

## KPMG LLP Audit Findings – 2022

**Date:** June 12, 2023

**To:** TTC Insurance Company Limited Audit Committee

**From:** Treasurer, TTC Insurance Company Limited

### Summary

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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

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This report has no financial impact.

### Equity/Accessibility Matters

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

### Decision History

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On June 23, 2022, the Audit Committee appointed KPMG LLP to perform the 2022 financial year-end audit of TTCICL.

### Issue Background

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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

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KPMG LLP has audited TTC Insurance Company Limited's financial statements for the year ended December 31, 2022. 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**

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

## **Signature**

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Alex Cassar  
Treasurer, TTC Insurance Company Limited

## **Attachments**

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Attachment 1 - KPMG LLP, Independent Auditor's Report



# TTC Insurance Company Limited

**Audit Findings Report  
for the year ended  
December 31, 2022**

*KPMG LLP*

Licensed Public Accountants  
February, 2023

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



# KPMG contacts

## Key contacts in connection with this engagement



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## Digital use information

This Audit Findings 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 slide.



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

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11	<b>Control deficiencies</b>	12	<b>Audit quality</b>	13	<b>Appendices</b>		

The purpose of this report is to assist you, as a member of the Audit Committee, in your review of the results of our audit of the financial statements of the TTC Insurance Company Limited as at and for the period ended December 31, 2022. This report builds on the Audit Plan we presented to the Audit Committee. This report is intended solely for the information and use of Management, the Audit 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 has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.



# Audit highlights

## Status of the audit

We have completed the audit of the financial statements (“financial statements”), with the exception of certain remaining outstanding procedures, which are highlighted on **page 5** of this report.



## Uncorrected audit misstatements

No matters to report.

## Significant unusual transactions

No matters to report.

## Significant changes to our audit plan

There were no significant changes to our audit plan which was originally communicated to you in the audit planning report.



## Corrected audit misstatements

No matters to report.

## Control deficiencies

We did not identify any control deficiencies that we determined to be significant deficiencies in internal control over financial reporting. See **page 10** for certain required communications regarding control deficiencies



## Accounting policies and practices

No matters to report

## Audit risks and results – significant risks

Please see **pages 6 - 9**



## Audit risks and results – going concern assessment

No matters to report.

## Other financial reporting matters

No matters to report



# Status of the audit

As of February 17, 2023, 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 the 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 auditor's report, a draft of which is provided in **Appendix 1: Draft Auditor's Report**, will be dated upon the completion of any remaining procedures.

## KPMG Clara for Clients (KCfc)



### Real-time collaboration and transparency

We leveraged KCfc to facilitate real-time collaboration with your team and provide visual insights into the status of the audit!

On your audit we used KCfc to coordinate 52 requests from TTC's employees.

[Learn more](#)



# 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 risk	Estimate?	Key audit matter?
Risk of material misstatement due to fraud resulting from management override of controls	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 issues noted.





# 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 risk	Estimate?		Key audit matter?
Unsettled accident claims	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 issues noted.



# 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 risk	Estimate?	Key audit matter?
City of Toronto vehicle coverage	No	No

## Our response

On June 1, 2021, the TTCICL's license was amended to allow the Company to provide insurance coverage to the City of Toronto for claims arising after January 1, 2022.

- We reviewed the Insurance Act License issued by FSRA, dated June 1, 2021, indicating that the TTCICL is the automobile insurer of the City of Toronto.
- We reviewed the approval letter from FSRA indicating the filing is effective January 1, 2022. We also reviewed the Order-in-Council letter acknowledging the TTCICL as the automobile insurer of the City of Toronto.
- Obtain confirmation from the City of Toronto for the indemnity receivable balance outstanding as at year-end.
- We noted that City of Toronto liabilities were included accident claims valuation discussed in the unsettled accident claims section above.

## Significant Findings

- No issues noted.

# 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 risk	Estimate?	Key audit matter?
Related party transactions and balances	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 and City of Toronto 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 audit misstatements

Uncorrected audit misstatements include financial presentation and disclosure omissions.

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.



# Control deficiencies

## Consideration of internal control over financial reporting (ICFR)

In planning and performing our audit, we considered ICFR relevant to the Entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on ICFR.

Our understanding of internal control over financial reporting was for the limited purpose described above and was not designed to identify all control deficiencies that might be significant deficiencies. The matters being reported are limited to those deficiencies that we have identified during the audit that we have concluded are of sufficient importance to merit being reported to those charged with governance.

Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing, and extent of audit procedures performed, as well as other factors. Had we performed more extensive procedures on internal control over financial reporting, we might have identified more significant deficiencies to be reported or concluded that some of the reported significant deficiencies need not, in fact, have been reported.



