garage – Statement of Revenue and Expenditures	Audit of other historical financial information	Lease agreement with GE Canada Real Estate Equity dated August 31, 2007, subsequently assumed by Incore Equities Inc. and Slate Toronto Core Office Inc. through the Sales Purchase agreement dated May 15, 2013 and any other subsequent agreements.	Sutter Hill Developments Ltd.
6	Toronto Police Services Board Special Fund (“TPSB” Special Fund) – Section 9110 Report on Agreed Upon Procedures regarding internal control over financial reporting only	Agreed upon procedures regarding internal control over financial reporting	Application and disbursement procedures as approved by the TPSB.  General procedures as approved by the TPSB.	
7	Coca Cola Coliseum – Special Audit on Schedule of Expenditures	Audit of other historical financial information	Section 5.3 of both the Amended Restated Indenture of Lease and the Indenture of Sublease (the Agreements) dated June 16, 2015 between the Board of Governors of Exhibition Place, BPC Coliseum Inc. and Maple Leaf Sports and Entertainment Ltd.	

8	<p>Long-term care home – Annual Reconciliation Reports (“LTC ARR”)</p> <ol style="list-style-type: none"> <li>1) Bendale Acres,</li> <li>2) Carefree lodge</li> <li>3) Castelview Wychwood Towers</li> <li>4) Cummer Lodge</li> <li>5) Kipling Acres</li> <li>6) Lakeshore Lodge</li> <li>7) Seven Oaks</li> </ol>	Audit of other historical financial information	Long-Term Care Home Annual Report Technical Instructions and Guidelines	Ministry of Health and Long-term Care
	<ol style="list-style-type: none"> <li>8) True Davidson</li> <li>9) Wesburn Manor</li> <li>10) Fudger House</li> </ol>			
9	<p>Toronto Public Health - Audits as required by the Ministry of Health and Long Term Care and Ministry of Children and Youth Services in connection with various Settlements of Toronto Public Health programs:</p> <ul style="list-style-type: none"> <li>- Annual Service Plan and Budget Submission</li> <li>- AIDS Bureau Program – Statement of Revenue and Expenditures and Annual Reconciliation Report</li> <li>- Healthy Babies Healthy Children Program Settlement Report</li> <li>- Preschool Speech and Language Program Settlement Report</li> <li>- Infant Hearing Program Settlement Report</li> <li>- Blind Low Vision Program Settlement Report</li> <li>- Supervised Injection Site Program Settlement Report</li> <li>- Low Income Seniors Dental</li> </ul>	Report on specified procedures.	Financial reporting requirements of the Public Health Funding and Accountability Agreement between Ministry of Health and Long-term Care and the Board of Health and instructions for completing the Annual Reconciliation Report Worksheets.	<p>Ministry of Health and Long-term Care</p> <p>Ministry of Children and Youth Services</p> <p>Ministry of Health and Long-term Care</p>



	Program Settlement Report			
10	Toronto Transit Commission Insurance Company Limited	Report on specified procedures.	Specified auditing procedures over actuarial valuation of insurance liabilities as required by Financial Services Regulatory Authority of Ontario (FSRA).	

### Financial Reporting Framework for the Other Historical Financial Information

The other historical financial information will be prepared and presented in accordance with the financial reporting provisions of relevant sections of regulation or legislation or the financial reporting provisions of the underlying agreements or contracts for each audit noted above. The financial reporting framework is described in Note 1 to the other historical financial information.

Management asserts that the other historical financial information will include an adequate description of:

- the financial reporting framework (sometimes referred to as basis of accounting)
- the purpose of such other historical financial information. The purpose of this other historical financial information is for the Entity to meet its obligation to a specific party noted in the underlying agreement, regulation, legislation or contract as defined in Note 1 to the other historical financial information.

The Entity may not distribute our auditors' report on the other historical financial information without our written consent. We hereby consent to the Entity distributing our auditors' report to only the addressee(s) noted in our report.

### Management's Responsibilities - Other Historical Financial Information

An audit does not relieve management or those charged with governance of their responsibilities.

Management acknowledges and understands that they are responsible for:

- (k) the preparation and presentation of the other historical financial information in accordance with the financial reporting framework referred to above.
- (l) providing us with all information of which management is aware that is relevant to the preparation of the other historical financial information ("relevant information") such as financial records, documentation and other matters, including:
  - the names of all related parties and information regarding all relationships and transactions with related parties
  - the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of shareholders, board of directors, and committees of the board of directors that may affect the other historical financial information. All significant actions are to be included in such summaries
- (m) providing us with reasonable access to such relevant information.



- (n) providing us with complete responses to all enquiries made by us during the engagement.
- (o) providing us with additional information that we may request from management for the purpose of the engagement.
- (p) providing us with unrestricted access to persons within the Entity from whom we determine it necessary to obtain evidence.
- (q) such internal control as management determines is necessary to enable the preparation of other historical financial information that is free from material misstatement, whether due to fraud or error. Management also acknowledges and understands that they are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.
- (r) ensuring that all transactions have been recorded and are reflected in the other historical financial information.
- (s) ensuring that internal auditors providing direct assistance to us, if any, will be instructed to follow our instructions and that management, and others within the entity, will not intervene in the work the internal auditors perform for us.
- (t) determining that the basis of accounting is an acceptable basis for the preparation of the other historical financial information in the circumstances and informing us of all steps taken to determine that the applicable financial reporting framework is acceptable in the circumstances.
- (u) providing us with written representations required to be obtained under professional standards and written representations that we determine are necessary. Management also acknowledges and understands that, as required by professional standards, we may disclaim an audit opinion when management does not provide certain written representations required.

### **Auditor's Responsibilities - Other Historical Financial Information**

If management does not fulfill the responsibilities above, we cannot complete our audit. Our function is:

- to report on the other historical financial information.
- to express an opinion on whether the Entity's other historical financial information is prepared, in all material respects, in accordance with the financial reporting framework referred to above; and

We will conduct the audit of the Entity's other historical financial information in accordance with Canadian generally accepted auditing standards and relevant ethical requirements, including those pertaining to independence (hereinafter referred to as applicable "professional standards").

We will plan and perform the audit to obtain reasonable assurance about whether the other historical financial information as a whole is free from material misstatement, whether due to fraud or error.

Accordingly, we will, among other things:

- identify and assess risks of material misstatement, whether due to fraud or error, based on an understanding of the Entity and its environment, including the Entity's internal control. In making those risk assessments, we consider internal control relevant to the Entity's preparation of the other historical financial information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- obtain sufficient appropriate audit evidence about whether material misstatements exist, through designing and implementing appropriate responses to the assessed risks.
- form an opinion on the other historical financial information based on conclusions drawn from the audit evidence obtained



- communicate matters required by professional standards, to the extent that such matters come to our attention, to the appropriate level of management, those charged with governance and/or the board of directors. The form (oral or in writing) and the timing will depend on the importance of the matter and the requirements under professional standards.

### **Auditor's Deliverables – Other Historical Financial Information**

The auditors' report(s) will be in writing and in accordance with Canadian Audit Standards and/or other form as prescribed by inter-governmental program or funding requirements. An example of a report is attached. The parties acknowledge that the auditors' audit and reporting requirements may depend on inter-governmental program or funding requirements for the entity which may change from time to time. We will notify management in advance of any upcoming changes required to reporting, due to changes in government requirements.

In addition, if we become aware of information that relates to the other historical financial information after we have issued our audit report, but which was not known to us at the date of our audit report, and which is of such a nature and from such a source that we would have investigated that information had it come to our attention during the course of our audit, we will, as soon as practicable: (1) communicate such an occurrence to those charged with governance; and (2) undertake an investigation to determine whether the information is reliable and whether the facts existed at the date of our audit report.

Further, management agrees that in conducting that investigation, we will have the full cooperation of the Entity's personnel. If the subsequently discovered information is found to be of such a nature that: (a) our audit report would have been affected if the information had been known as of the date of our audit report; and (b) we believe that the audit report may have been distributed to someone who would attach importance to the information, appropriate steps will be taken by KPMG, and appropriate steps will also be taken by the Entity, to advise of the newly discovered facts and the impact to the other historical financial information.



## Example Form of Report – Other Historical Financial Information – LTC ARR INDEPENDENT AUDITORS' REPORT

To the Ministry of Health and Long-Term Care and the Local Health Integration Network

### ***Opinion***

We have audited the financial information contained in the Settlement Report of The City of Toronto (the Entity) for the year ended December 31, 2019 and notes to the financial information, including a summary of significant accounting policies (hereinafter referred to as the “financial information”).

In our opinion, the accompanying financial information for the year ended December 31, 2019 of the Entity is prepared, in all material respects, in accordance with the financial reporting provisions of the 2019 Long-Term Care Home Annual Report Technical Instructions and Guidelines issued by the Ontario Ministry of Health and Long-Term Care.

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “***Auditors’ Responsibilities for the Audit of the Financial Information***” section of our auditors’ report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial information in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Emphasis of Matter – Financial Reporting Framework***

We draw attention to Note 1 in the schedule, which describes the applicable financial reporting framework.

The schedule is prepared to assist the Entity to meet the requirements of the reporting requirements of Ministry of Health and Long-Term Care.

As a result, the schedule may not be suitable for another purpose.

Our opinion is not modified in respect of this matter.

