



## AGENDA

### AUDIT COMMITTEE

September 6, 2019, 9:30 AM  
IN THE COUNCIL CHAMBER  
Members

Councillor E. Woolley, Chair  
Councillor J. Gondek, Vice-Chair  
Councillor G-C. Carra  
Councillor J. Farkas  
Citizen Representative L. Caltagirone  
Citizen Representative M. Dalton  
Citizen Representative M. Lambert  
Mayor N. Nenshi, Ex-Officio

1. CALL TO ORDER
2. OPENING REMARKS
3. CONFIRMATION OF AGENDA
4. CONFIRMATION OF MINUTES
  - 4.1 Minutes of the Regular Meeting of the Audit Committee, 2019 July 23
5. CONSENT AGENDA
  - 5.1 DEFERRALS AND PROCEDURAL REQUESTS  
None
  - 5.2 BRIEFINGS  
None
6. POSTPONED REPORTS  
*(including related/supplemental reports)*  
None

7. ITEMS FROM OFFICERS, ADMINISTRATION AND COMMITTEES

- 7.1 Calgary Police Commission Finance and Audit Committee Annual Report, AC2019-0629
- 7.2 Calgary Parking Authority Annual Report to Audit Committee, AC2019-0630
- 7.3 Green Line LRT - Project Governance Update (Verbal), AC2019-1107
- 7.4 Human Resources Challenges and Opportunities (Verbal), AC2019-1095
- 7.5 Supply Management Warehouse and Inventory Audit, AC2019-1027

8. ITEMS DIRECTLY TO COMMITTEE

8.1 REFERRED REPORTS

- 8.1.1 Comprehensive Public Sector Pension Review, (C2019-0568), AC2019-1041  
Councillor Chahal, Councillor Colley-Urquhart, Councillor Demong, Councillor Keating

8.2 NOTICE(S) OF MOTION  
None

9. URGENT BUSINESS

10. CONFIDENTIAL ITEMS

10.1 ITEMS FROM OFFICERS, ADMINISTRATION AND COMMITTEES

- 10.1.1 Audit Forum (Verbal), AC2019-0993
- 10.1.2 External Auditor (Verbal), AC2019-0994
- 10.1.3 City Auditor (Verbal), AC2019-0995
- 10.1.4 External Auditor 2018 - 2019 Performance Assessment, AC2019-0937  
Held confidential pursuant to Sections 16 (Disclosure harmful to business interests of a third party) and 19 (Confidential evaluations) of *FOIP*.

**REVIEW DATE: 2034 September 06**

10.2 URGENT BUSINESS

11. ADJOURNMENT



**MINUTES  
AUDIT COMMITTEE**

**July 23, 2019, 9:30 AM  
IN THE COUNCIL CHAMBER**

**PRESENT:** Councillor E. Woolley, Chair  
Councillor G-C. Carra  
Councillor J. Farkas  
Citizen Representative L. Caltagirone  
Citizen Representative M. Dalton

**ABSENT:** Councillor J. Gondek (personal)  
Citizen Representative M. Lambert

**ALSO PRESENT:** Acting Chief Financial Officer C. Male  
Executive Assistant C. Smillie  
External Auditor T. Nakka  
City Auditor K. Palmer  
Acting City Clerk K. Martin  
Legislative Advisor D. Williams

**1. CALL TO ORDER**

Councillor Woolley called the Meeting to order at 9:34 a.m.

**2. OPENING REMARKS**

Councillor Woolley provided opening remarks.

**3. CONFIRMATION OF AGENDA**

**Moved by** Citizen Representative Caltagirone

That the Agenda for the 2019 July 23 Regular Meeting of the Audit Committee be confirmed.

**MOTION CARRIED**

**4. CONFIRMATION OF MINUTES**

4.1 Minutes of the Regular Meeting of the Audit Committee, 2019 June 27

**Moved by** Councillor Farkas

That the Minutes of the 2019 June 27 Regular Meeting of the Audit Committee be confirmed.

**MOTION CARRIED**

5. CONSENT AGENDA

5.1 DEFERRALS AND PROCEDURAL REQUESTS

None

5.2 BRIEFINGS

None

6. POSTPONED REPORTS

None

7. ITEMS FROM OFFICERS, ADMINISTRATION AND COMMITTEES

7.1 Calgary Convention Centre Authority Annual Report, AC2019-0614

A presentation entitled "Calgary Convention Centre Authority Update to City of Calgary Audit Committee", dated 2019 July 23, was distributed with respect to Report AC2019-0614.

Speakers

1. Rob Palmer, Chair, Audit and Finance, Calgary Convention Centre Authority; and
2. Clark Grue, President and Chief Financial Officer, Calgary TELUS Convention Centre.

**Moved by** Citizen Representative Caltagirone

That with respect to Report AC2019-0614, the following be approved:

That the Audit Committee receive the presentation with respect to Report AC2019-0614 for the Corporate Record.

**MOTION CARRIED**

7.2 Calgary Arts Development Authority Audit Committee Annual Report, AC2019-0624

A presentation entitled "Calgary Arts Development Report to the Audit Committee", dated 2019 July 23, was received for the Corporate Record, with respect to Report AC2019-0624.

Speakers

1. Tim Mah, Former Treasurer, 2013-2018, and Board Member, Calgary Arts Development Authority; and
2. Patti Pon, President and Chief Executive Officer, Calgary Arts Development Authority.

**Moved by** Citizen Representative Dalton

That with respect to Report AC2019-0624 the following be approved:

That the Audit Committee receive the presentation with respect to Report AC2019-0624 for the Corporate Record.



**MOTION CARRIED**

7.3 Annual Update – Information Technology Risk Management, AC2019-0945

A presentation entitled "Annual Update - Information Technology Risk Management", dated 2019 July 23, was received for the Corporate Record, with respect to Report AC2019-0945.

**Moved by** Citizen Representative Caltagirone

That pursuant to Sections 24 (Advice from officials) of the *Freedom of Information and Protection of Privacy Act*, the Audit Committee move into Closed Meeting in the Council Lounge, at 10:29 a.m., to discuss confidential matters, with respect to the following:

- Attachment 1, Item 7.3, Annual Update - Information Technology Risk Management, AC2019-0945.

And further, that Trevor Nakka, External Auditor, (Deloitte LLP), be invited to attend the Closed Meeting.

**MOTION CARRIED**

Committee moved into Public Meeting at 10:44 a.m. with Councillor Woolley in the Chair.

**Moved by** Councillor Carra

That the Committee rise without reporting.

**MOTION CARRIED**

Persons in attendance during the Closed Meeting discussions with respect to Report AC2019-0945:

Administration: Clerk: K. Martin. Observer: C. Male, C. Smillie. Advice: J. Haigh, T. McCreight, I. Lofthouse.

Non-Administration: Observer: K. Palmer.

External: T. Nakka.

**Moved by** Citizen Representative Caltagirone

That with respect to Report AC2019-0945 the following be approved:

That Audit Committee:

1. Receive the presentation with respect to Report AC2019-0945 for the Corporate Record; and
2. Direct that Attachment 1 remain confidential pursuant to Section 24 of the *Freedom of Information and Protection of Privacy Act*, to be reviewed by 2024 July 31.

**MOTION CARRIED**

7.4 Integrated Risk Management Mid-Year Update, AC2019-0356

A presentation entitled "Integrated Risk Management Mid-Year Update", dated 2019 July 23, was distributed with respect to Report AC2019-0356.

**Moved by** Councillor Carra

That with respect to Report AC2019-0356, the following be approved:

That the Audit Committee recommends that Council:

1. Receive the presentation with respect to Report AC2019-0356 for the Corporate Record; and
2. Direct that Attachment 2 remain confidential pursuant to Section 24 (Advice from officials) of the *Freedom of Information and Protection of Privacy Act*; until 2034 June 30.

**MOTION CARRIED**

7.5 External Auditor 2019 Audit Service Plan and Fees, AC2019-0936

**Moved by** Councillor Farkas

That with respect to Report AC2019-0936, the following be approved:

That the Audit Committee:

1. Reviews and approves the Deloitte 2019 Audit Service Plan (Attachment); and
2. Recommends that Council receive this Report and the Attachment for information.

**MOTION CARRIED**

7.6 Report on Revised Annual Audit Plan Approach, AC2019-0899

**Moved by** Councillor Carra

That with respect to Report AC2019-0899, the following be approved:

That the Audit Committee receive this report for information.

**MOTION CARRIED**

7.7 City Auditor's Office 2nd Quarter 2019 Report, AC2019-0900

**Moved by** Citizen Representative Dalton

That with respect to Report AC2019-0900, the following be approved:

1. That Audit Committee receive this report for information; and
2. That the Audit Committee recommend that Council receive this report for information.

**MOTION CARRIED**

8. ITEMS DIRECTLY TO COMMITTEE

8.1 REFERRED REPORTS

None

8.2 NOTICE(S) OF MOTION

None

9. URGENT BUSINESS

None

10. CONFIDENTIAL ITEMS

**Moved by** Citizen Representative Caltagirone

That pursuant to Sections 16 (Disclosure harmful to business interests of a third party), 24 (Advice from officials) and 25 (Disclosure harmful to economic and other interests of a public body) of the *Freedom of Information and Protection of Privacy Act*, the Audit Committee move into Closed Meeting in the Council Lounge, at 11:36 a.m. to discuss confidential matters, with respect to the following items:

- 10.1.1. External Auditor – Provision of Additional Services, AC2019-0950
- 10.1.2. Audit Forum (Verbal), AC2019-0940
- 10.1.3. External Auditor (Verbal), AC2019-0941
- 10.1.4. City Auditor (Verbal), AC2019-0942

And further, that Trevor Nakka and Harman Gill External Auditors, (Deloitte LLP), be invited to attend the Closed Meeting.

**MOTION CARRIED**

Committee moved into Public Meeting at 11:59 a.m. with Councillor Woolley in the Chair.

**Moved by** Councillor Carra

That Committee rise and report.

**MOTION CARRIED**

10.1 ITEMS FROM OFFICERS, ADMINISTRATION AND COMMITTEES

10.1.1 External Auditor – Provision of Additional Services, AC2019-0950

Persons in attendance during the Closed Meeting discussions with respect to Report AC2019-0950:

Administration: Clerk: K. Martin. Advice C. Male Observer: C. Smillie. Non-Administration: Observer: K. Palmer.  
External Advice: T. Nakka, Harman Gill.

**Moved by** Citizen Representative Caltagirone

That with respect to Report AC2019-0950, the following be approved:

That the Audit Committee:

1. Approve the Administration Recommendations contained in Report AC2019-0950; and
2. Direct that this Report, Recommendations and Closed Meeting discussions remain confidential pursuant to Sections 16 (Disclosure harmful to business interests of a third party) and 24 (Advice from officials) of the *Freedom of Information and Protection of Privacy Act* until The City's procurement process is complete; to be reviewed in November 30 2019.

**MOTION CARRIED**

10.1.2 Audit Forum (Verbal), AC2019-0940

No report was given.

10.1.3 External Auditor (Verbal), AC2019-0941

Persons in attendance during the Closed Meeting discussions with respect to Report AC2019-0941:

Administration: Clerk: K. Martin. Observer: C. Smillie. External Advice: T. Nakka, Harman Gill.

**Moved by** Citizen Representative Dalton

That with respect to Report AC2019-0941, the following be approved:

That the Audit Committee:

1. Receive Verbal Report AC2019-0941 for information; and
2. Direct that the Closed Meeting discussions remain confidential pursuant to Sections 24 (Advice from officials) and 25 (Disclosure harmful to economic and other interests of a public body) of the *Freedom of Information and Protection of Privacy Act*.

**MOTION CARRIED**

10.1.4 City Auditor (Verbal), AC2019-0942

Persons in attendance during the Closed Meeting discussions with respect to Report AC2019-0942:

Administration: Clerk: K. Martin. Advice: A. Bleau. Observer: C. Smillie. Non-Administration: Advice: K. Palmer.  
External Advice: T. Nakka, Harman Gill.

**Moved by** Councillor Farkas

That with respect to Report AC2019-0942, the following be approved:

That the Audit Committee:

1. Receive Verbal Report AC2019-0942 for information; and
2. Direct that the Closed Meeting discussions remain confidential pursuant to Section 24 (Advice from officials) of the *Freedom of Information and Protection of Privacy Act*.

**MOTION CARRIED**

## 10.2 URGENT BUSINESS

None

## 11. ADJOURNMENT

**Moved by** Councillor Carra

That this meeting adjourn at 12:01 p.m.

**MOTION CARRIED**

That the following items be forwarded to the 2019 September 09 Combined Meeting of Council:

### CONSENT

Integrated Risk Management Mid-Year Update, AC2019-0356

External Auditor 2019 Audit Service Plan and Fees, AC2019-0936

City Auditor's Office 2nd Quarter 2019 Report, AC2019-0900

The next Regular Meeting of the Audit Committee is scheduled to be held 2019 September 06 at 9:30 a.m.

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CHAIR

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ACTING CITY CLERK



**Calgary Police Commission Report to  
Audit Committee  
2019 September 06**

**ISC: UNRESTRICTED  
AC2019-0629**

**Calgary Police Commission Finance and Audit Committee Annual Report**

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**EXECUTIVE SUMMARY**

This report, to the City's Audit Committee, is for information only to provide the annual audit governance status report from the Calgary Police Commission Finance and Audit Committee.

**CALGARY POLICE COMMISSION RECOMMENDATION:**

That the Audit Committee receives the verbal presentation from the Calgary Police Commission for information.

**PREVIOUS COUNCIL DIRECTION / POLICY**

The Audit Committee Bylaw 48M2012 states that Audit Committee is responsible for:

“overseeing its governance responsibility with audit committees of The City’s major autonomous civic entities.”

Section 4(1)(i)

**BACKGROUND**

This annual report is intended to be an ongoing dialogue between The City of Calgary and the Calgary Police Commission’s Finance & Audit Committee. The information included responds to the details requested in the May 6, 2019 letter from the Audit Committee Chair.

**INVESTIGATION: ALTERNATIVES AND ANALYSIS**

In accordance with the Alberta Police Act, the Calgary Police Commission has a number of legislated responsibilities, including:

- to allocate funds, in consultation with the Chief Constable, provided by City Council,
- to establish policies providing for efficient and effective policing,
- to issue instructions as necessary to the Chief regarding those policies,
- to ensure a sufficient number of people are employed by the service to carry out the functions of the service.

It is the responsibility of the Commission, in consultation with the Chief Constable, to prepare and review the business and budget plan, as well as a yearly plan for service provision.

In support of the Commission’s oversight role, this report includes attachments that provide:

- A summary of the Commission’s 2018 priorities and key initiatives,
- An overview of the Commission’s 2019 priorities and key initiatives,
- A description of the key operating and strategic risks the Calgary Police Service faces,
- The Commission’s Finance & Audit committee terms of reference and composition,
- Summary of the CPS 2018 external auditor reports.

**Calgary Police Commission Report to  
Audit Committee  
2019 September 06**

**ISC: UNRESTRICTED  
AC2019-0629**

**Calgary Police Commission Finance and Audit Committee Annual Report**

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**Stakeholder Engagement, Research and Communication**

The Commission created this report in consultation with the Calgary Police Service. All work the Commission does is informed by consultation with citizens and employees to understand perceptions about safety, resources, and the health of the organization.

**Strategic Alignment**

This report aligns with the City Audit Committee's governance responsibility to receive annual reports on matters of audit governance, including the organization's most recent annual financial statements, from the Calgary Police Commission.

**Social, Environmental, Economic (External)**

The attachments outline relevant impacts.

**Financial Capacity**

The uncertainty around the long-term budget for the Calgary Police Service impedes the ability to plan to meet the needs of the City. Without the stability and predictability that a four-year budget provides, CPS has limited ability to hire and train new members to replace those who are retiring, and to invest in equipment and technology that will improve the safety of employees and their ability to perform their essential role.

**Risk Assessment**

Several risks facing the Calgary Police Service are outlined in the attachments.

**REASON(S) FOR RECOMMENDATION(S):**

The City of Calgary Audit Committee oversees its governance responsibility with audit committees of The City's major autonomous civic entities and an annual report is requested each year.

**ATTACHMENT(S)**

1. AC2019-0629 – Calgary Police Commission Report to City Audit Committee – Sept 2019
2. AC2019-0629 – Calgary Police Commission Annual Report to the Community 2018
3. AC2019-0629 – Calgary Police Commission – CPS Organizational Risks
4. AC2019-0629 – Calgary Police Service Audit Plan 2018 – Deloitte
5. AC2019-0629 – Calgary Police Service Audit Results 2018 – Deloitte
6. AC2019-0629 – Calgary Police Commission Finance & Audit Committee Terms of Reference 2019





Providing independent civilian oversight  
and governance of the Calgary Police Service  
to ensure a safe community



**CALGARY POLICE COMMISSION**

**REPORT TO**

**CITY AUDIT COMMITTEE**

**SEPTEMBER 6, 2019**

# Overview

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## Highlights include:

- Commission governance structure
- Succession planning
- CPS financial highlights
- Commission priorities + 2019 initiatives
- CPS operating and strategic risks
- Internal controls
- Financial report summary
- Finance & Audit Committee workplan + composition
- Changes to CPS leadership
- Regulatory changes impacting business approach
- Initiatives to improve efficiencies
- Risk management assessments
- Initiatives to improve efficiency of processes



# Commission Responsibilities

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We uphold the core principles of police oversight in Alberta:

- The participation of the public in determining priorities is essential
- The police service must be accountable to the public
- The police service must operate in the absence of political influence

The Alberta Police Act outlines Commission responsibilities:

- Allocate funds provided by City Council
- Establish policies for efficient and effective policing
- Appoint a Chief of police and evaluate their performance
- Issue instructions to the Chief of police regarding policies
- Ensure the police service has employed enough people to carry out the functions of the police service
- Monitor and oversee the public complaint process

# Governance Structure – Commission Committee Responsibilities

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## **Finance & Audit Committee**

- Reviews CPS budget, proposed adjustments, and any urgent funding needs, and submits to City Council
- Monitors allocation of funds provided by City Council
- Provides independent oversight of external audit reports, the development of internal operational audits, and information technology governance
- Monitors Commission budget

## **Governance Committee**

- Monitors strategic direction for the Commission
- Provides leadership to Commission and CPS in development of policies to ensure efficient and effective policing.

## **Complaint Oversight Committee**

- Monitors the process for complaints against officers and CPS policies



# Succession Planning + Recruitment

5

## Calgary Police Service

- Commission conducted thorough search and selection process to hire Chief Constable Mark Neufeld

## Calgary Police Commission

- Recruitment and selection of Commission members is conducted by City of Calgary
- Commission outlines for the City the desired skills and qualifications necessary to help the Commission perform its duties effectively
  - Chair invited to participate in shortlist and interview process
- Succession plan in place to prepare for transition to new Chair
  - Commission members will select new Chair in November 2019 when current Chair steps down

# CPS Financial Highlights

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- An external audit concluded that no recommendations for improvement in internal controls were required.
- There were no audit adjustments or recommendations for improvement to the 2018 audit.



# Commission Priorities + Key Initiatives 2019

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- Onboarding of new Chief Constable + revising performance management plan
- Responding to mid-year and end-of-year budget adjustments to the approved 2019-2022 service plan and budget to ensure CPS has the resources it needs to keep Calgary safe
- Monitoring staffing levels at CPS to ensure CPS has the number of officers/staff needed to address crime now and into the future
- Overseeing the ongoing ‘service optimization review’ (“ZBR”)
- Overseeing implementation of the Commission’s 7-point plan to achieve gender equity, diversity, and inclusion at CPS
- Monitoring implementation of recommendations from Justice Wittmann’s use of force review
- Conducting community and employee engagement to understand perceptions, expectations and performance of CPS

# Commission Key Initiatives 2019 – cont'd

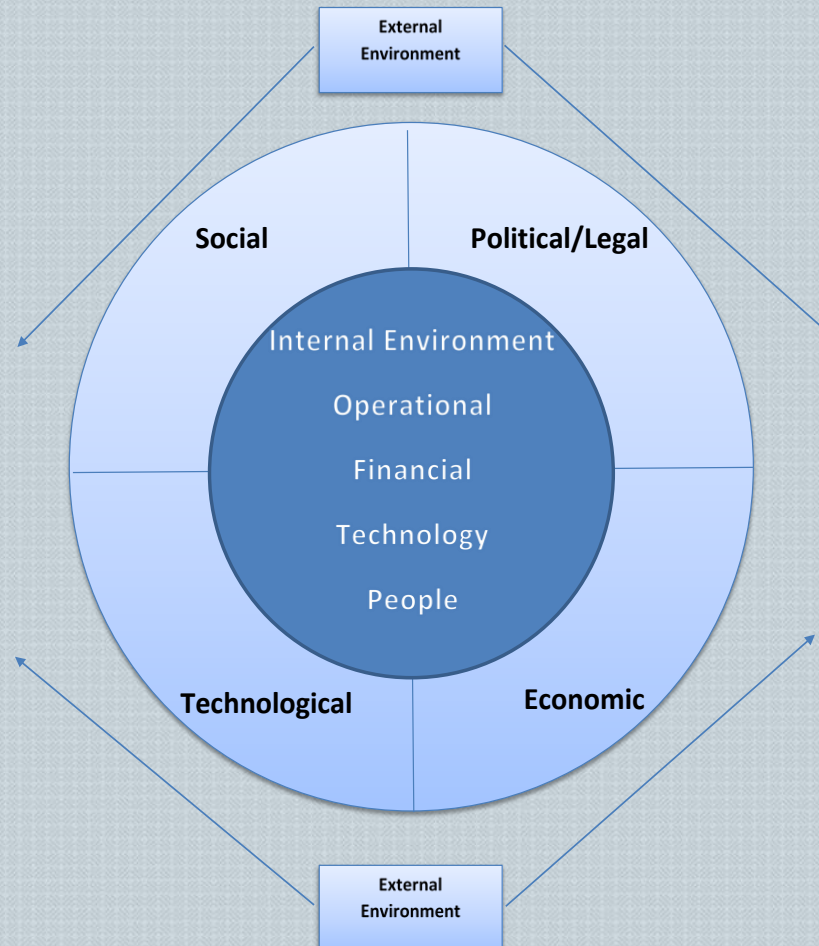
8

- Overseeing activities by CPS leadership to improve employee morale
- Engaging municipal and provincial decision makers on topics important for public safety and oversight, such as police funding and review of the Police Act
- Hosting 2019 Canadian Association of Police Governance conference
- Optimizing Commission operations by reviewing structures/systems to identify efficiencies
- Reviewing CPS risk management strategies
- Overseeing CPS information and IT systems and technologies
- Monitoring CPS performance using available data
- Observing the development of annual CPS internal audit plan and review results/progress reports



# Key Operating and Strategic Risks for CPS

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# Top 3 Risks - CPS

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## 1. Funding for police

- CPS took an unexpected \$7m cut in 2019, with additional cuts expected in 2020.
- The provincial policing grants are also under review and CPS has only received half the anticipated amount for this fiscal year. These grants are used to fund more than 300 CPS officers.
- CPS has not received any funding for costs incurred related to cannabis legislation and is still waiting for the funding that was expected to flow from the Province to the City for this purpose.

Any additional cuts to the CPS budget will result in significant and lasting changes to the services currently provided to citizens.



# Top 3 Risks - CPS

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## 2. Crime and disorder

- Increase in volume and complexity of crime such as domestic violence, gang crime, and cybercrime that requires sophisticated and specialized equipment and skills to bring charges.
- Increase in addictive and deadly drugs (meth, opioids) and the resulting disorder and crime, and concern about safety of inner city communities. Requires increase in human and technological resources for prevention, detection, and enforcement.

## 3. Public Trust

- Citizens have high standards for CPS transparency and engagement. They value prevention programs, quick responses, and community engagement – including through social media and attendance at events.
- This means a greater expectation to invest resources in these areas to continue to meet these expectations, at a time when budget pressures puts these very areas at risk.

# Internal Controls

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- Monthly operating and capital budget summaries
- In-depth reviews of financials and staffing 3x/year – more frequently throughout budget adjustment process
- The internal risk assessment process helps inform Commission priorities



# Internal Controls - IT

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- Governance of CPS IT is accomplished through regular reporting by CPS Chief Information Officer on IT-related risks including:
  - Operating and capital budgets associated with IT requirements
  - Asset management lifecycle for all IT infrastructure, hardware, and software
  - Risk management and key performance indicators for cyber security, critical systems (servers and storage), software development, and staffing
  - Alignment of tasks and projects to CPS business plan

# Financial Report Summary

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## External Auditor Report (attached)

- Deloitte completed its audit of the 2018 financial statements of CPS and issued an opinion without qualification
  - No audit adjustments related to the 2018 audit
  - No uncorrected or corrected misstatements during the course of the audit
  - No unadjusted disclosure deficiencies to report
  - Auditors issued an unmodified audit report
  - No management recommendations for improvement in internal controls



# Finance & Audit Committee 2019

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- Key activities for 2019:
  - Oversee and guide the development of the CPS budget adjustment submissions to ensure CPS has sufficient staff and resources to keep the city safe
  - Oversee CPS ‘service optimization review’ to find efficiencies, increase effectiveness, and further improve the services CPS provides to the community and its members
  - Oversee and inform the development of internal operational audits and monitor implementation of recommendations
  - Receive and understand CPS financial and IT risk management strategies
- Terms of reference are reviewed annually and no significant changes were made this year (*attached*)

# F&A Committee Composition

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## **Roy Goodall – Chair, ICD.D**

- 36 year career with the Canadian Forces in national and international defence. Spent 26 years working with capital and operations budgets, security and information technology policy, and risk management.

## **Kathy Bolton – CA, ICD.D**

- Co-founder and Chief Financial Officer for a Calgary-based renewable energy company, responsible for financial and strategic planning, corporate planning, reporting, risk management, insurance, and human resources

## **Bonita Croft – Q.C., ICD.D**

- Lawyer with more than two decades of experience with global energy companies and leader in areas of corporate governance, legal risk management, business ethics, and anti-corruption



# F&A Composition cont'd

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## **Marilyn North Peigan, MA**

- Community advocate and outreach worker with Native Counselling Services of Alberta. Specialist in corporate, event and private security with a background in military training and customer service.

## **Ward Sutherland**

- Member of Calgary City Council with 25 years of senior leadership and management in top-tier companies.

## **TJ Zhang, PhD**

- Privacy expert and leader in cybersecurity at PwC. Active community volunteer with positions on the Credit Union Deposit Guarantee Corporation Board and the Council of the College of Alberta Dental Assistants. Senator at the University of Calgary and treasurer of the Calgary Security Professionals Information Exchange Society.

# Changes to Organizational Leadership

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- Hired new Chief Constable in March 2019
- New Chief has prioritized hiring a Chief Human Resource Officer
- CPS hired new Chief Information Officer
- Commission is preparing for the transition to a new Chair when the current Chair steps down in November 2019



# Improving Efficiencies

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## **Service Optimization Review** (a zero-based review tailored to CPS)

- Using an independent review of areas of the organization to examine where CPS could find efficiencies, effectiveness, and build capacity for service delivery and sustainability.

## **Patrol Resource Teams**

- Established to improve response times to the community and reduce pressure on frontline patrol teams.

## **Body-Worn Cameras**

- Completed service-wide deployment of 1150 cameras

# Significant Changes - based on external assessments

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Implementation of independent review of CPS use of force – by former Chief Justice Wittmann

- 65 recommendations for improvements to training, recruitment, equipment and oversight

Ongoing review of findings from Law Enforcement Review Board reports, fatality inquiries, and reviews completed in other police services to inform business process improvement and risk management



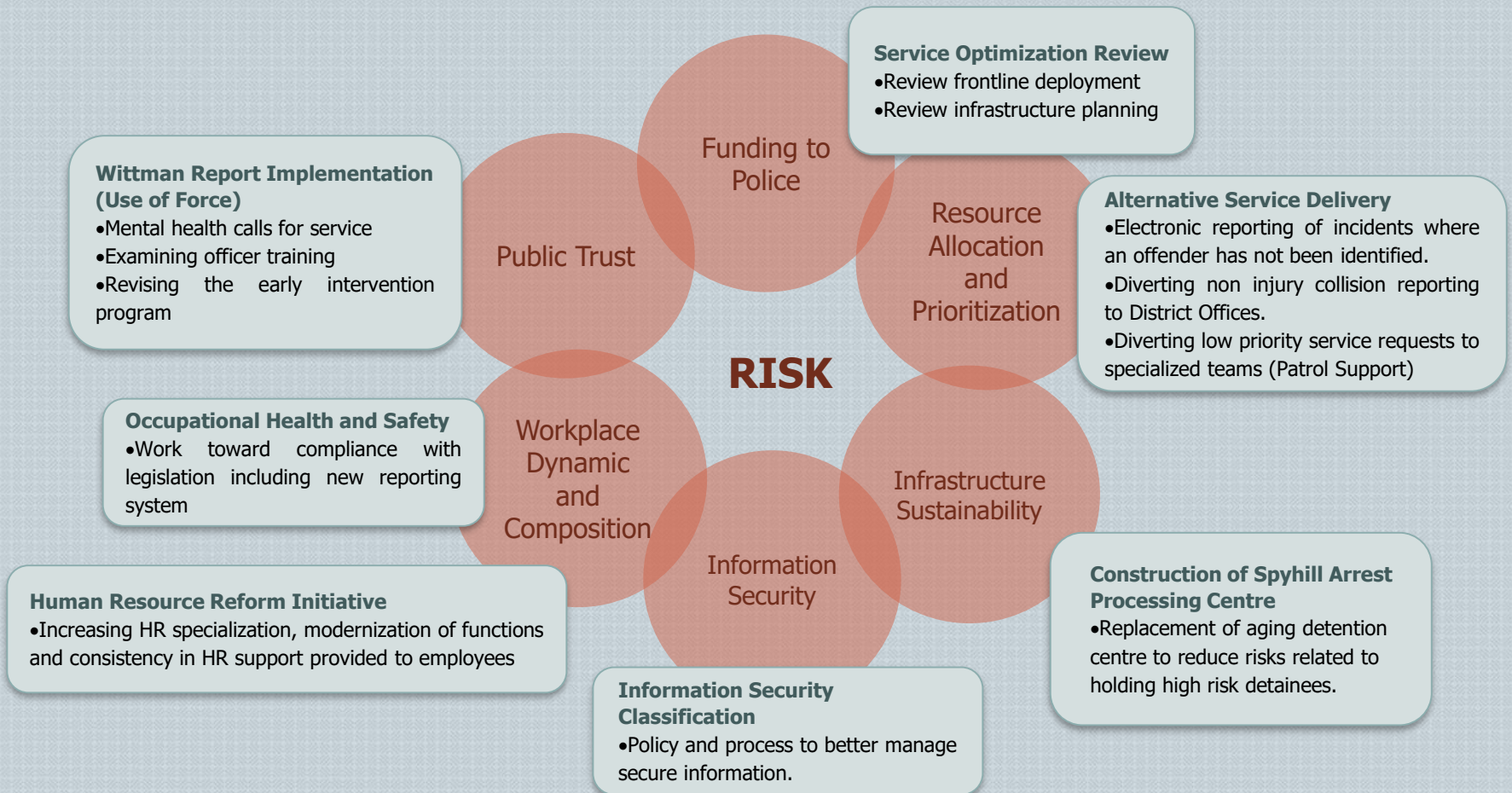
# Regulatory Changes

21

- Alberta Provincial Policing Standards were updated in 2018 – currently under review by CPS to determine areas that require changes to become compliant
- The Commission participated in the Province’s engagement process to gather input from stakeholders about the Police Act.
- We are hopeful the Province will continue reviewing the Alberta Police Act to deliver an act that is modernized in the areas including public complaints, officer misconduct, and the role of oversight bodies.

# Management of Risks - Examples

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# Follow-up Questions?

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Contact the Calgary Police Commission

403 428-8914

[chair@calgarypolicecommission.ca](mailto:chair@calgarypolicecommission.ca)





# 2018

## ANNUAL REPORT TO THE COMMUNITY

Calgary Police Commission



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*Photography on pages 3, 8-13 & 20-25 courtesy of Tim Bellaart*



# Message From The Chair

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Dear Calgarians,

On behalf of the Commission, I am proud to present highlights from our work in 2018. As a group of nine volunteer citizens and two city councillors, we oversee the work of the Calgary Police Service on behalf of Calgarians to ensure that the priorities of CPS align with the community.

In 2018, we continued overseeing progress within CPS toward achieving gender equity, diversity, and inclusion. We also worked toward achieving those same goals on our board.

A Commission that includes experienced, collaborative members with diverse backgrounds and perspectives is critical for effective oversight and governance. By the end of 2018 – and for the first time ever- we had more women than men on the Commission after city council appointed several highly qualified women to fill vacancies.

The Commission also engaged with CPS on the development of the 2019-2022 business plan and budget, which outlines how CPS will create a community that is safe, diverse and inclusive. We know CPS can only achieve these goals by working closely with the community.

Mid-way through the year, we launched the process to hire a new Chief Constable. The process included extensive engagement with citizens, employees and partners to understand priorities and qualities desired in Calgary's next police Chief. It will be vital for the next Chief to ensure that CPS members, who bring integrity, dedication, and courage to work every single shift, have the resources, training, and leadership to effectively serve our community.

The Commission is proud of the high level of police service CPS provides to Calgarians, and we are confident that CPS is ready to take on 2019 with energy, focus, and professionalism.

Sincerely,

BRIAN THIESSEN



# Commission Overview

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## RELATIONSHIP TO ALBERTA JUSTICE

The Calgary Police Commission is accountable to Alberta Justice and Solicitor General. The Province sets the standards for effective policing in Alberta, and through the Alberta Police Act, sets out the requirements and responsibilities for police commissions, Public Complaint Directors, municipalities, and police services.

We uphold and value the core principles of police oversight in Alberta:

1. The participation of the public in determining the priorities is essential.
2. The police service must be accountable to the public.
3. The police service must operate in the absence of political influence.

The Calgary Police Commission remains committed to fulfilling our legislated responsibilities, as well as our responsibilities outlined in the Alberta Policing Oversight Standards. The standards require police oversight agencies to ensure efficient and effective policing, and to provide a way to receive and monitor public complaints against the police service.

When last measured in 2015, the Calgary Police Commission achieved full compliance with the Provincial Policing Oversight Standards. A review by the Province confirmed that the Commission has well-developed policies and practices that promote and support police oversight.

## RELATIONSHIP TO CALGARY CITY COUNCIL

The Police Act provides for the City to establish a municipal commission. The Calgary Police Commission operates in accordance with the City's Calgary Police Commission bylaw. The bylaw reiterates and refines the responsibilities of the Commission, and outlines duties and procedures, including for the creation and appointment of members. City Council appoints members to the Calgary Police Commission, drawing upon the expertise and experience available in the community.

In consultation with the Chief Constable, the Commission is responsible for allocating funds for policing that are provided through City Council. The Commission regularly provides reports and presentations to City Council on the financial status of CPS, and works to ensure information flows seamlessly between the Commission, CPS, and the City.

Each year, the Calgary Police Commission and the Calgary Police Service present an annual report to the Standing Policy Committee on Community and Protective Services. This includes a report on the activities and highlights from the previous year.

The Commission also presents to the City's Audit Committee to provide annual financial statements and the results of the annual financial audit.

We continually strive to ensure we have a strong working relationship with our partners, including the City of Calgary.



# Oversight In Practice

## *Providing independent civilian oversight and governance of the Calgary Police Service to ensure a safe community.*

### PUBLIC MEETINGS

In 2018, the Calgary Police Commission held seven\* public meetings. The Commission provides advance notice of upcoming meetings through media and on its website. Agendas, reports and minutes of those meetings are also on the Commission's website.

*\*March meeting was cancelled due to shooting injury of CPS officer*

The Commission welcomes both media and public guests to attend meetings, viewing it as an opportunity to show the community what police oversight looks like in practice and to be accountable to the community.



The Commission receives presentations from CPS on various aspects of police operations, priorities, accomplishments, and challenges. In 2018, topics included:

- Sexual offence strategy
- HR reform action plan updates
- School resource officer program
- Mental health strategy and psychological supports for employees
- Residential traffic safety strategy
- Not in My City-Anti-trafficking efforts
- Auto theft team
- Crime and safety impact of meth use
- Cannabis legalisation update

Commission work is supported by three standing committees that meet eight times per year: Governance & Personnel, Finance & Audit, and Complaints Oversight. Ad hoc committees are created as needed, such as a search committee for hiring a new Chief Constable.

# Oversight In Practice

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## **FINANCE + AUDIT COMMITTEE**

This committee works closely with CPS on closely analyzing the budget allocated by city council to ensure a responsible business plan and budget are presented to city council to ensure CPS has the resources it needs to keep the city safe.

## **COMPLAINT OVERSIGHT COMMITTEE**

With the support of the Public Complaint Director, this committee monitors and oversees the public complaint process. While CPS is responsible for investigating complaints, the Commission and the Public Complaint Director ensure investigations are thorough, fair to all parties, and are conducted in accordance with laws and policies.

## **GOVERNANCE + PERSONNEL COMMITTEE**

As part of the Commission's responsibility to establish policies for efficient and effective policing, this committee considers the financial, privacy, personnel, and public interest implications of CPS policies and decisions. This committee also establishes the evaluation framework and evaluates the performance of the Chief Constable.

## **SEARCH COMMITTEE**

Following the retirement of Chief Constable Chaffin, the Commission established a committee to lead the search process. The committee partnered with an executive search firm to assist with a fair, transparent and competitive search. The committee conducted extensive engagement activities with citizens, employees,

and partners to understand the priorities and qualities desired in Calgary's next Chief. The information gathered from the engagement activities was used to develop a position profile. The committee will also shortlist candidates, conduct interviews, and conduct reference checks.



## Our Members 2018

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**Brian Thiessen – Chair** (Nov 2015 – present) is a Calgary lawyer whose practice focuses on employment, labour, and workplace privacy law. He is among Canada’s top business lawyers and has received numerous recognitions including Chambers Canada: Canada’s Leading Lawyers for Business from 2011 to 2018, and the Best Lawyers in Canada from 2011 to 2018.

As a certified human resource professional and certified information and privacy professional, he works extensively on developing best practices in employment, privacy and governance with employers and their boards of directors.

Commissioner Thiessen has a Juris Doctor, Law from the University of Calgary and a Bachelor of Commerce (Honours) from Queen’s University.

As a dedicated community volunteer, he has received the Debra Dean Award for outstanding contribution for work with the Board of Directors of Ronald McDonald House Southern Alberta.



**Lisa Silver – Vice-Chair** (Nov 2012 – Nov 2018) is a native Calgarian, lawyer, and educator. Her educational achievements include earning a degree in economics, a degree in law, and a master’s of law. She has appeared before all levels of court, including the Supreme Court of Canada.

Since 2016, Commissioner Silver has been on faculty at the University of Calgary Faculty of Law where she teaches criminal law, evidence, and advocacy courses.

Commissioner Silver also sits on the Alberta Legal Aid Provincial Appeals Committee, is a board member of Calgary Legal Guidance and is on the Access to Justice Committee for the Canadian Bar Association – Alberta. She is a member of the Advocate’s Society, the Canadian Bar Association, and the Institute of Corporate Directors.



## Our Members 2018

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**Chris Salmon – Vice-Chair** (Nov 2015 – Oct 2018) is a management consultant, specializing in the areas of strategy, change and organizational performance. He previously served as a UK Crown servant and has strong professional interests in the areas of intelligence, big data, and the mental wellness of first responders.

Commissioner Salmon serves as Chair of the Emergency Medical Services Foundation and has previously served on the advisory board for change management programs at Mount Royal University.

He is a graduate of the Universities of London, Manchester and Aberystwyth, a member of the Institute of Corporate Directors, and holds the Freedom of the City of London.



**Amira Dassouki** (Nov 2017 – present) is a born and raised Calgarian who values community involvement. She has spent time volunteering with organizations such as the Calgary Women's Centre, the Junior Achievement Southern Alberta Company Program, and the University of Calgary.

As a compensation consultant, Commissioner Dassouki helps clients in various industries resolve compensation issues by conducting and providing statistical trend analysis. She has led projects for clients in various industries including the financial, hospitality, social services, post-secondary, and municipality sectors. She has an affinity for numbers and enjoys applying them to real-life uncertainties.

Commissioner Dassouki is a University of Calgary graduate with a Bachelor of Science in actuarial science and statistics.

## Our Members 2018

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*Photo not  
available*

**Jennifer Forrest** (July 2018 – present) is a lawyer and member of the Law Society of Alberta. Her educational achievements include earning a degree in history from the University of Lethbridge, a master's degree in history from the University of Toronto, and a degree in law from the University of Calgary in 2004. She has focused her legal practice in the areas of labour and employment, privacy, corporate governance and commercial law. She clerked for the Federal Court of Canada in Ottawa, focused on administrative law, and has been employed in the Calgary legal field for over 13 years.

As a lawyer and certified compensation and benefits professional, she has held various senior leadership positions in the energy infrastructure sector, including corporate secretary, and senior management roles overseeing mandates including facility management, human resources, and commercial services.

She is currently a public member of the Board of Governors of the University of Lethbridge, Chair of the Governance Committee and member of the Executive Committee. She is also a board member and Vice President of The Elder Statesmen Group, a non-profit organization dedicated to providing safe, comfortable and affordable housing for senior citizens of Calgary.



**Jyoti Gondek** (Nov 2017 – present) is the City of Calgary Councillor for Ward 3. Previously, Councillor Gondek was the Director of the Westman Centre for Real Estate Studies and an adjunct professor at the University of Calgary's Haskayne School of Business. In the 12 years prior to her work at the university, she provided consulting services ranging from creating complete communities to fostering healthy corporate cultures. She also has private sector experience in financial services and public sector experience as a policy analyst.

Councillor Gondek holds a PhD in urban sociology and an MA in organizational sociology. She has served the community in a variety of volunteer capacities, including Calgary Planning Commission, the Community Representation Task Force, Northern Hills Community

Association, Vivo for Healthier Generations, Urban Land Institute Alberta, and the National Executive Forum on Public Property. She has been recognized for her contributions to community through the 2012 Queen Elizabeth II Diamond Jubilee Medal and the 2016 Angus Reid Applied Sociology Award.

## Our Members 2018

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**Roy Goodall** (Nov 2017 – present) was a member of the Canadian Forces from 1962 to 2000. He spent 36 years as a communications and electronics officer in national and international (USA and Europe) defence settings.

This employment included two tours as a commanding officer and 26 years working with capital budgets, operations and maintenance budgets, as a human resource manager, a career counsellor, a recruiter, a communication security and information technology policy and system oversight manager, project management, strategic planning, mergers, and risk management.

Commissioner Goodall has extensive not-for-profit community board experience earned during his military career and after retiring. He has also completed the Institute of Corporate Directors education program.



**Johnathan Liu** (Nov 2014 – Nov 2018) is an executive with Westmount Charter School Society who works on policy development, finance and accounting and enterprise risk management. He is also a director with the Alberta Association of Police Governance, and the Supply Chain Management Association.

He previously served on the board of Brickburn Funds Inc., Norfolk Housing Association, Kincora Residents Association, and Kincora Community Association.

Commissioner Liu holds an ICD.D designation from Institute of Corporate Directors program, a Bachelor of Commerce degree in Accounting from the University of Calgary, and is a chartered professional accountant.



## Our Members 2018

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**Marilyn North Peigan** (Nov 2017 – present) works to support residential school survivors and their families in her role doing outreach, community advocacy and education with the Native Counseling Services of Alberta.

She is also specialist in the field of corporate, event, and private security, bringing a background in military training and customer service. She has extensive experience in VIP security with a focus on the Aboriginal entertainment community.

She served with the military medical corps of the Canadian Armed Forces. After an honourable discharge, she earned a BA in psychology and an MA from Athabasca University, which covered the historical issues leading up to Canada's current situation with missing and murdered Aboriginal women.

Her contributions to the community include having served as vice-chair of the Calgary Aboriginal Urban Affairs Committee, which strived to improve the opportunities and quality of life for Aboriginal people living in Calgary. Commissioner North Peigan is proficient in the Blackfoot language and Treaty 7 territory culture.

In 2012, she was awarded the Queen Elizabeth II Diamond Jubilee medal.



**Tyler Shandro** (Nov 2015 – June 2018) received his Juris Doctor in 2004 from the University of Calgary and has focused his legal practice in the area of municipal law. He is a member of the Law Society of Alberta and facilitates and evaluates several modules of the Legal Education Society of Alberta's bar admission course.

In the past, Commissioner Shandro sat on a number of boards including the Municipal Government Board, the National Parole Board, the Criminal Injuries Review Board, as well as the Senate of the University of Calgary, and the Calgary Parking Authority.

His community experience also extends to volunteering with the Calgary Flames Ambassadors and the Calgary Stampede Promotion Committee.

## Our Members 2018

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**Richard Sigurdson** (Nov 2016 – present) is currently the Dean of the Faculty of Arts at the University of Calgary, having spent almost three decades in academic and administrative roles in universities across the country.

Prior to moving to Calgary in 2012, Commissioner Sigurdson served as Dean, Faculty of Arts and Acting Provost at the University of Manitoba where he also held the Duff Roblin Professorship of Government. A political scientist by training, he has published on a variety of topics, from the history of political theory to the Charter of Rights in Canada.