## A deficiency in internal control over financial reporting

A deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed, or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.



## Significant deficiencies in internal control over financial reporting

A significant deficiency in internal control over financial reporting is a deficiency, or combination of deficiencies, in internal control that, in the auditor's professional judgment, is of sufficient importance to merit the attention of those charged with governance.





# 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 contributes to its delivery.

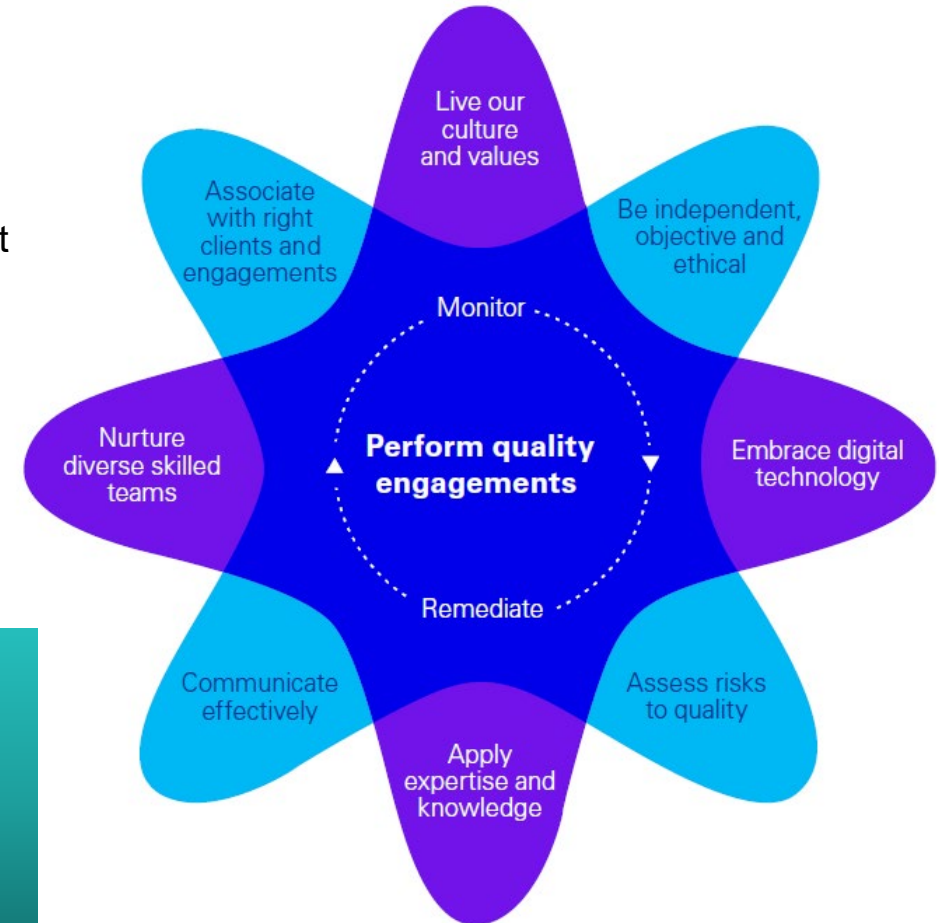
**Perform quality engagement** sits at the core along with our commitment to continually monitor and remediate to fulfil on our quality drivers.

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.

 [KPMG 2022 Audit Quality and Transparency Report](#)

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**.



# Appendices

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Management representation letter

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Audit and assurance insights

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Technology in Audit

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Technology - CLARA





# Appendix 1: Draft auditor's report



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholder of TTC Insurance Company Limited

### ***Opinion***

We have audited the financial statements of TTC Insurance Company Limited (the Entity), which comprise:

- the statement of financial position as at December 31, 2022
- the statement of operations and accumulated surplus for the year then ended
- the statement of cash flows for the year then ended
- and notes to the 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 financial position of the Entity as at December 31, 2022, and its results of operations and accumulated surplus and its cash flows for the year 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 "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's 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 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.

### ***Auditor's 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 auditor's 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 auditor's 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 auditor's 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.

***DRAFT***

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

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# Appendix 2: Other required communications



## Audit Planning Report and Engagement Terms

A copy of the engagement letter has been provided to the Board and Audit and Risk Management Committee.

As well, we have provided our audit planning report to the Board and Audit and Risk Management Committee.



## 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: 2022 Interim Inspections Results](#)
- The 2022 Annual Inspection Results will be available in March 2023



# Appendix 3: Management representation letter



# Appendix 4: 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.

## Accelerate 2023

The key issues driving the audit committee agenda in 2023.