### ***Other Matter – Restriction on Use***

Our report is intended solely for The City of Toronto and the Ministry of Health and Long-Term Care and the Local Health Integration Network and should not be used by other parties.





### ***Responsibilities of Management and Those Charged with Governance for the Financial Information***

Management is responsible for the preparation of the financial information in accordance with the financial reporting provisions of the 2018 Long-Term Care Home Annual Report Technical Instructions and Guidelines issued by the Ontario Ministry of Health and Long-Term Care, and for such internal control as management determines is necessary to enable the preparation of a financial information that is free from material misstatement, whether due to fraud or error.

In preparing the financial information, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

### ***Auditors' Responsibilities for the Audit of the Financial Information***

Our objectives are to obtain reasonable assurance about whether the financial information as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial information.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada

Date



## **Management's Responsibilities – Agreed upon procedures**

Management is responsible for:

- (a) design, implementation, monitoring, operation and evaluation of the Entity's internal control over financial reporting
- (b) assessing the design, implementation or operating effectiveness of internal control over financial reporting and should not rely solely on our report for making your assessment
- (c) determining the objectives, scope, and extent of agreed-upon procedures to be performed by us.
- (d) the sufficiency and appropriateness of the agreed-upon procedures
- (e) evaluating the findings arising from the agreed-upon procedures engagement.
- (f) implementing any changes to the Entity's internal control over financial reporting that the Entity determines to be appropriate under the circumstances.

## **Practitioner's Responsibilities – Agreed upon procedures**

We accept no responsibility with respect to the sufficiency and appropriateness of agreed-upon procedures listed above nor have we made an attempt to assess the sufficiency and appropriateness of the agreed-upon procedures for your purposes. Further we have no obligation to perform any procedures beyond those referred to above.

We will perform the agreed-upon procedures described above in accordance with Canadian generally accepted standards for agreed-upon procedures engagements regarding internal control over financial reporting established by Chartered Professional Accountants of Canada.

In performing this agreed-upon procedures engagement, we are required to be, and to remain, independent with respect to the Entity.

In performing this agreed-upon procedures engagement, we will not undertake to perform obligations of the Entity, whether regulatory or contractual. In carrying out our work:

- We will not act in the capacity equivalent to a member of management or as an employee of the Entity
- We will not form part of the Entity's internal control structure relating to the preparation of financial reporting information.



### **Practitioner’s Deliverables – Agreed upon procedures**

The agreed-upon procedures report will be in writing and the expected content of our agreed-upon procedures report is provided below. However, there may be circumstances in which a report may differ from its expected form and content. Our report will reflect our findings as of the date we complete our work.

### **Other Matters – Agreed upon procedures**

This agreed-upon procedures engagement does not constitute the primary basis for the Entity's assessment of internal control over financial reporting or its compliance with its principal officer certification requirements under applicable securities rules.

### **Expected Form of Report – Specified auditing procedures or Agreed upon procedures**

## **REPORT ON AGREED UPON AUDITING PROCEDURES**

To Toronto Police Services Board

As specifically agreed, we have performed the specified auditing procedures enumerated below in connection with internal controls over financial reporting at Toronto Police Services Board special fund. The specified auditing procedures are summarized, along with the findings, as follows:

<b>Specified Auditing Procedures Performed</b>	<b>Findings</b>
[insert]	[no exceptions / list exceptions]

Chartered Professional Accountants, Licensed Public Accountants  
Toronto, Canada  
Date



**Fees**

The Entity and KPMG agree to fees as per our response to your request for proposal.

\*\*\*\*\*

We are available to provide a wide range of services beyond those outlined above. Additional services will be billed at the hourly rates for optional/additional services outlined in the RFP and are subject to the same Terms and Conditions outlined in this Engagement Letter.

We are proud to provide you with the services outlined above and we appreciate your confidence in our work. We shall be pleased to discuss this letter with you at any time. If the arrangements and terms are acceptable, please sign the duplicate of this letter in the space provided and return it to us.

Yours very truly,

Acknowledged and agreed on behalf of KPMG by Kevin Travers, Partner

The following individuals are responsible for various engagements, as outlined in this letter and their performance, and for the report that is issued on behalf of KPMG LLP, and who, where required, have the appropriate authority from a professional, legal or regulatory body:

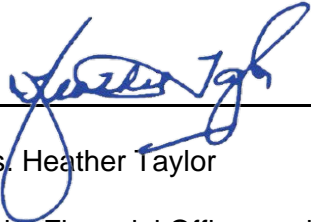
Kevin Travers	416 228 7004
Diane Del Monte	416 549 7775
Joane Mui	416 228 7218
Heather Rahman	416 224 4647

Enclosure  
cc: Audit Committee

\*\*\*\*\*

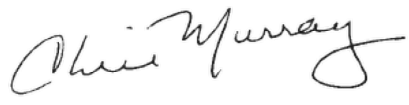


The terms of the engagement set out are as agreed:



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Ms. Heather Taylor  
Chief Financial Officer and Treasurer



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Mr. Chris Murray  
City Manager

**AGREEMENT TERMS AND CONDITIONS****Note to Agreement Terms and Conditions:**

The terms set out in this Part 4 – Agreement Terms and Conditions shall be incorporated in any Agreement entered into with the recommended Proponent substantially in the form as presented in this Part 4 – Agreement Terms and Conditions. These terms are mandatory and are not negotiable. Any Proponent wishing to request that the City consider any changes to the terms and conditions set out in Part 4 – Agreement Terms and Conditions must follow the process outlined in section 5 of Part 3 – RFP Process Terms and Conditions.

**1. Compliance with Laws**

The Vendor will be required to comply, at its sole expense, with all federal, provincial and municipal laws, rules and regulations (including, without limitation, the City's Fair Wage and other policies or by-laws applicable to the City's vendors, the Ontario Fire Code, the Ontario Employment Standards Act, the Ontario Human Rights Code, the Ontario Labour Relations Act, the Workplace Safety and Insurance Act, the Income Tax Act and Occupational Health and Safety requirements) in relation to the provision of any Services, including the obtaining of all necessary permits and licences, and shall submit proof of such compliance to the City, upon request, and the Vendor shall indemnify and save the City harmless from any liability or cost suffered by it as a result of the vendor's failure to comply with this provision.

**2. Non-Exclusivity**

The awarding of an Agreement to a Vendor shall not be a guarantee of exclusivity.

**3. Confidentiality**

The Vendor shall treat as confidential City Confidential Information and all information of any kind which comes to the attention of the Vendor in the course of carrying out the Services and shall not disseminate such information for any reason without the express written permission of the City or otherwise in accordance with MFIPPA or other applicable privacy law. The Vendor will be required to enter into a Non-Disclosure Declaration (NDD) and may be required to enter into a detailed confidentiality and conflict of interest agreement in a form satisfactory to the City Solicitor.

**4. Conflict of Interest**

The Vendor shall: (a) avoid any Conflict of Interest in the performance of its contractual obligations; (b) disclose to the City without delay any actual or potential Conflict of Interest that arises during the performance of its contractual obligations; and (c) comply with any requirements prescribed by the City to resolve any Conflict of Interest. In addition to all other contractual rights or rights available at law or in equity, the City may immediately terminate the Contract upon giving notice to the Vendor where: (a) the Vendor fails to disclose an actual or potential Conflict of Interest; (b) the Vendor fails to comply with any requirements prescribed by the City to resolve or manage a Conflict of Interest; or (c) the Vendor's Conflict of Interest cannot be resolved to the City's reasonable satisfaction.

## **5. Indemnities**

The Vendor shall indemnify and save harmless the City), its Mayor, Members of Council, officers, employees, representatives, agents, successors and assigns from and against any losses, liens, charges, claims, demands, suits, proceedings, recoveries and judgements (including legal fees and costs) arising from or related to the Vendor's performance or non-performance of its obligations, and including breach of any confidentiality obligations under this Agreement.

Upon assuming the defence of any action covered under this section the Vendor shall keep City of Toronto reasonably informed of the status of the matter, and the Vendor shall make no admission of liability or fault on City of Toronto's part without City of Toronto's written permission.

## **6. Intellectual Property Indemnity**

The Vendor shall indemnify and save harmless the City, its Mayor, Members of Council, officers, employees, representatives, agents, successors and assigns from and against any losses, liens, charges, claims, demands, suits, proceedings, recoveries and judgements (including legal fees and costs) arising from infringement, actual or alleged, by the Proposal, its use or misuse, or by any of the deliverables developed or provided or supplied under or used in connection with the Services (including the provision of the Services themselves), of any Canadian, American or other copyright, moral right, trade-mark, patent, trade secret or other thing with respect to which a right in the nature of intellectual/industrial property exists.

## **7. Employment & WSIB Indemnity**

Nothing under this Agreement shall render the City responsible for any employment, benefit or termination liability (including those under or in connection with the Workplace Safety and Insurance Act, 1997 or any successor legislation ("WSIA"), whether statutorily required, at common law or otherwise, resulting from Services supplied under this Agreement by persons employed or otherwise engaged by the Vendor. In the event that employment related costs, or other related responsibility falls to the City for any reason whatsoever, the Vendor agrees to indemnify the City for such costs.

## **8. No Assignment**

The Vendor shall not assign any part of the project that may be awarded to it under the Agreement without the prior written consent of the City, which consent shall not be unreasonably withheld. However, such written consent shall not under any circumstances relieve the Vendor of its liabilities and obligations under this RFP and the Agreement.