As an administrator, his focus has been on internationalization, indigenous teaching and learning, and improving the student experience. Commissioner Sigurdson has a long-standing commitment to public service, volunteerism, and engagement with the community. He has served on the Manitoba Electoral Boundaries Commission, and has co-chaired the University of Calgary's United Way campaign.



**Councillor Ward Sutherland** (Nov 2014 – present) was re-elected to Calgary City Council in 2017 for a second term. Prior to his role as city councillor, he had 25 years of senior leadership and management in top-tier companies such as Sony, Tim Horton's, McDonald's, and Hartco Corporation.

In Councillor Sutherland's volunteer work and as the president of the Rocky Ridge Royal Oak Community Association, he established a track record of positive outcomes across various levels of government, on multiple diverse issues. In 2013, he was honoured to receive the Queen Elizabeth II Diamond Jubilee Medal for his service to the community.

# Highlights - 2018

## HIRING A NEW CHIEF CONSTABLE

When Chief Constable Roger Chaffin announced in July his plan to retire, the Commission launched a search process. The process started with the Commission holding a strategic planning session to refine and confirm its priorities and expectations for the next Chief Constable. The next step involved partnering with an executive recruitment firm to get expertise on a fair, transparent, competitive search.

A period of engagement with employees, citizens, and partners followed. This enabled the Commission to understand the priorities and qualities desired in Calgary's next police Chief. A public questionnaire, employee survey, employee consultations, and one-on-one and

group discussions revealed that Calgarians are passionate about their city and care deeply about CPS as a vital element of what makes this such a great place to live and work.

It became clear that success in the role will be built on the foundation of trust and confidence that the CPS has built with the community, and by creating a supportive, inclusive workplace for all employees.

The feedback the Commission received was incorporated into the position profile and opened to applicants in December 2018.

A brief summary follows.

ENGAGEMENT METHOD (NO. OF PARTICIPANTS)*	THEMES
2018 Employee Survey (1278) - See Illumina Research Partners Report	Each fall, the Commission partners with an independent research firm to conduct a survey of CPS employees. It is an extensive report with many significant insights from employees about how they feel about working at CPS.
Online survey for all CPS employees, shared via email and memo	When it comes to their top priorities for a new Chief, employees feel it is important to improve morale, rebuild trust, hire more officers to increase capacity, improve the promotion process, enforce accountability at all levels of the organization, reconsider the tenure policy, better support members through public advocacy, and improve training and development.

*\*Please note that there is likely some overlap between those who filled out the employee survey and public questionnaire and those who had discussions with the Commission or MNP, which means there were 2000+ contacts with the Commission about the next Chief, though not necessarily from 2000 separate individuals.*



# Highlights - 2018

<p>Public Questionnaire (523) – See What We Heard – Citizen Survey Report</p> <p>Online survey for public, shared through CPS social media, with an invite to community associations and representatives from policing, legal, and business communities, ethnic and cultural groups, sexuality and gender diversity groups, Indigenous groups, immigrant groups, mental health groups, and faith-based organizations</p>	<p>A public questionnaire was available to all Calgarians, including CPS employees and community partners in October. Calgarians were asked to evaluate the level of importance of five policing priorities and six leadership qualities. The priorities most often selected as ‘very important’ were:</p> <ul style="list-style-type: none"> <li>• Reliability: maintain adequate staff and resources to meet the City’s needs, and</li> <li>• Safety + Wellness: support public safety and employee safety and wellness by ensuring police have sufficient training, equipment and policies to support them.</li> </ul> <p>The qualities most often selected as ‘very important’ were ‘Acts with a high level of integrity, respect, fairness, and compassion’ and ‘Team builder considerate of community and employee concerns.’</p> <p>When asked what other priorities and qualities should be considered, participants most often said it’s important to:</p> <ul style="list-style-type: none"> <li>• Improve the morale of CPS members and change culture</li> <li>• Have appropriate education and experience</li> <li>• Support a positive public image of CPS</li> <li>• Support accountability and integrity</li> </ul>
<p>Employee discussions at district offices (approx. 235) and direct discussions with MNP (approx. 60) – See MNP Consultation Summary</p>	<p>The Commission created an opportunity to meet with employees face-to-face at each district office to hear directly from them about the topics raised in the employee survey. MNP also had a number of discussions (group and one-on-one) with CPS leadership, municipal and provincial officials, and some community partners.</p>
<p>On-site meetings with employees, including Calgary Police Association</p> <p>One-on-one meetings with CPS senior management</p> <p>Group and individual meetings with City Council, provincial government representatives, and safety partners.</p>	<p>Some common themes emerged, such as:</p> <ul style="list-style-type: none"> <li>• Ability to effectively communicate with employees and the community will be essential to success in the role.</li> <li>• Members want a clear understanding of how decisions are made and the rationale of decisions that affect them.</li> <li>• New Chief needs a supportive executive team that includes complementary or balanced skill sets.</li> <li>• A constructive relationship with the Calgary Police Association is necessary and needs work.</li> </ul> <p>Those consulted also believe that it’s important for a leader to be humble, ethical and authentic, and to communicate a vision and effectively implement a plan for the organization to achieve that vision.</p>

# Highlights - 2018

## EMBRACING DIVERSITY & INCLUSION AT CPS

In 2018, the Commission continued its focus on supporting CPS to achieve a diverse, inclusive, and respectful workplace.

Building on the 7-point plan provided to CPS in 2016, the Commission received frequent updates from CPS about the progress on each item. In a short amount of time, CPS has made significant progress on reviewing and modifying policies and organizational structures to achieve the goals outlined in the 7-point plan:

- |  |  |
|--|--|
| <p><b>1 ESTABLISH INDEPENDENT THIRD-PARTY ADVOCATE</b><br/> <span style="color: green;">Hire Independent Workplace Concern Advisor</span><br/> <span style="color: green;">Strengthen Respectful Workplace Office</span><br/> <span style="color: green;">Revise Respectful Workplace Policy</span></p>  | <p><b>4 REVIEW PROMOTION, JOB PLACEMENT POLICIES +</b><br/> <b>5 ASSESS PERCEIVED OR ACTUAL GENDER BIAS IMPACTS</b><br/> <span style="color: green;">Conduct independent policy reviews</span><br/> <span style="color: green;">Conduct Gender-Based Analysis + pilot</span><br/> <span style="color: red;">Follow-up with independent policy reviews</span><br/> <span style="color: orange;">Develop Diversity &amp; Inclusion Strategy</span></p> |
| <p><b>2 RETAIN EXTERNAL EXPERTISE TO ADDRESS RECOMMENDATIONS</b><br/> <span style="color: green;">Develop HR Service Delivery Review Execution Plan</span><br/> <span style="color: green;">Develop Workplace Violence policy</span><br/> <span style="color: orange;">Secure civilian CHRO</span><br/> <span style="color: blue;">Monitor provincial legislation</span></p> | <p><b>6 REVISE PROMOTION, JOB PLACEMENT POLICIES</b><br/> <span style="color: green;">Implement Flexible Work Program</span><br/> <span style="color: green;">Implement Flexible Work Policy</span><br/> <span style="color: red;">Follow-up with independent policy reviews</span><br/> <span style="color: orange;">Develop Diversity &amp; Inclusion Strategy</span></p>  |
| <p><b>3 CONDUCT WORKFORCE CENSUS</b><br/> <span style="color: green;">Conduct workforce census</span><br/> <span style="color: green;">Communicate results to Service</span><br/> <span style="color: green;">Compare results to general population</span></p>   | <p><b>7 PROVIDE TRAINING TO EMPLOYEES</b><br/> <span style="color: blue;">Sustain Respectful Workplace Office</span><br/> <span style="color: orange;">Deliver Respectful Workplace training</span><br/> <span style="color: orange;">Develop Diversity &amp; Inclusion Strategy</span></p>  |

### Color legend:

Action complete	Work is ongoing
Under development	Not started/assigned

# Highlights - 2018

## DIVERSITY ON THE COMMISSION

The Commission supports and endorses the City of Calgary's efforts to create a more inclusive municipal decision making system, which includes the participation of women across diverse communities on boards and commissions.

With this in mind, the Commission works with city council to select individuals with proven professional experience from a diverse cross-section of the city to fill vacancies on the Calgary Police Commission. The

Commission expects the Calgary Police Service to achieve gender equity and diversity within the organization which means the Commission itself must model the diversity it expects.

In 2018, the Commission achieved a gender balance and believes the city is best served when the board is comprised of individuals who represent the diversity of our community alongside proven professional expertise.

## SECURING RESOURCES FOR CPS - 2019-2022 BUSINESS PLAN AND BUDGET

The Calgary Police Commission has a duty under the Alberta Police Act to ensure that the service has sufficient resources to carry out its mission to keep our city safe and to prevent crime.

Throughout 2018, the Commission and CPS developed a four-year budget and business plan that would give CPS the resources it needs to keep Calgary safe and to support CPS employees to do their very best.



After significant deliberation, City Council approved the request submitted by the Commission on behalf of CPS. Council considered the request in the context of property tax rates, funding requests from 60 other city departments, service levels, fees, and the long-term needs of our city.

Most significantly, the decision was rooted in citizen feedback. Commission research showed that the vast majority of citizens are satisfied with the Calgary Police Service and want CPS to have the resources it needs to address current pressures and meet the challenges ahead.

The Commission is thankful to Calgary city council maintaining current funding levels in 2019 and 2020, and approving an increase in 2021 and 2022 to hire 120 more members. This budget means CPS can continue to deliver the services needed to keep our communities safe, to strengthen partnerships to prevent crime, and to apply innovative approaches to maintain excellent investigations.



# Highlights - 2018

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## USE OF FORCE REPORT RECOMMENDATIONS

In May 2017, CPS invited Chief Justice Wittmann to conduct an independent review to ensure CPS has the correct policies, procedures, equipment, and training in place to police our community in the safest way possible.

He conducted extensive research and interviews to understand the topic. The result was a thorough, thoughtful, and comprehensive report delivered in May

2018. The report included 65 recommendations which require significant reform to organizational structures and systems.

CPS is considering the best way to put the recommendations into practice, and the Commission will continue to work closely with CPS to oversee the implementation of the report.

## ALBERTA POLICE ACT REFORM CONTRIBUTIONS

The Calgary Police Commission is actively engaged in the process launched by the Alberta Minister of Justice to review the Alberta Police Act. We are hopeful that the outcome will be a reformed act that maintains and enhances trust between police officers and citizens.



# Hearing From The Community

## CITIZEN SURVEY

The Commission conducts comprehensive research annually to understand how citizens feel about policing and safety in Calgary. The research also helps identify opportunities to better serve the community. Citizen feedback is an essential part of keeping police responsive and accountable to the community.

The results show the vast majority of citizens feel that Calgary is a safe place to live, are satisfied with the Calgary Police Service, and have confidence that the Calgary Police Service can deliver the services needed to keep Calgary safe.

“We appreciate the time that hundreds of citizens took to give us their feedback. Input from the community is an essential part of keeping police responsive and accountable, especially at such an important time for the Calgary Police Service. This information will inform the direction of CPS and budget in the coming years, as well as the priorities of the next chief of police.”

*Brian Thiessen, Chair, Calgary Police Commission*

“The quality of information that citizens provide to the Commission through this survey is exceptional. After eleven years conducting this research, CPS is still performing well. Citizens support the Calgary Police Service. However, the strength of that satisfaction and confidence has been slipping in recent years, which is noteworthy for the Commission and CPS leadership.”

*Yvonne Brouwers, President & CEO,  
Illumina Research Partners*

However, ratings have declined this year. Citizens suggest CPS could improve services with a greater visible police presence, more transparent and accountable communications, improved officer training and more officers. Citizens also want greater financial investment in crime prevention programs and measures to prevent violent crimes, drugs, and gangs.

CPS received the highest ratings from citizens who had in-person interactions with police. People who are interacting with officers rate them highly as professional, courteous, respectful and knowledgeable.



# Hearing From The Community

## COMMUNITY DINNER ROUNDTABLE DISCUSSION

The roundtable discussion portion of the Calgary Police Commission community event, held on June 19, 2018, invited guests to provide their thoughts about crime prevention.

The 400+ guests in attendance represented community associations, diversity groups, community agencies, the Calgary Police Service, and community policing award recipients. Youth cadets and CPS auxiliary members who volunteered at the dinner also brought their unique experience and perspectives to the roundtable discussion.



The Commission posed three questions in an effort to seek feedback that could be incorporated into strategic planning and future priority setting:

- What CPS crime prevention programs or campaigns have the greatest impact on you or your community?
- What role do you/your community play in helping prevent crime?
- What topics are you interested in learning more about to keep your community safe?



Feedback reflected a high level of awareness and experience with CPS crime prevention programs. The programs that participants highlighted most frequently as having a significant impact include:

- Community resource officers
- Diversity resource officers
- School resource officers
- Other youth engagement and intervention programs



# Hearing From The Community



Guests also noted the importance of CPS publishing crime prevention tips and crime updates through social and traditional media. Many pointed to Operation Cold Start, Coffee with a Cop, and Lock it or Lose It as effective campaigns that improved community safety. Many participants also commented on the importance of having CPS officers attend community meetings to talk about safety topics, and having the bike unit and active patrols within their neighbourhoods.

Guests outlined dozens of ways they were taking initiative to help to prevent crime in their neighbourhoods. Building relationships and staying connected with neighbours to share information and spread awareness was the primary way guests help keep their communities safe. Residents also stay informed about local crime trends and safety tips by monitoring CPS social media and engaging with CPS community resource officers.

Additional activities include participating in community association programs aimed at creating stronger communities, such as seminars, fairs, and guest speakers. Community association participants also organize events and workshops to give CPS an opportunity to present on local safety topics.

*When it comes to topics that participants are eager to learn more about, participants requested more information from CPS about:*

- The impact of cannabis legalization on their community
- Supervised consumption sites
- Crime prevention through environmental design
- Cybercrime and fraud prevention, especially targeted at specific ethnic groups
- Events happening in real time
- Traffic enforcement, pedestrian safety, and traffic calming measures
- Diversity training within CPS to ensure sensitivity to all victims
- Community resource officer assignments
- Crime maps or statistical information about when and where crimes are occurring

# Community Policing Awards

The annual community event includes an awards ceremony that gives the Commission an opportunity to honour the exceptional individuals and community groups who are helping to make our community stronger and our city safer.

In 2018, the Commission presented awards in six categories to 11 deserving people.

## WINNERS OF 2018 COMMUNITY POLICING AWARDS

### AWO TAAN HEALING LODGE SOCIETY



The Awo Taan Healing Lodge Society is a full-service emergency shelter that provides essential community services to women and children who have experienced family violence and abuse. It has guided thousands of local families from all backgrounds, religions and ethnicities through life's most difficult experiences.

The society also creates opportunities to bring the Calgary community together, such as the Red Dress Project. This campaign honours and raises awareness about missing and murdered Indigenous women and girls. The red dress has become a powerful symbol and a call for action and social justice for Indigenous women.

In 2017, CPS displayed a red dress at its district one office to show its support for Indigenous women. This action was based on the strong relationship developed between the society and the CPS team in district one. Together, the groups have worked on supporting the victims of violence and to educate CPS employees on the foundations of Indigenous culture.

# Community Policing Awards

## SYDNI BRIX

When she was a grade 12 student, Sydni envisioned having Students Against Drinking and Driving ribbons tied to all Calgary Police Service patrol vehicles. Inspired to eliminate the number one cause of death and injury among youth, Sydni approached CPS with her vision, and CPS jumped on board without hesitation.

Sydni also singlehandedly coordinated with CPS and her school principal to prepare a display that would give her fellow students a real life perspective about the realities of drinking and driving. She arranged for CPS to display a truck that had been involved in a fatal drinking and driving-related collision. The CPS traffic section also brought a Checkstop van so students could tour the inside and learn about the process involved in arresting an impaired driver and taking breath samples.

“Sydni helped deliver SADD’s message alongside the efforts of CPS to educate citizens about the dangers of impaired driving. She demonstrated a great deal of confidence, courage, and leadership by spearheading these activities on her own.”  
– Cst. Sheldon Hamm



## HEATHER MORLEY & ELSBETH MEHRER, YWCA

Through the leadership and commitment of these two YWCA vice-presidents, a highly successful program is able to continue to support people dealing with chronic and high risk domestic conflict.

Originally a partnership between the Calgary Police Service and HOMEFRONT, the domestic conflict response team plays a critical role in early intervention and prevention of domestic and family violence and ultimately reduces calls for service.

When it became clear that sustainable public and private funding could not be secured to continue the partnership with HOMEFRONT, Heather and Elsbeth worked on a smooth and seamless transition of the program to YWCA. They also committed additional resources and domestic violence case workers to work with CPS to provide timely intervention and outreach to families in need of social supports and referrals to housing, counselling, and child care.

The team reaches over 1400 families in Calgary each year, and with the support and partnership of the YWCA Calgary, the program will continue to help families dealing with domestic conflict and family violence.





# Community Policing Awards

SGT. GARETH JOELS (*pictured*) & CST. GARRY WOODS



“Prior to this initiative, CPS had nothing to give to children and families who spoke no English. Now we have the books and pamphlets in multiple languages that will help CPS connect with more residents. This was not an initiative that was tasked to these officers. They saw a gap and they took action. This was done solely to provide a service to the community.” – Inspector Leah Barber

As members of the Calgary Police Service Diversity Team, their work involves building bridges between police and residents from diverse cultures, especially new immigrants to Canada. Together, they created a newcomers guide for adults, with translations available in seven different languages – English, Spanish, Punjabi, Hindi, Arabic, Somali, and Tagalog.

These resources gave a broader group of people basic information about CPS, and how to contact police. A coloring book for children was also created in the same languages. The material became a vehicle to form

relationships with youth and families in diverse communities. They successfully printed hundreds of booklets that are helping break down barriers and give newcomers a better understanding about how police in Canada operate.

CPS SOCIAL MEDIA OFFICERS - CSTS. RILEY BABOTT, JEREMY SHAW & MARK SMITH



With over 300,000 followers on Twitter and Facebook, CPS is able to reach more citizens than through traditional media. Some posts have reached over one million people, thanks to the engaging content these officers create.

The social media team are well-known for their reliable, timely, and often humorous interactions with citizens. From behind their desks, these officers continuously interact with citizens by answering questions, correcting rumours, and assisting with investigations.

In 2017, they expanded their reach to connect with community social groups. This approach enables CPS to address community concerns about crime trends, provide community specific crime reduction advice, and solve local crime issues, while being easily accessible to the community at all times.

# Community Policing Awards

## MIKE SHAIKH

Mike Shaikh has a long history of supporting the Calgary community, which includes a significant role supporting the Calgary Police Service. For eight years, he served on the Calgary Police Commission where he was instrumental in forming the Calgary Police Foundation. To get the Foundation off the ground, he created a powerful fundraising team which raised more than \$12 million to establish the Foundation.

As part of his commitment to helping youth succeed, Mike also introduced the Calgary Police Cadet Corps model to our city. The program has become a launching pad for many local youth. Dozens of cadets have developed leadership skills and learned the elements of community-based policing, with many cadet graduates going on to become CPS officers.



“Seven years after the youth programs started, we are witnessing the success that its founders dreamed of – boosting youth academic scores, and educating children to prevent high-risk behavior and criminal activity. Mr. Shaikh knew then that the real results would come in the future. All of Calgary expresses its gratitude and appreciation for someone so passionate about our city, our youth, about education, and about safety.”

– Corrine Wilkinson, Calgary Police Foundation

## ALBERTA HEALTH SERVICES (*Shannon Hennig, pictured*)

Alberta Health Services was a key driver, architect and champion of the development of the first provincial supervised consumption site. Supported by both the City and the Province, the site was created as a direct response to the opioid crisis that claimed the lives of more than 200 Calgarians in 2017 alone.

As a leader of the initiative, Alberta Health Services helped the Calgary Police Service with internal training, policy development, data collection, and community engagement.

Throughout 2017, AHS managed relationships with various levels of government, the Calgary Coalition on Supervised Consumption and various social agency and community groups to get the site constructed and operational, while responding to community and partner concerns along the way.



*We are grateful to our 2018 event sponsors: the Silver & Kowall Families, Field Law, Bennet Jones, and a generous anonymous donor.*

# Calgary Police Service Employee Survey

The Calgary Police Commission partners with an independent research firm to conduct a survey of CPS employees each year. Our goal is to give all employees an opportunity to provide candid, anonymous feedback about working at CPS.

We use this input to understand concerns and trends over time, and to evaluate the Chief's performance. This year, these results will weigh heavily in the selection of a new Chief Constable.

Feedback was incorporated into the position profile, alongside the results of other engagement activities. The position profile is the foundational document provided to candidates and used to establish evaluation and selection criteria. The Commission will then select the right Chief to tackle many of these issues, and will make sure they are capable of effectively implementing a plan to create a healthy, supportive workplace.



## *Some highlights from the survey include:*

- Employees want the new Chief to address low morale and the promotion process, and to be hired externally.
- Morale, and satisfaction with the promotion process, received the lowest ratings in the survey.
- While many employees noted concerns with poor leadership and low morale, more than half of respondents were positive about their workplace environment, saying they liked their job and enjoyed the work.
- Employees point to excellent coworkers and a fulfilling career as the primary things they like about working at CPS.
- Many of the key initiatives underway at CPS, such as the rollout of body worn cameras and hard body armour, are having a strong positive impact on those directly affected.
- 83% of employees who participated in a workplace wellness program in the past 12 months experienced improvement in their overall wellness.



# Complaints Oversight

In 2018, the Commission continued its ongoing work to enhance the public complaint process. This involved monitoring and reviewing ongoing files and reviewing complaint file audits conducted by the Public Complaint Director.

## How does the public complaint director support the commission's oversight role?

- Receives complaints from the public
- Acts as a liaison between the Commission, CPS, and the complainant
- Reviews investigations conducted by CPS while they are ongoing and at their conclusion
- Offers alternative dispute resolution, when appropriate, and review the delivery of the resolution process
- Reports to the Commission on complaint matters

## COMPLIMENTS

In 2018, CPS received **336** compliments.

Each compliment is for one or more members or for CPS as an organization.

### Definitions:

*Public Complaint:* complaint about conduct of a member that may contravene the regulations governing the discipline or performance of duty of police officers

*Citizen Contact:* initial contact about an allegation or an enquiry or request for assistance – may become a complaint

*Internal Complaint:* complaint initiated by the Chief of Police about the conduct of a member that may contravene the regulations governing discipline or performance of duty of police officers

*Statutory Complaint:* complaint about an act by a police officer that may contravene provincial or federal legislation – complaint may be generated by a citizen or by the police service itself

Public Complaints & Citizen Contacts	2014	2015	2016	2017	2018
Public Complaint (External)	212	245	286	227	258
Citizen Contact	847	846	1089	908	963
Internal Complaints	23	41	33	69	37
Statutory Complaints	27	33	44	33	39
Administrative Concern	21	40	34	16	5
<b>TOTAL</b>	<b>1130</b>	<b>1205</b>	<b>1486</b>	<b>1253</b>	<b>1302</b>

# Complaint Oversights

## RESOLUTION OF EXTERNAL PUBLIC COMPLAINTS

Resolutions of Public (External) Complaints 2014-2018	2014	2015	2016	2017	2018
Withdrawn by Complainant	8	13	13	4	5
Lost Jurisdiction (resign/retire)	1	3	3	0	2
Filed Beyond One Year Limit	9	8	8	4	10
Dismissed - Extension Not Granted	0	1	1	0	0
Frivolous / Vexatious / Bad Faith	3	0	4	1	0
Informally Resolved	134	173	222	139	171
<i>Supervisor Intervention</i>	38	36	42	27	28
<i>Professional Mediation</i>	2	1	0	0	1
<i>Facilitated Discussion</i>	17	12	5	1	2
<i>Informal Discussion Among Parties</i>	77	124	175	111	140
Sustained - No Hearing	0	0	3	2	1
Sustained In Part - No Hearing	2	3	13	8	11
Not Sustained - No Hearing	19	26	3	0	0
*Dismissed – No Hearing – No Reasonable Prospect	0	0	51	67	42
**Sustained – Dismissed – No Hearing PSR 19(1)(a)(i)					9
Sustained - Hearing	0	1	0	0	0
Sustained in Part - Hearing	0	0	1	2	1
Not Sustained - Hearing	0	0	1	0	2
Other	0	0	0	0	0
<b>TOTAL</b>	<b>176</b>	<b>228</b>	<b>323</b>	<b>227</b>	<b>254</b>

\*Terminology changed in 2016

\*\*Terminology added in 2018

# Complaint Oversights

Disciplinary Measures for External Complaints 2018		
Incident	Allegation	Discipline
1	Failure to Provide Adequate Service or Deficient Policy (Police Act-Section 44)	N/A
2	Neglect Duty: Fail to Promptly/Diligently Perform Duty Discreditable: Discredit the Reputation of the Service	3 Year Official Warning
3	Neglect Duty: Fail to Promptly/Diligently Perform Duty Insubordination: Breach Policy/Order/Directive	Forfeiture of Overtime Suspended from Duty Without Pay
4	Discreditable: Discredit the Reputation of the Service	Agreed Reprimand
5	Insubordination: Breach Policy/Order/Directive	Agreed Reprimand
6	Neglect Duty: Fail to Promptly/Diligently Perform Duty	Agreed Suspension from duty WITHOUT pay
7	Neglect Duty: Fail to Promptly/Diligently Perform Duty	Official Warning
8	UUEA: Unlawful/Unnecessary Exercise of Authority	Additional Training
9	Insubordination: Breach Policy/Order/Directive UUEA: Unlawful/Unnecessary Exercise of Authority	Agreed Suspension from duty WITHOUT pay
10	Neglect Duty: Fail to Promptly/Diligently Perform Duty Neglect Duty: Fail to Promptly/Diligently Perform Duty	Official Warning Official Warning
11	Failure to Provide Adequate Service or Deficient Policy (Police Act-Section 44)	N/A
12	Discreditable: Profane/Abusive Language	Official Warning
13	Neglect Duty: Fail to Promptly/Diligently Perform Duty	Counselling

## COMPLAINTS AGAINST THE CHIEF

In 2018, nine complaints were initiated against the Chief.

The Commission concluded in two instances that, based on the information provided, there was no conduct on the part of the Chief that would provide jurisdiction for the Commission to proceed under the Alberta Police Act. One complaint was formally withdrawn. The remainder of the complaints, including those received prior to 2018, were dismissed due to loss of jurisdiction when the former Chief Constable retired on October 19, 2018.



# Commission Reporting

The Calgary Police Commission has a mandate to provide independent citizen oversight of police in a way that upholds the high levels of trust and confidence the Calgary Police Service has earned from the community.

Given the significance of police oversight in keeping our city safe and ensuring police are accountable to the public, the workload and expectations of police Commissioners are high. Members can easily spend more than 30 hours each month attending meetings, preparing for meetings, participating in public and

employee outreach activities, attending celebratory events at CPS, attending learning sessions about policing and governance, and sitting on affiliated boards. The Chair spends many additional hours in their role as spokesperson and as a point of contact with CPS and the City.

In addition to seven public meetings, two business meetings, 24 regular sub-committee meetings and 12 search committee meetings, members also participated in the following activities in 2018:

- Annual governance retreat
- Strategic priorities review
- Annual citizen and employee research workshop
- Joint strategy session with CPS
- Joint meeting with CPS and Calgary Police Association
- Commission's annual community dinner + community policing awards
- Employee engagement sessions at district offices
- Three CPS recruit graduations
- Tsuut'ina Christmas Feast & Powow
- Community Menorah Lighting
- CPS regimental ball
- Tour of the CPS evidence and property unit
- Cadet annual review
- Cadet corp mess dinner
- CPS annual promotion reception
- 25 year belt buckle presentation
- Spyhills groundbreaking ceremony
- Annual auxiliary review
- Auxiliary graduation
- Commissioner's cup award ceremony
- CPS half marathon
- 30 year celebration of CPS special projects volunteers
- CPS volunteer recognition dinner
- CPS employee recognition lunch
- Tour of Integrated School Support Program schools with Calgary Police Foundation
- Townhall with Calgary Pride
- Alberta Police and Peace Officers Memorial Day ceremony
- Presentation to City's Standing Policy Committee on Community & Protective Services
- Presentation to City's Audit Committee
- Presentation to City's Priorities & Finance Committee
- Presentation to City's Planning and Urban Development Committee
- Presentation at International Association of Women Police conference
- Canadian Association of Police Governance conference
- Alberta Association of Police Governance conference
- FOIP orientation
- Spokesperson and media training
- Orientation to CPS budget and business planning

City Council selects citizens with proven professional experience from a diverse cross-section of the city, who are able to dedicate themselves to this community service position.

To find out more about how to become a citizen member, visit the City of Calgary:

<http://bcconline.calgary.ca/publish/bcc.aspx?id=72>

## CONTACT INFORMATION

To learn more about the Calgary Police Commission,  
or to weigh in on policing in Calgary, contact us at:

### **Calgary Police Commission**

615- 650 MacLeod Trail SE

Calgary, AB T2G 4t8

Tel: 403 428-8914

Email: [cpced@calgarypolicecommission.ca](mailto:cpced@calgarypolicecommission.ca)

[www.calgarypolicecommission.ca](http://www.calgarypolicecommission.ca)









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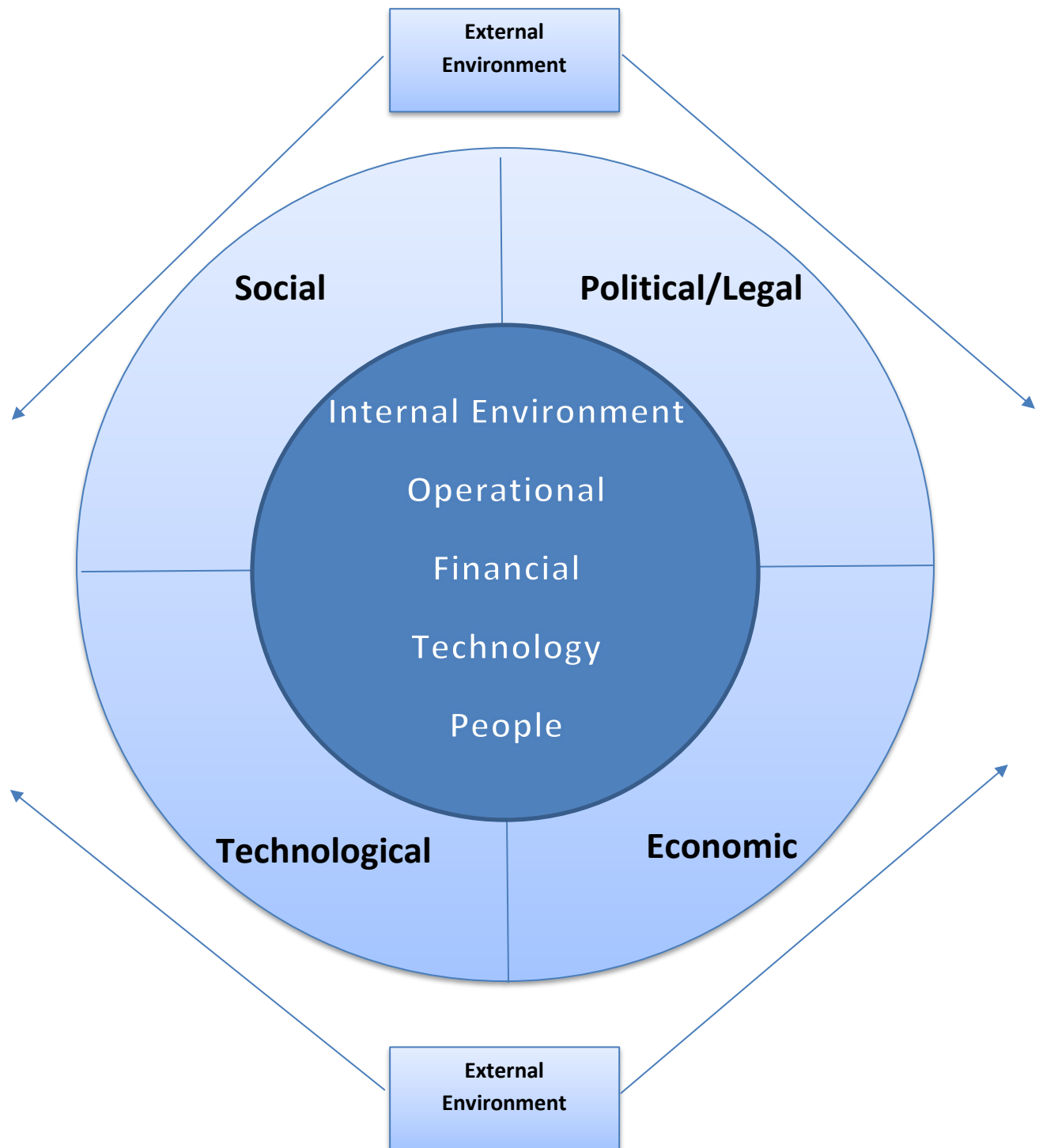
# CALGARY POLICE SERVICES

## 2019 ANNUAL ORGANIZATIONAL RISK ENVIRONMENT UPDATE

June 2019

Strategic Services Division

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## Section 1: Strategic Risks

### From External Environment

Crime and Disorder	Social & Technological	NO CHANGE
<p>CPS has recognized an increase in both volume and complexity of crime within the community. Along with a rise in the volume of traditional crime, such as domestic and gang violence, incidents often involve a technological component that contributes to the growing complexity of investigations. In addition, the increase in economic crime and cybercrime requires sophisticated and specialized equipment and skills to bring cases to charge.</p> <p>Much of the increased crime and disorder in Calgary has been attributed to the increase in highly addictive and deadly drugs. In 2019, CPS has recognized more wide spread usage of methamphetamine in addition to opioids, both in the broader community and by people in custody. Increasing disorder and acquisitive crime, such as vehicle crime and B and E's impact CPS's operational response. In addition, the implementation of supervised consumptions sites brought increased public safety concerns for communities around the sites, which resulted in increased resourcing requirements for those areas. Although CPS relies heavily on partnerships with other agencies who serve this vulnerable population, community resources to address the root causes of addiction are challenged to meet the large-scale needs. Limited resources in terms of both policing and social agencies in the face of mounting safety concerns, may contribute to less desirable outcomes for affected people</p> <p>CPS's ability to address the complex intersection of crime and disorder is further impacted by court decisions and changing legislation that challenges investigative methods and increases officer workload. Increasing crime volume and complexity requires CPS to allocate more human and technological resources to prevention, detection and enforcement. CPS anticipates this will continue to create resource challenges for operations and investigations in the foreseeable future.</p>		

Austerity in Policing	Economic & Political/Legal	INCREASE
<p>While economic conditions have improved somewhat over the past couple of years, citizens of Calgary will continue to hold CPS accountable for improving its efficiency and effectiveness. Although fiscal expectations remain stable through 2019, CPS has recognized the risk of budget reductions due to lower than expected tax revenue. In addition, the impact of the 2019 provincial election is not fully understood at this time, particularly in relation to the status of provincial funding that has traditionally supported CPS operations. The risk of budget reductions combined with the increased and complex demands for service will require CPS to change service models while using fewer or the same resources. The organization is expected to be more agile, efficient, effective and creative in the manner in which we deploy people and facilities in the future.</p>		

Public Trust and Transparency	Social	INCREASE
<p>Social and technological advancement in the last decade has significantly changed the landscape of policing and public expectations of police conduct. With the rapid growth of social media and information technology, both police conduct and the business of policing are under stronger public scrutiny. Citizens and stakeholders deserve to expect their police service to demonstrate transparency with regard to the use of police powers as well as in overall priority setting. To strengthen trust with citizens and governance, CPS will likely need to invest more resources and secure the required expertise to improve business processes and efficiency. The expectation of timely outcomes will continue to drive evidence-based decision making on competing organizational priorities.</p>		

### From Internal Environment

Resource Allocation and Prioritization	Financial & Operational	INCREASE
<p>In response to increased external risk trends, strategies and action plans have been developed within the organization. Competing priorities and limited resources have created a significant increase in the risk of workload management and resource deployment. This is particularly concerning in relation to frontline resources and the ability to manage public requests for service. In 2019, CPS has seen a growing number of work areas operating under authorized strength, and an increased number of critical projects to be resourced. CPS expects this trend to continue in the foreseeable future, which requires the organization to develop a systematic approach to resource allocation, prioritization and monitoring.</p>		



<b>Workplace Dynamics and Composition</b>	<b>Operational &amp; People</b>	<b>NO CHANGE</b>
<p>While media scrutiny of CPS has stabilized, CPS continues to strive to improve workplace satisfaction and engagement. Some member's feel that respect, fairness and equality do not meet their expectations, and this negatively impacts their experience of the workplace. In addition, the need for specialized skill sets is challenging the existing generalist policing paradigm and impacts role clarity and decision making. The overall traditional hierarchical structure of policing organizations, while important to effective and efficient for police operations and investigations, also contributes to cultural tensions in the midst of changing workforce demographics and the related expectations to manage business functions. If CPS fails to adapt to these changes, there will be significant impacts to recruiting, retention, productivity and employee wellbeing.</p> <p>CPS continues to address concerns related to human resource practices. In addition to the need to reform human resource functions at the transactional or process level, CPS faces risks to workforce composition including but not limited to the recruitment of over 600 quality candidates in the next 5 years, fulfilling the organization's commitment to hiring diverse staff and meeting expectations for development over the course of an employee's career.</p>		

<b>Information Security</b>	<b>Technology</b>	<b>NO CHANGE</b>
<p>Data is a valuable strategic and corporate asset that assists in optimizing public safety and well-being, by supporting operational and business decision making. As information technology continues to advance, the risk of protecting our information and the privacy of citizens we interact with remains significant. CPS continues to face risks of penetration of our information systems through cyberattacks and operational risks related to the potential for major IT interruptions. These risks have implications for community trust, as well as for officer and community safety.</p>		

<b>Infrastructure Sustainability</b>	<b>Financial &amp; Operational</b>	<b>NO CHANGE</b>
<p>Limitations to capital budgets over the last years have led to strains on CPS facilities. Decentralized police facilities in Calgary communities are aging and can no longer be retrofitted to deploy the current and anticipated growth in staff. Calgary has experienced geographic spread and increases in the number of suburban communities which also leads to deployment challenges for officers and police vehicles in terms of travel time and community connection. Although alternative models of deployment may address these issues, risks related to ensuring a visible police presence, providing a safe place to store valuable assets and addressing employee health and wellness will require innovative mitigation strategies.</p>		

## Section 2: 2019 - 2020 Risk Management

The following outlines significant mitigation efforts being employed by the CPS to address the identified organizational risks. The list does not represent all risk mitigation activities, but rather represents selected examples of components from the 2019-2022 Service Plan.

Mitigation Effort:	Primary Risks
<b>Service Optimization Review</b> <ul style="list-style-type: none"> <li>Review frontline deployment</li> <li>Review infrastructure planning</li> </ul>	Resource Allocation and Prioritization Infrastructure Sustainability Austerity in Policing
<b>Wittman Report Implementation (Use of Force)</b> <ul style="list-style-type: none"> <li>Initiation of several related projects including addressing mental health calls for service, examining officer training and revising the early intervention program.</li> </ul>	Public Trust and Transparency Workplace Dynamics and Composition
<b>Alternative Service Delivery</b> <ul style="list-style-type: none"> <li>Electronic reporting of shoplifting and other incidents where an offender has not been identified.</li> <li>Diverting non injury collision reporting to District Offices.</li> <li>Diverting low priority service requests to specialized teams (Patrol Support)</li> </ul>	Resource Allocation and Prioritization Austerity in Policing
<b>Body Worn Cameras</b> <ul style="list-style-type: none"> <li>Complete deployment to all frontline officers</li> </ul>	Public Trust and Transparency
<b>Human Resource Reform Initiative</b> <ul style="list-style-type: none"> <li>Increasing HR specialization, modernization of functions and consistency in HR support provided to employees</li> </ul>	Workplace Dynamics and Composition
<b>Occupational Health and Safety</b> <ul style="list-style-type: none"> <li>Work toward compliance with legislation including new reporting system</li> </ul>	Workplace Dynamics and Composition
<b>Information Security Classification</b> <ul style="list-style-type: none"> <li>Policy and process to better manage secure information.</li> </ul>	Information Security
<b>Mobile Data Management System</b> <ul style="list-style-type: none"> <li>Remote management of all smartphones</li> </ul>	Information Security
<b>Construction of Spyhill Arrest Processing Centre</b> <ul style="list-style-type: none"> <li>Replacement of aging detention centre to reduce risks related to holding high risk detainees.</li> </ul>	Infrastructure Sustainability

## Section 3: Risk Management Processes (Integrated Risk Management)

Since March 2019, the CPS Strategic Service Division has tasked a project team to advance an Integrated Risk Management (IRM) framework and a function that mirrors the City of Calgary risk management practices. The objectives are to assist CPS employees and leaders in making risk informed decisions, and to provide a systematic approach in dealing with potential events that may affect the achievement of the organization's objectives.

### Framework

After research and benchmarking, Strategic Service Division has developed a four-steps risk management process that will be implemented organizational wide as resources permit.

#### Step 1: Risk Identification

Based on the objectives of CPS programs/processes, real or possible situations that create uncertainty regarding achievement of the objectives are identified. Root cause analysis and brainstorming sessions are utilized to help define risk statements.

#### Step 2: Risk Analysis

The defined risk statements are put through a critical methodology to determine the likelihood and impact for CPS.

#### Step 3: Risk Response

Based on the risk analysis, one or more strategies are selected to mitigate, transfer, accept or avoid the identified risk. If "risk mitigation" is selected, the second half of the response is to design and implement controls.

#### Step 4: Monitoring and Reporting

Periodic reporting on risks, mitigation strategies and controls will be developed and brought to management for decision making. Assurance can also be provided on the compliance of key risks and controls.

### Implementation Progress

Due to resource constraints, the integrated risk management methodology has not yet been implemented in CPS work areas. However, a pilot risk management engagement was conducted for the Body Worn Camera project and the methodology has been tested in other engagements.

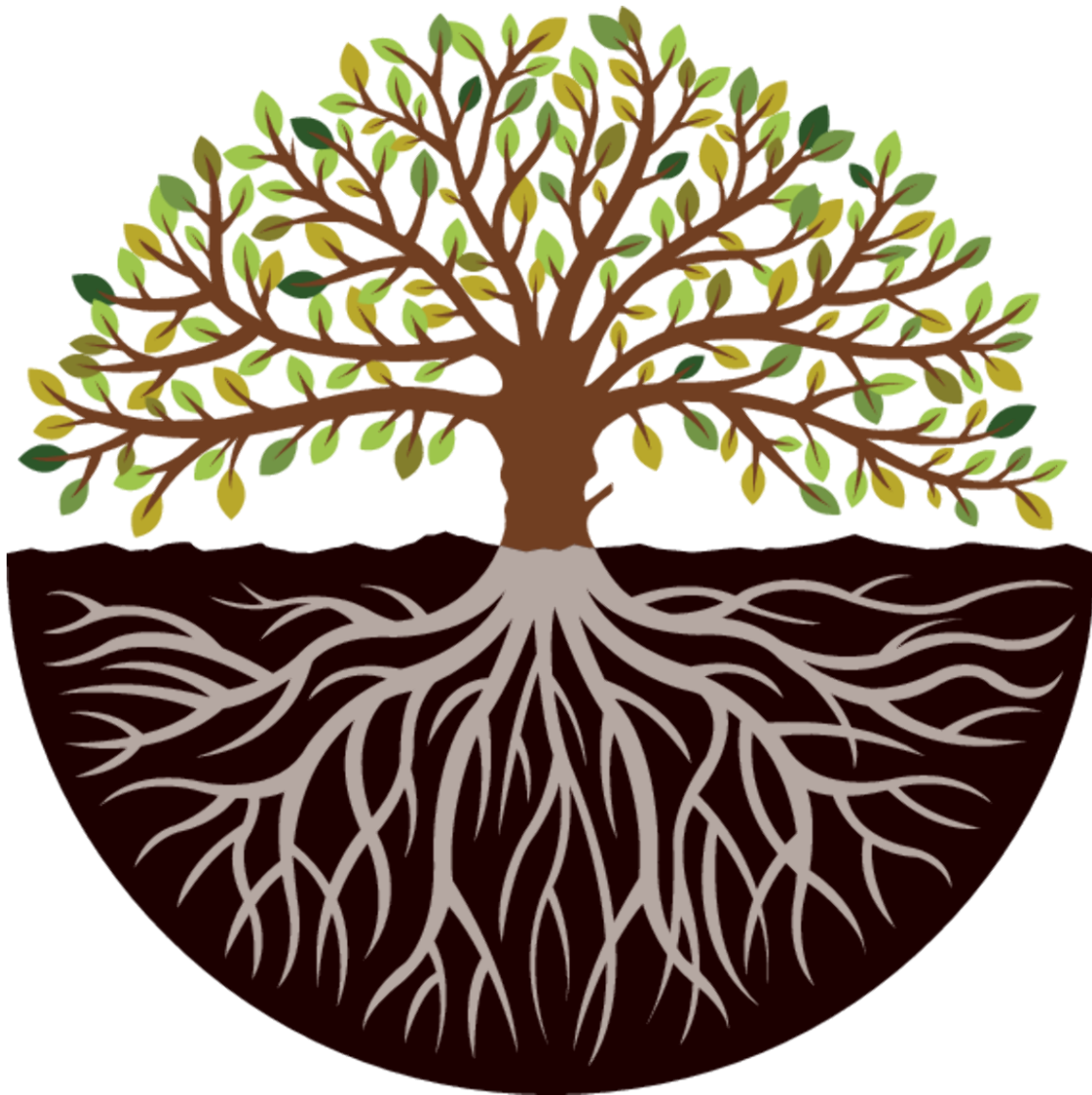
There are also several on-going risk management engagements that adopted the IRM framework:

- Early Intervention Program risk engagement
- Arrest Processing Section risk engagement
- Time and Labor risk engagement

In 2019 to 2020, the two objectives for the IRM project will be to secure resources and develop risk registers for CPS work areas and processes. The overall goal will be to link the IRM process with the 2019-2022 Service Plan at the corporate level, as well as with the Bureau and Division work plans.

