

Independent Practitioner's Reasonable Assurance Report

To the Board of Directors of PortsToronto and the Minister of Transport,

We have undertaken a reasonable assurance engagement of the accompanying Special Examination of the PortsToronto (the "Port Authority", "PortsToronto", "TPA") for the period of January 1, 2014 to December 31, 2018 in accordance with the applicable criteria in Appendix A.

As required by section 41 (1) of the *Canada Marine Act* ("CMA") with requirements detailed in section 38 (1) and 38 (2), we have carried out this Special Examination, as required by subsection 41(1) of the CMA, a port authority shall have a special examination carried out to determine whether the books, records, systems and practices referred to in subsection 38 (1) were, in the period under examination, maintained in a manner that provided reasonable assurance that they met the requirements of subsection 38 (2).

Books and Systems:

Subsection 38(1) states that a port authority shall ensure that, in respect of itself and its wholly owned subsidiaries,

- (a) books of account and accounting records are kept; and
- (b) financial and management control and information systems and management practices are maintained.

Keeping of Books:

Subsection 38(2) states that the books, records, systems and practices shall be kept and maintained in a manner that will provide reasonable assurance that,

- (a) the assets of the port authority are safeguarded and controlled;
- (b) the transactions of the port authority are in accordance with this Part and the letters patent and by-laws of the port authority; and
- (c) the financial, human and physical resources of the port authority are managed economically and efficiently, and the operations of the port authority are carried out effectively.

Management's Responsibility

Management is responsible for the preparation of the subject matter information in accordance with the CMA.

Management is also responsible for such internal controls as management determines necessary to enable the preparation of the subject matter information to conform with the applicable requirements of the CMA.

Management is also responsible for ensuring criteria used to assess the subject matter are appropriate for this engagement.

Our Responsibility

Our responsibility is to express a reasonable assurance opinion on the Special Examination based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with Canadian Standard on Assurance Engagements (CSAE) 3001, *Direct Engagements*. This standard requires that we plan and perform this engagement to obtain reasonable assurance about whether the Special Examination conforms with the applicable criteria in all significant respects.

Reasonable assurance is a high level of assurance but is not a guarantee that an engagement conducted in accordance with this standard will always detect a significant deviation when it exists. Deviations can arise from fraud or error and are considered significant if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users of our report. The nature, timing, and extent of procedures selected depends on our professional judgement, including an assessment of the risks of significant deficiencies or non-compliance, whether due to fraud or error, and involves obtaining evidence about the evaluation of the underlying subject matter in accordance with the applicable criteria.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the relevant rules of professional conduct / code of ethics applicable to the practice of public accounting and related to assurance engagements, issued by various professional accounting bodies, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Canadian Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Review of Financial Statements, and Other Assurance Engagements and, accordingly, maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

Restriction on Use of Our Report

Our report is intended solely for PortsToronto and the Minister of Transport, in accordance with the terms of our agreement, it is not to be used or relied upon by parties other than the PortsToronto and the Minister of Transport.

Conclusion

It is our conclusion that the subject matter information of the Port Authority conforms in all significant respects, with the applicable criteria for the period January 1, 2014 to December 31, 2018.

The subject matter information has been prepared in accordance with the applicable criteria referred to in Appendix A and the evidence obtained to address the criteria for the purposes of section 41(1) of the CMA. As a result, the subject matter information may not be suitable for other purposes.

The logo for Deloitte LLP, featuring the word "Deloitte" in a cursive script followed by "LLP" in a plain sans-serif font.

Chartered Professional Accountants
Licensed Public Accountants
Toronto, Ontario
September 10, 2020

Appendix A – Evaluation Criteria

A. Entity Level

Evaluation Category	Test	Evaluation Criteria
Entity Level	Effectiveness	1. Does the head of each area monitor and run each department (and to what extent)?
	Effectiveness	2. Have there been any recorded instances of fraud that have occurred in the last 5 years? What were they and what have you done to safeguard the issue?
	Effectiveness	3. What is the implementation status of each of the recommendations made in the last report?

B. Governance

Evaluation Category	Test	Evaluation Criteria
Strategy	Effectiveness	4. Does the PortsToronto have a long-term strategy in place? Can we see the most current board approved strategy?
Oversight and Accountability	Effectiveness	5. Is a regular review of governance undertaken?
Organizational Structure	Efficiency	6. Does the Board's mandate describe the structure (number of qualifications of members, board leadership, responsibilities, etc.) for the Board members and each of its committees?
Resource Management	Economy	7. Is the PortsToronto aware of the population, condition and maturity of its resources (human, physical and logical)?
	Effectiveness	8. Is the Board responsible for reviewing and approving budgets?

C. Corporate Accounting

Evaluation Category	Test	Evaluation Criteria
Capital Planning and Cash Management	Effectiveness	9. Is there adequate capital planning and cash management for PortsToronto to operate self-sufficiently?
Procurement	Effectiveness	10. Is PortsToronto in compliance with the applicable procurement policy?
Budgeting Process	Effectiveness	11. Is there an effective budgeting and monitoring process in place to ensure that spending is within budget?
Insurance & Risk Management	Effectiveness	12. Is there adequate insurance coverage in place to ensure that the PortsToronto is sufficiently covered in the event of an incident?