## **9. Subcontractors**

The Vendor shall be prohibited from employing subcontractors for the purpose of carrying out its obligations under this Agreement.

## **10. Personnel and Performance**

The Vendor shall make available appropriately skilled workers, and must be able to provide the necessary materials, tools, machinery and supplies to carry out the project.

The Vendor shall be responsible for its own staff resources.



The Vendor shall ensure that its personnel, when using any City buildings, premises, equipment, hardware or software shall comply with all security policies, regulations or directives relating to those buildings, premises, equipment, hardware or software.

Personnel assigned by the Vendor to perform or produce the Services or any part of it, (including those of approved subcontractors) may, in the sole discretion of the City, be required to sign non-disclosure Agreement(s) satisfactory to the City before being permitted to perform such services.

### **11. Independent Contractor**

The Vendor and the City agree and acknowledge that the relationship between the City and the Vendor is one of owner and independent contractor and not one of employer-employee. Neither is there any intention to create a partnership, joint venture or joint enterprise between the Vendor and the City.

### **12. Insurance**

The successful vendor agrees to purchase and maintain in force, at its own expense and for the duration of the services, the following policies of insurance, which policies shall be in a form and with an insurer acceptable to the City. A certificate evidencing these policies signed by the insurer or an authorized agent of the insurer must be delivered to the City prior to the commencement of services:

1. Commercial General Liability provided that the policy:
  - (i) is in the amount of not less than Two Million Dollars (\$2,000,000.00), per occurrence;
  - (ii) adds the City of Toronto as an additional insured;
  - (iii) includes Non Owned Automobile Liability, Employer's Liability and/or Contingent Employer's Liability, and any other provision relevant to the services;
  - (iv) includes a clause which will provide the City with thirty (30) days' prior written notice of cancellation (15 days if cancellation is due to non payment of premium).
2. Professional Liability (errors and omissions) coverage provided that the policy:
  - (i) is in the amount of not less than One Million Dollars (\$1,000,000);
  - (ii) will extend to infringement of copyright and other intellectual property, including misuse of trade secrets, if appropriate.

Notwithstanding anything to the contrary contained in this Agreement, kept in full force and effect for a period of time ending no sooner than TWO YEARS after the termination or expiry of this Agreement, as the case may be.

3. Automobile Liability insurance with a minimum limit of One Million Dollars (\$1,000,000) for all owned or leased licensed motorized vehicles used in the performance of services.

It is understood and agreed that the coverage and limits of liability noted above are not to be construed as the limit of liability of the vendor in the performance of services. It is also agreed that the above insurance policies may be subject to reasonable deductible amounts, which deductible amounts shall be borne by the vendor. At the expiry of the policies of insurance, original signed Certificates evidencing renewal will be provided to the City without notice or demand.

The successful vendor is responsible for any loss or damage whatsoever to any of its materials, goods, equipment or supplies and will maintain appropriate all-risk coverage as any prudent owner of such materials, goods, supplies and equipment. The successful vendor shall have no claim against the City or the City's insurers for any damage or loss to its property and shall require its property insurers to waive any right of subrogation against the City.

### **13. Warranties and Covenants**

The Vendor represents, warrants and covenants to the City (and acknowledges that the City is relying thereon) that any deliverable resulting from or to be supplied or developed under the Agreement will be in accordance with the City's functional and technical requirements (as set out in the RFP) and, if applicable, will function or otherwise perform in accordance with such requirements.

### **14. Third Party Software**

Where the City is in possession of software containing or constituting confidential proprietary information belonging to third parties, the Vendor shall not, except in the usual incidental manner genuinely necessary for the intended use of such software on the equipment of the City,

- (a) analyze, copy, decompile, disassemble, translate, convert, reverse engineer or duplicate any physical embodiment or part thereof, or permit any person to do so; or
- (b) divulge to any unauthorized person the ideas, concepts or techniques, or make any other improper use, of such software.

The Vendor shall fully defend, save harmless and indemnify the City from and against any loss or damages suffered by the City as a result of any failure by the Vendor, its officers, directors, partners, contract personnel, agents and employees or any of them to comply with the provisions hereof.

Should the Vendor include third party components within the Solution, the Vendor must secure the rights to use and repackage third party components and pass on those rights to the City without additional charges.

### **15. Ownership of Intellectual Property and Deliverables**

The City will own all intellectual property rights, including (without limitation) copyright, in and to all deliverables provided by the Vendor. All information, data, plans, specifications, reports, estimates, summaries, photographs and all other documentation prepared by the Vendor in the performance of the Services under the Agreement, whether they be in draft or final format, shall be the exclusive property of the City. Notwithstanding the foregoing, the Vendor will have ownership and the right to retain all working papers, files and other materials that it creates and that form the basis for the representations made in the auditor's report, in accordance with generally accepted Canadian auditing standards, as established by the Chartered Professional

Accountants Canada. The Vendor shall provide the City with copies of any working paper upon request.

#### **16. Payment Schedule**

A payment schedule satisfactory to the City shall form part of the Agreement.

No fees or reimbursable expenses shall become payable to the Vendor pursuant to the Agreement other than pursuant to one or more signed schedules.

The Vendor shall submit invoices in such detail as may be required by the City, and the City reserves the right to require further proof or documentation from the Vendor in respect of services performed or expenses incurred by the Vendor and the Vendor shall provide, without delay, such further proof or documentation. If the City does not approve of the Services which are the subject of the invoice, the City shall advise the Vendor in writing of the reasons for non-approval and the Vendor shall remedy the problem at no additional cost to the City before the City shall be obliged to pay the invoice or any part of it, as the case may be.

The Vendor shall be solely responsible for the payment of all personnel costs including statutory and otherwise (including without limitation subcontractors and suppliers and their respective personnel) made available by it and used for performance of any of the Services.

#### **17. Termination Provisions**

Upon giving the Vendor not less than thirty (30) days' prior written notice, the City may, at any time and without cause, cancel the Agreement, in whole or in part. In the event of such cancellation, the City shall not incur any liability to the Vendor apart from the payment for the goods, material, articles, equipment, work or services that have been satisfactorily delivered or performed by the Vendor at the time of cancellation. If at any time during the term of the Agreement it is determined by the Vendor, in its sole discretion, that there may be an actual or potential breach by Vendor of applicable professional standards, Vendor may terminate the Agreement, without liability, immediately on notice to City.

Failure of the Vendor to perform its obligations under the Agreement shall entitle the City to terminate the Agreement upon ten (10) calendar days' written notice to the Vendor if a breach which is remediable is not rectified in that time, or such longer period of time, if agreed to in writing by the City. In the event of such termination, the City shall not incur any liability to the Vendor apart from the payment for the goods, material, articles, equipment, work or services that have been satisfactorily delivered or performed by the Vendor at the time of termination.

All rights and remedies of the City for any breach of the Vendor's obligations under the Agreement shall be cumulative and not exclusive or mutually exclusive alternatives and may be exercised singularly, jointly or in combination and shall not be deemed to be in exclusion of any other rights or remedies available to the City under the Agreement or otherwise at law.

No delay or omission by the City in exercising any right or remedy shall operate as a waiver of them or of any other right or remedy, and no single or partial exercise of a right or remedy shall preclude any other or further exercise of them or the exercise of any other right or remedy.

Upon termination, all originals and copies of data, plans, specifications, reports, estimates, summaries, photographs, and other documents that have been accumulated and/or prepared by the Vendor in performance of the Agreement shall be delivered to the City in a clean and readable format. For the purpose of documentation required to be retained by the Vendor in accordance

with generally accepted auditing standards established by the Chartered Professional Accountants Canada, the Vendor may retain original documents but shall provide copies of all such original documents to the City.

### **18. Right to Audit**

The City may audit all financial and related records associated with the terms of the Agreement including timesheets, reimbursable out of pocket expenses, materials, goods, and equipment claimed by the Vendor. The Vendor shall at all times during the term of the contract, and for a period of 10 years following completion of the Agreement, keep and maintain records of the Work performed pursuant to this Agreement. This shall include proper records of invoices, vouchers, timesheets, and other documents that support actions taken by the Vendor. The Vendor shall at his own expense make such records available for inspection and audit by the City at all reasonable times.

### **19. Liquidated Damages**

If the Vendor at any time fails to supply all goods or services to the City as specified within the Agreement, or fails to replace goods or services rejected by the City, then the City shall be permitted to procure such goods or services elsewhere and charge any additional costs incurred by the City to the Vendor as liquidated damages, unless otherwise specified, and deduct such amounts from payments due to the Vendor or to otherwise collect such costs from the vendor by any other method permitted by law.

### **20. Right to Retain Monies**

The City shall have the right to retain out of monies payable to the Vendor under the Agreement the total amount outstanding from time to time of all claims arising out of the default of the Vendor of its obligations to the City. This shall include claims pursuant to this or any other contract or cause of action between the Vendor and the City which have not been settled between the City, and the Vendor.

