

KPMG LLP Audit Findings – 2021

Date: June 23, 2022

To: TTC Insurance Company Limited Audit Committee

From: Treasurer

Summary

Each year, the Audit Committee receives the attached report from TTC Insurance Company Limited's external auditor, expressing their opinion on the financial statement for the company. No issues of concern have been identified.

Financial Summary

This report has no financial impact.

Equity/Accessibility Matters

There are no accessibility or equity issues associated with this report.

Decision History

On June 16, 2021, the Audit Committee appointed KPMG LLP to perform the 2021 financial year-end audit of TTCICL.

Issue Background

In accordance with Section 102 of the Insurance Act (Ontario), a statement of the condition of affairs of the Company shall be accompanied by a report of an auditor prepared in the manner required by the Superintendent.

Comments

KPMG LLP has audited TTC Insurance Company Limited's financial statements for the year ended December 31, 2021. The independent auditor's report is a statutory reporting requirement and forms part of the annual submission to the Financial Services Regulatory Authority of Ontario.

Contact

Alex Cassar, Treasurer, TTC Insurance Company Limited
416-393-3647
Alex.Cassar@ttc.ca

Signature

Alex Cassar, Treasurer, TTC Insurance Company Limited

Attachments

Attachment 1 - KPMG LLP, Independent Auditor's Report

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KPMG contacts

The contacts at KPMG in connection with this report are:

Kevin Travers

Lead Audit Engagement Partner

Tel: 416-228-7004

ktravers@kpmg.ca

Reagen Travers

Audit Senior Manager

Tel: 416-549-7963

rtravers@kpmg.ca

Our refreshed Values

What we believe



We do what is right.



We never stop learning and improving.



We think and act boldly.



We respect each other and draw strength from our differences.



We do what matters.

Audit highlights

Purpose of this report¹

The purpose of this Audit Findings Report is to assist you, as a member of the Board of Directors, in your review of the results of our audit of the financial statements of Toronto Transit Commission Insurance Company as at and for the period ended December 31, 2021. This Audit Findings Report builds on the Audit Plan previously circulated.

Status of the audit

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

- Completing our discussions with management
- Obtaining evidence of the Board of Director's approval of the financial statements
- Receipt of signed management representation letter

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

Our auditors' report, a draft of which is provided in Appendix 2, will be dated upon the completion of any remaining procedures.

Significant changes from the audit plan

There have been no significant changes regarding our audit from the Audit Planning Report previously circulated.

Uncorrected audit misstatements

We did not identify differences that remain uncorrected. See page 9.

Control deficiencies

We did not identify any control deficiencies that we determined to be significant deficiencies in internal control over financial reporting.

Significant accounting policies and practices

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

Independence

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada.

¹ This report to the audit committee is intended solely for the information and use of Management, 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 has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

How do we deliver audit quality?



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

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

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

We define '**audit quality**' as being the outcome when:

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



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

Doing the right thing. Always.

Audit risks and results

We highlight our significant findings in respect of **significant financial reporting risks** as identified in our discussion with you in the Audit Plan, as well as any additional significant risks identified.

| Significant financial reporting risk | New or changed? | Estimate? | Key audit matter? |
|--|-----------------|-----------|-------------------|
| Risk of material misstatement due to fraud resulting from management override of controls | No | No | No |

Our response

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.

Our procedures included:

- Testing of journal entries and other adjustments and evaluating the business rationale of significant unusual transactions.

Significant findings

- No issue noted.

Audit risks and results

We highlight our significant findings in respect of **other areas of focus** as identified in our discussion with you in the Audit Plan, as well as any additional areas of focus identified.

| Area of focus | New or changed? | Estimate? | Key audit matter? |
|---------------------------|-----------------|-----------|-------------------|
| Unsettled accident claims | No | Yes | No |

Our response

Unsettled accident claims represent a liability computed by management's actuarial expert, based on an actuarial assessment of the claims liability on the basis mandated by the Financial Services Regulatory Authority of Ontario. As the unsettled accident claims is a significant and complex estimate, KPMG actuarial specialists were involved in completing the audit procedures.

Our procedures included:

- Review of the actuarial report prepared by management actuarial expert for determining unsettled accident claims.
- Assess the competence, capability and objectivity of the actuary and evaluate adequacy of their work.
- Review the methodology and underlying assumptions used to formulate management's estimate.
- Perform testing of underlying data contained in valuation to source data.
- Perform testing over claims reserve set-up process and claim payment process.

Significant findings

- No significant differences were identified during our audit testing.
- We found management's estimate to be reasonable overall in the context of our materiality.

Audit risks and results

We highlight our significant findings in respect of **other areas of focus** as identified in our discussion with you in the Audit Plan, as well as any additional areas of focus identified.

| Area of focus | New or changed? | Estimate? | Key audit matter? |
|---|-----------------|-----------|-------------------|
| Related party transactions and balances | No | No | No |

Our response

Our procedures included:

- Review underlying agreements and supporting documentation to substantiate the indemnity receivable from the TTC.
- Obtain confirmation from the TTC for the indemnity receivable balance outstanding as at year-end.
- Obtain confirmation from the TCTI for the advance from related party outstanding as at year-end.
- Obtain an understanding of the related party transactions during the year, and review the adequacy of disclosures for related party transactions and balances.

Significant findings

- No issues noted.

Uncorrected and corrected audit misstatements

Differences and adjustments include disclosure and presentation differences and adjustments.

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

Uncorrected audit misstatements

We did not identify misstatements that remain uncorrected.

Corrected audit misstatements

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

Appendices

Content

Appendix 1: Other Required Communications

Appendix 2: Draft Auditors' Report

Appendix 3: Management Representation Letter

Appendix 4: Upcoming Changes to Auditing Standards

Appendix 5: Audit and Assurance Insights



Appendix 1: Other Required Communications

| Report | Engagement terms |
|--|---|
| Audit Findings Report – as attached. | A copy of the engagement letter has been provided to the Board and Audit and Risk Management Committee. |
| Audit planning report | Representations of management |
| We have provided our audit planning report to the Board and Audit and Risk Management Committee. | A copy of the management representation letter is attached |

Appendix 2: Draft Auditors' Report

Appendix 3: Management Representation Letter

Appendix 4: Upcoming Changes to Auditing Standards

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

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

Appendix 5: Audit and assurance insights

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

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



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