Consultation with project managers and those facilitating operational improvements will also diffuse the use of IRM through the organization and formalize the use of risk considerations in project work and decision making.





## **Calgary Police Service** 2018 Audit service plan

For the year ending December 31, 2018  
Presented to the Finance and Audit Committee  
November 14, 2018

November 7, 2018

To the Finance and Audit Committee of the Calgary Police Commission

## **2018 Audit service plan**

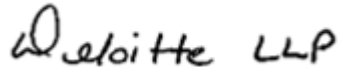
Dear Finance and Audit Committee members:

We are pleased to provide you with our audit service plan for the Calgary Police Service (the "Service") for the year ending December 31, 2018. This document describes the key features of our plan including our audit scope and approach, our planned communications with you and an estimate of our fees.

Our commitment to you is straightforward: we will provide you with outstanding professional services delivered by an experienced and dedicated team of professionals.

We look forward to discussing our audit service plan with you and answering any questions you may have.

Yours truly,

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants

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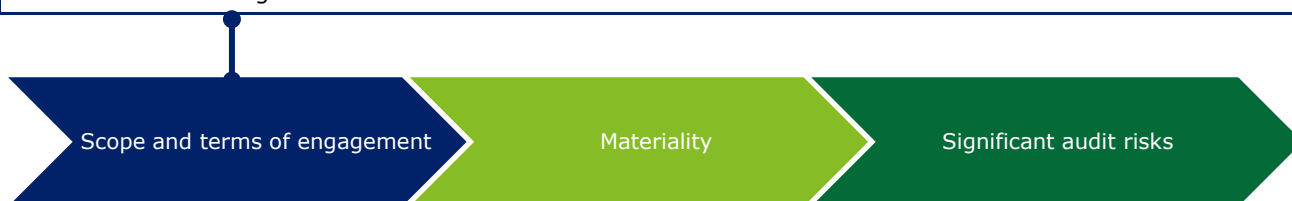
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# Our audit explained

## Audit scope and terms of engagement

We have been asked to perform an audit of the Service's financial statements (the "financial statements") in accordance with Canadian public sector accounting standards ("PSAS") as at and for the year ending December 31, 2018. Our audit will be conducted in accordance with Canadian generally accepted auditing standards ("GAAS").

The terms and conditions of our engagement are described in the draft master services agreement, which is included in Appendix 5. Our master services agreement should be signed on behalf of the Finance and Audit Committee and management.



## Materiality

We are responsible for providing reasonable assurance that your financial statements as a whole are free from material misstatement.

Materiality levels are determined on the basis of budgeted operating expenditures. Our preliminary estimate of materiality for the year ending December 31, 2018 has been set at \$7,600,000 (2017, \$7,400,000).

We will inform the Finance and Audit Committee of all uncorrected misstatements greater than a clearly trivial amount of 5% of materiality and any misstatements that are, in our judgment, qualitatively material. In accordance with Canadian GAAS, we will ask that any misstatements be corrected.

## Significant audit risks

Through our preliminary risk assessment process, we have identified the significant audit risks. These risks of material misstatement and related audit responses are discussed in the significant audit risks section of this report.



**Fraud risk**

We will develop our audit strategy to address the assessed risks of material misstatement due to fraud. Determining this strategy will involve:

1. Asking people involved in the financial reporting process about inappropriate or unusual activity.
2. Testing a sample of journal entries throughout the period as well as adjustments made at the end of the reporting period.
3. Identifying and obtaining an understanding of the business rationale for significant or unusual transactions that are outside the normal course of business.
4. Evaluating whether your accounting policies may be indicative of fraudulent financial reporting resulting from management's effort to manage revenues and expenditures.
5. Evaluating whether the judgements and decisions related to management estimates indicate a possible bias.
6. Incorporating an element of unpredictability in selecting our audit procedures.

We will also ask the Finance and Audit Committee for their views about the risk of fraud, whether they know of any actual or suspected fraud affecting the Service and their role in the oversight of management's antifraud programs.

If we suspect fraud involving management, we will immediately inform the Finance and Audit Committee of our suspicions and discuss the nature, timing, and extent of audit procedures necessary to complete the audit.

**Complete engagement reporting****Audit reporting**

Under Canadian GAAS, we are required to communicate certain matters to the Finance and Audit Committee. The primary reports and formal communications through which we will address these matters are:

- This audit service plan;
- Year end communication; and
- Our auditor's report on the financial statements.

**Business Insights**

We will provide you with insights into the condition of your business and offer meaningful suggestions for improvement, if applicable.

**Audit fees**

We propose audit fees of \$49,600 (2017, \$48,400).

We will also propose a one-time, non-recurring fee of \$6,000 - \$8,000 relating to the audit procedures applied to the adoption of new accounting standards for December 31, 2018. Please refer to "New accounting standards" under significant Risks section for details of audit procedures that will be applied.

These fees exclude the 7% administration fee and GST.

# Significant audit risks

During our risk assessment, we identified some significant audit risks that will require special audit consideration. These risks, together with our planned responses, are described below.

## Revenue recognition

### Audit risk

Assurance standards include the presumption of a fraud risk involving improper revenue recognition. There may be a risk of material misstatement relating to the occurrence and cut off of the following revenue streams: government grants, sale of goods and services, and fines and penalties.

### Our proposed audit response

- We will make selections and perform tests of detail to verify whether it is appropriate to recognize revenue for each revenue stream.
- We will make inquiries of management and test control activities involving management's process for accounting for revenue transactions and determining when the revenue recognition criteria have been met.

## Management override of controls

### Audit risk

Assurance standards include the presumption of a significant risk of management override of controls. Management may be in a unique position to perpetrate fraud because of management's ability to directly or indirectly manipulate accounting records and prepare fraudulent Financial Statements by overriding controls that otherwise appear to be operating effectively.

### Our proposed audit response

- We will engage in periodic fraud discussions with certain members of senior management and others within the Service's Finance and Audit Committee.
- We will consider the potential for bias in judgments and estimates, including performing retrospective analysis of significant accounting estimates.
- We will evaluate the business rationale for any significant unusual transactions.
- We will evaluate the Service's fraud risk assessment and consider entity-level internal controls and internal controls over the closing and reporting process.
- We will test journal entries that exhibit characteristics of possible management override of controls identified.

## New accounting standards

### Audit risk

The following accounting standards are required to be adopted for the year ending December 31, 2018:

- *Related Party Disclosures, Section PS 2200*
- *Assets, Section PS 3210*
- *Contingent Assets, Section PS 3320*
- *Contractual Rights, Section PS 3380*
- *Inter-entity Transactions, Section PS 3420*

There is a risk that the application of these standards is not consistent or compliant with the guidance provided within the standards.

### Our proposed audit response

- We will review the Service's methodology and process for application and adoption of each standard, which will include a review of position papers prepared by management.
- We will audit a sample of the accounting transactions recorded under these standards, and test internal controls, if applicable.
- We will also review the disclosure in the year-end financial statements to ensure compliance with the applicable accounting standards.

As we perform our audit procedures, we will inform you of any significant changes to the significant risks discussed above and the reasons for those changes.

# Areas of focus

## Accuracy, recording and presentation of reserves

### Audit risk

Completeness and accuracy of the recording and presentation of reserves.

### Our proposed audit response

- We will review the expenditures charged to the reserve and vouch a sample of expenditures to invoices to verify that the item is non-recurring and an appropriate charge against the reserve.

## Accuracy and disclosure of pension liability (employee benefit obligations)

### Audit risk

The pension liability, including financial statement disclosures may not be accurately recorded.

### Our proposed audit response

- We will review the pension plan balance recorded at year-end and verify this balance through confirmation with the actuary.
- We will review the financial statement disclosure of the pension liability with the most recent actuarial valuation report prepared and ensure financial statement disclosures are in accordance with accounting standards.
- We will consider the reasonableness and consistency of assumptions used by the actuary. In accordance with Canadian GAAS, we will communicate with the actuary in writing regarding our use of and reliance on their report and we will assess the qualification and independence of the actuary.



# Appendix 1 – Audit approach

Deloitte's audit approach is a systematic methodology that enables us to tailor our audit scope and plan to address the unique issues facing the Service.

The following steps are not necessarily sequential nor are they mutually exclusive. For example, once we have developed our audit plan and the audit is being performed, we may become aware of a risk that was not identified during the planning phase. Based on that new information, we would reassess our planning activities and adjust the audit plan accordingly.

## 1. Initial planning

The Deloitte audit approach begins with an extensive planning process that includes:

- Assessing your current business and operating conditions;
- Understanding the composition and structure of your business and organization;
- Understanding your accounting processes and internal controls;
- Understanding your information technology systems;
- Identifying potential engagement risks; and
- Planning the scope and timing of internal control and substantive testing that take into account the specific identified engagement risks.

## 2. Assessing and responding to engagement risk

Our audit approach combines an ongoing identification of risks with the flexibility to adjust our approach when additional risks are identified. Since these risks may impact our audit objectives, we consider materiality in our planning to focus on those risks that could be significant to your financial reporting.

### Consideration of the risk of fraud

When we identify a misstatement or control deficiency, we consider whether it may be indicative of fraud and what the implications of fraud and significant error are in relation to other aspects of the audit, particularly the reliability of management representations.

In determining our audit strategy to address the assessed risks of material misstatement due to fraud, we will:

- Assign and supervise personnel, taking into account the knowledge, skill and ability of individuals with significant engagement responsibilities and our assessment of the risks of material misstatement due to fraud for the engagement.
- Evaluate whether the Service's selection and application of accounting policies, particularly those related to subjective measurements and complex transactions, may be indicative of fraudulent financial reporting resulting from management's effort to manage earnings.
- Incorporate an element of unpredictability when selecting the nature, timing and extent of our audit procedures.

We will inquire directly of the Finance and Audit Committee regarding:

- Its views about the risk of fraud;
- Whether it has knowledge of any actual or suspected fraud affecting the Service; and
- The role it exercises in the oversight of fraud risk assessment and the establishment of mitigating controls.

We will also inquire if the Finance and Audit Committee is aware of tips or complaints regarding the Service's financial reporting and, if so, the Finance and Audit Committee's responses to such tips and complaints and whether it is aware of matters relevant to the audit, including, but not limited to, violations or possible violations of laws or regulations.

If we suspect fraud involving management, we will communicate these suspicions to the Finance and Audit Committee and discuss the nature, timing, and extent of audit procedures necessary to complete the audit.

### **Information technology**

An important part of our audit planning process involves gaining an understanding of:

1. The importance of the computer environment relative to the risks to financial reporting;
2. The way in which that environment supports the control procedures we intend to rely on when conducting our audit; and
3. The computer-based information that supports our substantive procedures.

The objective of our review of computer controls is to identify potential areas of risk and assess the relevance, reliability, accuracy and completeness of the data produced by the systems. We also assess the operating effectiveness of the computer environment and determine the reliability of the financial information used to generate the financial statements. To accomplish this, we gain an up-to-date understanding of your organization's computer processing environment and our understanding of the relevant general computer controls. We then conduct tests to support our conclusion on the operating effectiveness of controls considered relevant to the audit.

### **3. Developing and executing the audit plan**

The performance of an audit includes evaluating the design and determining the implementation of internal controls relevant to the audit, testing the operational effectiveness of the controls we intend to rely on, and performing substantive audit procedures.

### **Audit procedures**

The timing of our audit procedures is dependent upon a number of factors including the need to coordinate with management for the provision of supporting analysis and other documentation. Generally, we perform our audit procedures to allow us sufficient time to identify significant issues early, thereby allowing more time for analysis and resolution.

### **Tests of controls**

As part of our audit, we will review and evaluate certain aspects of the systems of internal control over financial reporting to the extent we consider necessary in accordance with Canadian GAAS. The main objective of our review is to enable us to determine the nature, extent and timing of our audit tests and establish the degree of reliance that we can place on selected controls. An audit of the financial statements is not designed to determine whether internal controls were adequate for management's purposes or to provide assurance on the design or operational effectiveness of internal control over financial reporting.

The extent to which deficiencies in internal control may be identified through an audit of financial statements is influenced by a variety of factors including our assessment of materiality, our preliminary assessment of the risks of material misstatement, our audit approach, and the nature, timing and extent of the auditing procedures that we conduct. Accordingly, we gain only a limited understanding of controls as a result of the procedures that we conduct during an audit of financial statements.

We will inform the Finance and Audit Committee and management of any significant deficiencies that are identified in the course of conducting the audit.

**Substantive audit procedures**

Our substantive audit procedures consist of a tailored combination of analytical procedures and detailed tests of transactions and balances. These procedures take into account the results of our controls tests and are designed to enable us to obtain reasonable assurance that the financial statements are free from material misstatements. To obtain this assurance, misstatements that we identify while performing substantive auditing procedures will be considered in relation to the financial statements as a whole. Any misstatements that we identify, other than those that are clearly trivial (the threshold has been set at 5% of materiality), will be reported to management and the Finance and Audit Committee. In accordance with Canadian GAAS, we will request that misstatements be corrected.

**4. Reporting and assessing performance****Perform post-engagement activities**

We will analyze the results of the audit procedures performed throughout the year and, prior to rendering our report, we will conclude whether:

- The scope of the audit was sufficient to support our opinion; and
- The misstatements identified during the audit do not result in the financial statements being materially misstated.

**Independence**

We have developed important safeguards and procedures to protect our independence and objectivity. If, during the year, we identify a breach of independence, we will communicate it to you in writing. Our communication will describe the significance of the breach, including its nature and duration, the action taken or proposed to be taken, and our conclusion as to whether or not the action will satisfactorily address the consequences of the breach and have any impact on our ability to serve as independent auditor to the Service.

We are independent of the Service and we will reconfirm our independence in our final report to the Finance and Audit Committee.

# Appendix 2 – Communication requirements

Required communication	Reference
<b>Audit Service Plan</b>	
1. Our responsibilities under Canadian GAAS, including forming and expressing an opinion on the financial statements	CAS <sup>1</sup> 260.14
2. An overview of the overall audit strategy, addressing: <ul style="list-style-type: none"> <li>a. Timing of the audit</li> <li>b. Significant risks, including fraud risks</li> <li>c. Nature and extent of specialized skill or knowledge needed to perform the planned audit procedures related to significant risk</li> </ul>	CAS 260.15
3. Significant transactions outside of the normal course of business, including related party transactions	CAS 260 App. 2, CAS 550.27
<b>Enquiries of those charged with governance</b>	
4. How those charged with governance exercise oversight over management's 's process for identifying and responding to the risk of fraud and the internal control that management has established to mitigate these risks	CAS 240.20
5. Any known suspected or alleged fraud affecting the Service	CAS 240.21
6. Whether the Service is in compliance with laws and regulations	CAS 250.14
<b>Year-end communication</b>	
7. Fraud or possible fraud identified through the audit process	CAS 240.40-.42
8. Significant accounting policies, practices, unusual transactions, and our related conclusions	CAS 260.16 a.
9. Alternative treatments for accounting policies and practices that have been discussed with management during the current audit period	CAS 260.16 a.
10. Matters related to going concern	CAS 570.23
11. Management judgments and accounting estimates	CAS 260.16 a.
12. Significant difficulties, if any, encountered during the audit	CAS 260.16 b.
13. Material written communications between management and us, including management representation letters	CAS 260.16 c.
14. Other matters that are significant to the oversight of the financial reporting process	CAS 260.16 d.
15. Modifications to our opinion(s)	CAS 260.A18

<sup>1</sup> CAS: Canadian Auditing Standards – CAS are issued by the Auditing and Assurance Standards Board of CPA Canada



Required communication	Reference
<b>Year-end communication</b>	
16. Our views of significant accounting or auditing matters for which management consulted with other accountants and about which we have concerns	CAS 260.A19
17. Significant matters discussed with management	CAS 260.A.19
18. Matters involving non-compliance with laws and regulations that come to our attention	CAS 250.23
19. Significant deficiencies in internal control, if any, identified by us in the conduct of the audit of the financial statements	CAS 265
20. Uncorrected misstatements and disclosure items	CAS 450.12-13
21. Any significant matters arising during the audit in connection with the Service's related parties	CAS 550.27

# Appendix 3 – 2018 summary audit timeline

This estimated timetable indicates our various procedures and release of our communications as planned throughout the year:

	Estimated to begin	Targeted for completion
<b>Audit performance</b>		
Planning/Interim Procedures	December 10, 2018	December 12, 2018
Final audit procedures	March 18, 2019	April 5, 2019
<b>Auditor's communications</b>		
Discuss audit planning, scope, risks of fraud, and fees		November 14, 2018
Review the results of our audit and provide audit report		May 2019
Review of business insights with management		May 2019

# Appendix 4 – Upcoming financial reporting standards

Significant upcoming financial reporting standards and other regulatory requirements that are likely to impact the Service's financial reporting for future audits are:

Standards	Effective Date
<i>Related Party Disclosures</i> , Section PS 2200	Fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.
<i>Assets</i> , Section PS 3210	Fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.
<i>Contingent Assets</i> , Section PS 3320	Fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.
<i>Contractual Rights</i> , Section PS 3380	Fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.
<i>Inter-entity Transactions</i> , Section PS 3420	Fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.
<i>Restructuring Transactions</i> , Section PS 3430	Fiscal years beginning on or after April 1, 2018. Earlier adoption is permitted.
<i>Asset Retirement Obligations</i> , Section PS 3280	Fiscal years beginning on or after April 1, 2021. Earlier adoption is permitted.

# Appendix 5 – Draft master services agreement



Deloitte LLP  
700, 850 - 2 Street SW  
Calgary, AB T2P 0R8  
Canada

Tel: 403-267-1700  
Fax: 587-774-5379  
www.deloitte.ca

November 14, 2018

## **Private and confidential**

The Finance and Audit Committee of Calgary Police Commission  
Mr. John Liu, Chair of the Finance and Audit Committee  
6th Floor Rocky Mountain Plaza  
#650, 615 Macleod Trail SE  
Calgary, AB T2G 4T8

Calgary Police Service  
Mr. Blaine Hutchins  
5111 - 47 Street NE  
Calgary, AB T2J 3R2  
Finance Mail Code #960

## **Re: Master Services Agreement for Professional Services**

Dear Sirs/Mesdames:

Deloitte LLP ("Deloitte") is privileged to be your professional services provider. The purpose of this letter is to serve as a master services agreement or MSA to describe (a) the services that we will provide to you from time to time, including a description of the scope of our services, and (b) the general business terms related to such services.

## **Services and fees**

Appendix A to this MSA contain a description of the following services:

- Appendix A – Financial statement audit ("Audit")

Should we during the term of this MSA, provide any of the services referenced in Appendix A, the scope, including assumptions, qualifications and limitations, as set out in Appendix A will apply.

As of the date of this MSA, the chart below sets out the entities and the services we will provide to them in respect of their year ends. The fees for these services will be based on our standard hourly rates, which may change from time to time. In addition to the professional fees, you will reimburse us for reasonable expenses and pay an administrative charge of 7% of professional fees, and applicable taxes.



**Scope of services chart**

Entity name	Year end	Audit	Total
Calgary Police Service	December 31	X	\$49,600
Adoption of new accounting standards			\$6,000-\$8,000

For purposes of this MSA and the appendices, “Financial Statements” shall refer to the statements issued by each entity in the context of the services outlined above. Unless otherwise noted in the appendices, “Service” shall refer to the entities to which that service is being provided, as outlined above.

Ms. Harman Gill will be responsible for the services that we perform.

Should the nature of our services change in the future from what is set out in the chart above or if there are changes to the entities we serve, we will provide you with a letter confirming the changes. The description of our services as set out in Appendix A in this MSA will continue to apply to any changes set out in a confirmation letter. Also, we may from time to time provide you with updates (including by way of a letter delivered to you in hard copy or electronically via e-mail, by way of a link to our website or otherwise) to the description of the services set out in Appendix A based on changes in applicable professional standards and changes in our practices. Any updates to Appendix A in this MSA provided to you shall form part of this MSA and shall be binding on you. Any changes in fees for subsequent years will be confirmed separately.

Also, we would be pleased to provide you with other services, such as consulting and financial advisory services, subject to our professional rules. The scope and fees for such services would be contained in a separate letter and, unless otherwise agreed, the general business terms that are contained in this MSA will apply.

**Term**

Our mutual intention is that this MSA applies to all services Deloitte provides to you over time, including for the year ends referred to above and all other work in the future. In accordance with section 2 of the general business terms, this MSA can be terminated on 30 days’ written notice.

**Our responsibilities**

Our responsibilities will depend on the services we provide. Specific conditions may apply and if this is the case, we will bring them to your attention in the attached appendices. We are committed to client service. Here are our client service standards:

- Making and meeting our commitments to you;
- Working with you to understand your business and what is important to you;
- Providing value and building trust through technical competence and consistent results;
- Demonstrating professionalism through effective interaction and communication; and
- Providing a no surprises experience.

**Your responsibilities**

Our expectations of you can simply be summarized as follows:

- Cooperation and honesty from you and those who work for you;
- Your clear articulation of your expectations of us and your clarification when needed, so we can be sure that you receive the professional services you need;
- If we are providing audit, review or notice to reader services, we want you to know that these are not forensic audits or special services that would more likely identify a fraud or wrongdoing. We are relying on your controls, your honesty and good faith and that of management and the people who work for you;
- You will make all management decisions; and
- Prompt payment of our invoices.

Also, our work product is prepared for you. Our services will not be planned or conducted in contemplation of reliance by third parties. Our agreement is with you and no one else.

**General business terms**

The general business terms attached to this letter apply to the services we provide to you from time to time.

We know how busy you are and we promise to keep our correspondence to you as direct and simple as we can. But if at any time you have questions, please do not hesitate to ask.

If this MSA, including the appendices and the general business terms, are acceptable and the services described are in accordance with your understanding, please sign the copy of this MSA in the space provided below and return it to us to indicate your agreement.

Yours truly,

Chartered Professional Accountants

Enclosure

The services and terms set forth in and incorporated into this letter are acknowledged and approved by the Finance and Audit Committee of Calgary Police Commission:

---

Signature

---

Title

---

Date

The services and terms set forth in and incorporated into this letter are accepted and agreed to by Calgary Police Service management:

---

Signature

---

Title

---

Date

# General business terms

Calgary Police Service  
November 14, 2018

The following general business terms (the “GBTs”) apply to all services that are performed under this MSA and any separate confirmation letters (the “Confirmation Letters”) that further amend or describe services issued under this MSA (the “Services”) between Deloitte LLP, a limited liability partnership organized under the laws of Ontario (“Deloitte”) and you, the company or other entity that is a party to this MSA (the “Client”). The GBTs, the MSA, (including the appendices to the MSA), as such MSA and appendices may be updated and amended from time to time, and the Confirmation Letters are together the “Agreement”.

1. **Timely performance** – Deloitte will not be liable for failures or delays in performance that arise from causes beyond Deloitte’s control, including the untimely performance by the Client of its obligations.
2. **Termination** – This Agreement and any Services may be terminated by either party at any time, with or without cause, by giving prior written notice to the other party 30 days before the effective date of termination, provided that in the event of a termination for cause, the breaching party shall have the right to cure the breach within such 30 day period. Deloitte may terminate this Agreement with immediate effect upon written notice to Client if Deloitte determines that its performance of any part of the Agreement would be illegal or in conflict with independence or professional rules. The Client will pay for time and expenses incurred by Deloitte up to the termination date together with reasonable time and expenses incurred to bring the Services to a close in a prompt and orderly manner.
3. **Fees** – In the event that Deloitte has provided any fee estimate, the estimate takes into account the agreed-upon level of preparation and assistance from the Client and Client personnel. Deloitte will advise the Client on a timely basis should this preparation and assistance not be provided or should any other circumstances arise which cause actual time to exceed that estimate.
4. **Billing** – All invoices shall be due and payable when rendered. Interest shall be calculated at a simple daily rate of 0.0493% (equivalent to 18% per annum). Interest shall be charged and payable at this rate on any part of an invoice which remains unpaid from 30 days after the invoice date to the date on which the outstanding invoice is paid. To the extent that as part of the Services to be performed by Deloitte as described in the Agreement, Deloitte personnel are required to perform the Services in the United States of America (“U.S. Business”), the Client and Deloitte agree to assign performance of the U.S. Business to Deloitte Canada LLP, an affiliate of Deloitte. All Services performed by Deloitte Canada LLP shall be performed under the direction of Deloitte which shall remain responsible to the Client for such Services. Deloitte Canada LLP shall invoice the Client with respect to the U.S. Business and Deloitte will invoice for Services performed in Canada (“Canadian Business”). Payment for U.S. Business and/or Canadian Business can be settled with one payment to Deloitte.
5. **Governing law** – The Agreement will be governed by the laws of the Province where Deloitte’s principal office performing the Services is located and all disputes related to the Agreement and Services shall be subject to the exclusive jurisdiction of the courts of such Province.
6. **Working papers** – All working papers, files and other internal materials created or produced by Deloitte related to the Services are the property of Deloitte. In the event that Deloitte is requested by the Client or required by legal or regulatory process to produce its files related to the Services in proceedings to which Deloitte is not a party, the Client will reimburse Deloitte for its professional time and expenses, including legal fees, incurred in dealing with such matters.



7. **Third parties** – Deloitte’s Services are not planned or conducted in contemplation of, or for the purpose of, reliance by any third party (other than the Client and any party to whom Deloitte’s report is addressed) or with respect to any specific transaction. Therefore, items of possible interest to a third party will not be addressed and matters may exist that would be assessed differently by a third party, possibly in connection with a specific transaction. The Client shall use the advice, opinions, reports or other work product of Deloitte solely for the purposes specified in this Agreement and, in particular, shall not, without the prior written consent of Deloitte, use any advice, opinion, report or other work product of Deloitte in connection with business decisions of any third party or for advertisement purposes. All Services are only intended for the benefit of the Client and any party to whom Deloitte’s report is addressed. The mere receipt of any advice, opinions, reports or other work product by any other persons is not intended to create any duty of care, professional relationship or any present or future liability between those persons and Deloitte. As a consequence, if copies of any advice, opinions, reports or other work product (or any information derived therefrom) are provided to others under the above exclusions, it is on the basis that Deloitte owes no duty of care or liability to them, or any other persons who subsequently receive the same. Nothing in this section shall be construed as limiting or restricting disclosure of the tax treatment or tax structure of the transaction as described in Rule 3501(c)(i) of PCAOB Release 2005-014 or Internal Revenue Code sections 6011 and 6111 and related Internal Revenue Service guidance.
8. **Privacy** Deloitte and the Client agree that, in connection with the engagement, Deloitte may collect, use, disclose and otherwise process personal information about identifiable individuals (“Personal Information”). Deloitte’s Services are provided on the basis that the Client has obtained any required consents under applicable privacy legislation for collection, use, disclosure and processing to Deloitte of Personal Information.
9. **Confidentiality** – To the extent that Deloitte collects or is provided with Personal Information or any proprietary or confidential information of the Client (collectively, “Confidential Information”), Deloitte will not disclose such information to any third party without the Client’s consent, except as may be required or permitted by law, regulation, legal authority or professional obligations, or as otherwise permitted by this Agreement. Confidential Information may be disclosed by Deloitte to its affiliates and to member firms of Deloitte Touche Tohmatsu Limited and their respective subsidiaries and affiliates (“Deloitte Entities”), component auditors and third parties that provide services to Deloitte. Confidential Information collected by or provided to Deloitte in connection with the Services may be used, processed, disclosed and stored outside Canada by Deloitte, Deloitte Entities, component auditors or third party service providers to Deloitte. Deloitte is responsible to the Client for causing any such Deloitte Entities, component auditors and third party service providers to comply with the obligations of confidentiality set out in this section of the Agreement. Confidential Information may be subject to disclosure in accordance with laws applicable in the jurisdiction in which the information is used, processed or stored. The Client also agrees that Deloitte and such third party service providers to Deloitte may aggregate Confidential Information and use and disclose that information as part of research and advice, including, benchmarking services, provided that all such information will be rendered anonymous and not subject to association with the Client.

Except as instructed otherwise in writing, each party consents to the transmission by fax, email and voicemail, both confidential and other types of documents, correspondence and any other information relating to the execution of this Agreement. It is recognized that the parties will use the internet and that the internet may be insecure. Each party will be responsible for protecting its own systems and interests and, to the fullest extent permitted by law, will not be responsible to the other on any basis (contract, tort or otherwise) for any loss, damage or omission in any way arising from the use of the internet by either party or its personnel, including any Deloitte Entity and subcontractor personnel, to access the networks, applications, electronic data or other systems of the other party.

**10. Limitation on liability** – The Client and Deloitte agree to the following with respect to Deloitte’s liability to the Client:

- a. The Client agrees that Deloitte shall not be liable to the Client for any claims, liabilities, or expenses relating to this Agreement and any Services for an aggregate amount in excess of three times the fees paid by the Client to Deloitte in the twelve months preceding the incident giving rise to the claim.
- b. In no event shall Deloitte be liable for consequential, special, indirect, incidental, punitive or exemplary loss, damage, or expense relating to this Agreement or any Services for any loss of revenue or profit, loss of opportunity, loss of data, or any other commercial or economic loss or failure to realize expected savings.
- c. In any action, claim, loss or damage arising out of this Agreement and any Services, the Client agrees that Deloitte’s liability will be several and not joint and several and the Client may only claim payment from Deloitte of Deloitte’s proportionate share of the total liability based on the degree of fault of Deloitte.

The provisions of this section shall apply to the fullest extent of the law, whether in contract, statute, tort (such as negligence), or otherwise. This section shall survive termination or expiry of the Agreement. The provisions of this section and any other limitations of liability contained in this Agreement shall not apply to any liability which by the governing law of the Agreement is unlawful to limit or exclude. In furtherance of the foregoing, from time to time, Deloitte may have individual partners and employees performing the Services within the Province of Quebec who are members of the Ordre des comptables professionnels agréés du Québec. The limitations outlined in this section as well any limitations of liability contained in this Agreement shall not apply to limit the personal civil liability of members of the Ordre des comptables professionnels agréés du Québec performing professional Services hereunder (and with respect to such members, such limitations shall be deemed not to be included in this Agreement). For purposes of this section, “Deloitte” shall mean Deloitte LLP and its directors, officers, partners, professional corporations, employees, subsidiaries and affiliates and to the extent providing Services, any Deloitte Entities and all of their partners, principals, members, owners, directors, staff and agents; and in all cases any successor or assignee. The Client agrees that any claims that may arise out of this Agreement or any Services will be brought solely against Deloitte as the contracting party and not against any other Deloitte Entities.

- 11. Assignment** – Except as provided herein, no party may assign, transfer, or delegate any of its rights or obligations relating to the Agreement without the prior written consent of the other party. Deloitte may assign its rights and obligations under this Agreement to any affiliate or successor in interest to all or substantially all the assets or business of the relevant Deloitte practice.
- 12. Deloitte Entities and subcontractors** – Deloitte may use the services of any Deloitte Entities, component auditors, or other subcontractors (including those operating outside Canada) to assist Deloitte. Deloitte remains responsible to the Client for Services performed by Deloitte Entities and subcontractors.
- 13. Software Tools** – In connection with the Services, Deloitte may use data analytics technology which may require Deloitte to install and use one or more data extraction tools (“Extractors”) on the Client’s computing systems. The Client hereby consents to such access and the installation and use of such Extractors, and where applicable, Deloitte hereby grants the Client a limited, revocable, non-exclusive, non-assignable, non-sublicensable right to install and use those Extractors solely in connection with Deloitte’s performance of the Services. Deloitte recommends that the Client perform adequate security and other appropriate testing on the Extractors before installation. All Extractors are protected by copyright and other laws of various countries, and Deloitte and its licensors reserve all rights not expressly granted in the Agreement. The Client is not allowed to reverse engineer, disassemble, decompile, or otherwise attempt to derive the Extractors’ source code, nor assist, directly or indirectly, in any efforts to do so, nor adapt, modify or create derivative works based on the Extractors. The license granted above will terminate upon completion or termination of the Services. When the license

terminates, the Client must, where applicable, stop using the Extractors and delete any and all installed Extractors from the Client's computing systems, unless Deloitte and the Client have entered into a subsequent agreement that allows for the Client's continued use. Although Deloitte takes commercially reasonable steps to make the Extractors useful and secure, Deloitte does not have any obligation to ensure they are so, or to maintain, update, upgrade or otherwise modify or support the Extractors. The Extractors are provided "as is" and "as available", without warranty of any kind, and Deloitte expressly disclaims all implied warranties, including that the Extractors will be secure and error-free, or will meet any other criteria of performance or quality.

14. **Survival** – Any clause that is meant to continue to apply after termination of the Agreement will do so.
15. **Entire Agreement** – The Agreement forms the entire agreement between the parties in relation to the Services and supersedes all other oral and written representations, understandings or agreements related to the Services.
16. **Severability** – If a court or regulator with proper jurisdiction determines that a provision of this Agreement is invalid, then that provision will be interpreted in a way that is valid under applicable law or regulation. If any provision is invalid, the rest of the Agreement will remain in effect.
17. **Qualifications** – Notwithstanding anything herein to the contrary, Deloitte may use the name of the Client, refer to this Agreement and the performance of Services in marketing, publicity materials and other material, as an indication of its experience, and in internal data systems.
18. **Tax services and review by tax authorities** – The Client shall cooperate with Deloitte in the performance by Deloitte of tax related Services, including, without limitation, providing Deloitte with reasonable facilities and timely access to data, information and personnel of the Client. Client shall be responsible for the performance of its personnel and agents, for the timeliness, accuracy and completeness of all data and information (including all financial information and statements) provided to Deloitte by or on behalf of the Client and for the implementation of any advice, opinions, reports or other work product in any form provided as part of the Services. Deloitte may use and rely on information and data furnished by the Client or others without verification. Deloitte's performance shall be dependent upon the timely performance of the Client's responsibilities hereunder and timely decisions and approvals of the Client in connection with the Services. Deloitte shall be entitled to rely on all decisions and approvals of the Client. To the extent the Client requests tax related Services, Deloitte will use professional judgment in resolving questions affecting the Client relating to the tax Services to be provided by Deloitte. Where there are alternative filing positions or tax transactions, Deloitte will undertake to describe the benefits and risks of each so that the Client can make an informed decision. All returns are subject to examination by taxation authorities and the Client's returns may be audited and challenged by Canadian and other tax authorities. The Client understands that Deloitte's tax advice or opinions are not binding on tax authorities or the courts and should never be considered a representation, warranty, or guarantee that the tax authorities or the courts will concur with Deloitte's advice or opinion. Any tax assistance provided by Deloitte will be based upon the law, regulations, cases, rulings, and other tax authority in effect at the time the specific tax assistance is provided. Deloitte may provide the Client with draft copies of returns or tax advice. Where any drafts are finalized and provided to the Client in final form, such previous drafts should not be relied upon. Nothing in this Agreement shall be construed as limiting or restricting disclosure of the tax treatment or tax structure of any transaction as described in the rules of any taxation authority, including Canada Revenue Agency and the Internal Revenue Service.
19. **Electronic messaging** – In accordance with Canadian anti-spam legislation, the Client consents to Deloitte contacting the Client and its personnel through electronic messages relating to Deloitte's Services, products and other matters of interest to the Client after the completion of this Agreement. The Client may withdraw any such consent by contacting Deloitte at [unsubscribe@deloitte.ca](mailto:unsubscribe@deloitte.ca).
20. **Language** – The parties have requested that this Agreement and all communications and documents relating hereto be expressed in the English language. Les parties ont exigé que la présente convention ainsi que tous les documents s'y rattachant soient rédigés dans la langue anglaise.

# Appendix A

## Financial statement audit

Calgary Police Service  
November 14, 2018

### **Our audit services and audit scope**

#### **The financial statements**

We may be requested by you from time to time to audit the financial statements of the Service. These financial statements comprise the statement of financial position as at the fiscal year end of the Service ("Fiscal Year"), and the statement of operations and accumulated surplus, statement of cash flows, statement of changes in net financial assets/liabilities and statement of remeasurement gains/losses (if applicable) for the Fiscal Year, and a summary of significant accounting policies and other explanatory information.

The financial statements (the "Financial Statements"), subject to audit are those of the Service, prepared by management, with oversight from those charged with governance (the "Finance and Audit Committee"). The objective of our audit is to express an opinion on whether the Financial Statements are fairly presented, in all material respects, in accordance with Canadian public sector accounting standards ("PSAS"). We plan and perform the audit to obtain reasonable assurance that the Financial Statements as a whole are free from material misstatement, whether due to fraud or error.

#### **Our audit report**

On completion of our audit procedures, we expect to issue an audit report in the draft form set out in Appendix A(i). The final form of our audit report may differ based on our audit findings in which case, we will provide you with an updated draft form before it is issued. If we are unable to issue or decline to issue an audit report, we will discuss the reasons with you and the Finance and Audit Committee.

### **Our responsibilities**

#### **Performance of the audit**

We will conduct our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Canadian GAAS.

#### **Information on internal controls**

We do not consider internal controls in order to express any opinion to you on their effectiveness. We consider internal controls relevant to the Service's preparation and fair presentation of the Financial Statements in making our risk assessments and in order to design appropriate audit procedures. We will, however, communicate to you in writing concerning any significant deficiencies in internal control relevant to the audit of the Financial Statements that come to our attention during the course of our engagement.



**Reporting considerations****Going concern**

If, based on the audit evidence obtained, we conclude that a material uncertainty exists related to events or conditions that may cast significant doubt on the Service's ability to continue as a going concern, we are required to draw attention in our audit report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions will be based on the audit evidence obtained up to the date of our audit report.

**Other information**

Where the Service issues other information (for example, a Financial Statement Discussion and Analysis or a Glossy annual report), we are required to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We will report on the results of our procedures appropriately based on the revised CAS 720, *The Auditor's Responsibilities Relating to Other Information*.

**Communication with the Finance and Audit Committee**

The Finance and Audit Committee is responsible for the oversight of the financial reporting process and our work as auditors. We are required to communicate with the Finance and Audit Committee about certain matters that may arise during our audit and that may be significant to their role. These matters may include, but are not limited, to:

- the planned scope and timing of the audit;
- our views about significant qualitative aspects of the Service's accounting practices, including accounting policies, accounting estimates and financial statement disclosures;
- any significant matters arising from the audit in connection with the Service's related parties;
- any events or conditions identified that may cast significant doubt on the Service's ability to continue as a going concern, including whether the events or conditions constitute a material uncertainty;
- any significant difficulties encountered during the audit;
- any significant matters that were discussed or subject to correspondence with management;
- written representations we are requesting;
- where CAS 720 applies, any uncorrected material inconsistencies between the other information and the Financial Statements or our knowledge obtained in the audit, and any uncorrected material misstatements of the other information we identify from reading the financial and non-financial information included in the Service's annual report containing or accompanying the Financial Statements and our audit report; and
- any other matters that in our professional judgment are significant to the oversight of the financial reporting process.

**Fraud and illegal acts**

An audit designed and executed in accordance with Canadian GAAS may not detect fraud or illegal acts. However, it is possible that actual and potential fraud or illegal acts may be discovered during the course of our audit. We will communicate actual or potential fraud or illegal acts identified during the audit to, in our sole judgement, the appropriate level of management and/or the Finance and Audit Committee depending on the type and significance of the issue.

**Your responsibilities****Financial statements and internal control**

The audit of the Financial Statements does not relieve management or the Finance and Audit Committee of their responsibilities.

You are responsible for the preparation and fair presentation of the Financial Statements in accordance with PSAS.

You are also responsible for establishing internal control necessary for the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error. You must determine what internal control is required, including how it is designed, implemented and maintained. You will advise us of any deficiencies identified and any changes in internal control over financial reporting.

**Access to information and personnel**

You are responsible for providing us with access to all information that is relevant to your preparation of the Financial Statements and any additional information that we may request for the purpose of the audit. You will also provide unrestricted access to persons in the Service or others from whom we determine we need to obtain evidence for our audit.

**Prevention of fraud and error**

You are responsible for designing and implementing programs and controls to prevent and detect fraud, illegal acts and error. You will inform us about all known or suspected fraud, illegal acts or errors affecting the Service. You will further inform us of any allegations of fraud, illegal acts or potential errors received in communications (written or oral) from employees, former employees or any other parties external to the Service.

**Compliance with laws and regulations**

You are responsible for identifying and ensuring that the Service complies with the laws and regulations applicable to its activities. You will inform us of any known or possible violations of these laws or regulations.

**Related parties**

You will identify the Service's related parties and whether the Service entered into any transactions with these related parties in the time period under audit.

**Subsequent events**

You will advise us of whether any events have occurred between the date of the statement of financial position and the date our audit report is released, that may affect the Financial Statements.

**Correction of material errors**

You are responsible for adjusting the Financial Statements to correct material misstatements identified during the course of our audit engagement.

**Representation letter**

As part of our engagement procedures, you will provide written confirmation of representations made to us in connection with the audit.

**Disclosure of report**

We are engaged solely by the Service to perform an audit engagement the purpose of which is to provide an opinion as to whether the Financial Statements are free from material misstatement.

You will not, without obtaining our prior written consent:

- publish or reproduce our report in any document that contains the Financial Statements;
- make reference to our firm in a document which contains other information in addition to the Financial Statements; or
- place our report on an electronic site.

In order for us to consider granting such written consent, you must provide adequate notice of your request as well as provide any draft document which is proposed to contain/refer to our report. If written consent is provided by us, you are solely responsible for the accurate and complete reproduction of our report and the financial statements on which we reported.

**Other information**

You acknowledge your responsibility for the other information, as applicable, and to provide us with the other information prior to the date of our audit report where possible. To the extent the other information is expected to be available after the date of our audit report, you agree to provide us with such other information when available, and prior to being issued by the Service, so that we are able to fulfill our responsibilities under CAS 720.

**Independence**

For purposes of the following three paragraphs, “Deloitte” shall mean Deloitte LLP and Deloitte Touche Tohmatsu Limited, including related member firms and affiliates.

***Independence matters as a result of restrictions on providing certain services***

In connection with our engagement, Deloitte, management, and the Finance and Audit Committee will assume certain roles and responsibilities in an effort to assist Deloitte in maintaining independence and ensuring compliance with applicable independence rules. It is your responsibility to have policies and procedures in place to confirm that the Service (together with its subsidiaries and other related entities) does not engage us or accept services from us that may impair our independence under applicable professional rules. All potential services are to be discussed with Ms. Harman Gill.

In connection with the foregoing, the Service agrees to furnish to Deloitte and keep Deloitte updated with respect to a corporate tree that identifies the legal names of the Service’s affiliates (e.g., parents, subsidiaries, investors or investees, variable interest entities or special purpose entities (as applicable)), together with the ownership relationship among such entities. Deloitte intends to capture this information in systems that may be accessed and used by its affiliates in order to assist Deloitte in meeting its independence obligations. Deloitte will not be requesting nor accepting any personal information for this purpose. Deloitte agrees to discuss any concerns raised regarding privacy or confidentiality with the Service.

***Independence matters relating to hiring***

In order to assist us in maintaining independence, you will also notify us of any substantive employment conversations that have occurred with current or former Deloitte personnel.

**Finance and Audit Committee’s responsibilities**

The Finance and Audit Committee is responsible for the oversight of the financial reporting process, including management’s preparation of the Financial Statements and monitoring of the Service’s internal controls related to financial reporting and oversight of our work.

## Appendix A(i)

### Expected form of report

Calgary Police Service  
Fiscal year end December 31

We will provide you with our report on the Financial Statements, which is expected to be in the following form. However, the final form will reflect the results of our audit. If there are any changes to the expected form of report in future years, we will provide you with an updated draft form before it is issued.

## Draft Independent Auditor's Report

To the Members of  
Calgary Police Commission

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Calgary Police Service (the "Service"), which comprise the statement of financial position as at December 31, 2018, and the statements of operations and accumulated surplus, cash flow and changes in net financial liabilities for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Service as at December 31, 2018, and the results of its operations, changes in its net financial liabilities, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards ("PSAS").

#### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Service 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 PSAS, 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 Service'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 Service or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Service'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 GAAS 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 these financial statements.

As part of an audit in accordance with Canadian GAAS, 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 Service'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 Service'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 Service 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.

We 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.

(To be signed Deloitte LLP)

Chartered Professional Accountants

•, 2019

Calgary, Alberta





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## **Calgary Police Service** Report to the Finance and Audit Committee on the 2018 audit

May 15, 2019

May 1, 2019

To the Finance and Audit Committee of  
The Calgary Police Commission

## **Report on audited annual financial statements**

Dear Finance and Audit Committee members:

We are pleased to submit this report on the status of our audit of Calgary Police Service ("the Service") for the 2018 fiscal year. This report summarizes the scope of our audit, our findings to date and reviews certain other matters that we believe to be of interest to you.

As agreed in our master services agreement dated November 14, 2018, we have performed an audit of the financial statements of Calgary Police Service as of and for the year ended December 31, 2018, in accordance with Canadian generally accepted auditing standards ("Canadian GAAS") and expect to issue our audit report thereon dated May 28, 2019.