### **21. Occupational Health and Safety**

- a. The Vendor shall comply with all federal, provincial or municipal occupational health and safety legislative requirements, including, and without limitation, the *Occupational Health and Safety Act*, R.S.O., 1990 c.0.1 and all regulations thereunder, as amended from time to time (collectively the "OHSA").
- b. Nothing in this section shall be construed as making the City the "employer" (as defined in the OHSA) of any workers employed or engaged by the Vendor for the Services, either instead of or jointly with the Vendor.
- c. The Vendor agrees that it will ensure that all subcontractors engaged by it are qualified to perform the Services and that the employees of subcontractors are trained in the health and safety hazards expected to be encountered in the Services.
- d. The Vendor acknowledges and represents that:

- i. The workers employed to carry out the Services have been provided with training in the hazards of the Services to be performed and possess the knowledge and skills to allow them to work safely;
  - ii. The Vendor has provided, and will provide during the course of the agreement, all necessary personal protective equipment for the protection of workers;
  - iii. The Vendor's supervisory employees are competent, as defined in the OHSA, and will carry out their duties in a diligent and responsible manner with due consideration for the health and safety of workers;
  - iv. The Vendor has in place an occupational health and safety, workplace violence and workplace harassment policies in accordance with the OHSA; and
  - v. The Vendor has a process in place to ensure that health and safety issues are identified and addressed and a process in place for reporting work-related injuries and illnesses.
- e. The Vendor shall provide, at the request of the Auditor General or her designate, the following as proof of the representations made in paragraph d(i) and d(iv):
- i. documentation regarding the training programs provided or to be provided during the Services (i.e. types of training, frequency of training and re-training); and
  - ii. the occupational health and safety policy.
- f. The Vendor shall immediately advise the Auditor General or her designate in the event of any of the following:
- i. A critical injury that arises out of Services that is the subject of this agreement;
  - ii. An order(s) is issued to the Vendor by the Ministry of Labour arising out of the Services that is the subject of this agreement;
  - iii. A charge is laid or a conviction is entered arising out of the Services that is the subject of this agreement, including but not limited to a charge or conviction under the OHSA, the *Criminal Code*, R.S.C 1985, c. C-46, as amended and the *Workplace Safety and Insurance Act*, 1997, S.O. 1997, c. 16, Sched. A, as amended.
- g. The Vendor shall be responsible for any delay in the progress of the Services as a result of any violation or alleged violation of any federal, provincial or municipal health and safety requirement by the Vendor, it being understood that no such delay shall be a force majeure or uncontrollable circumstance for the purposes of extending the time for performance of the Services or entitling the Vendor to additional compensation, and the Vendor shall take all necessary steps to avoid delay in the final completion of the Services without additional cost to the City.
- h. The parties acknowledge and agree that employees of the City, including senior officers, have no authority to direct, and will not direct, how employees, workers or other persons

employed or engaged by the Vendor do work or perform a task that is the subject of this agreement.

## **22. Workplace Safety and Insurance Act**

The Vendor shall secure, maintain and pay all costs for Workplace Safety and Insurance Board ("WSIB") workers' compensation coverage for its employees providing Services under this agreement, whether required statutorily or not under the Workplace Safety and Insurance Act, 1997.

The Vendor represents and warrants that it shall be in good standing with the WSIB throughout the term of this agreement. Prior to supplying the Services and prior to receiving payment, the Vendor shall produce a Clearance Certificate issued by the WSIB confirming that the Vendor has paid its assessment based on a true statement of the amount of its current payroll in respect of the Services and that the City is relieved of financial liability. Thereafter, throughout the period of Services being supplied, a new Clearance Certificate will be obtained from the WSIB by the Vendor and provided to the City every 90 days or upon expiry of the Certificate's validity period whichever comes first.

The Vendor shall ensure that any and all persons, including but not limited to volunteers, students, subcontractors and independent contractors, providing services under this agreement, have secured WSIB coverage, whether required statutorily or not, for the term of this agreement.

## **23. Accessibility Standards and Customer Service Training Requirements**

The Vendor must ensure that all deliverables conform to the requirements of the Accessibility for Ontarians with Disabilities Act, 2005.

The Vendor shall require all applicable personnel (including those of its subcontractors) to fulfill the training requirements set out in the City's policy on Accessible Customer Service Training Requirements for Contractors, Consultants and other Services Providers. For a copy of the City of Toronto requirement, visit the website at

<https://www.toronto.ca/business-economy/doing-business-with-the-city/understand-the-procurement-process/purchasing-policies-legislation/accessible-customer-service-training-requirements/>

## **24. City of Toronto – Invoice/Billing Requirements**

### **24.1 City of Toronto's Invoice and billing requirements**

To assist in prompt payment, it is essential that all required billing information is provided on the invoice submitted to the City of Toronto. If the billing information is missing from

an invoice it will result in a payment delay and the invoice may be returned to you without payment.

It is the Vendor's responsibility to submit correct invoices for payment of goods /services delivered to the City of Toronto Divisions. If an incorrect invoice is submitted, the vendor will be requested to issue a credit note and submit a new invoice. If the invoice in question offered an early payment discount, the re-issue date of the new invoice will be used to calculate the early payment discount terms.

### 1) Exceptions

The standard invoice billing requirement must be followed with the exception of vendor invoices related to an approved capital project subject to construction lien holdbacks only. Billing requirement direction will be provided by the contract custodian or city divisional designate.

### 2) Electronic Invoices

To support an electronic payable environment, the City of Toronto Corporate Accounts Payable unit will accept electronic vendor invoices submitted via email to [APinvoice@toronto.ca](mailto:APinvoice@toronto.ca) Electronic invoices submitted must be in a PDF format with with either single or multiple invoice(s) per attachment .

**Note: Do not send statements or past due invoices to this email address, only current invoices will be accepted. Do not send hard copy invoices to Corporate Accounts Payable if you have submitted an electronic invoice.** If you have any questions regarding this process, please contact AP Customer Service at 416-397-5235 and follow the prompts.

## 24.2 Billing Requirements

- (1) All original Vendor invoices **must be** addressed and be sent **DIRECTLY** to:

City of Toronto  
Accounting Services Division  
Corporate Accounts Payable  
55 John Street  
14th Floor, Metro Hall  
Toronto, ON  
M5V 3C6

- (2) Invoice/s submitted to the City of Toronto must have complete ship to information including:
- I. Name of City Division,
  - II. The City Division's contact name and phone number (the person ordering or picking up the goods and/or services),
  - III. Delivery location of goods and/or services (excluding pick-up order),

- IV. Purchasing document information on the invoice (blanket contract number, contract release order number (CRO) purchase order (PO) or Divisional Purchase Order (DPO), or Schedule "A" must be clearly indicated on the invoice. (\*This purchasing number should be provided by City staff at the time of order\*)
- V. Complete "Remit To" address is required on all submitted vendor invoices

**Invoices that do not contain the required billing information may be returned without payment to the vendor for correction.**

- (3) City purchases with the use of a credit card/PCard, are NOT to be sent to Corporate Accounts Payable. These invoices are considered paid.
- (4) Vendors are encouraged to provide packing slips and/or goods receipt confirmations directly to the ordering Division for goods/services delivered.
- (5) Vendors are to provide backup documentation directly to the ordering Division, not Corporate Accounts Payable.

### **24.3 Discount Terms**

The City will consider offers of early payment discount terms. If correct billing information has been indicated on the invoice, it is the City's policy to pay within vendor's discount terms from the receipt date of the invoice in the Corporate Accounts Payable unit – Metro Hall, 55 John Street, 14th Floor.

Early Payment terms should be clearly indicated on the invoice.

Note: Discount terms for early payment cannot be earlier than 15 days from the receipt date of the invoice by the City of Toronto, Corporate Accounts Payable unit.

### **24.4 Direct Deposit**

City of Toronto offers secure electronic deposit payments directly to your bank account through our "Direct Deposit" program. For more information and/or to enroll for this payment option, please email us at [FASPDD@toronto.ca](mailto:FASPDD@toronto.ca) or contact the Direct Deposit program line at 416-392-9736 and follow the prompts.

Effective January 1, 2014, all new contracts for existing or new vendors must be enrolled in the Direct Deposit program.

### **24.5 Agency and Corporation Payment Terms, Invoice and Billing Requirements**

Notwithstanding the City's general Invoice/Billing Requirements as specified in Part 4 – RFP Agreement Terms and Conditions Section 24.1 to 24.4 above, for the purpose of Services performed on behalf of Agencies and Corporations, specific payment terms and invoice and billing requirements will be determined in accordance with billing practices of the particular agency or corporation.



**25. Force Majeure**

Neither party shall be liable for damages caused by delay or failure to perform its obligations under this Agreement where such delay or failure is caused by an event beyond its reasonable control. The parties agree that an event shall not be considered beyond one's reasonable control if a reasonable business person applying due diligence in the same or similar circumstances under the same or similar obligations as those contained in this Agreement would have put in place contingency plans to either materially mitigate or negate the effects of such event. Without limiting the generality of the foregoing, the parties agree that force majeure events includes natural disasters and acts of war, insurrection and terrorism, epidemics, pandemics, quarantine or any law, by-law, order, regulation issued by any governmental authority (including the City), including an order issued under the Emergency Management and Civil Protection Act (a "Force Majeure Event"). If a party seeks to delay performance of its obligations under this Agreement due to a Force Majeure Event, that party shall immediately notify the other party of the delay or non-performance, the reason for such delay or non-performance and the anticipated period of delay or non-performance.

**26. COUNTERPART AND ELECTRONIC SIGNATURE**

This Agreement may be executed in counterpart and may be executed by electronic signature that is received by the City in a file format acceptable to the City. Such electronic signature shall be deemed to be an original signature for the purpose of this Agreement with the same legal effect as an original signature.