## Momentum

A quarterly newsletter with the latest thought-leadership from KPMG's subject matter leaders across Canada and valuable audit resources for clients.

## 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.

## IFRS Breaking News

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



# Appendix 5: Technology - Continuous improvement powered by transformation

## Our investment: \$5B

We are in the midst of a five-year investment to develop our people, digital capabilities, and advanced technology.

## Responsive delivery model

Tailored to you to drive impactful outcomes around the quality and effectiveness of our audits.

## Result: A better experience

Enhanced quality, reduced disruption, increased focus on areas of higher risk, and deeper insights into your business.





# Appendix 6: Technology - KPMG Clara - Bringing the audit to one place



## Streamlined client experience

And deeper insights into your business, translating to a better audit experience.



## Secure

A secure client portal provides centralized, efficient coordination with your audit team.



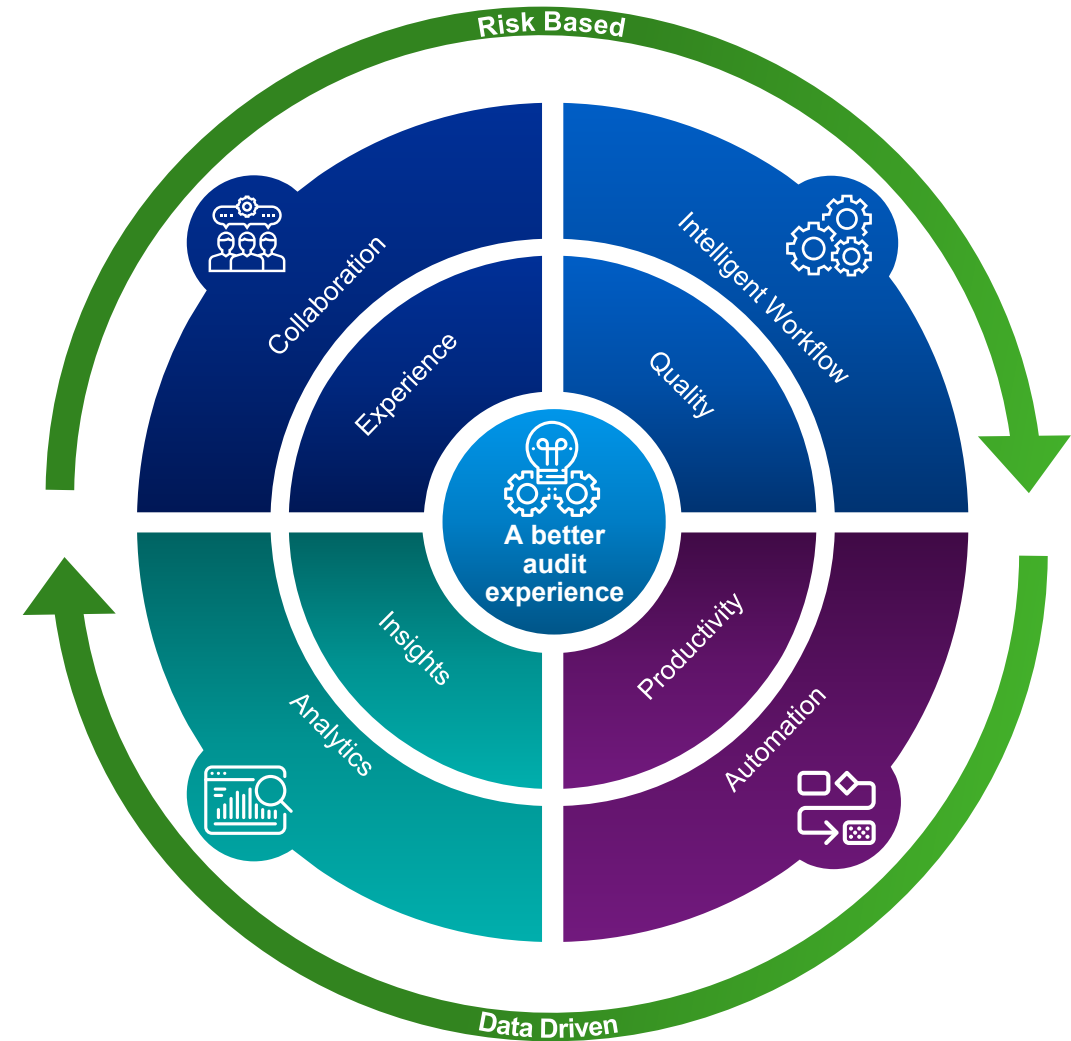
## Intelligent workflow

An intelligent workflow guides audit teams through the audit.



## Increased precision

Advanced data analytics and automation facilitate a risk-based audit approach, increasing precision and reducing your burden.







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