Our audit has been conducted in accordance with the audit plan that was presented to the Finance and Audit Committee at the meeting on November 14, 2018.

This report is intended solely for the information and use of the Finance and Audit Committee, management and others within the Service and is not intended to be, and should not be, used by anyone other than these specified parties.

We, at Deloitte, work as one team to provide you with relevant business insights to assist you improving your current practices.

We look forward to discussing this report summarizing the outcome of our audit with you and answering any questions you may have.

Yours truly,

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants

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# Our audit explained

This report summarizes the main findings arising from our audit to date. When possible, we have also provided business recommendations on challenging issues that the Service faces, based on our understanding of your organization and industry.

## Audit scope and terms of engagement

We have been asked to perform an audit, of the Service's financial statements (the "financial statements") prepared in accordance with Canadian public sector accounting standards ("PSAS") as at and for the year ended December 31, 2018. Our audit was conducted in accordance with Canadian generally accepted auditing standards ("Canadian GAAS").

The terms and conditions of our engagement are described in the master services agreement dated November 14, 2018, which was signed on behalf of the Finance and Audit Committee and management.

## Significant audit risks

Through our risk assessment process, we have identified the significant audit risks. These risks of material misstatement and related audit responses are discussed in the significant audit risks section of this report.



## Materiality

We are responsible for providing reasonable assurance that your financial statements as a whole are free from material misstatement.

Materiality levels are determined on the basis of actual operating expenses. Our materiality for the year ended December 31, 2018 was \$7,600,000 (2017, \$7,400,000).

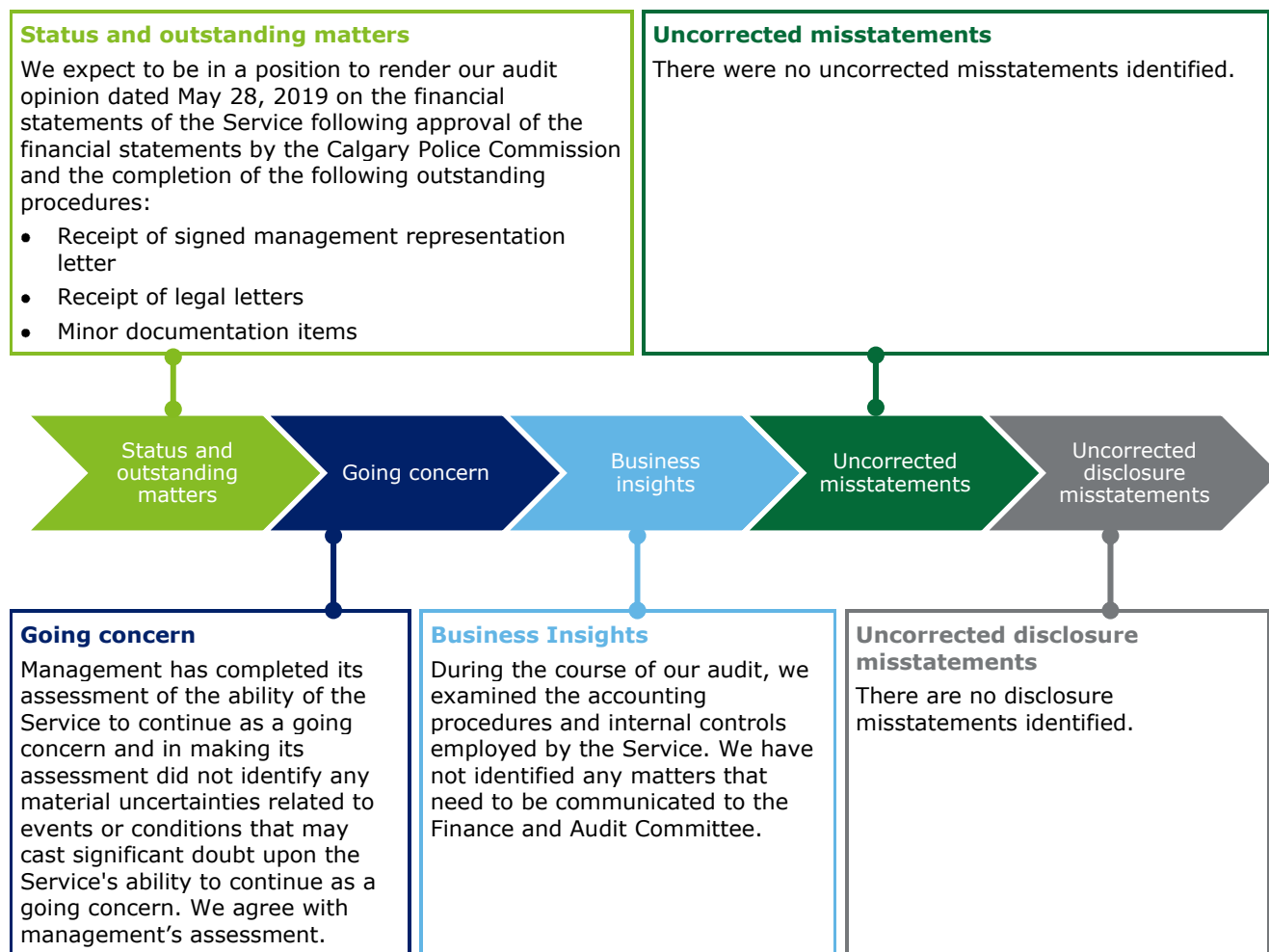
We have informed the Finance and Audit Committee of all uncorrected misstatements greater than a clearly trivial amount of 5% of materiality and any misstatements that are, in our judgment, qualitatively material. In accordance with Canadian GAAS, we asked that any misstatements be corrected.

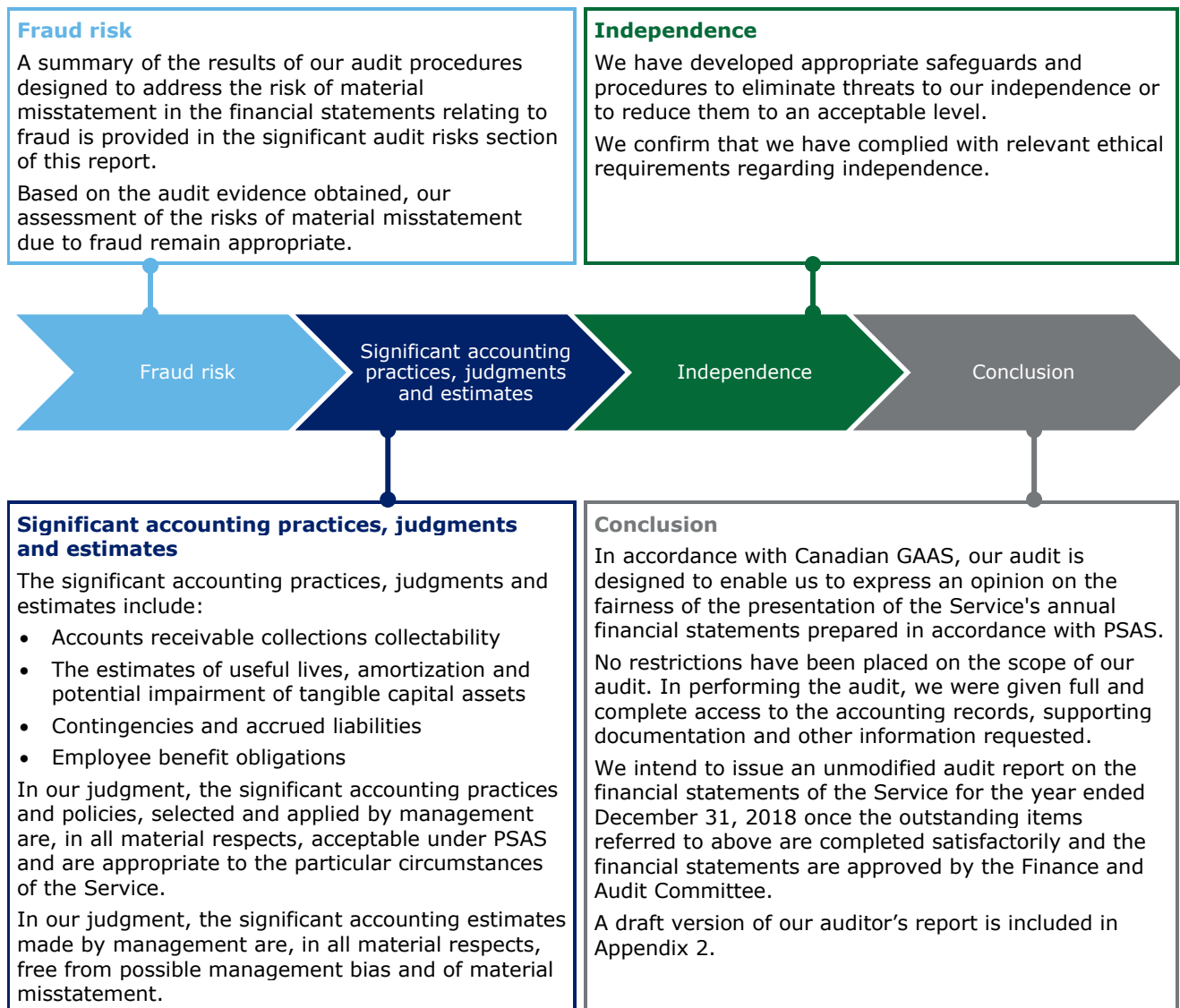
## Audit fees

Our estimated audit fees are \$49,600 (2017, \$48,400) for the audit, plus an additional \$8,000 for the adoption of new accounting standards.

These fees are subject to a 7% administration fee and GST.







# Significant audit risks

The significant audit risks identified as part of our risk assessment, together with our planned responses and conclusions, are described below.

## Revenue recognition

### Audit risk

Assurance standards include the presumption of a fraud risk involving improper revenue recognition.

There may be a risk of material misstatement relating to the occurrence and cut-off of the following revenue streams: government grants, sale of goods and services, and fines and penalties.

This represents a fraud risk for the 2018 audit.

### Our audit response

- We made selections and performed tests of detail to verify whether it is appropriate to recognize revenue for each revenue stream.
- We made inquiries of management and tested control activities involving management's process for accounting for revenue transactions and determining when the revenue recognition criteria have been met.

### Audit results

We obtained sufficient audit evidence to conclude that there were no material misstatements.

## Management override of controls

### Audit risk

Under Canadian Auditing Standards, it is the responsibility of management, with the oversight of those charged with governance to place a strong emphasis on fraud prevention and detection.

Oversight by those charged with governance includes considering the potential for override of controls or other inappropriate influence over the financial reporting process.

Management override of controls is present in all entities. It is a risk of material misstatement resulting from fraud and therefore is considered as a significant risk.

This represents a fraud risk for the 2018 audit.

### Our audit response

- We discussed fraud with management.
- We asked the Finance and Audit Committee for their views about the risk of fraud, whether they know of any actual or suspected fraud affecting the Service and their role in the oversight of management's antifraud programs.
- We tested a sample of journal entries made throughout the period, and adjustments made at the end of the reporting period.
- We evaluated the business rationale for any significant unusual transactions.
- We determined whether the judgments and decisions related to management estimates indicate a possible bias, which included performing retrospective analysis of significant accounting estimates.

### Audit results

We obtained sufficient audit evidence to conclude that there were no material misstatements.

## New Accounting Standards

### Risk identified

The following accounting standards are required to be adopted for the year ending December 31, 2018:

- Section PS 2200, *Related Party Disclosures*
- Section PS 3210, *Assets*
- Section PS 3320, *Contingent Assets*
- Section PS 3380, *Contractual Rights*
- Section PS 3420, *Inter-entity Transactions*

There is a risk that the application of these standards is not consistent or compliant with the guidance provided within the standards.

### Our audit response

- We reviewed the Service's methodology and process for application and adoption of each standard, which included a review of position papers prepared by management.
- We audited a sample of the accounting transactions recorded under these standards, including testing of internal controls, if applicable.
- We also reviewed the disclosure in the year-end financial statements to ensure compliance with the applicable accounting standards.

### Audit results

We obtained sufficient audit evidence to conclude that there were no material misstatements.

# Areas of focus

## Accuracy, recording and presentation of reserves

### Risk identified

Completeness and accuracy of the recording and presentation of reserves.

### Our audit response

- We reviewed the expenditures charged to the reserve and vouched a sample of expenditures to invoices to verify that the item is non-recurring and an appropriate charge against the reserve.

### Audit results

We obtained sufficient audit evidence to conclude that there were no material misstatements.

## Accuracy and disclosure of pension liability (employee benefit obligations)

### Risk identified

The pension liability, including financial statement disclosures may not be accurately recorded.

### Our audit response

- We reviewed the pension plan balance recorded at year-end and verified this balance through confirmation with the actuary.
- We reviewed the financial statement disclosure of the pension liability with the most recent actuarial valuation report prepared and ensured financial statement disclosures were in accordance with accounting standards.
- We considered the reasonableness and consistency of assumptions used by the actuary. In accordance with Canadian GAAS, we communicated with the actuary in writing regarding our use of and reliance on their report and we will assess the qualification and independence of the actuary.

### Audit results

We obtained sufficient audit evidence to conclude that there were no material misstatements.



# Other reportable matters

The following summarizes the status and findings of key aspects of our audit. In the appendices to this report, we have provided additional information related to certain matters we committed to report to the Finance and Audit Committee as part of the audit plan.

	Comment
<b>Changes to the audit plan</b>	The audit was conducted in accordance with our audit plan, which was communicated to the Finance and Audit Committee. We confirm that there have been no amendments to the audit scope and approach communicated in the audit plan.
<b>Significant difficulties encountered in performing the audit</b>	During the course of our audit, we did not encounter any significant difficulties in dealing with management related to the performance of the audit.
<b>Concerns regarding management competence and integrity</b>	We do not have any concerns regarding management's competency and integrity.
<b>Related party transactions</b>	We have not identified any related party transactions that were not in the normal course of operations and that involved significant judgments made by management concerning measurement or disclosure.
<b>Disagreements with management</b>	During the current audit, we did not have any disagreements with management.
<b>Consultation with other accountants</b>	Management has informed us that the Service has not consulted with other accountants about auditing or accounting matters.
<b>Legal and regulatory compliance</b>	<p>Management is responsible for ensuring that the Service's operations are conducted in accordance with the laws and regulations applicable to the Service in the jurisdictions in which it operates. The responsibility for preventing and detecting non-compliance rests with management.</p> <p>The auditor is not and cannot be held responsible for preventing non-compliance with laws and regulations.</p> <p>Our limited procedures did not identify any areas of material non-compliance with laws and regulations by the Service.</p>
<b>Post-statement of financial position events</b>	At the date of finalizing this report, we are not aware of any significant post-statement of financial position events.

# Appendix 1 – Communication requirements

The table below summarizes our communication requirements under Canadian GAAS and other communications that we believe would help us achieve an effective audit.

Required communication	Refer to this report or document described below
<b>Audit Service Plan</b>	
1. Our responsibilities under Canadian GAAS, including forming and expressing an opinion on the financial statements	Master services agreement
2. An overview of the overall audit strategy, addressing: <ul style="list-style-type: none"> <li>a. Timing of the audit</li> <li>b. Significant risks, including fraud risks</li> <li>c. Names, locations, and planned responsibilities of other independent public accounting firms or others that perform audit procedures in the audit</li> </ul>	Audit plan communicated on November 14, 2018
3. Significant transactions outside of the normal course of business, including related party transactions	Nothing to report.
<b>Year End Communication</b>	
4. Fraud or possible fraud identified through the audit process	We are not aware of any fraudulent events.
5. Significant accounting policies, practices, unusual transactions, and our related conclusions	Significant accounting practices, judgments and estimates.
6. Alternative treatments for accounting policies and practices that have been discussed with management during the current audit period	Significant accounting practices, judgments and estimates.
7. Matters related to going concern	We concluded that there was no substantial doubt about the Service's ability to continue as a going concern.
8. Management judgments and accounting estimates	Significant accounting practices, judgments and estimates.
9. Significant difficulties, if any, encountered during the audit	No significant difficulties to report.
10. Material written communications between management and us, including management representation letters	Management representation letter.
11. Other matters that are significant to the oversight of the financial reporting process	No other matters to report.
12. Modifications to our opinion(s)	We will issue an unmodified opinion.

Required communication	Refer to this report or document described below
13. Our views of significant accounting or auditing matters for which management consulted with other accountants and about which we have concerns	Nothing to report.
14. Significant matters discussed with management	Nothing to report.
15. Illegal or possibly illegal acts that come to our attention	We are not aware of any illegal acts.
16. Significant deficiencies in internal control, if any, identified by us in the conduct of the audit of the financial statements	No deficiencies to report.
17. Uncorrected misstatements and disclosure items	In accordance with Canadian GAAS, we request that all misstatements be corrected. No uncorrected misstatements and uncorrected disclosures to report.

# Appendix 2 – Draft version of our auditor's report

Our report on the financial statements is expected to be in the following form. However, the final form may need to be adjusted to reflect the final results of our audit.

## Independent Auditor's Report

To the Members of  
The Calgary Police Commission

### Opinion

We have audited the financial statements of Calgary Police Service ("the Service"), which comprise the statement of financial position as at December 31, 2018, and the statements of operations and accumulated surplus, changes in net financial liabilities and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Service as at December 31, 2018, and the results of its operations, changes in its net financial liabilities, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards ("PSAS").

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Service 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 PSAS, 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 Service'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 Service or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Service'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 GAAS 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 these financial statements.

As part of an audit in accordance with Canadian GAAS, 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 Service'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 Service'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 Service 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.

We 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.

(To be signed Deloitte LLP)

Chartered Professional Accountants  
May 28, 2019



# Appendix 3 – Draft independence

May 28, 2019

The Finance and Audit Committee  
Calgary Police Service

Dear Finance and Audit Committee members:

We have been engaged to audit the financial statements of Calgary Police Service ("the Service") for the year ended December 31, 2018.

You have requested that we communicate in writing with you regarding our compliance with relevant ethical requirements regarding independence as well as all relationships and other matters between the Service, our Firm and network firms that, in our professional judgment, may reasonably be thought to bear on our independence. You have also requested us to communicate the related safeguards that have been applied to eliminate identified threats to independence or reduce them to an acceptable level.

In determining which relationships to report, we have considered relevant rules and related interpretations prescribed by the appropriate provincial regulator/ordre and applicable legislation, covering such matters as:

- a) Holding a financial interest, either directly or indirectly, in a client.
- b) Holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client.
- c) Personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client.
- d) Economic dependence on a client.
- e) Provision of services in addition to the audit engagement.

We confirm to you that the engagement team and others in the firm as appropriate, the firm and, when applicable, network firms have complied with relevant ethical requirements regarding independence.

We have prepared the following comments to facilitate our discussion with you regarding independence matters arising since May 29, 2018, the date of our last letter.

We are not aware of any relationships between the Deloitte Entities and the Service and its affiliates, or persons in financial reporting oversight roles at the Service and its affiliates, that, in our professional judgment, may reasonably be thought to bear on independence, that have occurred from May 30, 2018 to May 28, 2019.

The total fees charged to the Service for audit services were \$53,072 (2017, \$51,788) and \$8,560 for the adoption of new accounting standards during the period covered by the financial statements.

We hereby confirm that we are independent with respect to the Service in accordance with the Rules of Professional Conduct of the Chartered Professional Accountants of Alberta as of May 28, 2019.

This letter is intended solely for the information and use of the Finance and Audit Committee, management and others within the Service and is not intended to be and should not be used for any other purposes.

Yours truly,

(To be signed Deloitte LLP)

Chartered Professional Accountants

# Appendix 4 – Draft management representation letter

## [CPS letterhead]

May 28, 2019

Deloitte LLP  
700 850 -2<sup>nd</sup> Street SW  
Calgary, AB T2P 0R8

Dear Sirs and Madams:

**Subject:** Financial statements of Calgary Police Service as at and for the year ended December 31, 2018

This representation letter is provided in connection with the audit by Deloitte LLP ("Deloitte" or "you") of the financial statements of Calgary Police Service (the "Service" or "we" or "us") for the year ended December 31, 2018, and a summary of significant accounting policies and other explanatory information (the "Financial Statements") for the purpose of expressing an opinion as to whether the Financial Statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the Service in accordance with Public Sector Accounting Standards ("PSAS").

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

### **Financial statements**

1. We have fulfilled our responsibilities as set out in the terms of the engagement letter between the Service and Deloitte dated November 15, 2018 for the preparation of the Financial Statements in accordance with PSAS. In particular, the Financial Statements are fairly presented, in all material respects, and present the financial position of the Service as at December 31, 2018 and the results of its operations and cash flows for the year then ended in accordance with PSAS.
2. Significant assumptions used in making estimates, including those measured at fair value, are reasonable.

In preparing the Financial Statements in accordance with PSAS, management makes judgments and assumptions about the future and uses estimates. The completeness and appropriateness of the disclosures related to estimates are in accordance with PSAS. The Service has appropriately disclosed in the Financial Statements the nature of measurement uncertainties that are material, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the Financial Statements.

The measurement methods, including the related assumptions and models, used in determining the estimates, including fair value, were appropriate, reasonable and consistently applied in accordance with PSAS and appropriately reflect management's intent and ability to carry out specific courses of action on

behalf of the entity. No events have occurred subsequent to December 31, 2018 that require adjustment to the estimates and disclosures included in the Financial Statements.

There are no changes in management's method of determining significant estimates in the current year. The Service has identified all related parties in accordance with Section PS 2200, *Related Party Disclosures* ("PS 2200"). Management has determined that such disclosure is not necessary as based on management's assessment, there are no related party transactions that require disclosure. This assessment is based on all relevant factors, including those listed in paragraph 16 of PS 2200.

3. We have determined that the Financial Statements are complete as of the date of this letter as this is the date when there are no changes to the Financial Statements (including disclosures) planned or expected. The Financial Statements have been approved in accordance with our process to finalize financial statements.
4. We have completed our review of events after December 31, 2018 and up to the date of this letter. All events subsequent to the date of the Financial Statements and for which PSAS requires adjustment or disclosure have been adjusted or disclosed. Accounting estimates and disclosures included in the Financial Statements that are impacted by subsequent events have been appropriately adjusted.
5. The Financial Statements are free of material errors and omissions.

### **Internal Controls**

6. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
7. We have disclosed to you all known deficiencies in the design or operation of internal control over financial reporting identified as part of our evaluation, including separately disclosing to you all such deficiencies that we believe to be significant deficiencies in internal control over financial reporting.

### **Information provided**

8. We have provided you with:
  - a. Access to all information of which we are aware that is relevant to the preparation of the Financial Statements, such as records, documentation and other matters.
  - b. All relevant information as well as additional information that you have requested from us for the purpose of the audit; and,
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
9. All transactions have been properly recorded in the accounting records and are reflected in the Financial Statements.
10. We have disclosed to you the results of our assessment of the risk that the Financial Statements may be materially misstated as a result of fraud.
11. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
  - a. Management;
  - b. Employees who have significant roles in internal control; or
  - c. Others where the fraud could have a material effect on the Financial Statements.
12. We have disclosed to you all information in relation to allegations of actual, suspected or alleged fraud, or illegal or suspected illegal acts affecting the Service.
13. We have disclosed to you all communications from regulatory agencies concerning non-compliance with or deficiencies financial reporting practices and all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the Financial Statements.

14. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware, including guarantees, non-monetary transactions and transactions for no consideration.
15. We have disclosed to you all known, actual or possible litigation and claims, whether or not they have been discussed with our lawyers, whose effects should be considered when preparing the Financial Statements. As appropriate, these items have been disclosed and accounted for in the Financial Statements in accordance with PSAS.

### **Independence matters**

For purposes of the following paragraphs, "Deloitte" shall mean Deloitte LLP and Deloitte Touche Tohmatsu Limited, including related member firms and affiliates.

16. Prior to the Service having any substantive employment conversations with a former or current Deloitte engagement team member, the Service has held discussions with Deloitte and obtained approval from the Audit Committee.
17. We have ensured that all non-audit services provided to the Service have been pre-approved by the Audit Committee. Further, we have adhered to all regulatory requirements regarding the provision of non-audit services by Deloitte to the Service in accordance with applicable laws, regulations and rules that apply to the Service, including the Audit Committee approval requirements.
18. We have ensured that all services performed by Deloitte with respect to this engagement have been pre-approved by the Audit Committee in accordance with its established approval policies and procedures.

### **Other matters**

19. The Service has satisfactory title to and control over all assets, and there are no liens or encumbrances on such assets. We have disclosed to you and in the Financial Statements all assets that have been pledged as collateral.
20. We have disclosed to you all liabilities, provisions, contingent liabilities and contingent assets, including those associated with guarantees, whether written or oral, and they are appropriately reflected in the Financial Statements.
21. We have disclosed to you, and the Service has complied with all aspects of contractual agreements that could have a material effect on the Financial Statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
22. We have disclosed to you all the documents that we expect to issue that may comprise other information, in the context of CAS 720, *The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements*.

### **Accounting policies**

23. The accounting policies selected and application of those policies are appropriate.
24. The Service's accounting policies and their method of application have been applied on a basis consistent with that of the audited Financial Statements as of and for the year ended December 31, 2017.
25. We believe that revenue recognition of show services and materials handling on a gross basis is appropriate based on a net basis because the relationship with the vendor meets the criterion for revenue recognition in accordance with PSAS.

### **Management's responsibilities**

26. All transactions and events have been carried out in accordance with law, regulation or other Service.

### **Receivables**

27. The Service is responsible for determining and maintaining the adequacy of the allowance for doubtful accounts receivable, as well as estimates used to determine such amounts. Management believes the allowance is adequate to absorb currently estimated bad debts in the account balance.



**Adjusting journal entries**

28. We have reviewed the year-end adjusting entries, if applicable, and acknowledge our responsibility for their accuracy.

**Government transfers**

29. We have disclosed to you all correspondence relating to government transfers that the Service has had with the funding body.

30. We have assessed the eligibility criteria and determined that the Service is an eligible recipient for the government transfers received.

31. We have assessed the stipulations attached with the funding and have recognized the revenue in accordance with meeting the stipulations required.

32. All government transfers that have been recorded as unearned revenue give rise to an obligation that meets the definition of a liability. Those liabilities have been properly recorded and presented in the Financial Statements.

**Adoption of Section 3260 – *Liability for contaminated sites***

33. Based on management's assessment of the requirements of this standard, there is no impact on the December 31, 2018 year-end financial statements of this standard.

**City of Calgary Capital Asset Policy**

34. The Service was aware of the City of Calgary's change in Capital Asset Policy for Vehicles for the year ended December 31, 2018. Management has reviewed and understands the policy. This policy has no impact on the December 31, 2018 year end financial statements.

**Adoption of new accounting standards**

35. The Service has adopted CPA Canada Public Sector Accounting Handbook Sections 2200, 3210, 3320, 3380 and 3420, *Related Party Disclosures, Assets, Contingent Assets, Contractual Rights, and Inter-entity Transactions* respectively, as of December 31, 2018 as discussed in Note 1 of the Financial Statements.

Yours truly,

Calgary Police Service

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Steve Barlow, Chief of Police

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Blaine Hutchins, Finance Manager

**Calgary Police Commission**  
**Finance & Audit Committee**  
**Terms of Reference - 2019**

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**1. Purpose Statement**

On behalf of the Commission, this committee is the steward of the business planning and financial oversight process of the Calgary Police Service, as required in the Alberta Police Act.

**2. Key Areas Of Responsibility**

- a) Calgary Police Service Business Plan & Budget Stewardship
  - i. Oversee and provide guidance in the development of the service's multi-year business plan.
  - ii. Review the Calgary Police Service budget, proposed adjustments, and any urgent funding needs and submit these to City Council through the Calgary Police Commission.
  - iii. Oversee and provide guidance in the development of the service's annual budget and budget adjustments, if any.
  - iv. Oversee and inform the development of internal operational audits.
  - v. Monitor the implementation of recommendations arising from operational audit reports, if any.
  - vi. Receive and understand the service's financial risk management strategies.
  - vii. Oversee the service's use and management of its information, information systems, and technologies by understanding any threats or vulnerabilities within the IT environment that may affect CPS funding, security and privacy of information, or confidence in CPS.
  - viii. Liaise with members of City Council and city administration.
  - ix. Review sourcing of other funds for the service.
  - x. Work with the Executive Director in the development of the commission's annual budget for approval to the full commission.
- b) CPC/CPS Fiduciary Review
  - xi. Monitor the allocation of the funds provided by City Council,
  - xii. Review the service's quarterly report.
  - xiii. Provide independent oversight of external audit reports,
  - xiv. Oversee external financial audits of service activities including value-for-money audits
  - xv. Monitor the implementation of recommendations arising from financial audit reports, if any.
  - xvi. Annual review of service financial policies.
  - xvii. Monitor the commission budget, in consultation with the Executive Director.
- c) CPS Assigned Staff vs Authorized Strength
  - xviii. Review CPS reports regarding assigned staff vs authorized strength

**3. Objectives For 2019**

Conduct an annual review of the Terms of Reference and mandate as set out by the Commission.

#### **4. Membership Appointment & Obligations**

- a. The commission determines the membership of the Finance & Audit Committee.
- b. Whenever possible, the majority of the committee will be comprised of members defined as 'independent' through the Commission's Independent Assessment Evaluation.
- c. The Committee, once its members are appointed at the annual organizational meeting of the Commission, will elect the Committee chair in accordance with the Calgary Police Commission Procedures.

#### **5. Decision Making Authority & Lines of Communication**

- a. The commission may delegate tasks and projects to the committee.
- b. The committee chair may appoint a designate.
- c. The committee must present its resolutions to the commission for approval.
- d. The commission chair may take action in urgent or time sensitive situations. An effort will be made to confer with all committee members where possible. Information regarding the issue, rationale and action taken must be provided to all commission members as soon as possible.
- e. The committee chair will ensure the commission chair is advised of significant committee activities in a timely fashion.
- f. The commission chair may designate the committee chair to speak to the media regarding deliberations of the committee.
- g. In accordance with the Commission communication policy, formal communication between the service and the Commission shall be conducted through the Executive Director and/or Chair and the Office of the Chief.

#### **6. Committee Decision Making**

- a. A quorum of the committee shall consist of three (3) members.
- b. When agreement of all members cannot be reached on a particular issue/item, decided by a majority vote.
- c. In the event of a tie, the chair will cast the deciding vote.
- d. Members must unilaterally respect and must not publicly or privately discredit any final decision of the committee.

## **CALGARY PARKING AUTHORITY ANNUAL REPORT TO CITY AUDIT COMMITTEE**

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### **EXECUTIVE SUMMARY**

Annual report to The City's Audit Committee from the Calgary Parking Authority's Audit Committee.

#### **ADMINISTRATION RECOMMENDATION(S)**

That the Audit Committee receives the presentation from the Calgary Parking Authority for information and the Corporate Record.

### **PREVIOUS COUNCIL DIRECTION / POLICY**

The City of Calgary's Audit Committee would again like to receive a report and presentation from the Calgary Parking Authority's (CPA) Audit Committee on its 2018 Annual Report, its risk management processes and the CPA's Audit Committee terms of reference.

### **BACKGROUND**

Items provided in the report are as follows:

1. Brief summary on governance structure, succession planning and recruitment process, recent financial highlights and key 2019 initiatives/strategy.
2. Report on CPA's key operating and strategic risks including trends and risk management plans and processes;
3. Analysis of the top 4 risks that in CPA's opinion would impact the City of Calgary and/or be of concern to the City's Audit Committee;
4. Report on internal controls including information technology and systems;
5. Most recent financial report including management responses;
6. Frequency of review and discussion of any changes to the Audit Committee Terms of Reference;
7. The current composition of the Audit Committee and description of their relevant financial experience;
8. Organizational leadership and any significant changes thereto;
9. Regulatory or market changes with impact to the current business approach; and
10. Results of regulatory business assessments that provide assurance on the effective management of risks.

The presentation and attachments address the ten above-noted points.

Ongoing annual reporting to the City Audit Committee is expected in future years.

### **INVESTIGATION: ALTERNATIVES AND ANALYSIS**

No implications for this report.

### **Stakeholder Engagement, Research and Communication**

No implications for this report.

### **Strategic Alignment**

No implications for this report.

**CALGARY PARKING AUTHORITY ANNUAL REPORT TO CITY AUDIT COMMITTEE**

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**Social, Environmental, Economic (External)**

No implications for this report.

**Financial Capacity**

**Current and Future Operating Budget:**

There are no budget implications for this report.

**Current and Future Capital Budget:**

There are no budget implications for this report.

**Risk Assessment**

No implications for this report.

**REASON(S) FOR RECOMMENDATION(S):**

This report is for information only.

**ATTACHMENT(S)**

1. CPA Governance & Succession Plan
2. CPA 2018 Financial Statement Discussion and Analysis
3. CPA Financial Statements for the year ended December 31, 2018
4. 2019 CPA Initiatives and Strategies
5. Key Operating and Strategic Risks: CPA Risk Register
6. Top 4 CPA Risks with Impact to the City of Calgary
7. Report on Internal Controls: Control Environment Assessment
8. Most Recent Financial Report: 2018 Year-End Audit Communication (Deloitte LLP)
9. CPA Audit Committee 2019 Work Plan
10. CPA Presentation



## Calgary Parking Authority Summary of Governance Structure & Succession Plan

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The Calgary Parking Authority (CPA) is governed by a nine-member Board of Directors. Each year, the Board is selected by The City of Calgary. The current board includes five public members, The City of Calgary's Chief Financial Officer, The City's General Manager of Transportation, and two Councillors.

Chair – John Pantazopoulos  
Councillor Jeff Davison  
Councillor Sean Chu  
John Kwong, CFO's designate (City of Calgary)  
Michael Thompson, General Manager of Transportation (City of Calgary)  
Shahid Qureshi  
Andrew Osis  
Charmaine Coutinho  
Ellen Chidley

The Board is governed by its own Charter and Terms of Reference, and City of Calgary Bylaw 28M2002. The Board uses a skills-based matrix to recruit for vacancies, following The City's new processes for Boards, Commissions and Committees (CP2016-03).

Committees of the Board are also governed by their own Charter and Terms of Reference. These committees and a brief description of each are as follows:

**Governance Committee** – Ensures the CPA Board fulfills its legal, ethical, and functional responsibilities through adequate governance and internal operations oversight. The Committee responsibilities include maintenance of governance processes and documentation, review of Board and Committee structure and appointments, as well as Board performance and compensation.

**Audit Committee** – Provides governance and oversight on CPA's financial reporting, internal control system, risk management and the external audit function. Recommendations of the Committee, such as approval of annual financial statements, are presented to the CPA Board as applicable.

The Terms of Reference for the Board and each Committee are reviewed and updated on an annual basis. There have been no significant changes to the Terms of Reference for the CPA Board or any CPA Committee in the past year.

The CPA utilizes a consistent and transparent recruitment and selection process for staff. A behavioural based interview process is performed, along with rigorous screening processes.

Appointment dates / end of term of Elector Members are as follows:

		<u>Appointment Date</u>	<u>End of Term</u>
Chair	John Pantazopoulos	2015	2020
Vice-Chair	Andrew Osis	2018	2020
Director	Ellen Chidley	2015	2020
Director	Charmaine Coutinho	2018	2020

Director	Shahid Qureshi	2018	2020
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## **CALGARY PARKING AUTHORITY**

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### **FINANCIAL STATEMENT DISCUSSION AND ANALYSIS, YEAR ENDED DECEMBER 31, 2018**

#### **Revenue**

Due to the economic downturn and its impact on office vacancies in the downtown core, the Authority experienced a downward trend in overall parking demand. Total sales were below budget by \$3.8 million and down \$0.6 million from 2017. Sales of goods and services consisted of parking revenues of \$49.2 million received from parkades, surface lots and on-street parking, and \$11.4 million from Impound Lot services.

Revenues from fines and penalties exceeded 2017 levels by \$0.9 million but were below budgeted amounts by \$0.6 million, which was due to a Canada post strike delaying the mailing out of violation notices in late 2018.

Despite lower overall yield rates due to declining bond prices, due to shifting \$46 million in cash reserves into a flexible longer term fund, investment income exceeded 2017 levels by \$0.3 million and exceeded budgeted amounts by \$1.3 million.

#### **Expenses**

Expenses reported in the financial statements totalled \$52.4 million, which was significantly below both budget (\$60.9 million) and prior year (\$59.4 million). This was a result of many factors, both internal and external.

Reductions in assessed values of downtown properties resulted in property taxes of \$5.2 million compared to 2017 amounts of \$7.0 million and budgeted amounts of \$7.5 million.

A wage freeze enacted in late 2017 as well as position vacancies remaining unfilled in 2018 resulted in salaries and wages of \$20.5 million, which was \$1.3 million lower than 2017 and \$2.4 million below budget.

Due to delays in capital expenditure, amortization expenses were lower than originally anticipated at \$6.1 million compared to 2017's expenses of \$7.1 million and budgeted amounts of \$8.6 million.

Additionally, not included in the expense total is an impairment loss of \$2.1 million relating to obsolete enforcement equipment, contract management software and vehicles.

#### **Distributions**

The Calgary Parking Authority distributed \$23.7 million to the City of Calgary in 2018. This exceeded budget by \$2.9 million and was \$3.9 million higher than 2017. There are 3 components that make up the distribution. Firstly, 65% of net revenues from parking operations are distributed (\$15.6 million in 2018 vs \$12.0 million in 2017). The increased distribution was a result of lower expenses in 2018, as discussed previously. Secondly, 100% of net revenues from parking control activities are distributed (\$5.2 million in 2018 vs \$4.6 million in 2017). The increased distribution was a result of increased deployment of new technologies in 2018 as well as wage savings from unfilled position vacancies. Thirdly, CPA distributes all net income pertaining to lots owned by the City of Calgary and affiliated entities. The income from these lots decreased slightly in 2018 (\$2.9 million in 2018 vs \$3.2 million in 2017).

## **CALGARY PARKING AUTHORITY**

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### **Liquidity**

The Calgary Parking Authority finished 2018 with cash and cash equivalents of \$17.2 million, which is a decrease of \$41.1 million from 2017. This decrease was due to shifting \$46 million into a longer term fund to increase overall yields.

The Authority's long term reserves increased to \$152.3 million from \$110.4 million in 2017. This change was largely a result of the shift of \$46 million from cash. In addition, investment income of \$4.3 million was reinvested and there was a drawdown of \$8.2 million relating to financing construction of the new 9<sup>th</sup> Avenue parkade.

The long term reserves consist of three separate funds. The Cash-In-Lieu fund is dedicated to new parking structure construction. This fund was drawn down by \$8.2 million for construction during the year and had a balance of \$7.8 million at December 31, 2018. The Parking Structure Replacement Fund, which is dedicated to future replacement of existing structures, had a balance of \$98.2 million at year end. The new Long Term Investment Fund had a balance of \$46.1 million at year end. All funds are held for investment through the City of Calgary.

The Calgary Parking Authority primarily relies on cash flows from operations to finance capital activity. A 15 year 4.9% debenture was issued in 2006 and currently has an outstanding principal balance of \$1.8 million, annual principal payments of approximately \$500,000 and annual interest costs of approximately \$80,000.

The Parking Authority began construction of a new parkade in December 2018 with an estimated capital cost of \$62.5 million over the next three years. This project is already fully funded with \$12 million coming from the Cash-In-Lieu reserve (\$8.2 million already drawn at December 31, 2018) and the remaining amount funded through the new Long Term Investment Fund.

### **Outlook**

The downturn in the Calgary economy has resulted in office vacancies above 20% in the downtown core and with fewer people travelling to the core on a daily basis there has been a downward trend in parking demand over the last 3 years. Economic activity in Calgary is estimated to have improved by 2.9% in 2018 and is expected to grow by 2.3% in 2019. During peak energy prices, Calgary's downtown experienced overbuilding of office space and apartments and condos. The majority of these new buildings also carry an inventory of parking so, despite the expected positive economic activity, it may take several years for this oversupply of available parking to balance with demand for the locations in our inventory.



Financial Statements

**Calgary Parking Authority**

December 31, 2018



# **Independent Auditor's Report**

To the Members of the Audit Committee and the Board of Directors of  
Calgary Parking Authority

## **Report on the Audit of the Financial Statements**

### **Opinion**

We have audited the financial statements of Calgary Parking Authority (the "Authority"), which comprise the statement of financial position as at December 31, 2018, and the statements of operations, remeasurement gains and losses, change in net financial assets and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at December 31, 2018, and the results of its operations, its remeasurement gains and losses, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards ("PSAS").

### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Authority 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 PSAS, 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 Authority'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 Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority'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 GAAS 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 these financial statements.



## **CALGARY PARKING AUTHORITY**

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As part of an audit in accordance with Canadian GAAS, 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 Authority'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 Authority'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 Authority 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.

We 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  
April 12, 2019

**CALGARY PARKING AUTHORITY****STATEMENT OF FINANCIAL POSITION***As at*

	December 31, 2018	December 31, 2017
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents (note 2)	17,208,882	58,353,299
Receivables (note 3)	3,804,482	3,795,905
Loan receivables (note 15)	8,207,664	-
Investments (note 4)	152,328,955	110,356,283
	<b>181,549,983</b>	<b>172,505,487</b>
<b>FINANCIAL LIABILITIES</b>		
Accounts payable and accrued liabilities	4,220,562	8,182,092
Accrued interest payable	2,837	3,880
Customer deposits (note 7)	4,206,057	3,609,467
Capital deposits (note 8)	7,798,536	15,686,020
Employee benefit obligations (note 9)	1,542,098	1,451,068
Long-term debt (note 10)	1,323,315	1,809,581
	<b>19,093,405</b>	<b>30,742,108</b>
<b>NET FINANCIAL ASSETS</b>	<b>162,456,578</b>	<b>141,763,379</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (note 11)	125,094,336	126,634,916
Prepaid	284,286	121,252
Prepaid lease (note 12)	1,022,214	1,039,992
	<b>126,400,836</b>	<b>127,796,160</b>
<b>ACCUMULATED SURPLUS (note 13)</b>	<b>288,857,414</b>	<b>269,559,539</b>

Commitments (note 17)

See accompanying notes to the financial statements.

**CALGARY PARKING AUTHORITY****STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS***For the year ended December 31*

	<b>Budget 2018</b> <i>(note 1k)</i>	<b>Actual 2018</b>	<b>Actual 2017</b>
<b>REVENUE</b>			
Parking and sales revenue	64,482,000	60,652,177	61,280,591
Fines and penalties	19,928,000	19,323,999	18,371,630
Permits and fees	1,154,000	1,423,172	1,330,859
Marketing and other revenue	1,490,000	939,865	976,946
Investment income	3,256,000	4,594,891	4,292,024
Gain/(loss) on disposition of tangible capital assets	8,000	103,250	(66,883)
Rental income and recoveries	319,000	251,699	519,483
<b>Total revenue</b>	<b>90,637,000</b>	<b>87,289,053</b>	<b>86,704,650</b>
<b>EXPENSES</b>			
Salaries, wages, and benefits	22,859,000	20,546,635	21,817,188
Business, communication and contracted services	10,713,000	10,734,015	10,189,295
Property and business taxes	7,458,000	5,218,472	6,998,137
Materials, equipment and supplies	5,142,000	3,649,320	6,608,933
Rental expense (note 15b)	2,775,000	3,259,119	3,664,039
Utilities	2,079,000	1,553,267	1,826,620
Interest and bank fees	1,251,000	1,298,423	1,289,402
Amortization (note 11)	8,641,000	6,117,095	7,048,651
<b>Total expenses</b>	<b>60,918,000</b>	<b>52,376,346</b>	<b>59,442,265</b>
<b>Excess of revenues over expenses before other</b>	<b>29,719,000</b>	<b>34,912,707</b>	<b>27,262,385</b>
<b>OTHER</b>			
Developer contributions (note 8)	-	8,207,664	-
Unrealized (loss) on investments	-	(862,542)	(148,534)
Impairment loss (note 11)	-	(2,155,115)	-
Distribution to the City of Calgary (note 15)	(18,509,000)	(20,804,839)	(16,545,685)
<b>Annual Surplus</b>	<b>11,210,000</b>	<b>19,297,875</b>	<b>10,568,166</b>
<b>ACCUMULATED SURPLUS, Beginning of year</b>	<b>269,559,539</b>	<b>269,559,539</b>	<b>258,991,373</b>
<b>ACCUMULATED SURPLUS, End of year</b>	<b>280,769,539</b>	<b>288,857,414</b>	<b>269,559,539</b>

See accompanying notes to the financial statements.