## TERMS AND CONDITIONS FOR ASSURANCE ENGAGEMENTS

1. These Terms and Conditions are an integral part of the accompanying engagement letter or proposal from KPMG that identifies the engagement to which they relate and forms part of the engagement letter (the "Engagement Letter"). The term "Entity" used herein has the meaning set out in the accompanying engagement letter or proposal. The term "Management" used herein means the management of Entity.

### 1. DOCUMENTS AND LICENSES.

a. All working papers, files and other internal materials created or produced by KPMG in relation to this engagement and all copyright and intellectual property rights therein are the property of KPMG.

b. Only in connection with the services herein, Entity hereby grants to KPMG a limited, revocable, non-exclusive, non-transferable, paid up and royalty-free license, without right of sublicense, to use all logos, trademarks and service marks of Entity solely for presentations or reports to Entity or for internal KPMG presentations and intranet sites. Further, Entity agrees that upon prior written consent of Entity, KPMG may request to list Entity as a customer in KPMG's internal and external marketing materials, including KPMG websites and social media, indicating the general services rendered (e.g., "Client is an Audit, Advisory, and/or Tax client of KPMG LLP").

### 2. ENTITY'S RESPONSIBILITIES.

a. Entity agrees that all management responsibilities will be performed and all management decisions will be made by Entity, and not by KPMG.

b. Entity's provision of documents and information to KPMG on a timely basis is an important factor in our ability to issue any reports under this Engagement Letter. KPMG is not responsible for any consequences arising from Entity's failure to deliver documents and information as required.

c. To the extent that KPMG personnel are on Entity's premises, Entity will take all reasonable precautions for their safety including compliance with applicable workplace safety and health and safety laws.

d. Entity understands and acknowledges that KPMG's independence may be impaired if any KPMG partner, employee or contractor accepts any offer of employment from Entity for the duration of the engagement.

e. KPMG acknowledges that the Engagement Letter and any materials or information provided to the Entity through the performance of its obligations may be subject to disclosure by Entity pursuant to the Municipal Freedom of Information Act, R.S.O. 1990, c. M 56 ("MFIPPA"). KPMG also acknowledges that the Engagement Letter may be made available publicly as part of Entity's reporting requirements.

f. Management agrees to promptly provide us with a copy of any comment letter or request for information issued by any regulatory authority in respect of information on which KPMG reported, including without limitation any continuous disclosure filings. KPMG agrees to cooperate with the Entity and/or regulatory authority with respect to such information requests where not prohibited from doing so by law or professional standards.

### 3. INTENTIONALLY DELETED

### 4. USE OF MEMBER FIRMS AND THIRD PARTY SERVICE PROVIDERS; STORAGE AND USE OF INFORMATION.

a. KPMG is a member firm of the KPMG International Cooperative ("KPMG International"). Entity acknowledges that in connection with the provision of services hereunder, KPMG may use the services of KPMG International member firms, as well as other third party service providers or subcontractors, and KPMG shall be entitled to share with them all documentation and information related to the engagement, including Entity's confidential information and personal information ("information"). KPMG may also: (i) directly, or using such aforementioned KPMG International member firms, third party service providers or subcontractors, perform data analytics in respect of the information; and (ii) retain and disclose to KPMG International member firms the information to share best practices or for knowledge sharing purposes. In all such cases, such information may be used, retained, processed, or stored outside of Canada by such KPMG International member firms, other third party service providers or subcontractors, and may be subject to disclosure in accordance with the laws applicable in the jurisdiction in which the information is used, retained, processed or stored, which laws may not provide the same level of protection for such information as will Canadian laws. KPMG represents

that such KPMG International member firms, other third party service providers or subcontractors have agreed or shall agree to conditions of confidentiality with respect to Entity's confidential information, and that KPMG is responsible to ensure their compliance with those conditions. Any services performed by KPMG International member firms or other third party service providers or subcontractors shall be performed in accordance with the terms of this Engagement Letter, but KPMG remains solely responsible to Entity for the delivery of the services hereunder. Entity agrees that any claims that may arise out of the engagement will be brought solely against KPMG, the contracting party, and not against any other KPMG International member firms or other third party service providers or subcontractors referred to above. For greater certainty, KPMG may use KPMG Affiliates and Member Firms for the provision of professional services, for professional standards compliance and quality and risk management purposes, and to provide administrative, analytical and clerical support. Client understands that each Member Firm is located outside of Canada and is a separate, distinct and independent legal entity and is not a partner, principal, agent or affiliate of KPMG and KPMG is not a partner, principal, agent or affiliate of any other Member Firm. KPMG may also use third party providers of administrative and/or clerical products or services to KPMG within and outside of Canada, including but not limited to external IT providers, which have no direct involvement in the delivery of the Services to Client.

KPMG will indemnify and hold harmless the Entity, including its Mayor, elected officials, directors, officers, employees, agencies, related corporations, affiliates and agents for any losses, charges, claims, demands, suits, proceedings, recoveries and judgements (including legal fees and costs) arising from KPMG International member firms or other third party service providers or subcontractors' performance or non-performance of its obligations under the Engagement Letter, including breach of the confidentiality obligations, negligence, willful misconduct and fraud

b. Certain information (including information relating to time, billing and conflicts) collected by KPMG during the course of the engagement may be used, retained, processed and stored outside of Canada by KPMG, KPMG International member firms or third party service providers or subcontractors providing support services, but such third party have no direct involvement in the delivery of the Services to Client to KPMG for administrative, technological and clerical/organizational purposes, including in respect of client engagement acceptance procedures and maintaining engagement profiles; and to comply with applicable law, regulation or professional standards (including for quality performance reviews). Such information may be subject to disclosure in accordance with the laws applicable in the jurisdiction in which the information is used, retained, processed or stored, which laws may not provide the same level of protection for such information as will Canadian laws. KPMG may also share information, excluding privileged information unless express consent from Entity is received and only as required on a need to know basis with its legal advisers and insurers for the purposes of obtaining advice.

c. Entity acknowledges that KPMG aggregates anonymous information from sources including the Entity for various purposes, including to monitor quality of service, and Entity consents to such use. KPMG may also use Entity's information to offer services that may be of interest to Entity.

### 5. PERSONAL INFORMATION CONSENTS AND NOTICES.

KPMG may be required to collect, use and disclose personal information about individuals during the course of the engagement. Any collection, use or disclosure of personal information is subject to KPMG's Privacy Policy available at [www.kpmg.ca](http://www.kpmg.ca). KPMG also acknowledges that collection, use and disclosure of personal information is subject to MFIPPA. Entity represents and warrants that (i) it will obtain any consents required to allow KPMG to collect, use and disclose personal information in the course of the engagement, and (ii) it has provided notice to those individuals whose personal information may be collected, used and disclosed by KPMG hereunder of the potential processing of such personal information outside of Canada (as described in Section 4 above). KPMG's Privacy Officer noted in KPMG's privacy policy is able to answer any individual's questions about the collection of personal information required for KPMG to deliver services hereunder.



**6. THIRD PARTY DEMANDS FOR DOCUMENTATION AND INFORMATION / LEGAL AND REGULATORY PROCESSES.**

- a. Entity on its own behalf hereby acknowledges and agrees to cause its subsidiaries and affiliates to acknowledge that KPMG may from time to time receive demands from a third party (each, a "third party demand"), including without limitation (i) from CPAB or from professional, securities or other regulatory, taxation, judicial or governmental authorities (both in Canada and abroad), to provide them with information and copies of documents in KPMG's files including (without limitation) working papers and other work-product relating to the affairs of Entity, its subsidiaries and affiliates, and (ii) summons for production of documents or information related to the services provided hereunder; which information and documents may contain confidential information of Entity, its subsidiaries or affiliates. Except where prohibited by law, KPMG, will advise Entity or its affiliate or subsidiary of the third party demand. Entity acknowledges, and agrees to cause its subsidiaries and affiliates to acknowledge, that KPMG will produce documents and provide information in response to the third party demand.
- b. KPMG will use efforts to a standard no less of a standard that KPMG would normally use in protecting its own confidential or privileged information, to withhold from production any documentation or information over which Entity asserts privilege. Entity must identify any such documentation or information at the time of its provision to KPMG by marking it as "privileged". Notwithstanding the foregoing, where disclosure of such privileged documents is required by law, KPMG will disclose such privileged documents and will promptly notify the Entity prior to disclosure of same. If such law requires the Entity's consent prior to releasing such privileged documents, Entity may withhold consent in its sole and absolute discretion.
- c. Entity agrees to reimburse KPMG for its professional time and any disbursements, including reasonable legal fees and taxes, in responding to third party demands except if it relates to such requests that would ordinarily occur in KPMG's business whether it was engaged by the Entity or not. For example, third party requests from CPAB or from professional, securities or other regulatory, taxation, judicial or governmental authorities (both in Canada and abroad).
- d. Intentionally Deleted.
- e. Entity agrees to notify KPMG as soon as practicably possible of any request received by Entity from any third party with respect to the services hereunder, KPMG's confidential information, KPMG's advice or report or any related document.