D. Operations – BBA

Evaluation Category	Test	Evaluation Criteria
Safety and Security	Effectiveness	13. Is the Airport effectively meeting its requirements in relation to public safety and security?
	Effectiveness	14. Is access to the Airport premises appropriately monitored in accordance with security requirements?

E. Operations – Port, TP, Works, and OHM

Evaluation Category	Test	Evaluation Criteria
Vessel Operations (Port)	Effectiveness	15. Is port traffic managed effectively (i.e. is it in accordance with the CMA and related practices and procedures)?
Port Terminal Security	Effectiveness	16. Is security relating to port and terminal operations effective?

Evaluation Category	Test	Evaluation Criteria
	Effectiveness	17. Are effective performance measures in place to monitor security compliance?
Use of Contracted Services for Terminal Management	Effectiveness	18. Does PortsToronto monitor Logistec's performance and analyze that outsourcing is cost effective (is there a business case?)
Environmental Stewardship	Effectiveness	19. Are the Port and Marine Terminal operations maintained with due consideration to environmental standards and regulations?
	Effectiveness	20. Does Port and Terminal take into account ecosystem preservation (e.g. water discharge from ballasts, soil contamination)? How is it incorporated?
	Effectiveness	21. Processes and programs are utilized by Port and Terminal to deal with waste (both hazardous and non-hazardous)?
Proactive/Preventative Maintenance	Effectiveness	22. Procedures are in place to ensure that maintenance is done proactively.
	Effectiveness	23. Are facilities and assets appropriately maintained in accordance with regulations, policies and procedures?
Safety and Security	Effectiveness	24. Are there adequate measures in place to ensure the security of equipment and its premises (i.e. restricted access to equipment and areas where necessary)?
	Effectiveness	25. Are there adequate measures in place to ensure the security of the vessels and premises?
	Effectiveness	26. Have there been any incidents in the port/OHM area?

F. Human Resources

Evaluation Category	Test	Evaluation Criteria
General	Effectiveness	27. Is there an effective process to ensure that individuals have the appropriate prerequisite skills and qualifications and are appropriately certified (e.g. are references checked)?
	Effectiveness	28. Does PortsToronto review HR policies and practices periodically (hiring, monitoring performance, overall practices)?
Qualifications, Skills, and Training	Effectiveness	29. What policies and procedures are in place to ensure that staff (including casual and contracted) are appropriately trained?
	Efficiency	30. How long does it take from the point that there is a need to hire a resource identified vs. when they are actually hired?
Labour Union Relations and Collective Bargaining Agreement	Efficiency	31. Does the PortsToronto ensure that union grievances are resolved effectively and in a timely manner?
	Efficiency	32. Does the PortsToronto ensure that all operational units interpret the CBA consistently and are in compliance with the CBA?
Health and Safety Management	Effectiveness	33. Are there effective procedures and practices in place to ensure that the health and safety (H&S) of employees is properly managed?
Systems and Applications	Efficiency	34. Do the current systems and applications support efficient processing of human resources and payroll?
Compensation and Benefits	Economy	35. Does the PortsToronto ensure that compensation and benefits are competitive and fair?

Evaluation Category	Test	Evaluation Criteria
	Economy	36. Are rates for contracted services/employees fair, reasonable and competitive?

G. Information Technology

Evaluation Category	Test	Evaluation Criteria
Security	Effectiveness	37. Are appropriate logical security controls and practices in place to mitigate the risk of security exposures?
Adequacy of IT Systems	Effectiveness	38. Does the PortsToronto have the appropriate IT systems in place to run the business?
	Efficiency	39. Does the PortsToronto have the appropriate infrastructure to support IT?
Outsourcing and Value-for-Money	Economy	40. Is the PortsToronto getting value for the money spend on IT? (efficient, effective with economy)
Cyber Security	Effectiveness	41. What is PortsToronto doing to promote Cyber Security?

H. Safeguarding of Assets

Evaluation Category	Test	Evaluation Criteria
Safeguarding of Assets	Effectiveness	42. Policies and procedures are in place to ensure safeguarding of physical assets against misuse, damage, and theft.
Capital Assets	Effectiveness	43. Are there replacement and maintenance plans for PortsToronto's capital assets?
Risk Management	Effectiveness	44. Is there a corporate or enterprise risk management framework in effect to identify, mitigate, monitor and address business risks?
	Effectiveness	45. Has management implemented processes to protect against each risk,

Evaluation Category	Test	Evaluation Criteria
		particularly the most serious and/or most likely to occur?
Disaster Recovery	Effectiveness	46. Is there a Disaster Recovery plan that is tested and maintained?

I. Compliance with Letters Patent and By-Laws

Evaluation Category	Test	Evaluation Criteria
Compliance	Effectiveness	47. Have there been changes in the By-laws or laws last 5 years?
	Effectiveness	48. Is PortsToronto compliant with CMA, Letters of Patent, and by-laws?
	Effectiveness	49. Is compliance effectively managed and monitored?
	Effectiveness	50. Are areas of non-compliance addressed in a timely manner?
	Effectiveness	51. Does CPA comply with all applicable letters patent/bylaws for BBA Operations?



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