**CALGARY PARKING AUTHORITY****STATEMENT OF CASH FLOWS***For the year ended December 31*

	2018	2017
<b>NET INFLOW (OUTFLOW) OF CASH AND CASH EQUIVALENTS:</b>		
<b>OPERATING ACTIVITIES</b>		
Annual Surplus	19,297,875	10,568,166
Deduct items not affecting cash:		
Unrealized loss/(gain) on investment	862,542	148,534
Distribution to the City of Calgary (note 15)	20,804,839	16,545,685
Amortization	6,117,095	7,048,651
Gain/(loss) on sale of tangible capital assets	(103,250)	66,883
Impairment loss (note 11)	2,155,115	
Change in non-cash items:		
Receivables	(8,577)	1,358,681
Accounts payable and accrued liabilities	(3,961,530)	2,843,194
Accrued interest payable	(1,043)	(994)
Customer deposits	596,590	399,888
Employee benefit obligations	91,030	564,305
Prepaid	(163,034)	49,504
Prepaid lease	17,778	17,778
	<b>45,705,430</b>	<b>39,610,275</b>
<b>CAPITAL ACTIVITIES</b>		
Purchase of tangible capital assets (note 11)	(6,777,413)	(8,748,406)
Proceeds from disposal of tangible capital assets	149,033	61,050
	<b>(6,628,380)</b>	<b>(8,687,356)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of investment (note 4)	(51,042,878)	(6,052,057)
Interest earned on capital deposits (note 8)	320,180	588,057
	<b>(50,722,698)</b>	<b>(5,464,000)</b>
<b>FINANCING ACTIVITIES</b>		
Distribution to the City of Calgary (note 15)	(20,804,839)	(16,545,685)
Long-term debt repaid (note 10)	(486,266)	(463,386)
Loan receivable (note 15)	(8,207,664)	-
	<b>(29,498,769)</b>	<b>(17,009,071)</b>
<b>(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(41,144,417)</b>	<b>8,449,848</b>
<b>CASH AND CASH EQUIVALENTS, Beginning of year</b>	<b>58,353,299</b>	<b>49,903,451</b>
<b>CASH AND CASH EQUIVALENTS, End of year</b>	<b>17,208,882</b>	<b>58,353,299</b>

See accompanying notes to the financial statements.

**CALGARY PARKING AUTHORITY****STATEMENT OF CHANGE IN NET FINANCIAL ASSETS***For the year ended December 31*

	<b>Budget 2018</b> <i>(note 1k)</i>	<b>Actual 2018</b>	<b>Actual 2017</b>
<b>ANNUAL SURPLUS</b>	11,210,000	19,297,875	10,568,166
Acquisition of tangible capital assets	-	(6,777,413)	(8,748,406)
Amortization of tangible capital assets	2,775,000	6,117,095	7,048,651
Proceeds on sale of tangible capital assets	-	149,033	61,050
Net loss on disposal of tangible capital assets	-	2,051,865	66,883
Acquisition of prepaid assets and prepaid lease	-	(258,814)	(54,123)
Use of prepaid assets and prepaid lease	-	113,558	121,405
<b>INCREASE IN NET FINANCIAL ASSETS</b>	<b>13,985,000</b>	<b>20,693,199</b>	<b>9,063,626</b>
<b>NET FINANCIAL ASSETS, Beginning of year</b>	<b>141,763,379</b>	<b>141,763,379</b>	<b>132,699,753</b>
<b>NET FINANCIAL ASSETS, End of year</b>	<b>155,748,379</b>	<b>162,456,578</b>	<b>141,763,379</b>

See accompanying notes to the financial statements.

**CALGARY PARKING AUTHORITY****STATEMENT OF REMEASUREMENT GAINS AND LOSSES***For the year ended December 31*

	2018	2017
<b>ACCUMULATIVE REMEASUREMENT GAIN, Beginning of year</b>	<b>1,189,094</b>	<b>1,337,628</b>
Unrealized (losses) / gain attributable to:		
Parking structure replacement fund (note 4)	(808,036)	(123,554)
Capital deposits (note 4)	(154,170)	(24,980)
Long term investment fund (note 4)	99,664	-
<b>Net remeasurement (losses) for the year</b>	<b>(862,542)</b>	<b>(148,534)</b>
<b>ACCUMULATIVE REMEASUREMENT GAIN, End of year</b>	<b>326,552</b>	<b>1,189,094</b>

See accompanying notes to the financial statements.



## **CALGARY PARKING AUTHORITY**

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Calgary Parking Authority (the “Authority”) was established under By-Law No. 7343 of The City of Calgary (the “City”) to investigate requirements for the parking of motor vehicles within Calgary, to arrange for provision of publicly owned parking facilities, to encourage construction of privately owned parking facilities, to operate and manage the parking facilities owned by the City and to report to and advise City Council on all matters related to or concerned with the parking of motor vehicles in Calgary. The Authority is responsible for parking enforcement. Distribution of net income is transferred to the City on a monthly basis (Note 15). The Authority is a municipal authority and as such is not subject to income tax.

The Authority is also responsible for the management of the Municipal Vehicle Impound Lot; revenue and expenditures of this operation are included in the Authority’s financial statements.

The Authority also markets the ParkPlus System to other organizations and municipalities.

### **1. SIGNIFICANT ACCOUNTING POLICIES**

Under Canadian Public Sector Accounting Standards (“PSAS”), introduction to public sector accounting standards, the Authority meets the criteria of a government component and as such, the financial statements for the year ended December 31, 2018 have been prepared in accordance with PSAS.

#### **a) Basis of Accounting**

##### **i) Basis of measurement**

These financial statements were prepared on a going concern basis, under the historical cost convention except for certain financial instruments that are measured at fair value, as explained in the accounting policies below.

##### **ii) Revenue recognition**

Revenues consist of the parking revenues from owned and leased locations, sales and fees from the impound lot, and fines and penalties from parking control. Revenues from parking revenues are recognized as revenue when parking transactions relating to the revenue occur and the funds have been received or are receivable and collection is reasonably assured. Revenue from fines, penalties and the impound lot are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Other revenues, including permit fees and sales and marketing revenue is recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured

#### **b) Cash and Cash Equivalents**

Cash and cash equivalents consist of cash and cash held with the City which include cash on deposit, treasury bills and Guaranteed Investment Certificates (“GICs”) with original maturities of 90 days or less at the date of acquisition and are recorded at cost.

#### **c) Investments**

The Authority has three investments, representing the funds from the Parking Structure Replacement Fund (Notes 4 and 5), the Capital Deposits (Notes 4 and 7) and Long term Investment Fund (Notes 4). All three funds, the Parking Structure Replacement Fund, Capital Deposits and the Long Term Investment Fund are invested by the City, consisting of long term bonds.

Investments are recorded at the fair value and changes therein are recorded as unrealized gains and losses in the statement of remeasurement gains and losses. When an investment is derecognized, the accumulated remeasurement gain or loss is reclassified to the statement of operations and accumulated surplus as a profit or loss.

#### **d) Financial instruments**

## CALGARY PARKING AUTHORITY

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The Authority's financial instruments include cash and cash equivalents, receivables, investments, accounts payable and accrued liabilities, accrued interest payable, long-term debt and employee benefits payable.

Financial instruments are recognized when the Authority becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Authority has transferred substantially all the risks and rewards of ownership. Financial instruments are reviewed at each reporting date for potential impairment.

Investments quoted in an active market are recorded at fair value. All other financial assets and liabilities are recorded at cost or amortized cost and the associated transaction costs are added to the carrying value of items in the cost or amortized cost upon initial recognition. The gain or loss arising from derecognition of a financial instrument is recognized in the statement of operations and accumulated surplus. Impairment losses such as write-downs or write-offs are reported in the statement of operations and accumulated surplus.

The Authority has classified the financial assets and liabilities as follows:

### ***Fair value***

Fair value represents the price that would be received by selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Authority classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

Cash and cash equivalents is classified as Level 1 as the carrying value equals the fair value. The Authority does not have any hedges or derivative instruments. Classification of the Authority's other financial instruments and fair value measurements within the fair value hierarchy are disclosed in Notes 4 and 5. There have been no changes in valuation techniques for any of the Authority's fair value measurements during the year.

### **e) Customer Deposits**

Customer deposits include those payments prepaid by cellular phone account holders and prepaid monthly parking contract customers. Cellular phone account funds are received as deposits for future use in parking. The usage is recorded as revenue and any remaining balances are refundable to the customers if they choose to close their accounts.

### **f) Capital Deposits**

Capital deposits represent amounts received from third parties for specified capital projects. Deposits must be expended on projects for which they are designated, and are recognized as revenue when expenditures are made.

### **g) Employee Benefit Obligations**

The Authority participates in a multi-employer plan classified as a defined benefit plan. However, based on the evaluation of the available information, the Authority is not required to account for the plan in accordance with the defined benefit accounting principles.

When sufficient information is not available to use defined benefit accounting for a multi-employer benefit plan, the plan is accounted for as if it were a defined contribution plan. Accordingly, the contributions payable during the period are recognized as an expense in the statement of operations and accumulated surplus. Any accrued contributions payable are recorded as a liability while prepaid contributions are recorded as a prepaid expense.

## CALGARY PARKING AUTHORITY

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Adjustments arising from actuarial experience gains and losses for active plans are amortized on a straight-line basis over the expected average remaining service period of the active employee group. Adjustments arising from prior service costs related to plan amendments and changes in the valuation allowance are recognized in the period in which the adjustment occurs.

### **h) Non-financial Assets**

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the annual surplus, provides the Change in Net Financial Assets for the year.

### **i) Accumulated Surplus/Deficit**

Accumulated surplus/deficit represents the Authority's net economic resources. It is an amount by which all assets (financial and non-financial) exceed liabilities. An accumulated surplus indicates that the Authority has net resources (financial and non-financial) that can be used to provide future services. An accumulated deficit means that liabilities are greater than assets.

### **j) Tangible Capital Assets**

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of these assets. Work in progress represents assets which are not available for use and therefore are not subject to amortization. Tangible capital assets are written down when there is permanent and measurable impairment in its tangible capital asset value and the tangible capital asset still exists.

The cost, less residual value, of tangible capital assets is amortized on a straight line basis over the estimated useful life as follows:

Lot improvements	5 – 25 years
Structure	3 – 50 years
Equipment and software	3 – 10 years
Vehicles	3 – 5 years

### **k) Budget**

The budget amounts presented throughout these financial statements are based on the operating and capital budgets, modified for assets capitalized on the Statement of Financial Position, approved by the Calgary Parking Committee (formerly the Board of Directors), and the City Council.

### **l) Use of Estimates**

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Where estimation uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from estimates. The amounts recorded for valuation of tangible capital assets, the useful lives and related amortization of tangible capital assets, accrued liabilities, employee benefit obligations, contingent liabilities and commitments are areas where management makes significant estimates and assumptions in determining the amounts to be recorded in the financial statements.

### **m) Accounting Standards adopted by the Authority for fiscal year 2018**

#### **i) Assets**

Assets ("PS 3210") provides guidance for applying the definition of assets and establishes general disclosure standards for assets. Disclosure information about the major categories of assets that are not

## **CALGARY PARKING AUTHORITY**

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recognized is required. When an asset is not recognized because a reasonable estimate cannot be made, the reason(s) for this should be disclosed. The Authority has assessed this standard and there was no impact on the financial statements.

### **ii) Contingent Assets**

Contingent Assets ("PS 3320") defines and establish disclosure standards for contingent assets. Recognition of contingent assets is not allowed, but contingent assets must be disclosed if the confirming event is likely to occur. The Authority has assessed this standard and there was no impact on the financial statements.

### **iii) Contractual Rights**

Contractual Rights ("PS 3380") defines and establishes disclosure standards on contractual rights. Disclosure of the nature, extent, and timing of any contractual rights is required. The Authority has assessed this standard and there was no impact on the financial statements.

### **iv) Related Party Transactions**

Related Party Transactions ("PS 2200") defines a related party and establishes disclosures required for related party transactions. Disclosure of information about related party transactions and the relationship underlying them is required when they have occurred at a value different from that which would have been arrived at if the parties were unrelated, and they have, or could have, a material financial effect on the financial statements. As a result of adopting PS 2200, the Authority has provided disclosure of related party transactions in note 15.

### **v) Inter-entity Transactions**

Inter-entity Transactions ("PS 3420") specifically addresses the reporting of transactions between entities controlled by the government's reporting entity from both a provider and recipient perspective. Disclosure of this information is required whether or not the transaction is given accounting recognition. As a result of adopting PS 3420, the Authority elected to measure those assets or liability transferred at nominal or no consideration at the carrying value. The Authority elected to not record those transactions related to unallocated costs.

### **n) Future Accounting Pronouncements**

The Authority continues to assess the impacts of the below standards.

#### **Standards effective for fiscal years beginning on or after April 1, 2018:**

### **vi) Restructuring Transactions**

Restructuring Transactions ("PS 3430") establishes how to record assets, liabilities, revenues, and expenses related to restructuring transactions as well as disclosure requirements for the recipient and transferor. This standard is effective for fiscal years beginning on or after April 1, 2018. Earlier adoption is permitted.

### **vii) Asset Retirement Obligations**

Asset retirement obligations ("PS 3280") provides guidance relating to obligations to retire tangible capital assets of a public sector entity that are predictable and unavoidable. This standard is effective for fiscal years beginning on or after April 1, 2021. Earlier adoption is permitted.

## CALGARY PARKING AUTHORITY

### viii) Revenue

Revenue ( "PS 3400") provides guidance relating This section provides guidance on the recognition of revenue that distinguishes between revenue that arises from transactions that include performance obligations and from transactions that do not have performance obligations This standard is effective for fiscal years beginning on or after April 1, 2022. Earlier adoption is permitted.

## 2. CASH AND CASH EQUIVALENTS

	December 31, 2018 \$	December 31, 2017 \$
Cash	202,834	311,098
Cash held with the City	17,006,048	58,042,201
	<b>17,208,882</b>	<b>58,353,299</b>

Cash and cash equivalents consists of cash held by the City on the Authority's behalf in the amount of \$17,006,048 (2017 – \$58,042,201). The Authority utilizes this cash in its day-to-day operations.

## 3. RECEIVABLES

Receivables consist of:

	December 31, 2018 \$	December 31, 2017 \$
Fines and penalties	2,475,000	2,442,000
Trade receivables	830,475	716,370
Impound lot	499,007	637,535
	<b>3,804,482</b>	<b>3,795,905</b>

## 4. INVESTMENTS

Investments are held for the following designated purposes:

	December 31, 2018 \$	December 31, 2017 \$
Capital deposits (note 7)	7,798,535	15,686,020
Parking structure replacement fund (note 5)	98,203,868	93,481,169
Long term investment fund	46,000,000	-
Book value of investments	<b>152,002,403</b>	<b>109,167,189</b>
Accumulated remeasurement gains	326,552	1,189,094
Fair value of investments	<b>152,328,955</b>	<b>110,356,283</b>

The investments consist of long-term bonds with a market value of \$152,328,955 (December 31, 2017 – \$110,256,283). The average yield earned from investment during the year ended December 31, 2018, was 2.93% (2017 – 3.92%). These investments are classified at Level 2 in the fair value hierarchy. The investments are invested into a pool of long term bonds, where the return on investment is calculated as the average of the securities in the long term portfolio. The City treasury does not provide a rate of return for each individual bond, but provides a rate on the portfolio as a whole. This is the rate that the Authority collects on its portion of investments.

## CALGARY PARKING AUTHORITY

### a) Parking Structure Replacement Fund Hierarchy

The following table illustrates the classification of financial instruments at fair value on the statement of financial position within the fair value hierarchy:

Financial assets at fair value as at:

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>Bonds – December 31, 2018</b>	-	<b>98,414,051</b>	-	<b>98,414,051</b>
Bonds – December 31, 2017	-	94,499,388	-	94,499,388

The following table reconciles the Calgary Parking Authority Level 2 Parking Structure Replacement Fund fair value measurements as follows:

Fair value measurements using Level 2 inputs

	2018	2017
	\$	\$
Beginning balance at January 1	94,499,388	89,158,942
Fair value movement	(808,036)	(123,554)
Purchases	4,722,699	5,464,000
Ending balance at December 31	<b>98,414,051</b>	<b>94,499,388</b>

### b) Capital Deposit Hierarchy

The following table illustrates the classification of financial instruments at fair value on the balance sheet within the fair value hierarchy:

Financial assets at fair value as at:

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>Bonds – December 31, 2018</b>	-	<b>7,815,241</b>	-	<b>7,815,241</b>
Bonds – December 31, 2017	-	15,856,895	-	15,856,895

The following table reconciles the Calgary Parking Authority Level 2 capital deposit fair value measurements as follows:

Fair value measurements using Level 2 inputs

	2018	2017
	\$	\$
Beginning balance at January 1	15,856,895	15,293,818
Fair value movement	(154,170)	(24,980)
Purchases	320,180	588,057
Withdrawal	(8,207,664)	-
Ending balance at December 31	<b>7,815,241</b>	<b>15,856,895</b>



## CALGARY PARKING AUTHORITY

### c) Long Term Investment Fund Hierarchy

The following table illustrates the classification of financial instruments at fair value on the balance sheet within the fair value hierarchy:

Financial assets at fair value as at:

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>Bonds – December 31, 2018</b>	-	46,000,000	-	46,000,000
Bonds – December 31, 2017	-	-	-	-

The following table reconciles the Calgary Parking Authority Level 2 Capital Deposit fair value measurements as follows:

Fair value measurements using Level 2 inputs

	2018	2017
	\$	\$
Beginning balance at January 1	-	-
Fair value movement	99,664	-
Purchases	46,000,000	-
Ending balance at December 31	46,099,664	-

## 5. PARKING STRUCTURE REPLACEMENT FUND

In 1999, the Board of Directors of the Authority approved the creation of a parking structure replacement fund for the purpose of replacing parking structures, with an annual contribution of \$2,000,000 plus interest earned. The total balance of the fund has been invested by the City Treasury (Note 4).

	2018	2017
	\$	\$
Opening balance	93,481,169	88,017,169
Contribution, including interest	4,722,699	5,464,000
Closing balance, at cost	98,203,868	93,481,169

## 6. LONG TERM INVESTMENT FUND

In 2018, a new fund was created to for the purpose of improving the rate of return on cash balances exceeding amounts needed for operations. This fund is unrestricted and it will be used to finance future capital projects. The total balance of the fund has been invested by the City treasury (Note 4).

	2018	2017
	\$	\$
Opening balance	-	-
Contribution, including interest	46,000,000	-
Closing balance, at cost	46,000,000	-

## CALGARY PARKING AUTHORITY

### 7. CUSTOMER DEPOSITS

	2018 \$	2017 \$
Opening balance	3,609,467	3,209,579
New deposits received	12,846,965	11,868,965
Transfer to Revenue	(12,250,374)	(11,469,077)
Closing balance	4,206,058	3,609,467

The customer deposits include Parkplus cell phone account balances and monthly parker prepaid balances. These balances are refundable to the customers if they choose to close their accounts.

### 8. CAPITAL DEPOSITS

Capital Deposits consist of capital deposits paid by developers, in place of providing required parking stalls within an office/commercial development in downtown Calgary. Capital deposits are received by the City upon release of the Development Permit which is required to commence construction. Capital deposits are recorded by the Authority and are non-refundable once the development completion permit (when all requirements of occupancy are met) is issued. These deposits represent contributions for 581 (2017 – 581) stalls. This program was ended by the City Council and no new deposits have been received in 2018 and 2017. The total balance of the fund has been invested by the City treasury (Note 4).

	December 31, 2018			December 31, 2017
	Principal \$	Interest \$	Total \$	Total \$
Opening balance	13,510,591	2,175,429	15,686,020	15,097,963
Interest earned	-	320,180	320,180	588,057
Withdrawal	(5,975,213)	(2,232,451)	(8,207,664)	-
Closing balance	7,535,378	263,158	7,798,536	15,686,020

In 2018, the Authority withdrew \$8,207,664 (2017 - \$ Nil) to fund a new parkade project in downtown Calgary. Recognition of the developer contribution was recognized on the Statement of operations and accumulated surplus.

### 9. EMPLOYEE BENEFITS OBLIGATIONS

	2018 \$	2017 \$
Post-retirement benefit obligation (b)	841,185	674,600
Vacation and other liabilities	700,913	776,468
	1,542,098	1,451,068

#### a) Multi-employer pension plan

The Local Authorities Pension Plan ("LAPP") is a multi-employer defined benefit plan, sponsored by the Alberta Minister of Finance and administered by Alberta Pension Services ("APS"). Due to the multi-employer nature of this plan, information is not available to determine the portion of the plan's obligations and assets attributable to each employer. Therefore, the Authority appropriately accounts for the plan using the method for defined contribution plans. The amount of expense recorded in the financial statements is equal to the Authority's current service contributions to the plan as determined by APS for the year and no obligation is recorded in the Authority's financial statements. However, given that this multi-employer plan is

## CALGARY PARKING AUTHORITY

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in a deficit position, an inherent unrecorded liability amount is attributable indirectly to plan participants. Plan deficiencies will need to be resolved by increased future employee and employer contributions, increased investment returns and interest rates, management or amendment of future liabilities, or a combination of these elements.

The Authority is required to make current service contributions to the LAPP of 10.39% (2017 – 11.39%) of pensionable payroll up to the yearly maximum pensionable earnings (“YMPE”) and 14.84% (2017 – 15.84%) thereafter. Employees of the Authority are required to make current service contributions of 9.39% (2017 – 10.39%) of pensionable salary up to YMPE, and 13.84% (2017 – 14.84%) thereafter. Contributions for current service are recorded as expenditures in the year in which they become due.

Total current service contributions by the Authority to the LAPP in 2018 were \$1,640,378 (2017 – \$1,785,153). Total current service contributions by the employees of the Authority to the LAPP in 2018 were \$1,494,404 (2017 – \$1,639,657).

The LAPP reported a surplus (extrapolation results of the actuarial valuation) for the overall plan as at December 31, 2017 of \$4,835,513,000 (2016 – (\$637,357,000)). More recent information was not available at the time of preparing these financial statements. The Authority’s 2018 contribution rates did not change as a result of this surplus.

### **b) Post-retirement benefits obligation includes:**

#### **i) Retiree Benefits Plan**

The Authority sponsors post-retirement benefits for extended health, dental and life insurance benefits to qualifying retirees and their surviving spouses from the date of retirement to the age of 65, when coverage under the Alberta Seniors Benefit Program begins. The Authority and the retirees share equally in the cost of benefits. Due to the joint nature of the plan and the cost sharing arrangement, the financial statements of the Authority reflect the Authority’s portion only of both the expense and the accrued benefit liability. This plan was introduced effective January 1, 2017.

#### **ii) Retirement Bonus Plan**

The Authority sponsors a non-contributory retiring allowance of up to 6 weeks of salary for qualifying retirees. The cost of these benefits is recognized as an expense as the employees provide service. This plan was introduced effective January 1, 2017.

Full actuarial valuations for post-retirement benefits were (and will be) performed as follows:

	Latest Full Actuarial Valuation Date	Next Full Actuarial Valuation Date
Retiree Benefits Plan	December 31, 2017	December 31, 2020
Retirement Bonus Plan	December 31, 2017	December 31, 2020

## CALGARY PARKING AUTHORITY

The results of, and significant assumptions utilized, in the December 31, 2018 and 2017 actuarial accounting valuations for post-retirement benefits include:

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Accrued benefits obligation, beginning of year	674,600	-
Entitled current benefits obligation	-	567,989
Current period benefit cost	153,659	148,778
Interest on accrued benefit obligation	24,238	19,870
Benefits paid	(11,312)	(62,037)
Accrued benefit obligation, end of year	841,185	674,600
Current period benefit cost	153,659	148,778
Interest on accrued benefit obligation	24,238	19,870
Total expense	177,897	168,648
Rate of compensation average increase, (excluding merit and promotion)	0.00%	0.00%
Annual increase in extended health costs	5.00%	5.00%
Annual increase in dental costs	4.00%	4.00%
EARSL	11.8 years	11.8 years

## 10. LONG-TERM DEBT

The Authority obtained long-term, unsecured debenture financing through the City from the Alberta Capital Finance Authority on December 15, 2006. Debenture interest was \$81,370 (2017 – \$104,299). Debenture principal repayment was \$486,266 (2017 – \$463,386).

	<b>Rate (%)</b>	<b>Issued</b>	<b>Outstanding</b>
15 year term to June 15, 2021	4.8780	6,000,000	1,323,315
		<b>6,000,000</b>	<b>1,323,315</b>

Debenture repayments are as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
2019	510,276	58,404	568,680
2020	535,470	33,209	568,679
2021	277,569	6,766	284,335
	<b>1,323,315</b>	<b>98,379</b>	<b>1,421,694</b>

The fair value of these debentures is an estimate made at a specific point in time, determined by discounting the debentures future cash flows using investment rates from the Alberta Capital Finance Authority. These estimates are based on quoted market prices for the same or similar issues offered to the Authority for similar financial instruments and therefore, this measurement is classified as Level 2 in the fair value hierarchy.

	<b>Rate</b>	<b>Book Value</b>	<b>Fair Value</b>
	<b>%</b>	<b>\$</b>	<b>\$</b>
<b>December 31, 2018</b>	<b>2.913</b>	<b>1,421,694</b>	<b>1,362,044</b>
December 31, 2017	2.718	1,990,373	1,887,114

## CALGARY PARKING AUTHORITY

### 11. TANGIBLE CAPITAL ASSETS

Tangible Capital Assets consists of:

<b>Cost</b>	<b>January 1, 2018</b>	<b>Transfer</b>	<b>Additions</b>	<b>Disposals</b>	<b>December 31, 2018</b>
	\$	\$	\$	\$	\$
Land	32,816,387	-	42,183	-	32,858,570
Lot improvements	32,457,204	6,718,671	3,859,057	(191,702)	42,843,230
Structures	109,677,941	-	-	-	109,677,941
Equipment and software	24,689,217	-	1,340,569	(11,757,141)	14,272,465
Vehicles	2,265,320	-	391,408	(291,690)	2,365,038
Work in progress assets	7,102,423	(6,718,671)	1,144,196	(57,245)	1,470,703
	209,008,492	-	6,777,413	(12,297,778)	203,488,127

<b>Accumulated Amortization</b>	<b>January 1, 2018</b>	<b>Additions</b>	<b>Disposals</b>	<b>December 31, 2018</b>
	\$	\$	\$	\$
Lot improvements	14,217,434	1,934,750	(191,701)	15,960,483
Structures	49,087,229	2,193,559	-	51,280,788
Equipment and software	18,175,736	1,659,096	(9,670,917)	10,163,915
Vehicles	893,177	329,690	(234,262)	988,605
	82,373,576	6,117,095	(10,096,880)	78,393,791
<b>Net book value</b>	<b>126,634,916</b>	<b>660,318</b>	<b>(2,200,898)</b>	<b>125,094,336</b>

Disposal of tangible capital assets are as follows:

	<b>2018</b>			<b>2017</b>
	<b>Proceeds</b>	<b>Net Book Value</b>	<b>Gain/(Loss)</b>	<b>Gain/(Loss)</b>
	\$	\$	\$	\$
Disposition of TCA	<b>149,033</b>	<b>45,783</b>	<b>103,250</b>	(66,883)
Retired Assets	-	<b>1,189,110</b>	<b>(1,189,110)</b>	-
Impaired Assets	-	<b>966,005</b>	<b>(966,005)</b>	-
	<b>149,033</b>	<b>2,200,898</b>	<b>(2,051,865)</b>	(66,883)

During 2018, the Authority wrote off \$1,189,110 (2017 - \$ nil) of net book value related to retired equipment and software that are no longer in use. The Authority also assessed and recorded an impairment loss of \$966,005 (2017 - \$ nil) on software due to significant technological development.

## CALGARY PARKING AUTHORITY

### 12. PREPAID LEASE

In 1977, the Authority commenced and prepaid a 99 year lease on the land site of City Centre Parkade. The prepaid lease payments are being amortized on a straight-line basis over the term of the lease. The future lease expense as at December 31, 2018 and 2017 are as follows:

	2018 \$	2017 \$
Not later than one year	17,778	17,778
Later than one year and not later than five years	88,890	88,890
Later than five years	915,546	933,324
Total	1,022,214	1,039,992

### 13. ACCUMULATED SURPLUS

Accumulated surplus consists of restricted and unrestricted amounts as follows:

	2018 \$	2017 \$
Operating fund	57,041,809	48,902,697
Accumulated remeasurement gain (note 4)	326,552	1,189,094
Capital deposit (note 8)	8,207,664	-
Parking structure replacement fund reserves (note5)	98,203,868	93,481,169
Equity in non-financial assets (note 14)	125,077,521	125,986,579
	288,857,414	269,559,539

### 14. EQUITY IN NON FINANCIAL ASSETS

Equity in non-financial assets consists of:

	2018 \$	2017 \$
Tangible capital assets (note 11)	203,488,127	209,008,492
Accumulated amortization (note 11)	(78,393,791)	(92,373,576)
Long-term debt (note 10)	(1,323,315)	(1,809,581)
Prepaid expenses	1,306,500	1,161,244
	125,077,521	125,986,579

### 15. RELATED PARTY TRANSACTIONS

Distributions to the City were as follows:

	2018 \$	2017 \$
Transfer to the City [a]	15,615,074	11,973,000
Net income from Parking Control	5,189,765	4,572,685
	20,804,839	16,545,685
Other contributions [b]	2,887,183	3,210,700
	23,692,022	19,756,385



## CALGARY PARKING AUTHORITY

- a) Bylaw 28M2002, "The Calgary Parking Authority Bylaw" sets forth the financing of operations. The Committee (formerly the Board of Directors), of the Authority in its regular meeting of September 25, 2008 approved continuation of the 65% return policy to the City. The Authority will return to the City 65% of its net income after any net income from Parking Control and after distribution of net income to managed locations as per contractual agreements. This return policy remains in effect for fiscal 2018.
- b) Other contributions include the transfer of net income pertaining to managed parking lots with the City and affiliated authorities as a result of parking management agreements. This amount is included in rent expense on the statement of operations and accumulated surplus.

**c) Related Party Transactions:**

Related party transactions with the City departments and affiliated authorities in the normal course of business were as follows:

	2018 \$	2017 \$
Related party expenses	13,297,412	14,854,794
Related party revenue	2,486,779	2,945,598
Related party receivable as at December 31 (e)	8,207,664	-
Related party accounts payable as at December 31	464,344	974,301

Related party transactions that are undertaken on similar terms and conditions to those adopted if the Authority was dealing at arm's length are measured at the exchange amount. Transactions that are undertaken as a result of allocated costs and/or recoveries are measured at the exchange amount.

**d) Transfer of Surface Lots to the City**

The Authority purchased a parcel of land from the City in 2018; the transaction was recorded at book value of \$42,183.

**e) Loan Receivable**

In 2018, the Authority entered into a non-interest bearing loan arrangement with the Calgary Municipal Land Corporation ("CMLC") where the Authority lends to CMLC to fund the construction cost of a parkade. The loan receivable balance as of December 31, 2018 is \$8,207,664 (2017 – \$ Nil). This loan will be repaid upon completion of the parkade.

## 16. SEGMENTED INFORMATION

The Schedule of Financial Activity by Segment has been prepared in accordance with PSAS Handbook Section 2700 ("PS 2700") Segment Disclosures. The segments selected are to enable users to better understand the government reporting entity and the major revenue and expense activities of The Authority. For each reported segment, revenues and expenses represent amounts directly attributable to each segment.

The segments have been selected based on a presentation similar to that adopted for the municipal financial planning and budget process as well as the quarterly reporting of budget status during the year. Segments include:

- a) **Administration** includes the items of revenue and expenses pertaining to operations of administrative departments of the Authority and those activities at corporate level.
- b) **Sales and Marketing** includes the items of revenue and expenses pertaining to the operation of parking sales and marketing of ParkPlus System to other organizations and municipalities.
- c) **Parking Facilities** includes the items of revenue, recoveries and expenses pertaining to the operation of parking facilities. The facilities managed by the Authority include:
- i) Parkades;

## CALGARY PARKING AUTHORITY

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- ii) Surface lots; and
  - iii) On-street parking.
- d) **Impound Lot** includes the items of revenue, recoveries and expenses pertaining to the municipal impound services.
- e) **Parking Control** includes the items of revenue, recoveries and expenses pertaining to the parking enforcement services.

## CALGARY PARKING AUTHORITY

### Schedule of Financial Activity by Segment: For the year ended: December 31, 2018:

	Total	Administration	Sales and Marketing	Parkades	Surface Lots	On-Street Parking	Impound Lot	Parking Control
<b>REVENUE</b>								
Parking and sales revenue	60,652,177	26,792	-	25,977,890	6,914,052	16,357,671	11,375,772	-
Fines and penalties	19,323,999	-	-	-	-	-	-	19,323,999
Permits and fees	1,423,172	292,613	-	-	-	-	1,130,559	-
Marketing and other revenue	939,865	-	939,865	-	-	-	-	-
Investment income	4,594,891	4,594,891	-	-	-	-	-	-
(Loss)/gain on sale of tangible capital assets	103,250	-	-	-	42,183	-	(6,251)	67,318
Rental income and recoveries	251,699	-	-	-	204,035	-	39,109	8,555
Total revenue	87,289,053	4,914,296	939,865	25,977,890	7,160,270	16,357,671	12,539,189	19,399,872
<b>EXPENSES</b>								
Salaries, wages, and benefits	20,652,635	3,349,154	1,147,701	1,744,095	681,900	895,621	3,178,502	9,655,662
Business, communication and contracted services	10,628,015	1,688,911	427,869	613,634	122,178	186,355	5,356,395	2,232,673
Property and business taxes	5,218,472	-	-	4,652,673	565,799	-	-	-
Materials, equipment and supplies	3,649,320	1,052,239	190,520	1,424,582	174,756	-	329,683	477,540
Rental expense (note 15)	3,259,119	187,972	-	1,051,629	2,009,418	-	10,100	-
Utilities	1,553,267	10,330	-	1,200,485	244,296	1,931	96,225	-
Interest and bank fees	1,298,423	82,392	66,308	322,871	116,740	423,178	127,511	159,423
Amortization (note 11)	6,117,095	633,576	118,138	3,778,143	220,323	237,957	357,655	771,303
Total expenses	52,376,346	7,004,574	1,950,536	14,788,112	4,135,410	1,745,042	9,456,071	13,296,601
<b>Excess / (deficiency) of revenues over expenses</b>	<b>34,912,707</b>	<b>(2,090,278)</b>	<b>(1,010,671)</b>	<b>11,189,778</b>	<b>3,024,860</b>	<b>14,612,629</b>	<b>3,083,118</b>	<b>6,103,271</b>
<b>OTHER</b>								
Developer contribution	8,207,664							
Unrealized loss	(862,542)							
Impairment loss	(2,155,115)							
Distribution to the City	(20,804,839)							
<b>Annual Surplus</b>	<b>19,297,875</b>							

## CALGARY PARKING AUTHORITY

### Schedule of Financial Activity by Segments: For the year ended: December 31, 2017:

	Total	Administration	Sales and Marketing	Parkades	Surface Lots	On-Street Parking	Impound Lot	Parking Control
<b>REVENUE</b>								
Parking and sales revenue	61,280,591	-	-	27,221,858	6,571,566	16,735,760	10,751,407	-
Fines and penalties	18,371,630	-	-	-	-	-	-	18,371,630
Permits and fees	1,330,859	206,079	-	-	-	-	1,124,780	-
Marketing and other revenue	976,946	-	976,946	-	-	-	-	-
Investment income	4,292,024	4,292,024	-	-	-	-	-	-
(Loss)/gain on sale of tangible capital assets	(66,883)	(80,190)	-	(27,594)	(5,872)	-	(2,177)	48,950
Rental income	519,483	34,144	-	-	417,753	-	1,006	66,580
Total revenue	86,704,650	4,452,057	976,946	27,194,264	6,983,447	16,735,760	11,875,016	18,487,160
<b>EXPENSES</b>								
Salaries, wages, and benefits	21,817,188	3,988,064	992,872	1,772,108	723,467	653,498	2,993,112	10,694,067
Business, communication and contracted services	10,189,295	2,104,952	206,020	512,845	111,708	318,941	5,481,092	1,453,737
Property and business taxes	6,998,137	-	-	4,937,544	2,060,593	-	-	-
Materials, equipment and supplies	6,608,933	1,028,559	27,944	1,460,920	374,551	2,445,329	403,797	867,833
Rental expense (note 15)	3,664,039	202,568	-	1,151,458	2,269,763	-	40,250	-
Utilities	1,826,620	7,392	-	1,524,186	171,263	1,919	121,860	-
Interest and bank fees	1,289,402	105,884	56,832	339,105	122,405	398,800	111,418	154,958
Amortization (note 11)	7,048,651	523,210	167,392	4,081,231	224,643	968,570	339,725	743,880
Total expenses	59,442,265	7,960,629	1,451,060	15,779,397	6,058,393	4,787,057	9,491,254	13,914,475
<b>Excess / (deficiency) of revenues over expenses</b>	<b>27,262,385</b>	<b>(3,508,572)</b>	<b>(474,114)</b>	<b>11,414,867</b>	<b>925,054</b>	<b>11,948,703</b>	<b>2,383,762</b>	<b>4,572,685</b>
<b>OTHER</b>								
Unrealized loss	(148,534)							
Distribution to the City	(16,545,685)							
<b>Annual surplus</b>	<b>10,568,166</b>							

## CALGARY PARKING AUTHORITY

### 17.COMMITMENTS

- a) Capital commitments of \$55,830,144 (2017 – \$67,269,879) are not reflected in the financial statements. This amount represents uncompleted portions of contracts, as at December 31, 2018, on major projects and estimated obligations under other various agreements. These capital commitments are included in future years' budgets and will be funded from the Authority's revenue and reserves.
- b) The Authority is exposed to fluctuations in electricity prices in the deregulated market of Alberta. On behalf of the Authority, the City has entered into an agreement to purchase the forecast amount of electricity required for operations. The agreement provides the commodity portion of electricity charges at an agreed annual rate for the term of the contract, which will expire on December 31, 2026. The delivery portion of electricity charges is regulated and set by the Alberta Utilities Commission, and is subject to change in the future.
- c) The Authority manages City-owned lots on behalf of the City to generate parking revenue and is committed to remitting a percentage of that revenue back to the City as per various negotiated agreements.
- d) The Authority entered into 2 operating leases, the minimum lease payments the Authority is committed to are outlined below:

	2018 \$	2017 \$
Not later than one year	200,418	328,137
Later than one year and not later than five years	290,446	954,678
	<b>490,864</b>	<b>1,282,815</b>

### 18.FINANCIAL INSTRUMENTS AND RELATED RISKS

#### Risk management

For cash and cash equivalents, receivables, accounts payable and accrued liabilities, accrued interest payable and employee benefit obligations, the carrying amounts of these financial instruments approximate their fair value due to their short-term maturity.

The Authority is exposed to the following risks as a result of holding financial instruments:

#### i) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Authority.

The Authority, in the normal course of business, is exposed to credit risk from its customers. This risk is insignificant as the majority of the revenue is on a cash basis (parking revenues) and recoveries for the impound lot and parking control operations are operated under the jurisdiction of the Province of Alberta, which has legislation and deterrents in place for unpaid fines. The Authority does not require an allowance for doubtful accounts due to the short-term collection period of its trade receivables. The credit risk on Cash held with the City is limited because the City is a large municipal body with sufficient access to financing and a high credit rating.

## CALGARY PARKING AUTHORITY

The maximum exposure to credit risk as at December 31 was:

	2018 \$	2017 \$
Cash and cash equivalents	17,208,882	58,353,299
Receivables	3,804,482	3,795,905
	<b>21,013,364</b>	<b>62,149,204</b>

### ii) Interest rate risk

The Authority's receivable, loan receivables and accounts payable and accrued liabilities are non-interest bearing. The Authority is subject to interest rate risk with respect to its investments. A one percent increase (decrease) in the interest rate of investments will increase (decrease) net income by \$3,168,770 (2017 – \$2,544,976). The Authority is not subject to interest rate risk with respect to its long-term debt because the rate is fixed over the terms of its maturity.

### iii) Liquidity and funding risk

Liquidity risk arises through the excess of financial obligations due over available financial assets at any point in time. The Authority's objective in managing liquidity risk is to maintain sufficient readily available cash balances in order to meet its liquidity requirements. The contractual obligations as at December 31, 2018 are as follows:

	Less than 3 months \$	3 months to 1 year \$	1-2 years \$	2-5 years \$	Total \$
Accounts payable and accrued liabilities	4,220,562	-	-	-	4,220,562
Accrued interest payable	2,837	-	-	-	2,837
Long term debt	-	510,275	535,470	277,570	1,323,315
Interest on long term debt	-	58,404	33,209	6,766	98,379
Retirement allowance benefit	-	841,185	-	-	841,185
Vacation and other benefits payable	-	700,913	-	-	700,913
<b>Total</b>	<b>4,223,399</b>	<b>2,110,777</b>	<b>568,679</b>	<b>284,336</b>	<b>7,187,191</b>

Funding risk is the risk that market conditions will impact the Authority's ability to raise capital under acceptable terms and conditions. Under current market conditions and its financial structure and relationship to the City, both liquidity and funding risk are assessed as low.

### iv) Currency risk

The Authority's functional currency is the Canadian dollar. There is low foreign exchange risk to the Authority, as an insignificant number and amount of transactions are conducted in foreign currency. The Authority does not engage in any hedging activities.

### v) Concentration of risk

The location of the Authority's parkades and surface lots are mainly concentrated in downtown Calgary and subject to fluctuations in the labour market, rental, office vacancy rates and potential future flood in this area.



## Calgary Parking Authority 2019 Key Initiatives & Strategies

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The Calgary Parking Authority (CPA) has set its corporate goals and department objectives to align with those set by City of Calgary Council.

### **CPA Strategic Focus Areas**

1. Planning for the Future
2. Innovating to Improve
3. Meeting Parking Needs in the Communities We Serve

### **CPA Corporate Goals**

#### **1. Accelerate Customer Service:**

- a. Decrease phone call wait times
- b. Make improvements to parking apps

#### **2. Meet or exceed budgeted financial returns to the City of Calgary:**

- a. Develop capital asset management plan to ensure long term sustainability of CPA assets
- b. Maximize return on investment of reserve funds

#### **3. Develop, Implement, and Leverage data reporting**

- a. Use data to analyze opportunities for parking revenue optimizations
- b. Update development road map to reflect strategic focus areas

#### **4. Establish and adopt process guidance for all projects and initiatives**

- a. Adopt best practices for capital project charters
- b. Increase institutional knowledge through documentation of standard operating procedures



ISC: UNRESTRICTED

	Risk Title	Risk Description	Existing Controls or Treatment Techniques in place	Likelihood	Impact	Risk Rating	Trend	Summary of Risk Rating	Key Risk Indicators	Principal Corporate Risk	Improvement required? (Y / N)	Summary of Improvement Activities	Improvement Status	Owner	Notes
	Risk title	Risk Description:	List the 5 most important controls which are currently in place, add a succinct description where necessary			<div>Extensive</div> <div>High</div> <div>Medium</div> <div>Low</div> <div>Slight</div>	Indicate whether risk is: Increasing ↑ Decreasing ↓ Stable ↔	(Why Risk is rated as it is / what trends are telling us)	List the top indicators are you using to monitor this risk	List PCR this risk aligns	<b>Yes:</b> improvement is required. <b>No:</b> Improvement NOT required <b>NA:</b> Risk has not been assessed	List key control activities to be implemented; or If risk level is to be increased, what key controls can be removed? <b>Indicate the projected completion date for each activity (ie. 2019 Q3 or 2021)</b>	<div>Completed</div> <div>In Progress</div> <div>Overdue</div> <div>NA</div>	List risk owner	Additional notes as required
1	Parking inventory	Inability to react in a timely manner to market opportunities to increase or decrease parking inventory based on demand and customer needs.	Clearly articulate timelines and then see if that is mutually acceptable to the parties involved.	Almost Certain	Significant		↑	Existing opportunities are being lost due to the long turnaround time due to process.	Percentage of transactions lost due to delays. Declining Revenue	Operations, Process Risk	Yes	Request change in City of Calgary policy relating to CPA transactions or through Council action. Estimated completion 2020.	In Progress	Glen Furtado	Loss of Lots 7, 21, 66 & 80 = 299 stalls and approx. \$1.83M in revenue per year.
2	Policy changes	Changes in City of Calgary policies affecting parking.	Ongoing communication with Council members by GM. Frequent meetings with City Administration by GM.	Possible	Significant		↑	Changes to policies without CPA input can affect CPA's ability to be nimble, sustainable and responsive to customer needs.	Agenda for Council including Bylaw 28M2002 and the "Calgary Parking Policies".	Political Risk	Yes	Clarifying discrepancies between the respective City Admin, CPA Committee and CPA Admin roles outlined in the Calgary Parking Policies versus CPA's mandate set out in Bylaw 28M2002 and CPA's operational needs.	In Progress	Glen Furtado	Ongoing monitoring and communication with CPA Committee, Council, and Administration.
3	Labour disruption	Disruption in labour, including potential for job action.	Skilled resources in place leading negotiations including expert advice from external legal counsel.	Possible	Significant		↑	Union employees currently operating without a new signed Collective Bargaining Agreement.	Results of mediation in Q3 - 2019.	Business Continuity Risk	Yes	Complete Business Continuity Plan (Q3 2019). Mediation scheduled between CPA and Union for end of August 2019	In Progress	Kathy Lidbury	Mediation scheduled for August 27 and 28.
4	Inadequate reserves	Potentially inadequate reserves to meet long term capital requirements.	Procuring 3rd party reports detailing upcoming maintenance required at CPA facilities. Preparation of Capital Assetment Management Plan to forecast timing and expense of those maintenance activities.	Possible	Moderate		↔	Studies are being performed to assess the adequacy of existing funds.	Reserves compared to expected required maintenance from third party reports.	Infrastructure Management Risk	Yes	Completion of Capital Asset Management Plan (estimated Q4 2019).	In Progress	Dale Wannamaker/ Jared Foulds	Completion of report will reveal whether or not this is an issue.
5	Parking demand	Parking demand at current asset locations continues to decline	Ongoing occupancy monitoring in parkades, surface lots, and on street. Monthly financial reporting to Leadership Team.	Possible	Moderate		↔	Recent data has shown demand to be stabilizing.	Significant drop in occupancy rates at some locations.	Economic and Social Impact Risk	Yes	Marketing and pricing initiatives are currently being considered or are under way	In Progress	Jared Foulds	Parking optimization program underway. This will provide access to more live data and enable CPA to make optimal decisions at parkades and surface lots.
6	Obsolete IT	Support for aging IT infrastructure or software is discontinued	Lifecycle monitoring by IT department.	Possible	Moderate		↑	ParkOnline support ends July 2019 by CoC, which could create disruption for monthly contract parkers if the system experiences significant issues.	Failure of Park Online system.	Technology Risk	Yes	Replacement of Park Online with CPA developed Contract Management System to be rolled out by Q4 2019.	In Progress	Moe Houssaini	CMS project for park online migration has kicked off. Base code evalutaion will commence in August.
7	Information Systems security breach	Security breach resulting in compromising of protected information sensitive to the organization's operations.	Identification of security threats. Significant upgrades in 2019 to CPA Infrastructure. PCI Compliance Audits.	Possible	Moderate		↓	Risk decreasing as CPA hired a dedicated Cyber Security employee	Successful breach to first level CPA firewalls.	Technology Risk	Yes	CPA is focused on taking steps to reduce risk. Employee training is ongoing and will be implemented in Q3 2019. Hardware and software upgrades throughout 2019 and 2020 will reduce vulnerabilities.	In Progress	Alex Paredes	
8	Third party revenues	Parking Solutions not achieving revenue targets	Establishing dedicated implementation team(s), Client and Account managers, and enhancing software platforms	Unlikely	Minor		↔	Revenue similar to previous years but growth limited by opportunities in the marketplace and internal capacity	Revenue compared to budget.	Growth Risk	Yes	New Parking Solutions department structure implemented. Estimated completion Q4 2019.	In Progress	Moe Houssaini	
9	Supplier reliance	Over-reliance on outsourcing service providers and accuracy of 3rd party systems	Attend trade shows and conferences to make connections with new vendors and suppliers.	Possible	Minor		↓	New vendors are being explored in areas where CPA has been reliant on a sole provider for various systems.	Interruptions in service due to sole supplier delays.	Partnership Risk	Yes	Team is aware of the key areas where over-reliance on vendors may be a problem and alternate solution providers have been identified	In Progress	Jared Foulds	Will potentially engage in trial cases with new vendors to assess suitability.