**7. CONNECTING TO THE ENTITY'S IT NETWORK; EMAIL AND ONLINE FILE SHARING AND STORAGE TOOLS.**

- a. Entity authorizes KPMG personnel to connect their computers to Entity's IT Network and the Internet via the Network while at the Entity's premises for the purpose of conducting normal business activities.
- b. Entity recognizes and accepts the risks associated with communicating electronically, and using online file sharing, storage, collaboration and other similar online tools to transmit information to or sharing information with KPMG, including (but without limitation) the lack of security, unreliability of delivery and possible loss of confidentiality and privilege.

**8. LIMITATION ON WARRANTIES.**

THIS IS A SERVICES ENGAGEMENT. KPMG WARRANTS THAT IT WILL PERFORM SERVICES HEREUNDER IN GOOD FAITH WITH QUALIFIED PERSONNEL IN A COMPETENT AND WORKMANLIKE MANNER IN ACCORDANCE WITH APPLICABLE INDUSTRY STANDARDS. SUBJECT TO SECTION 13, KPMG DISCLAIMS ALL OTHER WARRANTIES, REPRESENTATIONS OR CONDITIONS, EITHER EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, WARRANTIES, REPRESENTATIONS OR CONDITIONS OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

**9. INTENTIONALLY DELETED.**

**10. INTENTIONALLY DELETED.**

**11. ALTERNATIVE DISPUTE RESOLUTION.**

Any dispute or claim between the parties arising under or relating to this Engagement Letter or the services provided hereunder (the "Dispute") shall be submitted to non-binding mediation in Ontario. If mediation is not

successful within 90 days after the issuance by a party of a request for mediation, then the Dispute shall be referred to and finally resolved by arbitration under the Arbitration Rules of the ADR Institute of Canada in force at that time. The Seat of Arbitration shall be the province where KPMG's principal office performing the engagement is located. The language of the arbitration shall be English. The Arbitral Tribunal shall be made up of a single Arbitrator. The arbitration award shall be final, conclusive and binding upon the parties, and not subject to appeal.

**12. POTENTIAL CONFLICTS OF INTEREST.**

- a. KPMG is or may be engaged by entities and individuals who have potentially conflicting legal and business interests to Entity. Entity agrees that, without further notice or disclosure to Entity, KPMG may: (i) accept or continue such engagements on matters unrelated to KPMG's engagement for Entity provided that Entity is not in a perceived or actual conflict of interest; and (ii) provide advice or services to any other person or entity making a competing bid or proposal to that of Entity whether or not KPMG is providing advice or services to Entity in respect of Entity's competing bid or proposal.
- b. In accordance with professional standards, KPMG will not use any confidential information regarding Entity in connection with its engagements with other clients, and will establish confidentiality and other safeguards to manage conflicts, which may include, in KPMG's sole discretion, the use of separate engagement teams and data access controls.
- c. In no event shall KPMG be liable to Entity, or shall Entity be entitled to a return of fees or disbursements, or any other compensation whatsoever as a result of KPMG accepting or continuing a conflicting engagement in accordance with the terms of this Engagement Letter.
- d. Entity agrees that KPMG may, in its sole discretion, disclose the fact and nature of its engagement for Entity to (i) KPMG International member firms to inform conflict searches, and (ii) to the extent reasonably required in order to obtain the consent of another entity or individual in order to permit KPMG to act for such entity or individual, or for Entity, in connection with the engagement or any future engagement.
- e. In the event that circumstances arise that place KPMG into a perceived or actual conflict of interest as between Entity and a pre-existing client or new client, KPMG must disclose the perceived or actual conflict of interest to the City immediately and the parties will attempt to resolve or manage such perceived or actual conflict of interest through the use of confidentiality and other safeguards that may be required or prescribed by the City, acting reasonably. In the event that KPMG cannot adequately address such perceived or actual conflict of interest to the City's reasonable satisfaction, either party shall be entitled to immediately terminate the engagement with Entity, without liability to the other party.
- f. Other KPMG International member firms are or may be engaged by entities and individuals who have potentially conflicting legal and business interests to Entity. Entity agrees that (i) it will not assert that other KPMG International member firms are precluded from being engaged by those other entities or individuals, and (ii) those engagements of other KPMG International member firms do not conflict with KPMG's engagement for Entity.

**13. LOBBYING.**

KPMG will shall not undertake any lobbying activity, as that term is defined in all applicable federal, provincial and municipal lobbyist registration statutes and regulations, in connection with the engagement.

**14. SEVERABILITY.**

The provisions of these Terms and Conditions and the accompanying proposal or engagement letter shall only apply to the extent that they are not prohibited by a mandatory provision of applicable law, regulation or professional standards. If any of the provisions of these Terms and Conditions or the accompanying proposal or engagement letter are determined to be invalid, void or unenforceable, the remaining provisions of these Terms and Conditions or the accompanying proposal or engagement letter, as the case may be, shall not be affected, impaired or invalidated, and each such provision shall remain valid and in effect and be enforceable and binding on the parties to the fullest extent permitted by law.



**15. GOVERNING LAW.**

This Engagement Letter shall be subject to and governed by the laws of Ontario and as applicable, federal laws.

**16. LLP STATUS.**

KPMG is a registered limited liability partnership ("LLP") established under the laws of the Province of Ontario and, where applicable, has been registered extra-provincially under provincial LLP legislation.

**17. INDEPENDENT LEGAL ADVICE.**

Entity agrees that it been advised to retain independent legal advice at its own expense prior to signing this Engagement Letter (including without limitation with respect to Entity's rights in connection with potential future conflicts) and agrees that any failure on its part to retain such independent legal counsel shall not affect (and it shall not assert that the same affects) the validity of the provisions of this Engagement Letter.

**18. SURVIVAL.**

All sections hereof other than Section 7(a) shall survive the expiration or termination of the engagement.



# Appendix B: Other required communications



## 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 quality inspections conducted over the past year:

- [CPAB Audit Quality Insights Report: 2021 Annual Inspections Results](#)
- [CPAB Audit Quality Insights Report: 2020 Annual Audit Quality Assessments](#)



## Required inquiries

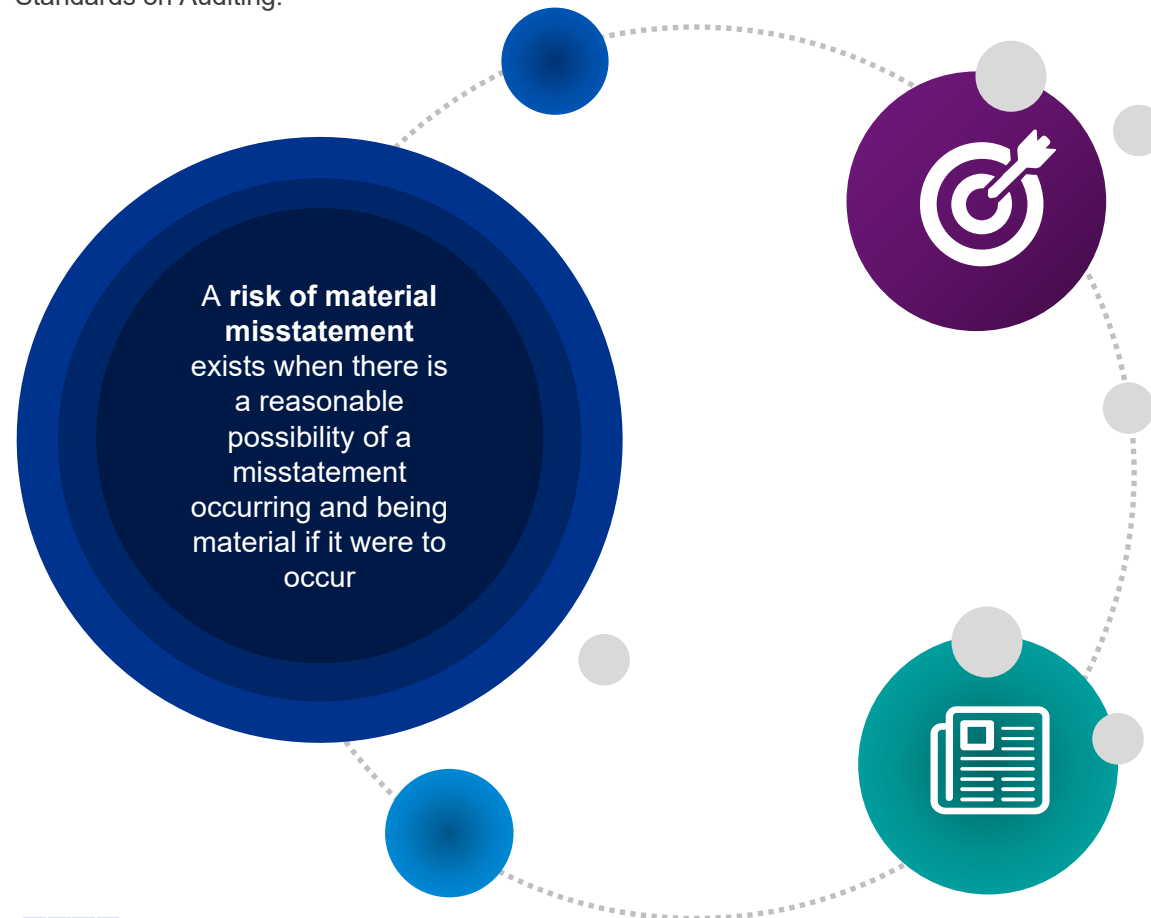
Professional standards require that during the planning of our audit, we obtain your views on the identification and assessment of risks of material misstatement, whether due to fraud or error, your oversight over such risk assessment, identification of suspected, alleged or actual fraudulent behaviour, and any significant unusual transactions during the period. Please refer to the following inquiries:

- What are your views about fraud risk at the entity?
- How do those charged with governance exercise effective oversight of management's processes for identifying and responding to the risk of fraud in the Entity and internal controls management has established to mitigate these fraud risks?
- Are you aware of, or have you identified any, instances of actual, suspected, or alleged fraud, including misconduct or unethical behaviour related to financial reporting or misappropriation of assets? If so, have the instances been appropriately addressed and how have they been addressed?
- Is the entity in compliance with laws and regulations?
- Has the entity entered into any significant unusual transactions?