	Risk Title	Risk Description	Existing Controls or Treatment Techniques in place	Likelihood	Impact	Risk Rating	Trend	Summary of Risk Rating	Key Risk Indicators	Principal Corporate Risk	Improvement required? (Y / N)	Summary of Improvement Activities	Improvement Status	Owner	Notes
10	9th Avenue Parkade	The new parkade construction is completed late and/or over budget	Signed agreement stating fixed cost of construction and land reduces risk of going over budget. CPA's Project Manager's ongoing supervision of project. Monthly reports detailing progress.	Unlikely	Minor	<div></div>	↓	Project well underway with major costs procured. Uncertainty risk decreasing.	Actual costs compared to budget. Project timeline and milestones.	Legal & Compliance Risk	No	Use of standard progress report on a monthly basis significantly mitigates risk. CPA regularly attends Project Steering Committee meetings.	Complete	Dale Wannamaker	Excellent working relationship between CPA / CMLC allows for open communication and collaboration on resolution of issues.
11	3rd party agreements	Improper execution and maintenance of agreements with external parties	Review of agreements by in house legal counsel seconded from City of Calgary.	Possible	Minor	<div></div>	↓	With legal expertise in house for several years now, the risk has been reduced over time.	Breaches of contract per year.	Legal & Compliance Risk	No	Ongoing standardization of contract terms and conditions.	In Progress	Andrew Donohoe	CPA will be creating a position whose duties include the tracking and maintenance of contracts to increase our compliance and plan ahead for contract renewals.
12	Customer satisfaction	Reduction in customer satisfaction	Annual customer satisfaction surveys. Monitoring and responding to social media posts. Coordinating public responses through Communications department.	Unlikely	Minor	<div></div>	↔	Controls in place reduce risk to acceptable levels.	Results of annual customer satisfaction surveys.	Reputation Risk	No	Specific actions taken to address feedback from customer satisfaction surveys (i.e. enhanced security presence at certain parkades).	In Progress	Shelley Trigg	Customer satisfaction based on annual survey at all time high with respect to safety and cleanliness of CPA facilities.
13	Service disruption	Disruption in network and computer services	Backup network connections at each location. Upgrades to pay machines which automatically transmit issues back to IT department. Cloud based services prevent downtime due to hardware	Possible	Moderate	<div></div>	↓	Controls in place reduce risk to acceptable levels.	Monitoring downtime percentage of pay machines and networks.	Technology Risk	Yes	Ongoing analysis of the rigour of IT hardware, software and back-up/redundant processes.	In Progress	Alex Paredes	
14	Records retention	Potential loss of data or inability to find relevant information in a timely manner	Records Retention Policies and Procedures. Dedicated staff member to oversee migration to new framework.	Unlikely	Minor	<div></div>	↓	Records retention process overhaul starting in 2017 has reduced risk.	Organizational history lost resulting in rework.	Technology Risk	No	Staff training undertaken to properly identify and save documents in a dedicated drive.	Complete	Dave Arora	
15	Physical security	Serious physical security incident occurring on CPA property	Professional security firm engaged to perform security patrols. Camera monitoring. Incident reporting and review. Employee training.	Possible	Minor	<div></div>	↔	Reduction in risk for steps taken in 2018 to increase security presence offset by increased risk of incident due to safe injection site nearby.	Incident reporting by professional security firm.	Security Risk	Yes	Seconded employee from Corporate Security to provide rigorous security framework and emergency response planning support.	In Progress	Dale Wannamaker	
16	Workplace Safety	Failure to maintain workplace safety resulting in a significant increase in serious injury frequency.	Full time Safety Advisor. COR certification Audits. Mandatory safety training for all staff. Monitoring of all incidents and near misses with recommendations for improvements. Regular communication with Leadership Team.	Rare	Minor	<div></div>	↔	Controls in place reduce risk to acceptable levels.	COR audit results. # of incidents	Health & Safety Risk	Yes	Ongoing work to close process gaps identified by COR Audit.	In Progress	John Allen	

Risk Register Instructions

Task	Description
Risk Title	Create a brief title for your risk.
Risk Description	Briefly describe your risk.
Existing Controls or Treatment Techniques in place	<p><b>Existing Controls:</b> A control is any process, policy, device, practice, or other action which modifies risk. The strength of a control must be appropriate to the nature and magnitude of the risk it modifies. The benefit of a control must be considered relative to its cost.</p> <p><b>Risk Treatment:</b> Risk treatment involves selecting one or more options for modifying risks, and implementing those options. It involves a cyclical process of assessing the risk treatment, deciding whether the residual risk levels are tolerable, if not, generating new risk treatments and assessing the effectiveness of that treatment.</p> <p>Acceptable strategies to treat risks are as follows:</p> <ul style="list-style-type: none"><li>• Eliminating or avoiding the risk by deciding not to start or continue with the activity that gives rise to the risk;</li><li>• Reducing or mitigating the risk by changing the likelihood and/or consequence; usually accomplished through additional controls.</li><li>• Transferring or sharing the risk with another party or parties, including agreements in contracts, the use of insurance, and contingent arrangement. Once an external transfer takes place, the risk should be reassessed to identify risk externalities from the process.</li><li>• Retaining (accepting the residual risk) or exploiting the risk in order to pursue an opportunity. Executed by informed decision but regular monitoring should be undertaken to ensure the risk does not escalate.</li></ul> <p>THESE CONTROLS OR TREATMENT ACTIONS SHOULD ALREADY BE IN PLACE. IT IS EXPECTED THE CONTROLS WILL</p>
Likelihood	<p>Drop down: Almost Certain, Likely, Possible, Unlikely, and Rare</p> <p>Refer to <i>Likelihood Guidelines</i> Tab</p> <p><b>Note, consider the "current state" likelihood (with all current controls and risk treatment in place)</b></p>
Impact	<p>Drop down: Severe, Significant, Moderate, Minor, and Negligible.</p> <p>Refer to <i>Impact Guidelines</i> Tab</p> <p><b>Note, consider the "current state" impact (with all current controls and risk treatment in place)</b></p>
Risk Rating	<p>Risks are rated in terms of likelihood and impact, in accordance with the Risk Matrix (refer to <i>Risk Matrix Tab</i>).</p> <p><b>This column will be automatically generated based on your selection of likelihood and impact</b></p>
Trend	<p>Establish whether the trend for each risk is increasing (↑); decreasing (↓); or stable (↔)</p> <p>(Select from drop down)</p>
Summary of Risk Rating	This component explains the “why” behind the change in the risk, i.e. what is happening to cause the risk to increase or decrease? If Risk Rating is increasing or decreasing, indicate top 3 reasons
Key Risk Indicators	Are there any quantitative or qualitative RED FLAGS which would indicate the risk is about to materialize?
Council Priorities	<p>Drop down list of Principal Corporate Risks</p> <p>Refer to Principal Corporate Risk Tab for additional information</p> <p><b>Select the top 1-3 priorities which this risk impacts the most.</b></p>
Significant Improvement Required?	<p>Risks are assessed in their current state, including current controls in place. The organization may want to accept the risk, in its current state and simply monitor it for changes. If so, no significant improvement would be required (the template would reflect a “no” in this column). However, if significant additional risk management actions are required (risk avoidance, further risk mitigation, transfer the risk, or exploit the risk), then the template would reflect “yes”.</p> <p>Yes: improvement is required. No: Improvement NOT required NA: Risk has not been assessed</p> <p>Select Yes, No, NA from drop-down menu</p>
Summary of Improvement Activities	<p>This section describes the key significant activities which need to be taken to alter the risk, and the methods being used to avoid the risk, mitigate the risk, share the risk or embrace the opportunity. Previously, risk registers and the Principal Risk assessments only engaged the technique of “risk mitigation,” which did not encourage other approaches to the effective management of risk within the organization.</p> <p>Activities already in place at the time the risk was assessed, are generally not repeated on this form, as the impact of existing activities is captured as part of the risk rating.</p> <p>List key control activities to be implemented; or if risk level is to be increased, what key controls can be removed?</p> <p>Indicate the projected completion date for each activity in general terms (i.e. 2021 or 2019Q4)</p>
Improvement Status	<p>Once the significant improvement activity has been implemented (previous column), what is the status of that activity? It may be; completed (green); in progress (yellow); or overdue (red). If no improvements were noted (previous column), then the status would be NA (gray).</p> <p>Select from drop-down</p>
Owner	The risk owner is an individual who is responsible for the management and monitoring of the risk. This person is responsible for the oversight of the risk and the coordination of risk management activities, where required. The owner will be listed by job title. The risk owner may delegate actions within the risk management strategy.
Notes	<p>This is an optional section to write notes, if required.</p> <p>Notes may include (but not limited to) the following:</p> <ul style="list-style-type: none"><li>• Risk has not been assessed</li><li>• Logic for selecting likelihood/ impact ratings</li><li>• Connection to Principal Corporate Risks explanation</li></ul>



## The City of Calgary: Likelihood Guidelines

<b>Almost Certain</b>	90% and greater	Is expected to occur in most circumstances
<b>Likely</b>	65-89%	Will probably occur in most circumstances
<b>Possible</b>	35-64%	Might occur at some time
<b>Unlikely</b>	11-34%	Could occur at some time
<b>Rare</b>	10% and less	May occur only in exceptional circumstances



## The City of Calgary: Impact Guidelines

### Summary

<b>Severe</b>	Unable to meet objectives due to serious, extend
<b>Significant</b>	Difficulties to achieve objectives. Delays or notable aspects of
<b>Moderate</b>	Some challenges on ability to achieve objectives. Some delay. Some a part.
<b>Minor</b>	Coping strategies required - able to be addressed with exist
<b>Negligible</b>	Minimal Impact. Still able to achieve objectives with

Impact Category	<b>Workforce</b>	<ul style="list-style-type: none"> <li>• Minor injury or first aid treatment. Low turnover; easy to hire people with required skills in a timely fashion.</li> </ul>	<ul style="list-style-type: none"> <li>• Injury requiring treatment by medical practitioner and/or lost time from workplace.</li> <li>• Minor psychological impact.</li> <li>• Some turnover; some difficulty in hiring people with required skills in a timely fashion.</li> </ul>
	<b>Technology</b>	<ul style="list-style-type: none"> <li>• Non-critical system faces minor interruption.</li> <li>• Compromise of unrestricted information otherwise available in the public domain.</li> </ul>	<ul style="list-style-type: none"> <li>• Non-critical system faces significant interruption.</li> <li>• Minor compromise of protected information sensitive to internal or sub-unit interests.</li> </ul>
	<b>External</b>	<ul style="list-style-type: none"> <li>• Immediately reversible damage.</li> <li>• Minimal flood damage in an isolated area.</li> </ul>	<ul style="list-style-type: none"> <li>• Short-term reversible damage.</li> <li>• Minimal flood damage in more than one area.</li> </ul>
	<b>Financial</b>	<ul style="list-style-type: none"> <li>• Financial impact is within expected variance and pre-emptively accounted for.</li> </ul>	<ul style="list-style-type: none"> <li>• Financial impact is expected and planned for with minor adjustments needed.</li> </ul>
	<b>Strategic</b>	<ul style="list-style-type: none"> <li>• A strategic goal within the organization is slightly impacted.</li> <li>• Reputation to internal stakeholders may be slightly impacted.</li> </ul>	<ul style="list-style-type: none"> <li>• Strategic goal within the organization requires some adjustment.</li> <li>• Reputation to key internal stakeholders is adversely impacted.</li> </ul>

	<p><b>Operational</b></p> <ul style="list-style-type: none"> <li>• Minimal impact on non-core operations. The impact can be dealt with by routine operations.</li> <li>• Some impact on organizational capability in terms of delays, systems quality but able to be dealt with at operational level.</li> </ul>
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Risk Category	Definition
<b>Workforce</b>	Any risk associated with staff or management turnover, work culture processes as well as practices. This may encompass succession planning capacity
<b>Technology</b>	Any risk associated with an organization's capacity and sustainability use of technology
<b>External</b>	Risks to the organization that arise from outside the organization. The related to trends in employment rates, social economic
<b>Financial</b>	Risks related to The City's structures and processes that ensure sound policies and
<b>Strategic</b>	Risks that either affect or are created by organization-wide strategic related to The City's management of its legislative, advisory and litigation and credibility with its partners, stakeholders
<b>Operations</b>	Any risk that processes or systems either design or implement

ed disruption.
objectives not completed.
spects of obejtives are only met in
ing plans and resource.
hout disruption.

<ul style="list-style-type: none"> <li>•Major injury or psychological illness/hospitalization.</li> <li>•High turnover; small delays in ability to hire people with required skills in some areas of the organization.</li> </ul>	<ul style="list-style-type: none"> <li>•Permanent, or multiple major, injuries or psychological illness.</li> <li>•High turnover; notable delays in ability to hire people with required skills in some areas of the organization.</li> </ul>	<ul style="list-style-type: none"> <li>•Conditions that could result in fatality(ies).</li> <li>•Very high turnover; unable to hire for extended periods of time people with required skills in many areas of the organization.</li> </ul>
<ul style="list-style-type: none"> <li>•Critical system faces minor interruption.</li> <li>•Compromise of protected information sensitive to the organization's operations.</li> </ul>	<ul style="list-style-type: none"> <li>•Critical system faces significant interruption.</li> <li>•Compromise of restricted information sensitive to organizational interests.</li> </ul>	<ul style="list-style-type: none"> <li>•Irreparable widespread damage to critical system(s).</li> <li>•Compromise of restricted information with major, ongoing impact.</li> </ul>
<ul style="list-style-type: none"> <li>•Long-term reversible damage.</li> <li>•Major flood damage in an isolated area.</li> </ul>	<ul style="list-style-type: none"> <li>•Limited irreversible damage.</li> <li>•Major flood damage in more than one area.</li> </ul>	<ul style="list-style-type: none"> <li>•Widespread irreversible damage.</li> <li>•Massive flood damage in multiple areas throughout the city.</li> </ul>
<ul style="list-style-type: none"> <li>•Financial impact is greater than planned for, some delay, reduction in scope or alternate funding is required.</li> </ul>	<ul style="list-style-type: none"> <li>•A large unplanned financial impact. Significant delays or adjustments to scope are required. Some alternate funding may be achieved.</li> </ul>	<ul style="list-style-type: none"> <li>•Unplanned financial impact that results in indefinite delays or cancellation of work. Alternate funding is not able to be acquired.</li> </ul>
<ul style="list-style-type: none"> <li>•An organizational-wide strategic goal is compromised.</li> <li>•Reputation to internal and some external stakeholders may result in some loss of confidence and trust in the organization.</li> </ul>	<ul style="list-style-type: none"> <li>•Unable to deliver on an organizational-wide strategic goal for a sustained period of time.</li> <li>•Reputation sustains extended, substantial damage to confidence and trust.</li> </ul>	<ul style="list-style-type: none"> <li>•Unable to deliver on an organizational-wide strategic goal indefinitely.</li> <li>•Reputation extended, substantial damage to confidence and trust which is irreparable.</li> </ul>

<ul style="list-style-type: none"> <li>•Impact on the organization resulting in reduced performance such that targets are not met.</li> </ul>	<ul style="list-style-type: none"> <li>•Some unavailability of critical skills/people.</li> <li>•Breakdown of key activities leading to reduction in performance.</li> </ul>	<ul style="list-style-type: none"> <li>•Protracted unavailability of critical skills/people.</li> <li>•Critical failure(s) preventing core activities from being performed.</li> </ul>
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Risk Definition
<p>Human resources, recruitment, retention, workplace health and safety, and staffing planning, talent management, employee development, training, and building.</p>
<p>Information technology. This encompasses both architecture and applications.</p>
<p>External risks. The root cause of these risks are not internal to The City. These risks are related to economic status, market values, political and legislation changes.</p>
<p>Financial management of financial resources and its compliance with relevant financial standards.</p>
<p>Legal and regulatory decisions. These risks are related to systems such as legal risks (risks related to litigation activities) or reputational risks (any risk to The City's reputation with stakeholders, and citizens of Calgary).</p>
<p>Overall, the above risk identification will affect the City's ability to meet its objectives.</p>



# Risk Matrix

Likelihood	Level	Probability*		
	5 Almost Certain	90% and greater	Medium	High
	4 Likely	65-89%	Low	Medium
	3 Possible	35-64%	Low	Low
	2 Unlikely	11-34%	Slight	Low
	1 Rare	10% and less	Slight	Slight
*Probability of occurrence in a given year				
			1 Negligible	2 Minor
			Minimal impact. Still able to achieve objectives without disruption.	Coping strategies required - able to be addressed with existing plans and resources.

High	Extensive	Extensive
High	High	Extensive
Medium	High	High
Low	Medium	High
Low	Low	Medium
Impact		
<b>3</b> <b>Moderate</b> Some challenges on ability to achieve objectives. Some delay. Some aspects of objectives are only met in part.	<b>4</b> <b>Significant</b> Difficulties to achieve objectives. Delays or notable aspects of objectives not completed.	<b>5</b> <b>Severe</b> Unable to meet objectives due to serious, extended disruption.

Risk R
Extensive
High
Medium
Low
Slight



Response Guidelines:
Not Acceptable
Requires much attention
Requires some attention
Monitor
Tolerable

## Principal Corporate Risks

Business Continuity Risk	An interruption to parking services provided to Calgarians caused by a vulnerability being exposed to a natural, technological, or human hazard.
Capacity for Change Risk	Increasing velocity, pace and quantity of change in the natural, social, economic and political environment, combined with limited flexibility in the organization to respond contributes to reduced capacity, preparation and experience required to implement new initiatives and adapt to changing priorities.
Economic and Social Impact Risk	Ongoing pressures from the regional economic downturn are creating increased demand for social supports. <u>This has an impact on both The City and its partners, operations and service delivery.</u>
Environmental Risk	Potential increase in severe weather and climatic changes may cause disruptions to operations and service delivery. Corporate and community-wide greenhouse gas (GHG) emissions may not meet reduction targets for 2020.
Financial Risk	Lower general revenues and/or higher expenses than budgeted negatively impacts service delivery, tax rates and our ability to adapt to growth and increases the City's reliance on debt.
Growth Risk	While growth carries many economic and social benefits, it is also a significant risk for The City because many services and infrastructure need to be in place prior to, or timed with demand. This means The City must anticipate both the level and spatial pattern of growth. These risks can impact The City's capacity to deliver and <u>provide infrastructure and services that meet city-wide demands.</u>
Health & Safety Risk	Potential harm to City employees and contractors. This may result from non-compliance with health and safety regulations or an incident that could impact City employees/contractors and/or citizens, and expose the <u>organization to potential financial and reputational risks.</u>
Infrastructure Management Risk	The City owns and operates public infrastructure systems including water service, storm and sanitary sewers, roads, sidewalks, pathways, bridges and other structures and buildings. Ensuring that assets are in good, reliable condition is essential to keeping the city safe. The City is exposed to the risk of assets failing, particularly from <u>inadequate lifecycle maintenance.</u>
Legal & Compliance Risk	Law provides legal, governance, risk management, and issues management advice with respect to federal and provincial laws and bylaws. Advice is not always sought in sufficient time to allow a strategy to be developed or action to be taken on a proactive basis, resulting in the corporation having to react to issues or lawsuits. This can impair the corporation's ability to complete projects and conclude transactions on time, on budget and within scope, and may result in financial losses or unnecessary business, legal, financial or reputational risk for <u>The City.</u>
Operations, Process Risk	Failure to ensure appropriate processes are in place to manage the complexity of operations.
Partnership Risk	Counterparty risk arising from City partners unable to deliver services.
Political Risk	Changing priorities or actions of municipal, regional, or other orders of government paired with rapid changes in the natural, social or economic environment could result in funding challenges that may adversely impact The City's ability to deliver on citizen expectations.
Reputation Risk	Reputation risk is damage to the image of The City or negative perceptions by citizens or stakeholders as a result of actions of elected officials or City employees. This risk can threaten The City's ability to maintain positive and productive relationships with citizens, businesses, partners and the ability to achieve its corporate objectives.
Security Risk	A violent attack on or in City space could result in loss of life, serious injury as well as halting critical service delivery.
Talent Management & Workforce Planning Vulnerability Risk	Inability to attract, develop, engage and retain key talent and knowledge in order to meet current and future business needs.
Technology Risk	There is a risk to business disruption due to vulnerability or failure of applications. Rapid pace of emerging threats such as cyber-attacks (willful attack on public infrastructure, public safety, transportation, water treatment, system access, intentional damage, privacy breach, distributed denial-of-service attacks, etc.). Potential impacts include breaches of confidential information, and disruption to the availability of critical systems and applications, and the integrity of those systems.

## **Calgary Parking Authority Summary of Top 4 Risks with Impact to The City of Calgary**

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The Calgary Parking Authority (CPA) has determined the following three areas of risk to be of highest impact to The City of Calgary and/or of concern to the City's audit committee:

**1. Inability to control parking inventory**

The City of Calgary process for acquisition or disposition of property was not designed with an entity such as the CPA in mind. As a result, the CPA is unable to react in a timely manner to market opportunities to increase or decrease its parking inventory based on demand or customer needs. The CPA will work with administration and Council to try to remove barriers in the process allowing CPA to better control its inventory and ensure future sustainability of the CPA.

**2. Policy changes**

CPA is governed by Bylaw 28M2002 and the Calgary Parking Policies. These policies are subject to changes by City administration and Council. If changes are made without CPA input, it could have a significant impact on the CPA's ability to be nimble, sustainable and responsive to customer needs.

**3. Labour disruption**

CPA and C.U.P.E. Local 38 are involved in the collective bargaining process, as the current collective agreement expired May 31, 2018. C.U.P.E. holds a separate trade certification with CPA, which defines union members as "all employees except office and clerical personnel", and results in a separate collective bargaining process from The City and C.U.P.E. Local 38. Should mediation be unsuccessful, labour action could result (strike or lock out), impacting approximately 130 union employees and 14 jobs at CPA. To address this, CPA has prepared a Labour Action Business Continuity Plan should this occur.

**4. Reserve adequacy (alternate to Labour risk, should that get resolved)**

The CPA's requirement to provide stalls under the previous Cash-In-Lieu program results in an obligation to replace existing parking facilities at the end of their useful life, regardless of demand. The CPA contributes annually to a reserve intended to finance the replacement costs, however the adequacy of the annual contributions and the reserve balance has not been reviewed. The CPA is undertaking a complete review of the long-term capital asset management plan and the funding requirements associated with that plan. In addition, the CPA will pursue future by-law changes to ensure the replacement of any parking facilities meet customer demand.



**The Calgary Parking Authority COSO Internal Control Integrated Framework**  
(COSO - Committee of Sponsoring Organizations)

Principle Evaluation

Principle Evaluation – Control Environment (CE) Principles 1 through 5

**Principle 1: Demonstrates Commitment to Integrity and Ethical Values**

–The organization demonstrates a commitment to integrity and ethical values.

**Are the controls in place effective as a whole for meeting the requirements of this principle?**

**YES**

**Points of Focus**

- **Sets the Tone at the Top** – The board of directors and management at all levels of the entity demonstrate through their directives, actions, and behavior the importance of integrity and ethical values to support the functioning of the system of internal control.
- **Establishes Standards of Conduct** – The expectations of the board of directors and senior management concerning integrity and ethical values are defined in the entity's standards of conduct and understood at all levels of the organization and by outsourced service providers and business partners.
- **Evaluates Adherence to Standards of Conduct** – Processes are in place to evaluate the performance of individuals and teams against the entity's expected standards of conduct.
- **Addresses Deviations in a Timely Manner** – Deviations of the entity's expected standards of conduct are identified and remedied in a timely and consistent manner.
- (Other entity specific points of focus, if any)

Controls Applicable to Principle 1

Identification No.	Internal control description	Evaluate internal control:		Summary comments
		Present & working	Deficient	
CE1.0	The Code of Conduct is introduced to new employees upon hire, with a requirement for employees to sign an acknowledgement form. A new onboarding process implemented in 2018 automates the Code of Conduct review and acknowledgement process.	Y		Deloitte removed this item as a management letter point after their 2017 Report to the Audit Committee, reflecting CPA's improvements in the onboarding process.
CE1.1	The Calgary Parking Committee follows the Code of Ethics developed by The City of Calgary (CPA2002-03), in its role as a Committee of Council of The City of Calgary. In addition, Elector Members of the Calgary Parking Committee follow the Code of Conduct for Citizen Members as developed by The City of Calgary (CC045). There is a CPA Director's expense policy in place as well (CPA2013-08).	Y		
CE1.2	When the new Code of Conduct was implemented in 2014, it was reviewed with all employees at that time. As a result, employees have the knowledge to identify and address ethical and behavioural dilemmas.	Y		
CE1.3	The Code of Conduct policy contains processes and guidance regarding how to deal with deviations from the policy. Non-compliance with the policy may lead to disciplinary action up to and including dismissal.	Y		

## Principle 2: Exercises Oversight Responsibility

—The board of directors demonstrates independence from management and exercises oversight for the development and performance of internal control.

Are the controls in place effective as a whole for meeting the requirements of this principle?

YES

### Points of Focus

- **Establishes Oversight Responsibilities**—The board of directors identifies and accepts its oversight responsibilities in relation to established requirements and expectations.
- **Applies Relevant Expertise**—The board of directors defines, maintains, and periodically evaluates the skills and expertise needed among its members to enable them to ask probing questions of senior management and take commensurate actions.
- **Operates Independently**—The board of directors has sufficient members who are independent from management and objective in evaluations and decision making.
- **Provides Oversight for the System of Internal Control**—The board of directors retains oversight responsibility for management's design, implementation, and conduct of internal control:
  - *Control Environment*—Establishing integrity and ethical values, oversight structures, authority and responsibility, expectations of competence, and accountability to the board.
  - *Risk Assessment*—Overseeing management's assessment of risks to the achievement of objectives, including the potential impact of significant changes, fraud, and management override of internal control.
  - *Control Activities*—Providing oversight to senior management in the development and performance of control activities.
  - *Information and Communication*—Analyzing and discussing information relating to the entity's achievement of objectives.
  - *Monitoring Activities*—Assessing and overseeing the nature and scope of monitoring activities and management's evaluation and remediation of deficiencies.
- (Other entity specific points of focus, if any)

### Controls Applicable to Principle 2

Identification No.	Internal control description	Evaluate internal control:		Summary comments
		Present & working	Deficient	
CE1.4	The Calgary Parking Committee and each of the sub-committees have a Charter and Terms of Reference that are comprehensive and outline the oversight responsibilities in a manner consistent with CPA's regulatory environment and expectations.	Y		
CE1.5	The Calgary Parking Committee is comprised of City Administration, Councillors and Elector Members with a variety of experience. The Calgary Parking Committee reviews the skills and expertise required of board members and provides information to City Council. City Council selects and appoints members to the Calgary Parking Committee.	Y		

**The Calgary Parking Authority COSO Internal Control Integrated Framework**  
*(COSO - Committee of Sponsoring Organizations)*

**AC2019-0630 Att 7**  
**CPA Control Environment Assessment**

<b>CE1.6</b>	<b>The CPA Committees and each of the sub-committees review management assertions and judgements through regular meetings and reports.</b>	<b>Y</b>		
<b>CE1.7</b>	<b>The CPA Audit Committee and The City's Audit Committee provide oversight responsibility for CPA's internal controls. The CPA Control Environment Assessment and CPA Integrated Risk Management Framework are two reports prepared by CPA management for review by the CPA Audit Committee. The Control Environment Assessment and Risk Register, two key components of the CPA Integrated Risk Management Framework, are presented to The City Audit Committee on an annual basis.</b>	<b>Y</b>		



### Principle 3: Establishes Structure, Authority, and Responsibility

—Management establishes, with board oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives.

Are the controls in place effective as a whole for meeting the requirements of this principle?

YES

#### Points of Focus

- **Considers All Structures of the Entity**—Management and the board of directors consider the multiple structures in place (including operating units, legal entities, geographic distribution, and outsourced service providers) to support the achievement of objectives.
- **Establishes Reporting Lines**—Management designs and evaluates lines of reporting for each entity structure to enable execution of authorities and responsibilities and flow of information to manage the activities of the entity.
- **Defines, Assigns, and Limits Authorities and Responsibilities**—Management and the board of directors delegate authority, define responsibilities, and use appropriate processes and technology to assign responsibility and segregate duties as necessary at the various levels of the organization:
  - **Board of Directors** — Retains authority over significant decisions and reviews management's assignments and limitations of authorities and responsibilities
  - **Senior Management**—Establishes directives, guidance, and control to enable management and other personnel to understand and carry out their internal control responsibilities
  - **Management**—Guides and facilitates the execution of senior management directives within the entity and its subunits
  - **Personnel**—Understands the entity's standard of conduct, assessed risks to objectives, and the related control activities at their respective levels of the entity, the expected information and communication flow, and monitoring activities relevant to their achievement of the objectives
  - **Outsourced Service Providers**—Adheres to management's definition of the scope of authority and responsibility for all non-employees engaged
- (Other entity specific points of focus, if any)

#### Controls Applicable to Principle 3

Identification No.	Internal control description	Evaluate internal control:		Summary Comments
		Present & working	Deficient	
CE1.8	The Delegation of Authority Policy provides clarity on CPA's mandate and the roles and responsibilities of the Committee and the General Manager.	Y		Delegation of Authority Policy approved in 2018.
CE1.9	The General Manager and senior management team ensure the organization structure and responsibilities are clearly defined and controls around segregation of duties are adequately designed. Job specifications have been developed and are up-to-date for all CPA positions.	Y		
CE2.0	The City of Calgary By-Law 28M2002 and the Delegation of Authority Policy address City Council, Calgary Parking Committee & CPA General Manager roles and responsibilities for parking governance.  Calgary Parking Policies (TP017) acts as an additional resource addressing CPA's role in parking governance.	Y		Delegation of Authority Policy approved in 2018.

CE2.1	Formal service level agreements (SLA's) are in place/in progress for external service providers. This is in accordance with City of Calgary procurement policies.		X	Many SLAs were finalized in 2018 (ex CoC Geospatial Business Solutions division and CoC Law division. CPA will continue to formalize service agreements in 2019 to ensure clarity in roles and responsibilities.
CE2.2	Negotiation of robust contract clauses such as right to audit if dependent on the 3rd party's data. Business Development, Legal, Finance and IT provide input at RFP and Sales Contract drafting stages to ensure contract clauses consider all relevant perspectives.	Y		
CE2.3	All existing contracts are evaluated on an annual basis to determine if a contract has been executed properly per contract terms as well as determine if there are any gaps/exposure from a revenue perspective.		X	A formalized contract review process has been discussed to ensure that terms of existing contracts are being upheld and expiring contracts are handled appropriately.
CE2.4	Clarity over legal and substantive status of CPA's relationship to The City as it relates to labour and employment matters— CPA will operate independently of the City on labour and employment matters but will use the City's HCM software for employment matters.	Y		The internal controls for the status quo governance structure are effective, however CPA is looking at alternative governing structures to optimize operating efficiencies.

**Principle 4: Demonstrates Commitment to Competence**

—The organization demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives.

**Are the controls in place effective as a whole for meeting the requirements of this principle?**

**YES**

**Points of Focus**

- **Establishes Policies and Practices**—Policies and practices reflect expectations of competence necessary to support the achievement of objectives.
- **Evaluates Competence and Addresses Shortcomings**—The board of directors and management evaluate competence across the organization and in outsourced service providers in relation to established policies and practices, and act as necessary to address shortcomings.
- **Attracts, Develops, and Retains Individuals**—The organization provides the mentoring and training needed to attract, develop, and retain sufficient and competent personnel and outsourced service providers to support the achievement of objectives.
- **Plans and Prepares for Succession**—Senior management and the board of directors develop contingency plans for assignments of responsibility important for internal control.
- (Other entity specific points of focus, if any)

**Controls Applicable to Principle 4**

Identification No.	Internal control description	Evaluate internal control:		Summary comments
		Present & working	Deficient	
CE2.5	Policies and practices are in place and documented in each respective department. All such documentation is centralized. A formal process is in practice to periodically review policies or procedures.	Y		The Policy Advisor completed her documentation of policies and practices in 2018. Furthermore, a formal Records Management overhaul has been effectively implemented by the end of 2018 with continual improvements being implemented.
CE2.6	The 'Master Organization Project Management' tool is in use as a communication and process aide to ensure the appropriate individuals are responsible, accountable, consulted and informed on all outstanding projects. The Leadership Team reviews this Project List together on a monthly basis, ensuring communication and consultation across departments.	Y		
CE2.7	Executed signed contracts/drafts are placed in a central, accessible location maintained by the General Manager's office.	Y		
CE2.8	Cross-training to ensure smooth operating and sustainment of controls during staff or management absence is in place. Developmental opportunities are implemented where feasible to create depth.	Y		
CE2.9	Short-term emergency succession plan is in place. Consideration for a long-term succession plan is under discussion.	Y		

CE3.0	For outsourced service providers critical to CPA, management has put in place alternate source arrangements in the event that such external parties become unavailable (e.g. pay machines, IT infrastructure).	Y		
CE3.1	CPA utilizes a consistent, transparent recruitment and selection process and adheres to a behavioural based interview process.	Y		
CE3.2	Management monitors and formally evaluates employee performance on a periodic basis to determine that performance meets or exceeds CPA's expectations in accomplishment of corporate goals/objectives.	Y		
CE3.3	Contractor performance evaluation is in place, as directed by The City of Calgary Supply Business Unit. Service agreements specify service expectations of vendors and clauses exist to allow CPA the ability to monitor and request correction of vendor deficiencies.	Y		

**Principle 5: Enforces Accountability**

—The organization holds individuals accountable for their internal control responsibilities in the pursuit of objectives.

**Are the controls in place effective as a whole for meeting the requirements of this principle?**

**YES**

**Points of Focus**

- **Enforces Accountability through Structures, Authorities, and Responsibilities**—Management and the board of directors establish the mechanisms to communicate and hold individuals accountable for performance of internal control responsibilities across the organization and implement corrective action as necessary.
- **Establishes Performance Measures, Incentives, and Rewards**—Management and the board of directors establish performance measures, incentives, and other rewards appropriate for responsibilities at all levels of the entity, reflecting appropriate dimensions of performance and expected standards of conduct, and considering the achievement of both short-term and longer-term objectives.
- **Evaluates Performance Measures, Incentives, and Rewards for Ongoing Relevance**—Management and the board of directors align incentives and rewards with the fulfillment of internal control responsibilities in the achievement of objectives.
- **Considers Excessive Pressures**—Management and the board of directors evaluate and adjust pressures associated with the achievement of objectives as they assign responsibilities, develop performance measures, and evaluate performance.
- **Evaluates Performance and Rewards or Disciplines Individuals**—Management and the board of directors evaluate performance of internal control responsibilities, including adherence to standards of conduct and expected levels of competence and provide rewards or exercise disciplinary action as appropriate.
- (Other entity specific points of focus, if any)

**Controls Applicable to Principle 5**

Identification No.	Internal control description	Evaluate internal control:		Summary comments
		Present & working	Deficient	
CE3.4	CPA Management and the Calgary Parking Committee ensure alignment of CPA corporate objectives with City Council's Priorities. The Calgary Parking Committee evaluates the General Manager's performance annually and ties compensation to achievement of corporate goals and objectives. This performance evaluation and compensation approach sets the tone at the top and demonstrates a strong commitment to ethics, integrity and competence in the pursuit of CPA's corporate objectives.	Y		
CE3.5	Annual corporate goals are prepared at a Leadership level (strategic view) which guides the Departmental and Individual Employee objectives (at a more tactical view). Performance evaluation and compensation for exempt employees are tied to achievement of all 3 levels of goals and objectives. Management provides ongoing feedback and guidance to support employees toward their achievement of individual objectives.	Y		

CE3.6	The Operating Business Plan and Budget Cycle is a 4 year cycle. The Capital budget plans in detail for 5 years but considers the high-level strategic plan for 20 years. This is in alignment with The City of Calgary Operating Business Plan and Budget Cycle, as well as Capital Budget Planning Process. There is no excessive pressure to achieve short-term goals at the expense of long-term goals. The CPA's set of Corporate Values in alignment with the Code of Conduct guides the practices taken toward the achievement of these goals.	Y		
CE3.7	The Corporate goals and objectives progress is reviewed by Management and reported on a regular basis to the Calgary Parking Committee.	Y		
CE3.8	Managers meet one-on-one with the General Manager on a bi-weekly basis to review the status of their departmental goals and objectives.	Y		
CE3.9	There is a periodic evaluation and assessment of the skill sets and performance of Calgary Parking Committee Members by an independent consultant. Assessments are conducted annually for individual Board Members, and every two years for the Calgary Parking Committee as a whole.	Y		

Principle Evaluation – Risk Assessment (RA) Principles 6 through 9

**Principle 6: Specifies Suitable Objectives**

—The organization specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives.

**Are the controls in place effective as a whole for meeting the requirements of this principle?**

**YES**

**Points of Focus**

**Operations Objectives**

- **Reflects Management's Choices**—Operational objectives reflect management's choices about structure, industry considerations, and performance of the entity.
- **Considers Tolerances for Risk**—Management considers the acceptable levels of variation relative to the achievement of Operational objectives.
- **Includes Operations and Financial Performance Goals**—The organization reflects the desired level of operations and financial performance for the entity within its Operational objectives.
- **Forms a Basis for Committing of Resources**—Management uses Operational objectives as a basis for allocating resources needed to attain desired operations and financial performance.

**External Financial Reporting Objectives**

- **Complies with Applicable Accounting Standards**—Financial reporting objectives are consistent with accounting principles suitable and available for the entity. The accounting principles selected are appropriate in the circumstances.
- **Considers Materiality**—Management considers materiality in financial statement presentation.
- **Reflects Entity Activities**—External reporting reflects the underlying transactions and events to show qualitative characteristics and assertions.

**External Non-Financial Reporting Objectives**

- **Complies with Externally Established Standards and Frameworks**—Management establishes objectives consistent with laws and regulations, or standards and frameworks of recognized external organizations.
- **Considers the Required Level of Precision**—Management reflects the required level of precision and accuracy suitable for user needs and as based on criteria established by third parties in non-financial reporting.
- **Reflects Entity Activities**—External reporting reflects the underlying transactions and events within a range of acceptable limits.

**Internal Reporting Objectives**

- **Reflects Management's Choices**—Internal reporting provides management with accurate and complete information regarding management's choices and information needed in managing the entity.
- **Considers the Required Level of Precision**—Management reflects the required level of precision and accuracy suitable for user needs in non-financial reporting objectives and materiality within financial reporting objectives.
- **Reflects Entity Activities**—Internal reporting reflects the underlying transactions and events within a range of acceptable limits.

**Compliance Objectives**

- **Reflects External Laws and Regulations**—Laws and regulations establish minimum standards of conduct which the entity integrates into compliance objectives.
- **Considers Tolerances for Risk**—Management considers the acceptable levels of variation relative to the achievement of compliance objectives.
- (Other entity specific points of focus, if any)



Controls Applicable to Principle 6				
Identification No.	Internal control description	Evaluate internal control:		Summary comments
		Present & working	Deficient	
RA1.0	CPA's governance structure is set by City Council through the Calgary Parking Authority Bylaw No. 28M2002. Section 3(1) of the bylaw sets out the purpose/objectives for which the CPA was established.	Y		
RA1.1	Enforcement is governed by The Calgary Parking Bylaw No. 41M2002 (control and regulate parking within the city) and The Calgary Traffic Bylaw No. 26M96 (control and regulate traffic on the streets within the city).	Y		
RA1.2	Variances to budget and projections across CPA Departments are shared on a monthly basis with the Leadership Team and on a quarterly basis with the Calgary Parking Committee. Unfavourable trends are monitored by management, with corrective action taken as applicable.	Y		
RA1.3	Legal counsel is consulted when there are bylaw or regulatory changes. Legal counsel is relied upon in matters of labour and employment law, development of contractual agreements and intellectual property.	Y		
RA1.4	CPA is subject to an annual external financial audit (includes interim and year-end audit procedures). The external auditor establishes the materiality level (\$2.5 million for 2018 year-end) on the basis of total revenue. Any uncorrected misstatements of greater than \$125,000 are reported to the CPA Audit Committee. The External Auditor evaluates and reports to the CPA Audit Committee areas of significant risks or internal control matters.	Y		
RA1.5	There is a strategic 4 year plan which aligns with Council's priorities. On an annual basis, SMART (specific, measurable, achievable, relevant and time-bound) goals and objectives are established by the Leadership team and communicated to the entire organization through a variety of channels such as the website, emails and townhall meetings.	Y		CPA completed its new 4 year strategic plan in 2018.

## Principle 7: Identifies and Analyzes Risk

—The organization identifies risks to the achievement of its objectives across the entity and analyzes risks as a basis for determining how the risks should be managed.

Are the controls in place effective as a whole for meeting the requirements of this principle?

YES

### Points of Focus

- **Includes Entity, Subsidiary, Division, Operating Unit, and Functional Levels**—The organization identifies and assesses risks at the entity, subsidiary, division, operating unit, and functional levels relevant to the achievement of objectives.
- **Analyzes Internal and External Factors**—Risk identification considers both internal and external factors and their impact on the achievement of objectives.
- **Involves Appropriate Levels of Management**—The organization puts into place effective risk assessment mechanisms that involve appropriate levels of management.
- **Estimates Significance of Risks Identified**—Identified risks are analyzed through a process that includes estimating the potential significance of the risk.
- **Determines How to Respond to Risks**—Risk assessment includes considering how the risk should be managed and whether to accept, avoid, reduce, or share the risk.
- (Other entity specific points of focus, if any)

### Controls Applicable to Principle 7

Identi- fication No.	Internal control description	Evaluate internal control:		Summary comments
		Present & working	Deficient	
RA1.6	The CPA Audit Committee reviews the Integrated Risk Management Framework report on an annual basis. In 2012, a Risk Tolerance Statement was approved by the Committee. Risk parameters were also identified by Management and approved by the Committee at that time. The risk policies, tolerance level and parameters are reviewed on an annual basis.	Y		
RA1.7	A Risk Register is utilized by management to track new risks and drop off risks that are no longer relevant. The Integrated Risk Management Framework is utilized by management to evaluate each risk in terms of the impact, likelihood and overall level of risk to CPA in not achieving the objectives established in Bylaw 28M2002. The framework also identifies the key controls/how to respond to risks.	Y		

## Principle 8: Assesses Fraud Risk

—The organization considers the potential for fraud in assessing risks to the achievement of objectives.

Are the controls in place effective as a whole for meeting the requirements of this principle?

YES

### Points of Focus

- **Considers Various Types of Fraud**—The assessment of fraud considers fraudulent reporting, possible loss of assets, and corruption resulting from the various ways that fraud and misconduct can occur.
- **Assesses Incentive and Pressures**—The assessment of fraud risk considers incentives and pressures.
- **Assesses Opportunities**—The assessment of fraud risk considers opportunities for unauthorized acquisition, use, or disposal of assets, altering of the entity's reporting records, or committing other inappropriate acts.
- **Assesses Attitudes and Rationalizations**—The assessment of fraud risk considers how management and other personnel might engage in or justify inappropriate actions.
- (Other entity specific points of focus, if any)

### Controls Applicable to Principle 8

Identification No.	Internal control description	Evaluate internal control:		Summary comments
		Present & working	Deficient	
RA1.8	The external auditor requires the Chair of the Audit Committee, the General Manager and the Controller to each independently fill out a questionnaire on their assessment of fraud.	Y		
RA1.9	The organization has policies, procedures and controls around fraud identification and remediation. Such internal controls are approval and authorization limits, access restrictions, account reconciliations, pre-employee screening and physical security and a whistle-blower link to The City of Calgary's website.	Y		
RA2.0	Policies and procedures have been developed for disposal of surplus assets. The Operations and Facilities manager is responsible for inventory tracking of CPA's assets. All non-IT assets have been entered into Maximo (an asset management software). IT infrastructure is tracked by the IT manager.	Y		
RA2.1	Adhoc internal audits on cash handling at different locations (e.g. front counter, petty cash floats, etc.) are performed. Cashiers at the Impound Lot and Front Counter at Centennial have a daily reconciliation routine to balance receipts and cash floats.	Y		

RA2.2	A formal review of journal entries throughout the year to minimize errors and to prevent improper or malicious activity through unauthorized journal entries. The Finance Leads review all journals prepared by the Financial Services team. Each Finance Lead (there are two) review journals prepared by the other Finance Lead. The Controller reviews journals on a random sample basis each month, and all year end journal entries.	Y		
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**Principle 9: Identifies and Analyzes Significant Change**

—The organization identifies and assesses changes that could significantly impact the system of internal control.

**Are the controls in place effective as a whole for meeting the requirements of this principle?**

**YES**

**Points of Focus**

- **Assesses Changes in the External Environment**—The risk identification process considers changes to the regulatory, economic, and physical environment in which the entity operates.
- **Assesses Changes in the Business Model**—The organization considers the potential impacts of new business lines, dramatically altered compositions of existing business lines, acquired or divested business operations on the system of internal control, rapid growth, changing reliance on foreign geographies, and new technologies.
- **Assesses Changes in Leadership**—The organization considers changes in management and respective attitudes and philosophies on the system of internal control.
- (Other entity specific points of focus, if any)

**Controls Applicable to Principle 9**

Identi- fication No.	Internal control description	Evaluate internal control:		Summary comments
		Present & working	Deficient	
RA2.3	The external auditors in conjunction with CPA management during interim and year-end audit procedures, will assess any changes in the external environment, changes in the business model and changes in leadership to determine if these changes could significantly impact the system of internal control. The external auditor prepares a management letter at the conclusion of each year-end audit for discussion with management. Recommendations from the management letter for improved business practices or internal controls are implemented.	Y		
RA2.4	The external auditor's findings and results of the Audit are presented to the CPA Audit Committee. This in turn is reviewed and approved by the Calgary Parking Committee.	Y		
RA2.5	The ParkPlus committee consists of 3 Committee Members and Administration who meet on a quarterly basis. Discussions focus on new business and marketing opportunities with continuous evaluation on potential partnerships and target markets that are geographically or culturally diverse. Risks associated with entering such target markets is included in Committee discussions and evaluations.	Y		

RA2.6	Assessing change in the external environment and business model is conducted through Leadership team discussion related to review of news media articles, The City of Calgary website, social media, trade publications, conferences and professional organizations. The current economic downturn is being monitored on an ongoing basis to determine impact on Revenue.	Y		
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Principle Evaluation – Control Activities (CA) Principles 10 through 12

**Principle 10: Selects and Develops Control Activities**

—The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.

**Are the controls in place effective as a whole for meeting the requirements of this principle?**

**YES**

**Points of Focus**

- **Integrates with Risk Assessment**—Control activities help ensure that risk responses that address and mitigate risks are carried out.
- **Considers Entity-Specific Factors**—Management considers how the environment, complexity, nature, and scope of its operations, as well as the specific characteristics of its organization, affect the selection and development of control activities.
- **Determines Relevant Business Processes**—Management determines which relevant business processes require control activities.
- **Evaluates a Mix of Control Activity Types**—Control activities include a range and variety of controls and may include a balance of approaches to mitigate risks, considering both manual and automated controls, and preventive and detective controls.
- **Considers at What Level Activities Are Applied**—Management considers control activities at various levels in the entity.
- **Addresses Segregation of Duties**—Management segregates incompatible duties, and where such segregation is not practical management selects and develops alternative control activities.
- (Other entity specific points of focus, if any)

Controls Applicable to Principle 10

Identi- fication No.	Internal control description	Evaluate internal control:		Summary comments
		Present & working	Deficient	
CA1.0	The CPA Audit Committee oversees the key risks facing the organization and the processes management uses to identify, assess and manage risks. Such processes include consideration of external and internal audit findings, litigation, compensation arrangements, regulations and compliance requirements.	Y		
CA1.1	As part of the risk identification process, management determines the relevant business processes and selects and develops controls to address each risk. Such controls include restricted Physical and IT access (internal and external); staff performance reviews; authorization, approval, verification, and reconciliation and monitoring of expenses; segregation of duties; budget variance and key performance indicator (KPI) reporting.	Y		
CA1.2	CPA has a cross-functional risk assessment process that utilizes management, as well as staff, to identify risks that could impact CPA's ability to meet its objectives.	Y		



**Principle 11: Selects and Develops General Controls over Technology**

—The organization selects and develops general control activities over technology to support the achievement of objectives.

**Are the controls in place effective as a whole for meeting the requirements of this principle?**

**YES**

**Points of Focus**

- **Determines Dependency between the Use of Technology in Business Processes and Technology General Controls**—Management understands and determines the dependency and linkage between business processes, automated control activities, and technology general controls.
- **Establishes Relevant Technology Infrastructure Control Activities**—Management selects and develops control activities over the technology infrastructure, which are designed and implemented to help ensure the completeness, accuracy, and availability of technology processing.
- **Establishes Relevant Security Management Process Control Activities**—Management selects and develops control activities that are designed and implemented to restrict technology access rights to authorized users commensurate with their job responsibilities and to protect the entity's assets from external threats.
- **Establishes Relevant Technology Acquisition, Development, and Maintenance Process Control Activities**—Management selects and develops control activities over the acquisition, development, and maintenance of technology and its infrastructure to achieve management's objectives.
- (Other entity specific points of focus, if any)

**Controls Applicable to Principle 11**

Identification No.	Internal control description	Evaluate internal control:		Summary comments
		Present & working	Deficient	
CA1.3	Information technology personnel monitor changes in information technology which may impact business and financial processes and communicate such changes to Leadership Team.	Y		
CA1.4	The City of Calgary and external agencies are used for monitoring the CPA Firewall and IT Security Infrastructure.	Y		
CA1.5	CPA is compliant with PCI (Payment Card Industry) standards in protection of credit card information. The PCI control environment is audited on an annual basis for compliancy. Documentation exists for IT processes and systems.	Y		
CA1.6	Technologies leveraged such as third party credit card processing, Park Online and ParkPlus have strengthened internal controls over business processes through increased segregation of duties, auditable processes as a result of automation of processes.	Y		
CA1.7	Documented set-up and changes to employee/contracted service providers access to IT systems within CPA. IT infrastructure is set up to support restricted access and segregation of duties. There are formal user account setup and maintenance procedures and authentication password controls.	Y		

CA1.8	A formal IT training matrix exists to develop and upgrade a mentoring and training process.	Y		
CA1.9	IT systems in place are configured to support complete, accurate and valid processing of transactions and data. IT checks and balances (including exception reports) are in place (e.g. ParkPlus)	Y		
CA2.0	Critical systems and applications are periodically reviewed for efficiency and effectiveness. Upgrades and changes to any system (e.g. application upgrades, updated tariff rates or operating system updates) are tested in a separate environment before deployed to production. A change management procedure exists to ensure that the updated system is working after any change and all affected users are notified of any changes.	Y		
CA2.1	External auditors as part of their annual audit procedures, review CPA's payment gateway vendor for processing credit cards.	Y		
CA2.2	CPA has a corporate information security policy that guides personnel on procedures and policies to ensure information security within the organization.	Y		
CA2.3	CPA employs various security best practices to mitigate against external threats from spam, phishing, malware, trojans and other computer viruses. IT practices include: applying spam filters on email messages entering the mail server, not accepting emails from known distrustful email hosts with the lists of hosts updated from a trusted source, ensuring emails are scanned by multiple software packages for any malicious attachments, and ensuring anti-virus software is kept up-to-date.	Y		

**Principle 12: Deploys through Policies and Procedures**

—The organization deploys control activities through policies that establish what is expected and procedures that put policies into action.

**Are the controls in place effective as a whole for meeting the requirements of this principle?**

**YES**

**Points of Focus**

- **Establishes Policies and Procedures to Support Deployment of Management's Directives**—Management establishes control activities that are built into business processes and employees' day-to-day activities through policies establishing what is expected and relevant procedures specifying actions.
- **Establishes Responsibility and Accountability for Executing Policies and Procedures**—Management establishes responsibility and accountability for control activities with management (or other designated personnel) of the business unit or function in which the relevant risks reside.
- **Performs in a Timely Manner**—Responsible personnel perform control activities in a timely manner as defined by the policies and procedures.
- **Takes Corrective Action**—Responsible personnel investigate and act on matters identified as a result of executing control activities.
- **Performs Using Competent Personnel**—Competent personnel with sufficient authority perform control activities with diligence and continuing focus.
- **Reassesses Policies and Procedures**—Management periodically reviews control activities to determine their continued relevance, and refreshes them when necessary.
- (Other entity specific points of focus, if any)

**Controls Applicable to Principle 12**

Identi- fication No.	Internal control description	Evaluate internal control:		Summary comments
		Present & working	Deficient	
CA2.4	<p><b>Adherence to policies, codes and standard operating procedures are regularly monitored and reviewed by management. Policy review and update is occurring in several areas of the organization in the 2018 fiscal year as part of an initiative to ensure up-to-date documentation is on hand. This assists in controlling the risk of fraud, provides consistency to policies documented, and efficiency in existing procedures.</b></p> <p>The organization has a comprehensive set of administrative and governance policies which have been updated in 2017 and 2018. Examples include a Code of Conduct Policy, Acceptable Use of Technology Resources Policy, Information Security Policy, Occupational Health and Safety Policy, Records Management Policy, and Integrated Risk Management Policy. A new employee onboarding system is in place, which includes a policy training component to support awareness, understanding, and compliance with key policy requirements. All employees have access to the most current versions of policies that are in effect and receive direct communications to notify them about policy changes. The Certificate of Recognition (COR) standard through Alberta Municipal Health and Safety Association was obtained in 2015 and has been maintained to date.</p>	Y		



Principle Evaluation—Information and Communication (IC) Principles 13 through 15

**Principle 13: Uses Relevant Information**

—The organization obtains or generates and uses relevant, quality information to support the functioning of internal control.

**Are the controls in place effective as a whole for meeting the requirements of this principle?**

**YES**

**Points of Focus**

- **Identifies Information Requirements**—A process is in place to identify the information required and expected to support the functioning of the other components of internal control and the achievement of the entity's objectives.
- **Captures Internal and External Sources of Data**—Information systems capture internal and external sources of data.
- **Processes Relevant Data into Information**—Information systems process and transform relevant data into information.
- **Maintains Quality throughout Processing**—Information systems produce information that is timely, current, accurate, complete, accessible, protected, and verifiable and retained. Information is reviewed to assess its relevance in supporting the internal control components.
- **Considers Costs and Benefits**—The nature, quantity, and precision of information communicated are commensurate with and support the achievement of objectives.
- (Other entity specific points of focus, if any)

Controls Applicable to Principle 13

Identi- fication No.	Internal control description	Evaluate internal control:		Summary comments
		Present & working	Deficient	
IC1.0	Management in conjunction with front-line staff identify and evaluate business activities to identify information requirements. Internal business analysts and some City of Calgary IT developers assist in the business information requirements in consultation with SME (subject matter experts) at CPA. Data flow diagrams, flowcharts, narratives and procedures manuals are developed in conjunction with changes in the information environment (e.g. 311, Park Online, RPP, Beanstream).	Y		
IC1.1	Management and operations personnel use information and relevant data from various systems for analysis to enhance business decisions and for monitoring purposes. System examples include: Use of Business Objects data warehouse for extraction of data and reporting financial as well as non-financial data. Use of PeopleSoft for financial and human resources reporting. Use of Oracle reporting in ParkPlus and CALE web office. Use of BITS and the Impound Lot in-house developed operational systems.	Y		

IC1.2	Data in the systems are verified for validity, completeness and accuracy by having built-in IT system edits, threshold limits, reconciliation, staff and customer verifications. E.G. The ParkPlus Enforcement process - Parking tags are not issued without the proper review of existing data sets. A very thorough process is followed for issuance and review of parking tags.	Y		
IC1.3	Data in the systems are reviewed for retention and destruction in accordance with CPA's record retention policy.	Y		A formal Records Management overhaul has been effectively implemented by the end of 2018 with continual improvements being implemented.
IC1.4	At end of relationship with 3rd party, an audit of CPA information held by 3rd party is conducted and request for return or destruction made in accordance with CPA information security policy and records retention policy.	Y		Effective 2018, when an outside agency or contractor conducts business on behalf of the CPA and creates or receives CPA Records in order to do so, the Records are subject to the Corporate Records Management Program. outside agency or contractor conducts business on behalf of the CPA and creates or receives CPA Records in order to do so, the Records are subject to the Corporate Records Management Program.

**Principle 14: Communicates Internally**

—The organization internally communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of internal control.

**Are the controls in place effective as a whole for meeting the requirements of this principle?**

**YES**

**Points of Focus**

- **Communicates Internal Control Information**—A process is in place to communicate required information to enable all personnel to understand and carry out their internal control responsibilities.
- **Communicates with the Board of Directors**—Communication exists between management and the board of directors so that both have information needed to fulfill their roles with respect to the entity's objectives.
- **Provides Separate Communication Lines**—Separate communication channels, such as whistle-blower hotlines, are in place and serve as fail-safe mechanisms to enable anonymous or confidential communication when normal channels are inoperative or ineffective.
- **Selects Relevant Method of Communication**—The method of communication considers the timing, audience, and nature of the information.
- (Other entity specific points of focus, if any)

**Controls Applicable to Principle 14**

Identi- fication No.	Internal control description	Evaluate internal control:		Summary comments
		Present & working	Deficient	
IC1.5	CPA uses its internal newsletter, posters, GM meetings, Intranet, formal training sessions, departmental meetings and face-to-face conversations to reinforce CPA staff expectations and understanding with respect to CPA values. Senior Leadership is expected to model integrity and demonstrate ethical behavior. Managers are to use both formal and informal opportunities as appropriate to discuss expected standards of behavior with staff. These same communication channels are also used to update staff about upcoming programs and initiatives, changes in process, information updates and current events.	Y		
IC1.6	CPA conducts an annual employee survey which measures employee satisfaction and engagement.	Y		



## Principle 15: Communicates Externally

—The organization communicates with external parties regarding matters affecting the functioning of internal control.

Are the controls in place effective as a whole for meeting the requirements of this principle?

YES

### Points of Focus

- **Communicates to External Parties**—Processes are in place to communicate relevant and timely information to external parties including shareholders, partners, owners, regulators, customers, and financial analysts and other external parties.
- **Enables Inbound Communications**—Open communication channels allow input from customers, consumers, suppliers, external auditors, regulators, financial analysts, and others, providing management and the board of directors with relevant information.
- **Communicates with the Board of Directors**—Relevant information resulting from assessments conducted by external parties is communicated to the board of directors.
- **Provides Separate Communication Lines**—Separate communication channels, such as whistle-blower hotlines, are in place and serve as fail-safe mechanisms to enable anonymous or confidential communication when normal channels are inoperative or ineffective.
- **Selects Relevant Method of Communication**—The method of communication considers the timing, audience, and nature of the communication and legal, regulatory, and fiduciary requirements and expectations.
- (Other entity specific points of focus, if any)

### Controls Applicable to Principle 15

Identi- fication No.	Internal control description	Evaluate internal control:		Summary comments
		Present & working	Deficient	
IC1.7	Communication with the Calgary Parking Committee occurs through regular reports, the GM update and discussions at Board meetings and Sub-Committee meetings.	Y		
IC1.8	The CPA is in regular contact through emails, phone calls, meetings and reports with external stakeholders on a variety of projects and initiatives. These communications take place as needed to ensure the smooth and timely execution of projects.	Y		
IC1.9	CPA communicates with customers and the general public through a variety of channels including the CPA website, Twitter, Facebook, face-to-face interactions, Report to the Community, written communication and traditional media. The channel used depends on the nature and urgency of the communication as well as the type of information being communicated. The CPA leadership team receives a media and social media summary on a quarterly basis which identifies trends in areas that may be of a concern for the organization as a whole.	Y		

**The Calgary Parking Authority COSO Internal Control Integrated Framework**  
*(COSO - Committee of Sponsoring Organizations)*

**AC2019-0630 Att 7**  
**CPA Control Environment Assessment**

<b>IC2.0</b>	<b>On an annual basis, CPA conducts either a customer satisfaction survey or a corporate reputation survey. These tools are used by the CPA leadership team to ensure that feedback from external stakeholders can be regularly reviewed and incorporated into service and program delivery as well as incorporated into the strategic planning process.</b>	<b>Y</b>		
<b>IC2.1</b>	<b>On a monthly basis, a summary report of ParkPlus outages and customer complaints is provided to the CPA leadership team for action and future proactive decisions.</b>	<b>Y</b>		

Principle Evaluation—Monitoring Activities (MA) Principles 16 and 17

**Principle 16: Conducts Ongoing and/or Separate Evaluations**

—The organization selects, develops, and performs ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning.

**Are the controls in place effective as a whole for meeting the requirements of this principle?**

**YES**

**Points of Focus**

- **Considers a Mix of Ongoing and Separate Evaluations**—Management includes a balance of ongoing and separate evaluations.
- **Considers Rate of Change**—Management considers the rate of change in business and business processes when selecting and developing ongoing and separate
- **Establishes Baseline Understanding**—The design and current state of an internal control system are used to establish a baseline for ongoing and separate evaluations.
- **Uses Knowledgeable Personnel**—Evaluators performing ongoing and separate evaluations have sufficient knowledge to understand what is being evaluated.
- **Integrates with Business Processes**—Ongoing evaluations are built into the business processes and adjust to changing conditions.
- **Adjusts Scope and Frequency**—Management varies the scope and frequency of separate evaluations depending on risk.
- **Objectively Evaluates**—Separate evaluations are performed periodically to provide objective feedback.
- (Other entity specific points of focus, if any)

Controls Applicable to Principle 16

Identification No.	Internal control description	Evaluate internal control:		Summary comments
		Present & working	Deficient	
MA1.0	Independent financial, records retention, information security, IT and PCI audits occur on annual basis. Results are communicated to the CPA Audit Committee and the Calgary Parking Committee.	Y		A formal Records Management overhaul has been effectively implemented by the end of 2018 with continual improvements being implemented.
MA1.1	Internal IT systems are monitored and scanned by trusted third party resources. Results of the scans are compared month over month.	Y		-43
MA1.2	CPA will request a Service Organization Control (SOC) Report from all outsourced services/contracts if available. This report evaluates the effectiveness of the 3rd party risk management program, including policies, processs and internal controls.	Y		
MA1.3	To validate data received from a 3rd party, CPA will utilize more than one source of information if available.	Y		

**Principle 17: Evaluates and Communicates Deficiencies**

—The organization evaluates and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior management and the board of directors, as appropriate.

**Are the controls in place effective as a whole for meeting the requirements of this principle?**

**YES**

**Points of Focus**

- **Assesses Results**—Management and the board of directors, as appropriate, assess results of ongoing and separate evaluations.
- **Communicates Deficiencies**—Deficiencies are communicated to parties responsible for taking corrective action and to senior management and the board of directors, as appropriate.
- **Monitors Corrective Actions**—Management tracks whether deficiencies are remediated on a timely basis.
- (Other entity specific points of focus, if any)

**Controls Applicable to Principle 17**

Identi- fication No.	Internal control description	Evaluate internal control:		Summary comments
		Present & working	Deficient	
MA1.4	Any identified internal control deficiencies are reviewed and actioned by management to correct as soon as possible.	Y		
MA1.5	External auditors during the course of annual audit procedures (both at interim and year-end) report any identified internal control weaknesses. The external auditor provides a management letter each year, that includes points of recommendation to improve areas of internal control where identified. Points in the management letter must be responded to (and acted on where applicable) by CPA management. The management letter is reviewed by both the External Auditors and the CPA Audit Committee each year.	Y		



## **Calgary Parking Authority** Report to the Audit Committee on the 2018 audit

March 26, 2019

March 19, 2019

To the Audit Committee of  
Calgary Parking Authority

## **Report on audited annual financial statements**

Dear Audit Committee members:

We are pleased to submit this report on the status of our audit of Calgary Parking Authority ("the Authority") for the 2018 fiscal year. This report summarizes the scope of our audit, our findings to date and reviews certain other matters that we believe to be of interest to you.

As agreed in our master services agreement dated December 14, 2018, we have performed an audit of the financial statements of Calgary Parking Authority as of and for the year ended December 31, 2018, in accordance with Canadian generally accepted auditing standards ("Canadian GAAS") and expect to issue our audit report thereon dated March 26, 2019.

Our audit has been conducted in accordance with the audit plan that was presented to the Audit Committee at the meeting on December 14, 2018.

This report is intended solely for the information and use of the Audit Committee, management and others within the Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

We, at Deloitte, work as one team to provide you with relevant business insights to assist you improving your current practices.

We look forward to discussing this report summarizing the outcome of our audit with you and answering any questions you may have.

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Yours truly,  
Chartered Professional Accountants

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# Our audit explained

This report summarizes the main findings arising from our audit to date. When possible, we have also provided business recommendations on challenging issues that the Authority faces, based on our understanding of your organization and industry.

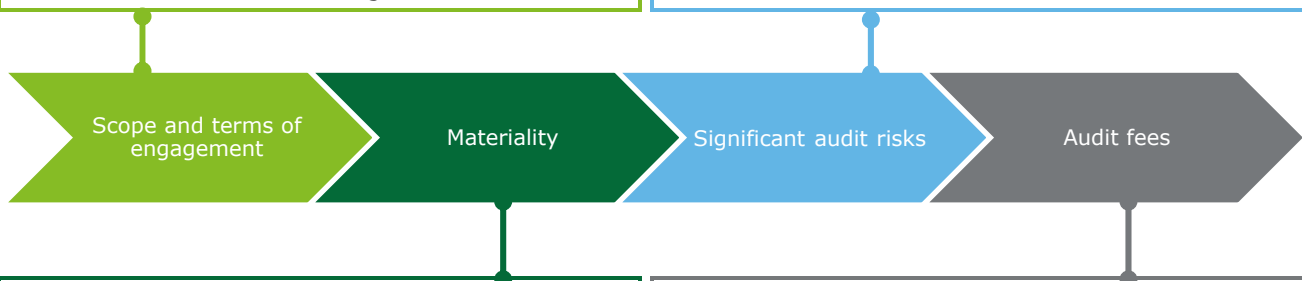
## Audit scope and terms of engagement

We have been asked to perform an audit, which includes the Authority's financial statements (the "financial statements") in accordance with Canadian public sector accounting standards ("PSAS") as at and for the year ended December 31, 2018. Our audit was conducted in accordance with Canadian generally accepted auditing standards ("Canadian GAAS").

The terms and conditions of our engagement are described in the master services agreement dated December 14, 2018, which was signed on behalf of the Audit Committee and management.

## Significant audit risks

Through our risk assessment process, we have identified the significant audit risks. These risks of material misstatement and related audit responses are discussed in the significant audit risks section of this report.



## Materiality

We are responsible for providing reasonable assurance that your financial statements as a whole are free from material misstatement.

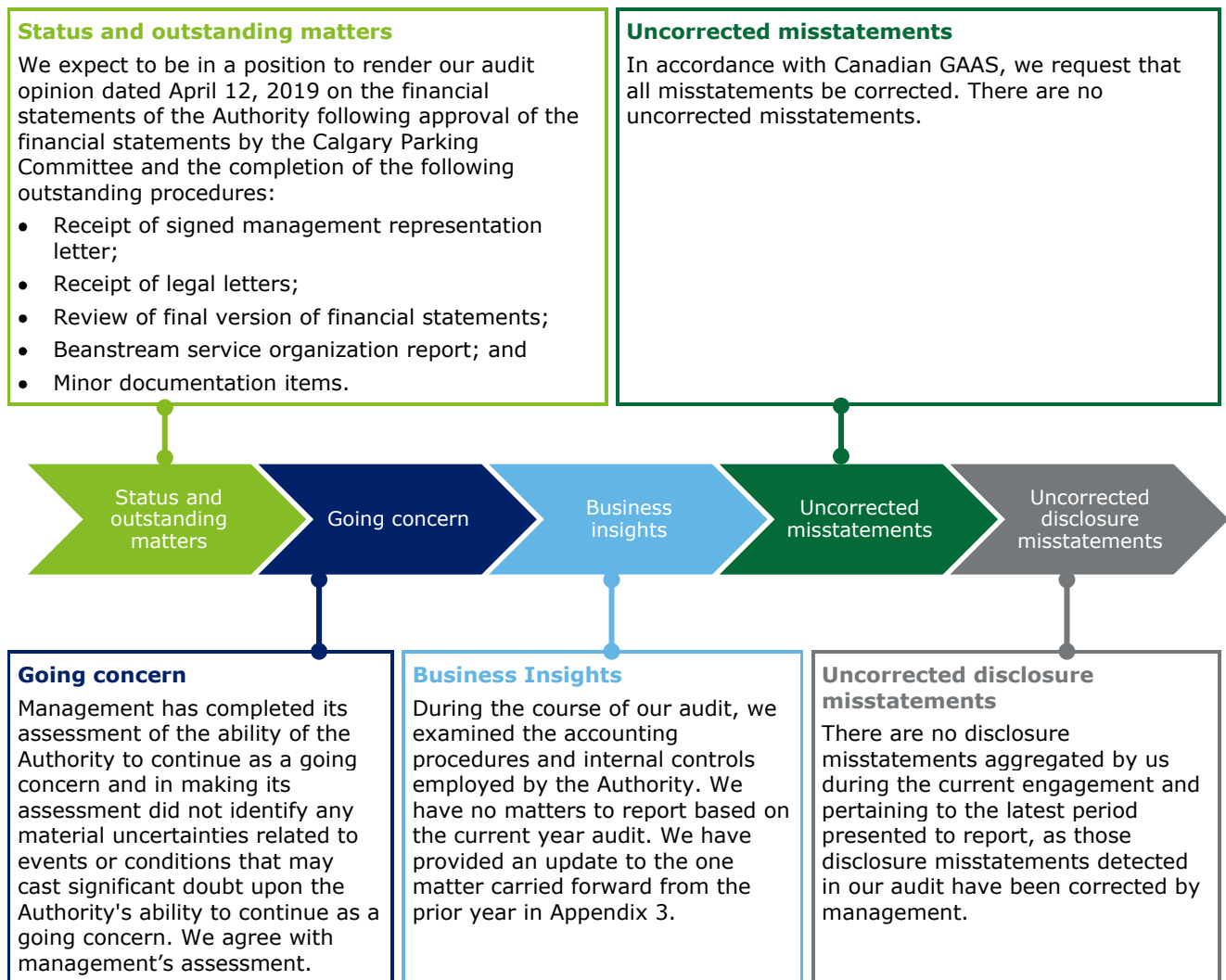
Materiality levels are determined on the basis of total revenues. Our materiality for the year ended December 31, 2018 was \$2,500,000 (2017, \$2,500,000).

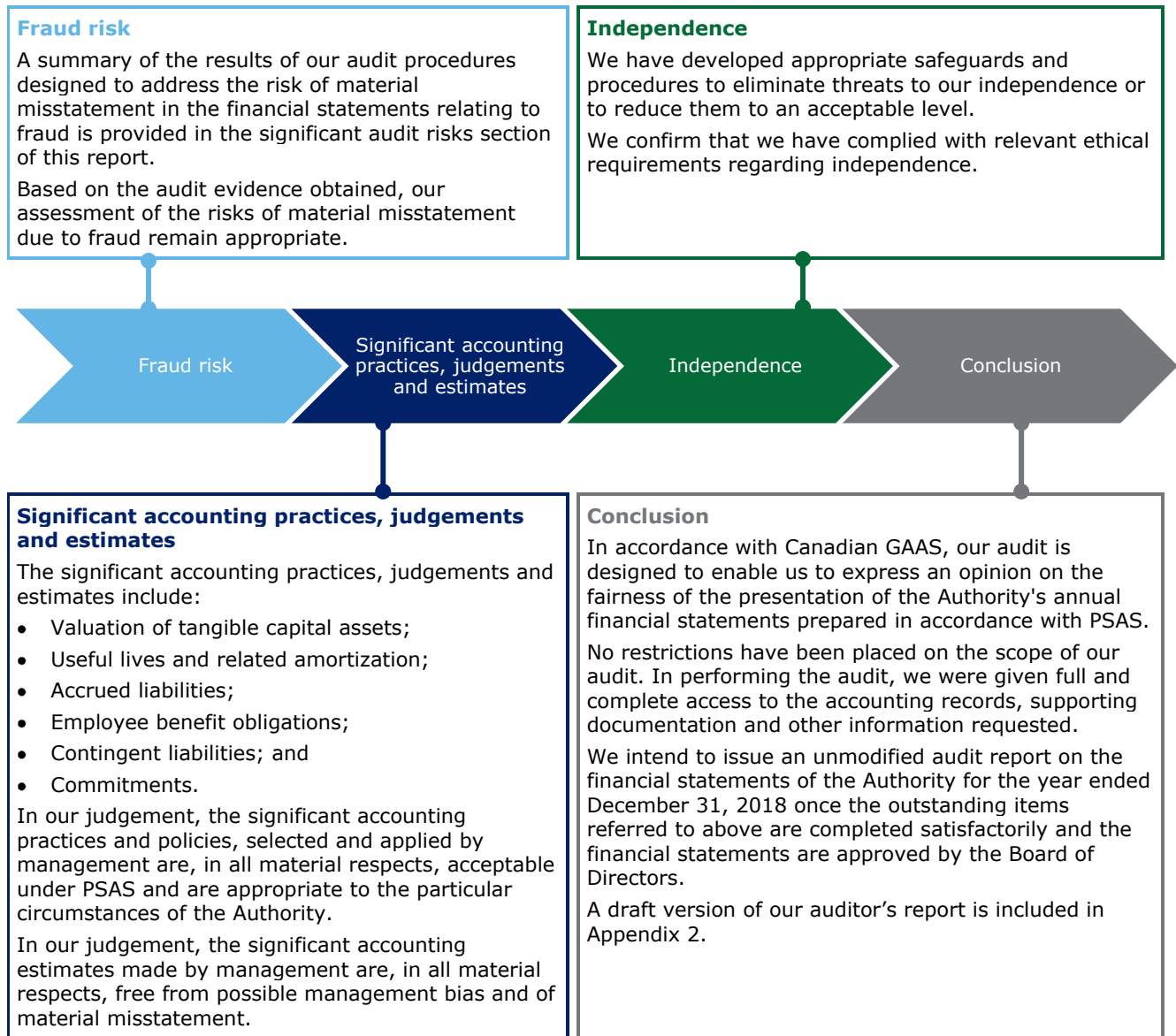
We have informed the Audit Committee of all uncorrected misstatements greater than a clearly trivial amount of 5% of materiality and any misstatements that are, in our judgement, qualitatively material. In accordance with Canadian GAAS, we asked that any misstatements be corrected.

## Audit fees

Fees for the 2018 are as follows:

\$84,000 (2017, \$82,000) for the audit, plus \$12,000 for the adoption of new accounting standards. These fees are subject to a 7% administration fee and GST.





# Significant audit risks

The significant audit risks identified as part of our risk assessment, together with our planned responses and conclusions, are described below.

## Management override of controls

### Audit risk

Under Canadian Auditing Standards, it is the responsibility of management, with the oversight of those charged with governance to place a strong emphasis on fraud prevention and detection.

Oversight by those charged with governance includes considering the potential for override of controls or other inappropriate influence over the financial reporting process.

Management override of controls is present in all entities. It is a risk of material misstatement resulting from fraud and therefore is considered as a significant risk.

This represents a fraud risk for the 2018 audit.

### Our audit response

- We discussed fraud with management.
- We asked the Audit Committee for their views about the risk of fraud, whether they know of any actual or suspected fraud affecting the Authority and their role in the oversight of management's antifraud programs.
- We tested a sample of journal entries made throughout the period, and adjustments made at the end of the reporting period.
- We evaluated the business rationale for any significant unusual transactions.
- We determined whether the judgements and decisions related to management estimates indicate a possible bias, which included performing retrospective analysis of significant accounting estimates.

### Audit results

We obtained sufficient audit evidence to conclude that there were no material misstatements.

## Revenue recognition

### Audit risk

Assurance standards include the presumption of a significant risk of fraud in revenue recognition.

We have pinpointed this risk to revenue relating to the ParkPlus System™ ("ParkPlus") and Parking Control revenue, which may be understated or inaccurately recorded. Parking Control revenue could also be misclassified on the financial statements.

### Our audit response

- We made enquiries of management regarding relevant internal controls to assist them in ensuring the accuracy and completeness of these revenue streams and the classification of Parking Control revenue.
- We evaluated the design and implementation of those internal controls including testing of the reconciliations between ParkPlus, Beanstream and Peoplesoft.
- We performed substantive audit procedures on these revenue streams.

### Audit results

We obtained sufficient audit evidence to conclude that there were no material misstatements.

## Valuation of long-term investments (relating to the Parking Structure Replacement Reserve and Cash-in-Lieu Deposits)

### Risk identified

The fair value of long-term investments is based on inputs other than quoted market prices, and therefore, may include a number of valuation techniques.

### Our audit response

- As these investments are held through The City of Calgary ("The City") Treasury department, we held discussions with The City personnel and performed procedures to assess the reasonableness and appropriateness of the fair value of long-term investments, including the valuation techniques and inputs used.

### Audit results

We obtained sufficient audit evidence to conclude that there were no material misstatements.

## New Accounting Standards

### Risk identified

The following accounting standards are required to be adopted for the year ending December 31, 2018:

- Section PS 2200, *Related Party Disclosures*
- Section PS 3210, *Assets*
- Section PS 3320, *Contingent Assets*
- Section PS 3380, *Contractual Rights*
- Section PS 3420, *Inter-entity Transactions*

There is a risk that the application of these standards is not consistent or compliant with the guidance provided within the standards.

### Our audit response

- We reviewed the Authority's methodology and process for application and adoption of each standard, which included a review of position papers prepared by management.
- We audited a sample of the accounting transactions recorded under these standards, including testing of internal controls, if applicable.
- We also reviewed the disclosure in the year-end financial statements to ensure compliance with the applicable accounting standards.

### Audit results

We obtained sufficient audit evidence to conclude that there were no material misstatements with respect to the adoption of the new accounting standards

# Other reportable matters

The following summarizes the status and findings of key aspects of our audit. In the appendices to this report, we have provided additional information related to certain matters we committed to report to the Audit Committee as part of the audit plan.

	Comment
<b>Changes to the audit plan</b>	The audit was conducted in accordance with our audit plan, which was communicated to the Audit Committee. We confirm that there have been no amendments to the audit scope and approach communicated in the audit plan.
<b>Significant difficulties encountered in performing the audit</b>	During the course of our audit, we did not encounter any significant difficulties in dealing with management related to the performance of the audit.
<b>Concerns regarding management competence and integrity</b>	We do not have any concerns regarding management's competency and integrity.
<b>Related party transactions</b>	We have not identified any related party transactions that were not in the normal course of operations and that involved significant judgements made by management concerning measurement or disclosure.
<b>Disagreements with management</b>	During the current audit, we did not have any disagreements with management.
<b>Consultation with other accountants</b>	Management has informed us that the Authority has not consulted with other accountants about auditing or accounting matters.
<b>Legal and regulatory compliance</b>	<p>Management is responsible for ensuring that the Authority's operations are conducted in accordance with the laws and regulations applicable to the Authority in the jurisdictions in which it operates. The responsibility for preventing and detecting non-compliance rests with management.</p> <p>The auditor is not and cannot be held responsible for preventing non-compliance with laws and regulations.</p> <p>Our limited procedures did not identify any areas of material non-compliance with laws and regulations by the Authority.</p>
<b>Post-statement of financial position events</b>	At the date of finalizing this report, we are not aware of any significant post-statement of financial position events.

# Appendix 1 – Communication requirements

The table below summarizes our communication requirements under Canadian GAAS and other communications that we believe would help us achieve an effective audit.

Required communication	Refer to this report or document described below
<b>Audit Service Plan</b>	
1. Our responsibilities under Canadian GAAS, including forming and expressing an opinion on the financial statements	Master services agreement
2. An overview of the overall audit strategy, addressing: <ul style="list-style-type: none"> <li>a. Timing of the audit</li> <li>b. Significant risks, including fraud risks</li> <li>c. Nature and extent of specialized skill or knowledge needed to perform the audit procedures related to significant risks</li> </ul>	Audit plan communicated on December 14, 2018.
3. Significant transactions outside of the normal course of business, including related party transactions	Nothing to report.
<b>Year End Communication</b>	
4. Fraud or possible fraud identified through the audit process	We are not aware of any fraudulent events.
5. Significant accounting policies, practices, unusual transactions, and our related conclusions	Significant accounting practices, judgements and estimates.
6. Alternative treatments for accounting policies and practices that have been discussed with management during the current audit period	Significant accounting practices, judgements and estimates.
7. Matters related to going concern	We concluded that there was no substantial doubt about the Authority's ability to continue as a going concern.
8. Management judgements and accounting estimates	Significant Accounting practices, judgements and estimates.
9. Significant difficulties, if any, encountered during the audit	No significant difficulties to report.
10. Material written communications between management and us, including management representation letters	Management representation letter.
11. Other matters that are significant to the oversight of the financial reporting process	No other matters to report.
12. Modifications to our opinion(s)	We will issue an unmodified opinion.
13. Our views of significant accounting or auditing matters for which management consulted with other accountants and about which we have concerns	Nothing to report.



Required communication	Refer to this report or document described below
14. Significant matters discussed with management	Nothing to report.
15. Illegal or possibly illegal acts that come to our attention	We are not aware of any illegal acts.
16. Significant deficiencies in internal control, if any, identified by us in the conduct of the audit of the financial statements	No deficiencies to report.
17. Uncorrected misstatements and disclosure items	<p>In accordance with Canadian GAAS, we request that all misstatements be corrected.</p> <p>No uncorrected misstatements and uncorrected disclosure to report.</p>

# Appendix 2 – Draft version of our auditor’s report

Our report on the financial statements is expected to be in the following form. However, the final form may need to be adjusted to reflect the final results of our audit.

## Independent Auditor’s Report

To the Members of the Audit Committee and the Calgary Parking Committee of  
Calgary Parking Authority

### Opinion

We have audited the financial statements of Calgary Parking Authority (“the Authority”), which comprise the statement of financial position as at December 31, 2018, and the statements of operations, remeasurement gains and losses, change in net financial assets and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at December 31, 2018, and the results of its operations, its remeasurement gains and losses, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards (“PSAS”).

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards (“Canadian GAAS”). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Authority 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 PSAS, 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 Authority’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 Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority’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 GAAS 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 these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgement 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 Authority’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 Authority’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 Authority 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.

We 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.

(To be signed Deloitte LLP)

Chartered Professional Accountants

April 12, 2019

# Appendix 3 – Letter of recommendations and business insights



Deloitte LLP  
700, 850 2 Street SW  
Calgary, AB T2P 0R8  
Canada

Tel: 403-267-1700  
Fax: 403-213-5791  
[www.deloitte.ca](http://www.deloitte.ca)

March 26, 2019

The Audit Committee of  
Calgary Parking Authority

Dear Audit Committee members:

We have recently completed our audit of the financial statements of Calgary Parking Authority ("the Authority") for the year ended December 31, 2018.

Our audit was designed to provide a cost-effective basis for formulating an opinion on your financial statements. As part of our examination, we reviewed and evaluated relevant aspects of the systems of internal controls and the accounting systems to the extent we considered necessary to make an evaluation of such systems and procedures in accordance with Canadian GAAS.

While the audit did not include an in-depth evaluation of all controls and should not be relied upon to identify all significant internal control deficiencies, or all errors, irregularities or inefficiencies that might occur, we undertake to report such matters to you when they come to our attention. We did not identify any matters to be reported to the Audit Committee during fiscal 2018. We have, however, provided an update to the one matter that was outstanding from prior year. Our update relating to this matter is attached.

Yours truly,

A handwritten signature in black ink that reads "Deloitte LLP".

Chartered Professional Accountants

# Update to December 31, 2015 recommendations

## 1. Onboarding of new personnel

### Observation:

During fiscal 2015, the Authority has hired a significant number of employees (approximately 146); with a large proportion relating to the Commissionaires office that were previously contract employees.

### Implication:

As a comprehensive approach to hiring new employees should go beyond the regular orientation process, the significant increase in headcount may require the Authority's management to assess the impact from a number of perspectives.

### Recommendation:

We would recommend that the Authority's management give consideration to the following:

1. Understanding by the new employees of the corporate culture and of the code of conduct;
2. Understanding of internal control processes and the Authority's policies (for example travel or employee expenses reports);
3. Understanding/providing adequate training of additional staff to ensure they are aware of and understand their work and expectations from Supervisors/management;
4. Ensuring that the support services (including Payroll, HR, IT and Administrative) have the resource levels to manage additional staff;
5. Consideration of whether existing internal control processes remain fit for the intended purpose given the significant increase in personnel in the year; and
6. Ensuring roles and responsibilities are clearly defined and organizational structure is appropriate to appropriately manage the increased scale of the departments impacted.

### Management's Response:

**Management concurs with all the recommendations and on several points, processes have already been implemented.**

1. Corporate culture and code of conduct: All new employees are required to review the CPA Code of Conduct and submit an acknowledgement form to Human Resources that indicates they have read and understood the related policies.
2. Understanding of internal control processes and policies (i.e. travel & employee expense reports). This is the responsibility of the Supervisors to provide information and training to their employees. For example, how to obtain bus passes. There is no formal process but the Payroll Coordinator is available for all new staff that has queries. Most of the new hires (Enforcement) won't have these types of expenses so formal training would not be a good use of resources.
3. Understanding work expectations/providing adequate training. Utilization of a revised performance management system whereby corporate, departmental, and individual goals and objectives are communication to new staff by their supervisors. This sets out clear expectations and desired outcomes.

4. Resource levels. With the huge incremental increase to number of FTEs, Financial Services will discuss with the GM to advance the growth position earlier from 2017 to mid-way 2016 to provide support for payroll and create depth in Financial Services. Additional resources may be required in Human Resources, Information Technology and other support departments – this will be assessed in 2016.
5. Internal controls. We will review all internal controls relating to new personnel and see if any adjusted or new ones need to be added. For example, submission of proper hours worked (does Supervisors need formal training?). CPA Payroll Coordinator will be implementing a new spreadsheet whereby information is taken from PeopleSoft Master List of employees and populating a spreadsheet for tracking month-by-month basis. We recognize review of the payroll register will be difficult due to the number of new employees and this tracking will assist in ensuring the accuracy of the review. Timesheet tracking on absences for Exempt employees will require a Leave of Absence form, in light of the revised Sickness & Accident Policy (90% paid for 119 days) so that employees are paid correctly. The spreadsheet of time submission with hard-coded employees has the control whereby review by the Payroll Coordinator determines if an employee does not have any time submitted for that week. Just a comment – these are all examples of payroll-specific internal controls. Management agrees with Deloitte's comment that controls across all employee-related functions need to be reviewed.
6. Roles and responsibilities and organization structure. As part of the transition of contracted services to in-house employees, a review was conducted of all new positions being added. A joint job evaluation process was developed for unionized positions, which ensured all new union positions were effectively described. In 2016, a comprehensive Exempt position review will be completed to ensure all exempt positions are reviewed, appropriately described and assigned a salary level.

The Enforcement group has been split into two Departments (Enforcement and Enforcement Support) with the appropriate leadership to manage the increased volume of staff. Budgets and coding are currently being adjusted at source to accommodate analysis of variances and control of expenditures.

**Auditor's Update (based on October 2016 audit procedures):**

Based on our audit procedures performed during our interim fieldwork, we note the following:

1. New employees are required to sign an Acknowledgement Form of the Codes of Conduct (and related policies). We randomly selected 15 new hires and requested the signed Acknowledgement Form. Of the 15 new hires selected, we noted only 4 new hires had signed the Acknowledgement Form and returned the completed Form to human resources.
2. There is no formal process for employees to understand internal control processes and the Authority's policies; however, the Payroll Coordinator is available for all new staff who may have questions. We discussed this with the Payroll Coordinator, and based on this discussion, we understand that employees frequently call or email the Payroll Coordinator with questions on the Authority's policies.
3. The Authority implemented a revised performance management system in FY 2016 ("2016 Performance and Learning Plan"). This revised performance management system more clearly outlines the expectations of the employees.
4. The Authority has assessed the resource levels for the various support staff. This was completed by the Manager of each Department with Human Resources and the General Manager. We noted that a part time employee was hired in Payroll as well as Procurement.