# Appendix C: Newly effective auditing standards

**CAS 315 (Revised) Identifying and Assessing the Risks of Material Misstatement** has been revised, reorganized and modernized in response to challenges and issues with the previous standard. It aims to promote consistency in application, improve scalability, reduce complexity, support a more robust risk assessment and incorporate enhanced guidance material to respond to the evolving environment, including in relation to information technology. Conforming and consequential amendments have been made to other International Standards on Auditing.



Affects both preparers of financial statements and auditors

Applies to audits of financial statements for periods beginning on or after 15 December 2021

See here for more information from CPA Canada 

**We design and perform risk assessment procedures to obtain an understanding of the:**

- entity and its environment;
- applicable financial reporting framework; and
- entity's system of internal control.

**The audit evidence obtained from this understanding provides a basis for:**

- identifying and assessing the risks of material misstatement, whether due to fraud or error; and
- the design of audit procedures that are responsive to the assessed risks of material misstatement.



# Appendix C: Newly effective auditing standards

## Key change

### Overall, a more robust risk identification and assessment process, including:

- New requirement to take into account how, and the degree to which, 'inherent risk factors' affect the susceptibility of relevant assertions to misstatement
- New concept of significant classes of transactions, account balances and disclosures and relevant assertions to help us to identify and assess the risks of material misstatement
- New requirement to separately assess inherent risk and control risk for each risk of material misstatement
- Revised definition of significant risk for those risks which are close to the upper end of the spectrum of inherent risk

## Impact on the audit team

When assessing inherent risk for identified risks of material misstatement, we consider the degree to which inherent risk factors (such as complexity, subjectivity, uncertainty, change, susceptibility to management bias) affect the susceptibility of assertions to misstatement.

We use the concept of the spectrum of inherent risk to assist us in making a judgement, based on the likelihood and magnitude of a possible misstatement, on a range from higher to lower, when assessing risks of material misstatement

The changes may affect our assessments of the risks of material misstatement and the design of our planned audit procedures to respond to identified risks of material misstatement.

If we do not plan to test the operating effectiveness of controls, the risk of material misstatement is the same as the assessment of inherent risk.

## Impact on management

If the effect of this consideration is that our assessment of the risks of material misstatement is higher, then our audit approach may increase the number of controls tested and/or the extent of that testing, and/or our substantive procedures will be designed to be responsive to the higher risk.

We may perform different audit procedures and request different information compared to previous audits, as part of a more focused response to the effects identified inherent risk factors have on the assessed risks of material misstatement.



# Appendix C: Newly effective auditing standards

Key change	Impact on the audit team	Impact on management
<p><b>Overall, a more robust risk identification and assessment process, including evaluating whether the audit evidence obtained from risk assessment procedures provides an appropriate basis to identify and assess the risks of material misstatement</b></p>	<p>When making this evaluation, we consider all audit evidence obtained, whether corroborative or contradictory to management assertions. If we conclude the audit evidence obtained does not provide an appropriate basis, then we perform additional risk assessment procedures until audit evidence has been obtained to provide such a basis.</p>	<p>In certain circumstances, we may perform additional risk assessment procedures, which may include further inquiries of management, analytical procedures, inspection and/or observation.</p>
<p><b>Overall, a more robust risk identification and assessment process, including performing a 'stand back' at the end of the risk assessment process</b></p>	<p>We evaluate whether our determination that certain material classes of transactions, account balances or disclosures have no identified risks of material misstatement remains appropriate.</p>	<p>In certain circumstances, this evaluation may result in the identification of additional risks of material misstatement, which will require us to perform additional audit work to respond to these risks.</p>





# Appendix C: Newly effective auditing standards

## Key change

### Modernized to recognize the evolving environment, including in relation to IT

New requirement to understand the extent to which the business model integrates the use of IT.

When obtaining an understanding of the IT environment, including IT applications and supporting IT infrastructure, it has been clarified that we also understand the IT processes and personnel involved in those processes relevant to the audit.

Based on the identified controls we plan to evaluate, we are required to identify the:

- IT applications and other aspects of the IT environment relevant to those controls
- related risks arising from the use of IT and the entity's general IT controls that address them.

Examples of risks that may arise from the use of IT include unauthorized access or program changes, inappropriate data changes, risks from the use of external or internal service providers for certain aspects of the entity's IT environment or cybersecurity risks.

### Enhanced requirements relating to exercising professional skepticism

New requirement to design and perform risk assessment procedures in a manner that is not biased toward obtaining audit evidence that may be corroborative or toward excluding audit evidence that may be contradictory. Strengthened documentation requirements to demonstrate the exercise of professional scepticism.

## Impact on the audit team

## Impact on management

We will expand our risk assessment procedures and are likely to engage more extensively with your IT and other relevant personnel when obtaining an understanding of the entity's use of IT, the IT environment and potential risks arising from IT. This might require increased involvement of IT audit professionals.

Changes in the entity's use of IT and/or the IT environment may require increased audit effort to understand those changes and affect our assessment of the risks of material misstatement and audit response.

Risks arising from the use of IT and our evaluation of general IT controls may affect our control risk assessments, and decisions about whether we test the operating effectiveness of controls for the purpose of placing reliance on them or obtain more audit evidence from substantive procedures. They may also affect our strategy for testing information that is produced by, or involves, the entity's IT applications.

We may make changes to the nature, timing and extent of our risk assessment procedures, such as our inquires of management, the activities we observe or the accounting records we inspect.



# Appendix C: Newly effective auditing standards

## Key change

**Clarification of which controls need to be identified for the purpose of evaluating the design and implementation of a control**

## Impact on the audit team

We will evaluate the design and implementation of controls that address risks of material misstatement at the assertion level as follows:

- Controls that address a significant risk.
- Controls over journal entries, including non-standard journal entries.
- Other controls we consider appropriate to evaluate to enable us to identify and assess risks of material misstatement and design our audit procedures

## Impact on management

We may identify new or different controls that we plan to evaluate the design and implementation of, and possibly test the operating effectiveness to determine if we can place reliance on them.

We may also identify risks arising from IT relating to the controls we plan to evaluate, which may result in the identification of general IT controls that we also need to evaluate and possibly test whether they are operating effectively. This may require increased involvement of IT audit specialists.



# Appendix D: Changes in accounting standards

Standard	Summary and implications
<b>Asset retirement obligations</b>	<ul style="list-style-type: none"> <li>The new standard PS 3280 <i>Asset retirement obligations</i> is effective for fiscal years beginning on or after April 1, 2022 (<i>TTC's December 31, 2023 year-end</i>).</li> <li>The new standard addresses the recognition, measurement, presentation and disclosure of legal obligations associated with retirement of tangible capital assets. Retirement costs will be recognized as an integral cost of owning and operating tangible capital assets.</li> <li>The asset retirement obligations ("ARO") standard will require the public sector entity to record a liability related to future costs of any legal obligations to be incurred upon retirement of any controlled tangible capital assets ("TCA"). The amount of the initial liability will be added to the historical cost of the asset and amortized over its useful life if the asset is in productive use.</li> <li>As a result of the new standard, the public sector entity will:               <ul style="list-style-type: none"> <li>Consider how the additional liability will impact net debt, as a new liability will be recognized with no corresponding increase in a financial asset;</li> <li>Carefully review legal agreements, senior government directives and legislation in relation to all controlled TCA to determine if any legal obligations exist with respect to asset retirements;</li> <li>Begin considering the potential effects on the organization as soon as possible to coordinate with resources outside the finance department to identify ARO and obtain information to estimate the value of potential ARO to avoid unexpected issues.</li> </ul> </li> </ul>
<b>Revenue</b>	<ul style="list-style-type: none"> <li>The new standard PS 3400 <i>Revenue</i> is effective for fiscal years beginning on or after April 1, 2023 (<i>TTC's December 31, 2024 year-end</i>).</li> <li>The new standard establishes a single framework to categorize revenue to enhance the consistency of revenue recognition and its measurement.</li> <li>The standard notes that in the case of revenue arising from an exchange transaction, a public sector entity must ensure the recognition of revenue aligns with the satisfaction of related performance obligations.</li> <li>The standard notes that unilateral revenue arises when no performance obligations are present, and recognition occurs when there is authority to record the revenue and an event has happened that gives the public sector entity the right to the revenue.</li> </ul>



# Appendix D: Changes in accounting standards (continued)

Standard	Summary and implications
<b>Purchased Intangibles</b>	<ul style="list-style-type: none"> <li>The new Public Sector Guideline 8 <i>Purchased intangibles</i> is effective for fiscal years beginning on or after April 1, 2023 with earlier adoption permitted (<i>TTC's December 31, 2024 year-end</i>).</li> <li>The guideline allows public sector entities to recognize intangibles purchased through an exchange transaction. The definition of an asset, the general recognition criteria and GAAP hierarchy are used to account for purchased intangibles.</li> <li>Narrow scope amendments were made to PS 1000 <i>Financial statement concepts</i> to remove the prohibition to recognize purchased intangibles and to PS 1201 <i>Financial statement presentation</i> to remove the requirement to disclose purchased intangibles not recognized.</li> <li>The guideline can be applied retroactively or prospectively.</li> </ul>
<b>Public Private Partnerships</b>	<ul style="list-style-type: none"> <li>The new standard PS 3160 <i>Public private partnerships</i> is effective for fiscal years beginning on or after April 1, 2023 (<i>TTC's December 31, 2024 year-end</i>).</li> <li>The standard includes new requirements for the recognition, measurement and classification of infrastructure procured through a public private partnership.</li> <li>The standard notes that recognition of infrastructure by the public sector entity would occur when it controls the purpose and use of the infrastructure, when it controls access and the price, if any, charged for use, and it controls any significant interest accumulated in the infrastructure when the public private partnership ends.</li> <li>The public sector entity recognizes a liability when it needs to pay cash or non-cash consideration to the private sector partner for the infrastructure.</li> <li>The infrastructure would be valued at cost, which represents fair value at the date of recognition with a liability of the same amount if one exists. Cost would be measured in reference to the public private partnership process and agreement, or by discounting the expected cash flows by a discount rate that reflects the time value of money and risks specific to the project.</li> <li>The standard can be applied retroactively or prospectively.</li> </ul>



# Appendix D: Changes in accounting standards (continued)

Standard	Summary and implications
<b>Concepts Underlying Financial Performance</b>	<ul style="list-style-type: none"> <li>The revised conceptual framework is effective for fiscal years beginning on or after April 1, 2026 with earlier adoption permitted.</li> <li>The framework provides the core concepts and objectives underlying Canadian public sector accounting standards.</li> <li>The ten chapter conceptual framework defines and elaborates on the characteristics of public sector entities and their financial reporting objectives. Additional information is provided about financial statement objectives, qualitative characteristics and elements. General recognition and measurement criteria, and presentation concepts are introduced.</li> </ul>
<b>Financial Statement Presentation</b>	<ul style="list-style-type: none"> <li>The proposed section PS 1202 <i>Financial statement presentation</i> will replace the current section PS 1201 <i>Financial statement presentation</i>. PS 1202 <i>Financial statement presentation</i> will apply to fiscal years beginning on or after April 1, 2026 to coincide with the adoption of the revised conceptual framework. Early adoption will be permitted.</li> <li>The proposed section includes the following: <ul style="list-style-type: none"> <li>Relocation of the net debt indicator to its own statement called the statement of net financial assets/liabilities, with the calculation of net debt refined to ensure its original meaning is retained.</li> <li>Separating liabilities into financial liabilities and non-financial liabilities.</li> <li>Restructuring the statement of financial position to present total assets followed by total liabilities.</li> <li>Changes to common terminology used in the financial statements, including re-naming accumulated surplus (deficit) to net assets (liabilities).</li> <li>Removal of the statement of remeasurement gains (losses) with the information instead included on a new statement called the statement of changes in net assets (liabilities). This new statement would present the changes in each component of net assets (liabilities), including a new component called “accumulated other”.</li> <li>A new provision whereby an entity can use an amended budget in certain circumstances.</li> <li>Inclusion of disclosures related to risks and uncertainties that could affect the entity’s financial position.</li> </ul> </li> <li>The Public Sector Accounting Board is currently deliberating on feedback received on exposure drafts related to the reporting model.</li> </ul>



# Appendix D: Changes in accounting standards (continued)

Standard	Summary and implications
<b>Employee benefits</b>	<ul style="list-style-type: none"> <li>• The Public Sector Accounting Board has initiated a review of sections PS 3250 <i>Retirement benefits</i> and PS 3255 <i>Post-employment benefits, compensated absences and termination benefits</i>.</li> <li>• The intention is to use principles from International Public Sector Accounting Standard 39 <i>Employee benefits</i> as a starting point to develop the Canadian standard.</li> <li>• Given the complexity of issues involved and potential implications of any changes that may arise from the review of the existing guidance, the new standards will be implemented in a multi-release strategy. The first standard will provide foundational guidance. Subsequent standards will provide additional guidance on current and emerging issues.</li> <li>• The proposed section PS 3251 <i>Employee benefits</i> will replace the current sections PS 3250 <i>Retirement benefits</i> and PS 3255 <i>Post-employment benefits, compensated absences and termination benefits</i>. It will apply to fiscal years beginning on or after April 1, 2026. Early adoption will be permitted and guidance applied retroactively.</li> <li>• This proposed section would result in public sector entities recognizing the impact of revaluations of the net defined benefit liability (asset) immediately on the statement of financial position. Organizations would also assess the funding status of their post-employment benefit plans to determine the appropriate rate for discounting post-employment benefit obligations.</li> <li>• The Public Sector Accounting Board is in the process of evaluating comments received from stakeholders on the exposure draft.</li> </ul>



# Appendix D: Thought leadership and insights

## Thought leadership – Public sector

### Voices on 2030: Digitalizing Government

What will the world look like in 2030? How will citizen and customer expectations evolve? And what can public sector organizations be doing today to help ensure they can meet these expectations? We spoke with leaders and disruptors from around the world, across the public and private sector to explore answers to these questions.

[Click here](#) to access KPMG's portal.

### Why Audit Committees Should Know About Asset Retirement Obligations

Many public sector entities are currently working through the various aspects of the implementation of the Asset Retirement Obligation standard. In this publication we have provided some key insights to make this complex topic easy to understand by senior level management and those charged with governance at these organizations.

[Click here](#) to access KPMG's portal.

### Perspectives on PS 3280 Asset Retirement Obligations

This guide provides KPMG's perspective on key implementation issues and technical interpretations of the guidance in PS 3280.

Contact your KPMG team for your copy of the guide.



# Appendix D: Implications of PS 3280 Asset Retirement Obligations

PS 3280 Asset Retirement Obligations (“PS 3280”) is a new accounting standard effective for the fiscal years beginning on or after April 1, 2022. This standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets by public sector entities. This significant new accounting standard has implications that have the potential to go beyond financial reporting.

## Financial reporting implications

A liability for asset retirement costs will be recorded with a corresponding increase in the cost of tangible capital assets in productive use, resulting in a decrease (increase) to the net financial assets (net debt) reported in the Statement of Financial Position.

Asset retirement obligations associated with tangible capital assets that are not recognized or no longer in productive use are expensed.

Additional non-cash expenses for the amortization of tangible capital assets and accretion will be recognized annually.

The total cost of legally required retirement activities will be recognized earlier in a tangible capital asset’s life. There is no change to the total cost recorded over an asset’s life.

A rigorous process needs to be established to support updates to the ARO measurement on an annual basis post-initial implementation.

## Asset management implications

The asset retirement date used to determine the asset retirement liability needs to be consistent with the useful life of the related tangible capital asset. As a result, public sector entities need to assess whether the useful lives of tangible capital assets continue to be accurate and consistent with asset management plans.

Many public sector entities are using the implementation of PS 3280 as an opportunity to develop or refine their asset management plans.

## Funding implications

PS 3280 does not provide guidance on how the asset retirement liability should be funded. Many public sector entities currently fund retirement costs as they are incurred at the end of the asset’s life. Public sector entities will need to assess whether this practice remains appropriate or if funding will be obtained over the life of the asset.

## Budget implications

In addition to budgeting for costs associated with the initial implementation of PS 3280, public sector entities will need to consider if the non-cash accretion expense and additional amortization expense will be included in the annual budget.

Public sector entities operating under balanced budget legislation or similar guidelines will need to obtain guidance from the provincial government to determine the impact of PS 3280 on current requirements.

## Capital planning implications

PS 3280 requires legal obligations associated with the retirement of tangible capital assets to be recorded when the assets are acquired, constructed or developed. As a result, the cost of legally required retirement activities will need to be considered at the inception of a capital project to determine the financial viability and impact of the project.





# Appendix E: Audit and assurance insights

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

## KPMG Audit & Assurance Insights

Curated research and insights for Audit Committees and boards.

## Board Leadership Centre

Leading insights to help board members maximize boardroom opportunities.

## Current Developments

Series of quarterly publications for Canadian businesses including Spotlight on IFRS, Canadian Securities & Auditing Matters and US Outlook reports.

## Audit Committee Guide – Canadian Edition

A practical guide providing insight into current challenges and leading practices shaping Audit Committee effectiveness in Canada

## KPMG Learning Academy

Technical accounting and finance courses designed to arm you with leading-edge skills needed in today's disruptive environment.

## IFRS Breaking News

A monthly Canadian newsletter that provides the latest insights on international financial reporting standards and IASB activities.

## 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.

## Momentum

A quarterly newsletter providing curated insights for management, boards and Audit Committees.

## Uncertain Times Financial Reporting Resource Centre

Uncertain times resource center provides insights to support clients facing challenges relating to COVID-19, natural disasters and geopolitical events.

## Environmental, social and governance (ESG)

Building a sustainable, resilient and purpose-led organization

## Other Insights





[kpmg.ca](https://www.kpmg.ca)

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