5. The Authority has assessed the existing employee-related internal controls given the significant increase in personnel in fiscal 2015. Two new controls have been implemented in fiscal 2016:
  - a. A Pay Register Summary is being prepared on a monthly basis by the Payroll Coordinator. This summary compares each employee's pay for the current month with the previous months (all previous months of the fiscal year). Any significant variances are investigated.
  - b. A formal Leave Absence Form is required for all employees for the following types of leaves: vacation, sick days, extended leave, union leave, in lieu time, maternity leave, etc. The form is required to be submitted to Payroll and signed off by the employee as well as the employee's supervisor.
6. The Authority has performed the following regarding an assessment of employee roles and responsibilities:
  - a. Comprehensive Exempt Position Review – The Authority performed job re-structuring in fiscal 2016 which involved the review of the existing roles in various departments and determining if these roles were in the correct departments. A job evaluation is required by all exempt employees by November 1, 2016. Human Resources is expected to review the job evaluations and determine potential changes in roles in Q2 2017. As a final step, the salaries of all exempt employees will be assessed in Q2 2017.
  - b. Enforcement Department – Effective fiscal 2016, the Enforcement department is split into two Departments: Enforcement and Enforcement Support.

Parts 2, 3, 4, 5, and 6b and 6a of the recommendation were satisfactorily addressed in prior years. Part 1 was satisfactorily addressed during fiscal 2018. Please refer to 2018 update below.

**Auditor's Update (based on 2017 year-end audit procedures):**

1. New employees are required to sign an Acknowledgement Form of the Codes of Conduct (and related policies). We randomly selected 25 new hires during our 2017 year end procedures and requested the signed Acknowledgement Form. Of the 25 new hires selected, we noted only 14 new hires had signed the Acknowledgement Form and returned the completed form to human resources. However, starting in 2018 all employees will be required to complete two e-learning modules, which include a focus on the codes of conduct. Human resources will have the ability to track completion and follow up with the employees who have not completed the course.

**This part of the recommendation is still in progress and an update will be provided in fiscal year 2018.**

**Auditor's Update (based on 2018 year-end audit procedures):**

Based on audit procedures performed during 2018, we noted no issues with regards to the Codes of Conduct sign offs. This recommendation has been satisfactorily addressed.



# Appendix 4 – Draft independence

April 12, 2019

The Audit Committee  
Calgary Parking Authority

Dear Audit Committee members:

We have been engaged to audit the financial statements of Calgary Parking Authority (“the Authority”) for the year ended December 31, 2018.

You have requested that we communicate in writing with you regarding our compliance with relevant ethical requirements regarding independence as well as all relationships and other matters between the Authority, our Firm and network firms that, in our professional judgement, may reasonably be thought to bear on our independence. You have also requested us to communicate the related safeguards that have been applied to eliminate identified threats to independence or reduce them to an acceptable level.

In determining which relationships to report, we have considered relevant rules and related interpretations prescribed by the appropriate provincial regulator/ordre and applicable legislation, covering such matters as:

- a) Holding a financial interest, either directly or indirectly, in a client.
- b) Holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client.
- c) Personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client.
- d) Economic dependence on a client.
- e) Provision of services in addition to the audit engagement.

We confirm to you that the engagement team and others in the firm as appropriate, the firm and, when applicable, network firms have complied with relevant ethical requirements regarding independence.

We have prepared the following comments to facilitate our discussion with you regarding independence matters arising since March 27, 2018, the date of our last letter.

We are not aware of any relationships between the Deloitte Entities and the Authority and its affiliates, or persons in financial reporting oversight roles at the Authority and its affiliates, that, in our professional judgement, may reasonably be thought to bear on independence, that have occurred from March 28, 2018 to April 12, 2019.

The total fees charged to the Authority for audit services were \$89,880 (2017, \$87,740) for the audit \$12,840 (2017, \$nil) for the adoption of new accounting standards during the period covered by the financial statements. These fees include the 7% administrative fee and exclude GST.

We hereby confirm that we are independent with respect to the Authority in accordance with the Rules of Professional Conduct of the Chartered Professional Accountants of Alberta as of April 12, 2019.

This letter is intended solely for the information and use of the Audit Committee, the Calgary Parking Committee, management and others within the Authority and is not intended to be and should not be used for any other purposes.

Yours truly,

Chartered Professional Accountants

# Appendix 5 – Draft management representation letter

## [Organization letterhead]

April 12, 2019

Deloitte LLP  
700, 850 – 2 Street SW  
Calgary, AB T2P 0R8

Dear Sirs:

**Subject:** Financial statements of Calgary Parking Authority prepared for the year ended December 31, 2018

This representation letter is provided in connection with the audit by Deloitte LLP (“Deloitte” or “you”) of the financial statements of Calgary Parking Authority (the “Organization” or “we” or “us”) for the year ended December 31, 2018, and a summary of significant accounting policies and other explanatory information (the “Financial Statements”) for the purpose of expressing an opinion as to whether the Financial Statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the Organization in accordance with Public Sector Accounting Standards (“PSAS”).

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

### Financial statements

1. We have fulfilled our responsibilities as set out in the terms of the engagement letter between the Organization and Deloitte dated December 14, 2018 for the preparation of the Financial Statements in accordance with PSAS. In particular, the Financial Statements are fairly presented, in all material respects, and present the financial position of the Organization as at December 31, 2018 and the results of its operations and cash flows for the year then ended in accordance with PSAS.
2. Significant assumptions used in making estimates, including those measured at fair value, are reasonable.

In preparing the Financial Statements in accordance with PSAS, management makes judgements and assumptions about the future and uses estimates. The completeness and appropriateness of the disclosures related to estimates are in accordance with PSAS. The Organization has appropriately disclosed in the Financial Statements the nature of measurement uncertainties that are material, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the Financial Statements.

The measurement methods, including the related assumptions and models, used in determining the estimates, including fair value, were appropriate, reasonable and consistently applied in accordance with PSAS and appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the entity. No events have occurred subsequent to December 31, 2018 that require adjustment to the estimates and disclosures included in the Financial Statements.

There are no changes in management's method of determining significant estimates in the current year.

3. The Organization has identified all related parties in accordance with Section PS 2200, *Related Party Disclosures* ("PS 2200"). Management has made the appropriate disclosures with respect to its related party transactions in accordance with PS 2200.
4. We have determined that the Financial Statements are complete as of the date of this letter as this is the date when there are no changes to the Financial Statements (including disclosures) planned or expected. The Financial Statements have been approved in accordance with our process to finalize financial statements.
5. We have completed our review of events after December 31, 2018 and up to the date of this letter. All events subsequent to the date of the Financial Statements and for which PSAS requires adjustment or disclosure have been adjusted or disclosed. Accounting estimates and disclosures included in the Financial Statements that are impacted by subsequent events have been appropriately adjusted.
6. The Financial Statements are free of material errors and omissions.

#### **Internal Controls**

7. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
8. We have disclosed to you all known deficiencies in the design or operation of internal control over financial reporting identified as part of our evaluation, including separately disclosing to you all such deficiencies that we believe to be significant deficiencies in internal control over financial reporting.

#### **Information provided**

9. We have provided you with:
  - a. Access to all information of which we are aware that is relevant to the preparation of the Financial Statements, such as records, documentation and other matters;
  - b. All relevant information as well as additional information that you have requested from us for the purpose of the audit; and
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
10. All transactions have been properly recorded in the accounting records and are reflected in the Financial Statements.
11. We have disclosed to you the results of our assessment of the risk that the Financial Statements may be materially misstated as a result of fraud.

12. We have no knowledge of any information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
  - a. Management;
  - b. Employees who have significant roles in internal control; or
  - c. Others where the fraud could have a material effect on the Financial Statements.
13. We have no knowledge of any information in relation to allegations of actual, suspected or alleged fraud, or illegal or suspected illegal acts affecting the Organization.
14. We have disclosed to you all communications from regulatory agencies concerning non-compliance with or deficiencies with financial reporting practices and all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the Financial Statements.
15. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware, including guarantees, non-monetary transactions and transactions for no consideration and participation in a defined benefit plan that shares risks between group entities.
16. We have disclosed to you all known, actual or possible litigation and claims, whether or not they have been discussed with our lawyers, whose effects should be considered when preparing the Financial Statements. As appropriate, these items have been disclosed and accounted for in the Financial Statements in accordance with PSAS.

### **Independence matters**

For purposes of the following paragraphs, "Deloitte" shall mean Deloitte LLP and Deloitte Touche Tohmatsu Limited, including related member firms and affiliates.

17. Prior to the Organization having any substantive employment conversations with a former or current Deloitte engagement team member, the Organization has held discussions with Deloitte and obtained approval from the Audit Committee.
18. We have ensured that all services performed by Deloitte with respect to this engagement have been pre-approved by the Audit Committee in accordance with its established approval policies and procedures.

### **Other matters**

19. We have disclosed to you all liabilities, provisions, contingent liabilities and contingent assets, including those associated with guarantees, whether written or oral, and they are appropriately reflected in the Financial Statements.
20. We have disclosed to you, and the Organization has complied with all aspects of contractual agreements that could have a material effect on the Financial Statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

### **Liabilities for contaminated sites**

21. We have evaluated all of our tangible capital assets that we have direct responsibility for or accept responsibility for, and have not identified any sites in which contamination exceeds an environmental standard.

### **Adoption of new or amended accounting standards**

22. The Organization has adopted CPA Canada Public Sector Accounting Handbook Sections 2200, 3210, 3320, 3380 and 3420, *Related Party Disclosures, Assets, Contingent Assets, Contractual Rights, and Inter-entity Transactions* respectively, as of December 31, 2018 as discussed in Note 1(m).

### **Employee future benefits**

23. Employee future benefit costs, assets, and obligations, as applicable, have been properly recorded and adequately disclosed in the Financial Statements including those arising under defined benefit and defined contribution plans as well as termination arrangements. We believe that the actuarial assumptions and methods used to measure defined benefit plan assets, obligations and costs for financial statement purposes are appropriate in the circumstances. Actuarial gains/losses have been amortized to the liability/asset and the related expense in a systematic and rational manner over the expected average remaining service life of the related employee group.

We have correctly accounted for the multi-employer plan in which we are a participating government or government organization, as a defined contribution plan.

### **Tangible capital assets**

24. Tangible capital assets have been recorded properly and consistently according to the standards in CPA Canada Public Sector Accounting Handbook Section PS 3150, Tangible Capital Assets.
25. We have assessed the useful lives of tangible capital assets and have determined all tangible capital assets to have a long-term service potential to the organization and therefore do not require a write down. We have identified that asset ParkOnline System, Tannery Creek cameras, and CALE Pay Machines, which no longer has service potential, have been written down to their residual amount.

### **City of Calgary Capital Asset Policy**

26. The Authority was aware of the City of Calgary's change in Capital Asset Policy for Vehicles for the year ended December 31, 2018. Management has reviewed and understands the policy. This policy has no impact on the December 31, 2018 year end financial statements.

### **Contracts**

27. The Organization has disclosed all agreements it has entered into that would impact the December 31, 2018 financial statements.

### **Communicating a threshold**

28. We understand that the threshold used for accumulating misstatements identified during the year was \$125,000 for purposes of Appendix A. Misstatements below this amount have been considered clearly trivial.

### **Financial Instruments**

29. The Organization has properly classified all financial instruments in accordance with CPA Canada Public Sector Accounting Handbook Section PS 3450, *Financial Instruments* ("Section PS 3450"). Specifically, all financial instruments are classified as fair value, cost or amortized cost. In addition, there have been no reclassifications of instruments into or out of the fair value classification after the adoption of Section PS 3450 or, after the instrument was first recognized subsequent to the adoption of Section PS 3450, unless explicitly permitted by Section PS 3450.
30. The Organization has properly identified all financial contracts that meet the definition of a derivative in Section PS 3450. The Organization has also properly identified all embedded derivatives included in other non-derivative contracts and determined whether these embedded derivatives need to be separately accounted for as described in Section PS 3450.

The fair values of all derivatives have been determined based on quoted prices in an active market or by using financial models that we believe are the most appropriate models for valuing such instruments and that incorporate market data and other assumptions that we have determined to be reasonable and appropriate at December 31, 2018.

31. For all derivatives and any other financial instruments measured at fair value at December 31, 2018, fair value has been estimated using quoted market prices if the instrument trades in an active market, as set out in Section PS 3450.

Where the instrument is not traded in an active market, the Organization has used valuation techniques that it believes are most appropriate for valuing such instruments. We believe our valuation techniques make maximum use of observable inputs.

32. The Organization has identified and disclosed in the notes to the Financial Statements all significant assumptions used in determining fair value and have included the appropriate disclosures relating to the fair value level of all financial instruments carried at fair value. The following have been properly recorded and, when appropriate, adequately disclosed and presented in the Financial Statements:
  - a. The other than temporary impairment of financial assets; and
  - b. Provisions for loans receivable.
33. Changes in fair value of financial instruments in the fair value category have been properly recorded in the statement of remeasurement gains and losses as a remeasurement gain or loss until the financial instrument is derecognized.
34. The Organization has identified and disclosed all details of any defaults of principal, interest sinking fund or redemption terms related to loans payable, including the carrying amount of such loans and whether the default was remedied or renegotiated before the date the financial statements were completed.

Yours truly,  
Calgary Parking Authority

---

Glen Furtado, General Manager

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Jared Foulds, Controller



## **Appendix A**

### **Calgary Parking Authority**

**Summary of uncorrected financial statement misstatements and disclosure deficiencies**  
**Year ended December 31, 2018**

No uncorrected errors or disclosure deficiencies identified.



**CALGARY PARKING AUTHORITY – AUDIT SUBCOMMITTEE  
2019 WORK PLAN**

<b>AGENDA ITEMS</b>	<b>March 26 (Tues)</b>	<b>May 14 (Tues)</b>	<b>July 23 (Tues)</b>	<b>Nov 5 (Tues)</b>
Annual Work Plan Review	■			
Assessment of internal control environment of CPA (COSO Framework)		■		
<u>Annual Audit (2018):</u>				
• Review Audited Year End Financial Statements	■			
• Review results of annual audit	■			
• Evaluate performance of external auditor	■			
• Management letter points	■			■
<u>Annual Audit (2019):</u>				
• Identify areas requiring special attention				■
• Review and approve external auditor audit scope and audit plan, and issue engagement letter				■
• Assessment of risk management at CPA			■	
<u>Other Audits:</u>				
• Annual audit governance status report to The City's Audit Committee (September 6, 2019 – Friday)			■	
• CPA Asset Management Process Audit, Updates	■	■	■	■



# Calgary Parking Authority

Annual Report to The City of  
Calgary Audit Committee



# CPA Audit Subcommittee Members

## **JOHN KWONG**

- City of Calgary CFO's designate
- Chartered Professional Accountant Designation
- BComm (Major in Accounting) from University of Calgary

## **ANDREW OSIS**

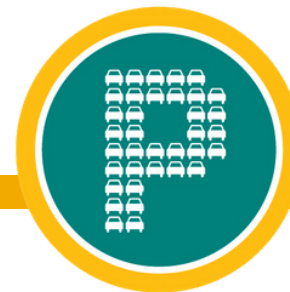
- CFO, Good Life Networks
- Co-CEO, Magnetic North Partners
- Experienced Director in public and private companies across North American markets

## **SHAHID QURESHI**

- Corporate Director for several publicly listed and private Companies
- International Audit Committee member for several publicly listed Co's
- Global leadership roles in Governance, Finance and Technology
- CEO of Leverage Global Inc.
- MA (Economics), CPA,CGA,FCCA (UK), CISA(USA),CIA,FCMA,FCIS,FCSM

# CPA Audit Subcommittee Structure

- Reports to the Calgary Parking Committee
- Annual election to the Committee
- Comprised of 3 members:
  - The City's CFO or designate, serving as chair
  - Two citizen members
- Meets quarterly at a minimum
- Terms of Reference reviewed annually

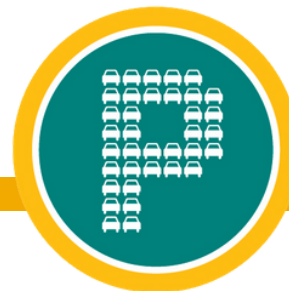




# CPA Audit Subcommittee Functions

## OVERSIGHT OF THE FOLLOWING:

- Integrity of CPA's financial statements
- Internal control systems
- Risk management
- External auditor's services



# CPA ORGANIZATIONAL LEADERSHIP

**Glen Furtado, General Manager**



**Changes to CPA Organizational Leadership in the past year include:**  
**Hiring Dale Wannamaker as Manager, Facilities;**  
**Hiring Moe Houssaini as Manager, Parking Solutions.**

# Regulatory/ Business Assessments



## EXTERNAL AUDIT FINDINGS

Deloitte issued CPA an unqualified audit report for the year ended December 31 2018

# Financial Results

- Revenues of \$87.3M in 2018 (\$86.7M in 2017) →
- Expenses of \$52.4M in 2018 (\$59.4M in 2017) ↓
- Distributions to the City of Calgary of \$23.7M in 2018 (\$19.8M in 2017) ↑



# Market Influences

## REGULATORY AND MARKET CHANGES THAT MAY IMPACT THE CURRENT BUSINESS APPROACH

1. Downturn in the Calgary economy (Downtown Office Vacancy >20%)
2. Reduced parking demand due to shift in modal split
3. Ended Cash-In-Lieu Program



# Integrated Risk Management

- Committee-approved Risk Policy, Risk Tolerance Statement, and Risk Parameters
- Audit Committee oversight of internal controls
  - Annual Control Environment Risk Assessment
  - Risk Register Assessment (risk identification, impact & probability assessment)

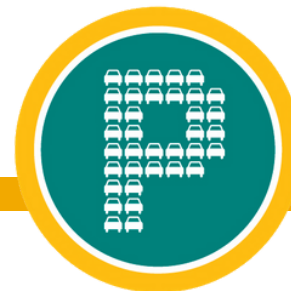
CPA KEY OPERATING AND STRATEGIC RISKS IDENTIFIED		Impact - Likelihood	Overall Risk Rating and Year-to-Year Comparative	
Description of Risk (What can happen, when can it happen)	Trend	2019 Impact Probability Assessment	2019 Risk Rating	2018 Risk Rating
Inability to react to market opportunities to increase or decrease parking inventory based on demand and customer needs.	NEW	Significant. Almost certain	Extensive	N/A
Changes to parking policies that could affect the CPA's ability to meet customer needs and budgeted financial returns to the City.	↑	Significant Possible	High	Low
Operating without a Collective Bargaining Agreement, potential for job action.	NEW	Significant Possible	High	N/A
Potential inadequate reserves to meet long term capital requirements		Moderate Possible	Moderate	High



# Looking Forward

## MAJOR INITIATIVES IN 2019 & BEYOND

- Accelerate customer service
- Meet or exceed budgeted financial returns to the City of Calgary
- Develop, implement, and leverage data reporting



# Thank you

CPA AUDIT SUBCOMMITTEE









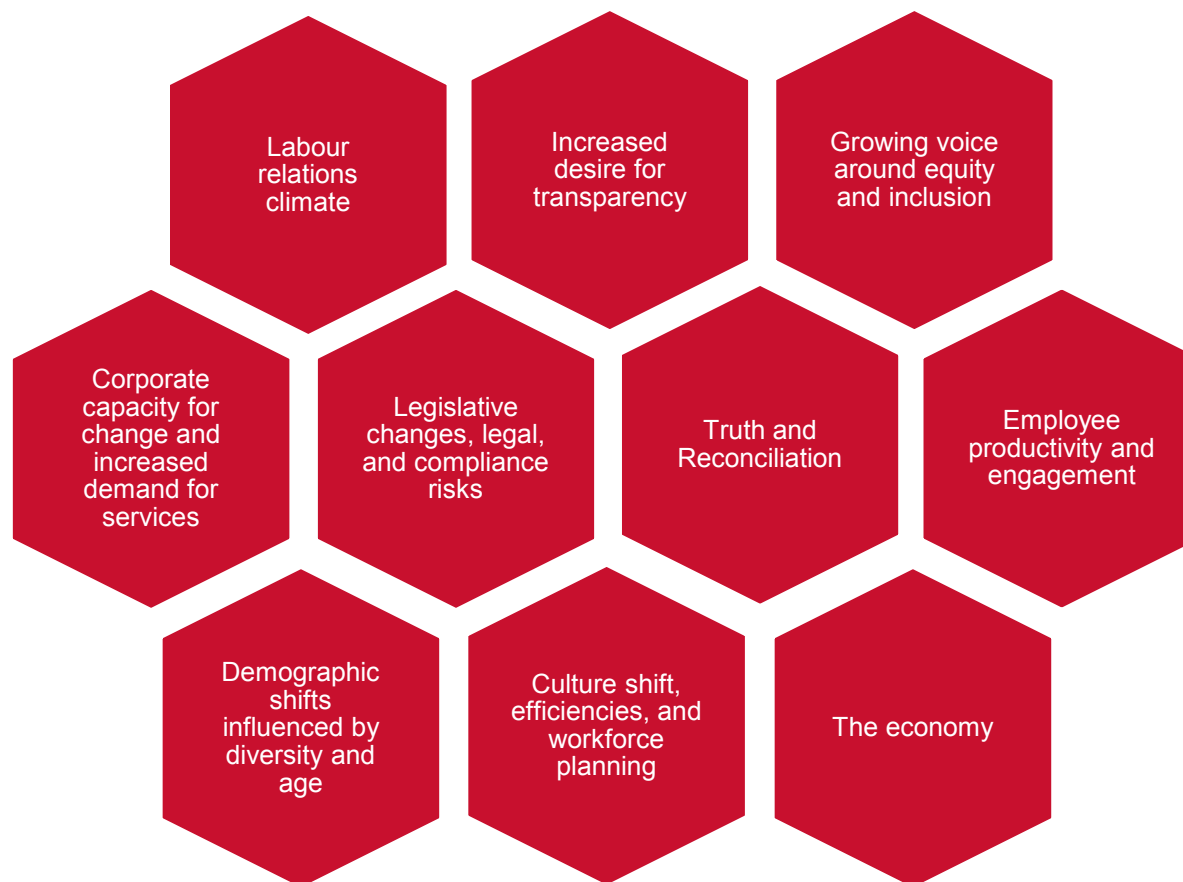
# Human Resources Challenges and Opportunities

Presented by: Mark Lavalley, Chief Human Resources Officer

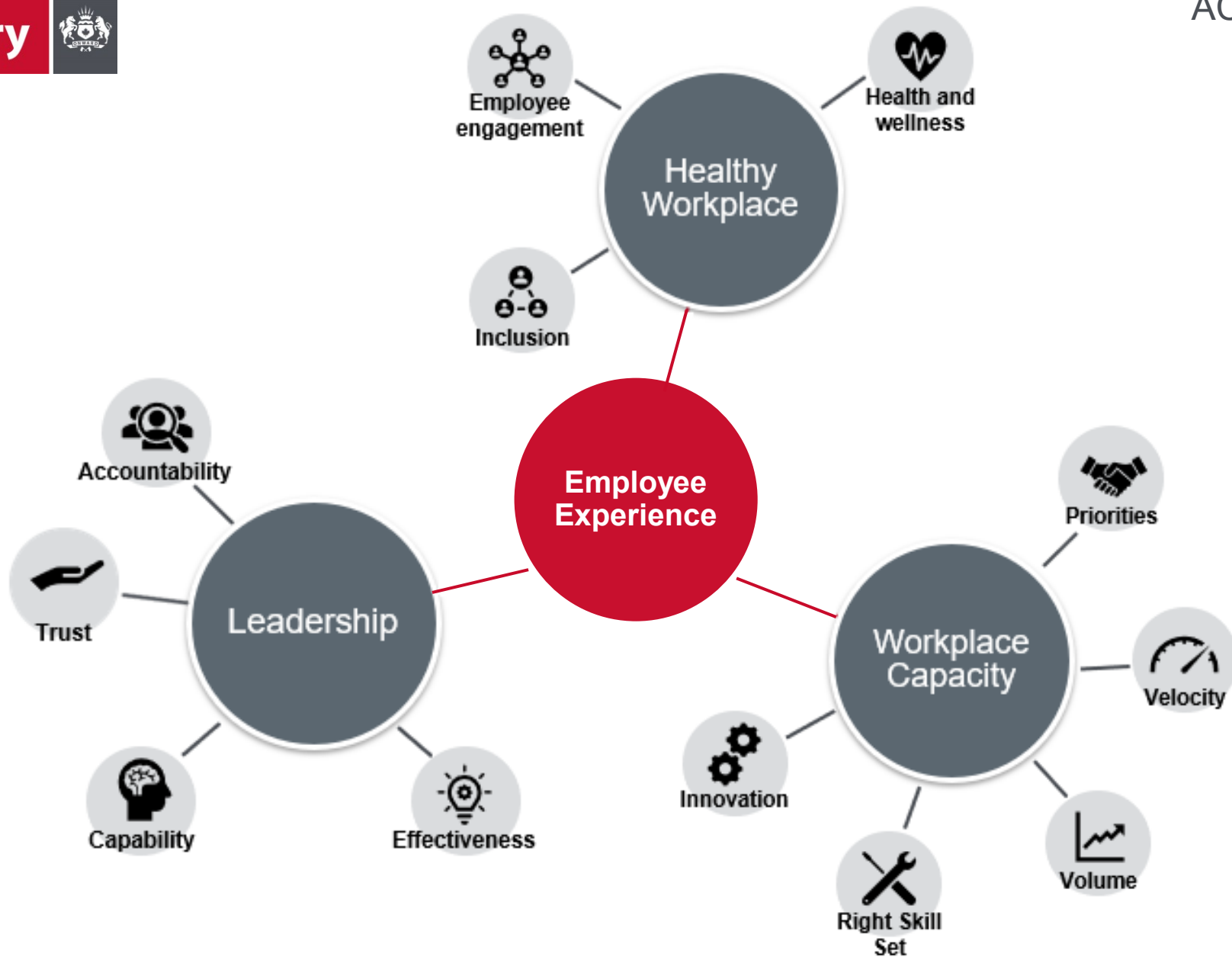
2019 September 6

AC2019-1095

# What We Are Watching: Trends and Risks







## Foundations of Our Approach

### Neuroscience

- Growth vs. fixed mindset
- Unconscious Bias
- SCARF

### 13 factors addressing mental health in the workplace

- Mental Health Commission of Canada

### Change leadership

- Mindset, behaviours, culture, systems

### Corporate values and 4Cs

- Individual responsibility, collective accountability

### Jurisprudence

- Labour law, case law, legislation

### CFO framework

- Operator, steward, strategist, catalyst

# Challenges and Opportunities

<b>Healthy Workplace</b>	<ul style="list-style-type: none"> <li>• Maintaining engagement</li> <li>• Advancing inclusion</li> <li>• Reducing stigma</li> <li>• Capacity</li> <li>• Learning and Development</li> </ul>
<b>Leadership</b>	<ul style="list-style-type: none"> <li>• Required skill set</li> <li>• Ability to lead change</li> <li>• Creating and sustaining a healthy workplace and capacity</li> <li>• Priorities</li> <li>• Challenge to be a strategist</li> <li>• Individual Performance Development</li> </ul>
<b>Workplace Capacity</b>	<ul style="list-style-type: none"> <li>• Balancing operator, steward, strategist, and catalyst work</li> <li>• Priorities</li> <li>• Culture</li> <li>• Attraction and retention</li> <li>• Aligning to new service lines</li> <li>• Economic environment</li> <li>• Demographics</li> </ul>



**Thank you**



## Supply Management Warehouse and Inventory Audit

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### EXECUTIVE SUMMARY

The City Auditor's Office issued the Supply Management Warehouse and Inventory Audit Report to Administration on August 20, 2019. The report includes Supply Management's response to three recommendations raised by the City Auditor's Office to resolve the operation of a system control over significant inventory write off and adjustments, and to enhance the physical inventory count processes. Supply Management accepted all three recommendations and has committed to the implementation of action plans no later than March 30, 2020. The City Auditor's Office will track the implementation of these commitments as part of our ongoing follow-up process.

### RECOMMENDATIONS:

1. That Audit Committee receive this report for information; and
2. That Audit Committee recommend that Council receive this report for information.

### PREVIOUS COUNCIL DIRECTION / POLICY

Bylaw 30M2004 (as amended) established the position of City Auditor and the powers, duties and functions of the position. Under the City Auditor's Office Charter, the City Auditor presents an annual risk-based audit plan to Audit Committee for approval. The City Auditor's Office 2019/2020 Annual Audit Plan was approved on September 18, 2018. The City Auditor is accountable to Council and subject to the oversight of Audit Committee under Bylaw 48M2012 (as amended).

### BACKGROUND

This audit was undertaken as part of the approved City Auditor's Office 2019/2020 Annual Audit Plan. Supply Management provides a Procurement and Warehousing service as well as an Inventory sub-service to support City Business Units. This includes both Business Unit specific inventory such as vehicle batteries, and more general usage items such as safety vests. During 2018, Supply Management managed 26 warehouses and an average monthly inventory value of approximately \$43 million. Inventory items are recorded in Finance and Supply Chain Management (FSCM) enterprise system, a perpetual inventory system.

The objective of this audit was to assess the effectiveness of The City's management of inventory by evaluating the design and operation of key process controls that support the accuracy and completeness of the inventory records. Testing was based on sample activity during the time period between January 1 and December 31, 2018 occurring in the Oliver Bowen Maintenance Facility warehouse, and the General Store warehouse, as these two warehouses stored approximately one third of the 2018 total inventory value.

### INVESTIGATION: ALTERNATIVES AND ANALYSIS

Based on our sample testing, we concluded that controls in operation that support the accuracy and completeness of inventory records are partially effective. Controls that support the accurate entry of inventory received in FSCM, access to warehouses, and physical inventory count are designed and operating effectively. However, the system control to force a second person approval of significant inventory write off and adjustments is not operating as expected.



## **Supply Management Warehouse and Inventory Audit**

---

### **Stakeholder Engagement, Research and Communication**

This audit was conducted with Supply Management acting as the principal audit contact within Administration.

### **Strategic Alignment**

Audit reports assist Council in its oversight of the City Manager's administration and accountability for stewardship over public funds and achievement on value for money in City operations.

### **Social, Environmental, Economic (External)**

N/A

### **Financial Capacity**

#### **Current and Future Operating Budget:**

N/A

#### **Current and Future Capital Budget:**

N/A

### **Risk Assessment**

The activities of the City Auditor's Office serve to promote accountability, mitigate risk, and support an effective governance structure. This audit was undertaken as part of the approved City Auditor's Office 2019/2020 Annual Audit Plan as effective management of inventory supports the delivery of City of Calgary services by facilitating availability of inventory, while managing obsolete or unneeded inventory to make best use of City dollars, and to avoid waste. Accurate and complete inventory records provide key information to support decisions regarding the ordering, managing, distributing, disposal of inventory, and also mitigate the risk of misappropriation and loss of inventory.

#### **REASONS FOR RECOMMENDATIONS:**

Bylaw 48M2012 (as amended) states: "Audit Committee receives directly from the City Auditor any individual Audit Report and forwards these to Council for information."

### **ATTACHMENT**

Supply Management Warehouse and Inventory Audit - AC2019-1027 ATT



**Calgary**

City Auditor's Office

# **Supply Management Warehouse and Inventory Audit**

**August 20, 2019**

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The City Auditor's Office completes all projects in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

## Executive Summary

Effective management of inventory supports the delivery of City of Calgary services by facilitating availability of inventory, while managing obsolete or unneeded inventory to make best use of City dollars, and to avoid waste. Supply Management provides a Procurement and Warehousing service as well as an Inventory sub-service to support City Business Units. This includes both Business Unit specific inventory such as vehicle batteries, and more general usage items such as safety vests. During 2018, Supply Management managed twenty-six warehouses and an average monthly inventory value of approximately \$43 million. Inventory items are recorded in Finance and Supply Chain Management (FSCM) enterprise system, a perpetual inventory system. Accurate and complete inventory records provide key information to support decisions regarding the ordering, managing, distributing, disposal of inventory, and also mitigate the risk of misappropriation and loss of inventory.

The objective of the audit was to assess the effectiveness of The City's management of inventory by evaluating the design and operation of key process controls that support the accuracy and completeness of the inventory records. We evaluated access to FSCM, physical access to warehouses, physical inventory counts, and inventory record adjustments during the time period between January 1 and December 31, 2018. Testing was based on sample activity occurring in the Oliver Bowen Maintenance Facility warehouse, and the General Store warehouse, as these two warehouses stored approximately one third of the 2018 total inventory value.

Based on our sample testing, we concluded that controls in operation that support the accuracy and completeness of inventory records are partially effective. While controls that support the accurate entry of inventory received in FSCM, access to warehouses, and physical inventory count are designed and operating effectively, the system control to force a second person approval of significant inventory write off and adjustments is not operating as expected.

Supply Management has designed a control over adjustments to the FSCM inventory record for discrepancies identified from inventory counts. This process requires approval by an additional employee where changes are greater than set tolerances: either \$100 or 10% of inventory item quantity. However, we identified through our audit testing that this control did not function as expected. Although sample testing confirmed inventory records reflect current physical inventory held, the risk from inappropriate or unauthorized inventory adjustments is not fully mitigated to support the accuracy and completeness of inventory records. We raised a recommendation to resolve the operation of this control, and Supply Management have committed to taking prompt action in conjunction with IT. We also identified two improvements to the physical inventory count process (introduction of blind counts, and monitoring of cycle count intervals) that will further enhance the effectiveness of the count process.

Supply Management have agreed with our three recommendations, and have set action plan implementation dates no later than March 30, 2020. The City Auditor's Office will follow up on all commitments as part of our ongoing recommendation follow-up process.

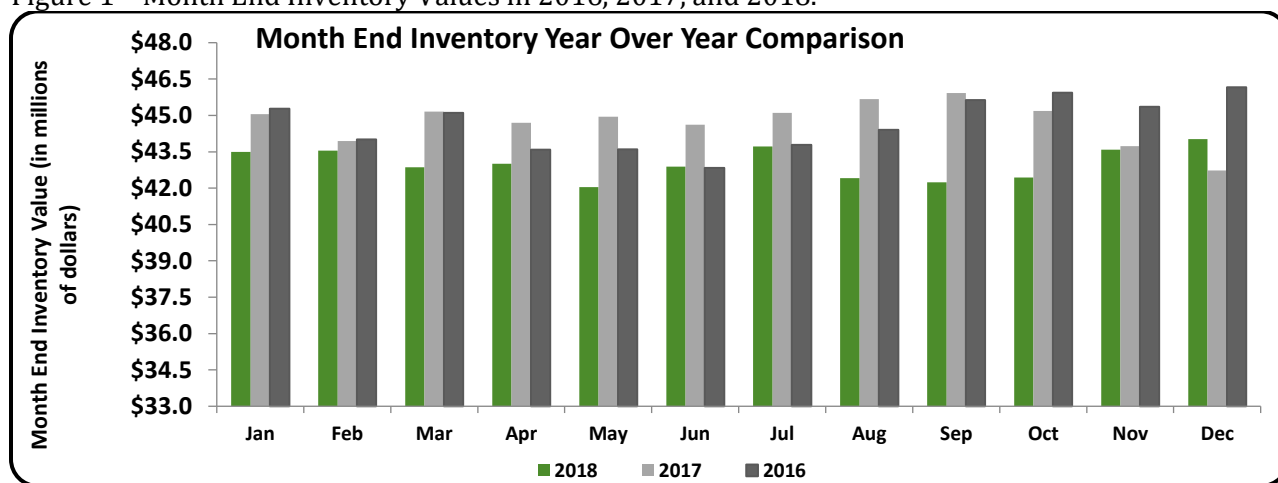
## 1.0 Background

Supply Management offers Procurement and Warehousing services and Inventory sub-service with the aim of delivering the best value for tax payers' dollars and promoting trust in The City of Calgary.

Inventory services facilitate a City-wide network of development and forecasting of inventory requirements to improve operational efficiencies, inventory data control, as well as inventory performance analysis that aligns with customer needs. Inventory items are recorded in FSCM, a perpetual inventory system that tracks and maintains inventory movements and provides up-to-date inventory balance information. This information supports decisions regarding inventory orders. The warehouses manage the receiving, physical control, security and distribution of items inventoried in warehouses across Calgary.

During 2018, there were 26 warehouses in 15 locations located within Calgary boundaries which store inventory for Business Units. Inventory comprises both Corporate Inventory, representing goods and materials used across all Business Units, and Business Unit Specific Inventory which is administered by Supply Management prior to distribution to the specific Business Units. Items commonly used across the City (e.g. safety vests) are usually stocked at the Logistics Centre (comprised of four warehouses), while Business Unit specific items (e.g. vehicle batteries) are stored in other warehouses within the Business Unit service locations across the City. The City's inventory value was between \$42 million and \$44 million at the end of each month in 2018 as indicated below (Figure 1). On average, the value of inventory held has decreased slightly from 2016 to 2018, which may be indicative of improved inventory management.

Figure 1 – Month End Inventory Values in 2016, 2017, and 2018.



Source: Supply Management

Effective management of inventory supports the delivery of City of Calgary services by facilitating availability of inventory, while managing obsolete or unneeded inventory to make best use of City dollars, and to avoid waste. Accurate and complete inventory records are critical in providing effective information to support inventory services decisions regarding the ordering, managing, distributing, and disposal of inventory, which in turn supports City of Calgary service delivery. Accurate and complete inventory records also mitigate the risk of misappropriation and loss of inventory by supporting early identification of discrepancies between physical inventory and FSCM

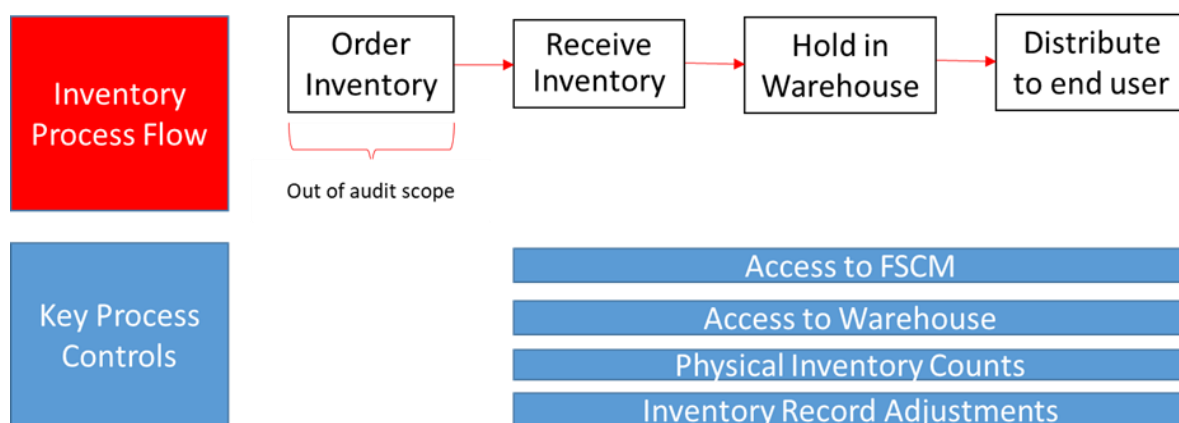


records. The range of inventory held by the City is extensive which creates in turn a range of impacts arising from loss or misappropriation. Business Unit specific items such as C Train spare parts are often higher in dollar value, but with limited personal use, whereas Corporate Inventory (e.g. copper wires and batteries) are often lower in individual dollar value but higher in external demand, quantity and turnover which could increase the risk of misappropriation.

## 2.0 Audit Objectives, Scope and Approach

### 2.1 Audit Objective

The objective of this audit was to assess the effectiveness of The City's management of inventory. The objective was achieved by evaluating the design and operation of key process controls (see diagram below) that support the accuracy and completeness of the inventory records.



### 2.2 Audit Scope

The audit was focused on the design and operation of key process controls as shown in the diagram above during the time period between January 1 and December 31, 2018.

Where the operation of key process controls were reviewed, the Oliver Bowen Maintenance Facility warehouse, and the General Store warehouse (part of the Logistics Centre) were selected as samples of the audit, as between them the warehouses stored approximately one third of the total monthly inventory value<sup>1</sup>.

### 2.3 Audit Approach

We conducted interviews with select warehouse team staff and evaluated the operation of key process controls (see Section 2.1 above) based on supporting documentation, including FSCM records and original inventory records such as packing slips from deliveries received.

<sup>1</sup> Based on analysis of inventory values as of June 14, 2018, the top four warehouses store approximately 70% of the total inventory values. Four warehouses are Oliver Bowen Maintenance Facility (21.3%), Spring Garden Traffic Yard (16.4%), Anderson Bus & LRV Garage Stores (16.4%) and General Store (15.7%).

### 3.0 Results

Testing was conducted to assess the operating effectiveness of controls specific to FSCM access, physical warehouse access, inventory counts and system recordkeeping and adjustments. Based on our sample testing, we concluded that controls in operation that support the accuracy and completeness of inventory records are partially effective.

#### 3.1 Access to FSCM

Warehouse staff receive inventory deliveries directly at warehouse locations. Designated warehouse staff have access to FSCM so they can enter the packing slip into FSCM, on acceptance of delivery, as well as entering the shipment in FSCM against the request from the Business Unit.

Based on our sample testing we confirmed that the process is operating as designed: we selected 30 receipts from FSCM for each warehouse in our sample, compared data entered back to original packing slips, and confirmed that the data from packing slips was entered into FSCM accurately. We also selected five hardcopy packing slips from each warehouse and confirmed all items on the packing slip had been entered accurately into FSCM.

Warehouse staff can enter and modify the same data entry in FSCM as access to FSCM functions is not segregated by individual employee role. However, mitigating controls are in place to minimize the residual risk that an employee manipulates FSCM data to cover misappropriation of inventory:

- Vendors of inventory are only paid once a three-way match of purchase order, invoice, and delivery note is completed.
- Physical counts of inventory (see Section 3.3 below) are completed on a regular basis which would identify discrepancies between physical inventory and inventory records.
- Business Units requesting distribution of inventory for their use would identify if inventory was not received in the quantity requested.

#### 3.2 Access to Warehouse

Once inventory is stored in a City warehouse, restricting physical access to the inventory to only those employees who require access for business purposes is a control which facilitates the accuracy and completeness of inventory records by reducing the risk of misappropriation of inventory.

Employee access to warehouses is controlled through authorized security card permissions. Access to warehouses is location specific, authorized through a request to Corporate Security by an individual's supervisor, and removing warehouse access from departing employees is incorporated into the Supply Management employee departure checklist for supervisors.

We concluded the physical access controls are operating effectively for both warehouses, specifically:

- Access to both warehouses was restricted by authorized security card access; and
- All employees sampled with warehouse access were appropriate based on current City employee status with a role description indicating they would require warehouse access to complete day to day work.

### 3.3 Physical Inventory Counts

Completing counts of physical inventory on a regular basis confirms the accuracy and completeness of inventory records, and identifies any discrepancies, by comparing actual inventory held to records.

Warehouse and Inventory have established inventory count frequency requirements based on usage volume analysis. We obtained a manual cycle count statistics report dated December 31, 2018, and confirmed the percentage of counted inventory items during the year were greater than 99.7%, compared to Supply Management's target of 100%. To improve risk management, developing and implementing a process to monitor and verify that inventory counts for type A inventory items (higher usage and turnover) are completed within the required cycle count intervals was recommended (Recommendation 3).

Inventory counts are completed by a single employee using portable bar code readers and the FSCM Manage Inventory Count module. The current count methodology is set so that the employee counting knows the expected number of physical items as per FSCM as they start to count which may create an unconscious bias to arrive at the right answer. We recommended (Recommendation 2) the implementation of "blind counts" (where the employee counting does not know the expected quantity of inventory) to enhance the physical count process effectiveness to support early identification of inventory record discrepancies.

We utilized physical inventory counts to confirm the completeness and accuracy of FSCM records on a sample basis. We selected a sample of 52 items of inventory (29 from Oliver Bowen Maintenance Facility and 23 from the General Store warehouse, reflecting items of both higher dollar value and higher general usage) and conducted an inventory count verification, agreeing inventory quantity amounts in FSCM to physical item quantity held in the warehouses. We also confirmed for a further 15 items that the physical quantities counted in the warehouses (5 types of inventory in Oliver Bowen Maintenance Facility, 10 in the General Store) were recorded accurately and completely in FSCM.

### 3.4 Inventory Record Adjustments

Approval by an authorized employee of changes (write-offs and other adjustments) to inventory records supports accuracy and completeness of inventory records by ensuring that significant changes cannot be made without independent review.

Supply Management has designed a process whereby if the cycle count adjustment or write-off of inventory in FSCM is greater than either \$100 in value or more than 10% of total item quantity, approval must be provided within FSCM by an authorized employee who did not complete the inventory count. If cycle count adjustments or write-offs of inventory are below the tolerance, FSCM automatically processes the change.

We obtained Supply Management's write-off report that included all write-off items for the period between January 1 and December 31, 2018 for the General Store and the Oliver Bowen Maintenance Facility warehouses, and noted 3 of 37 automatically processed write-offs/adjustments over the tolerance level (Section 4.1) in the General Store and did not trigger the expected approval process in FSCM. The sample identified an exposure of less than \$1,500, however, the control failure left unmitigated could result in a more significant risk exposure. We recommended (Recommendation 1) that Supply Management work with IT to

investigate and resolve the operation of the FSCM embedded approval process so that it is operating as designed to ensure write-offs greater than tolerance levels are validated and approved by an authorized employee who did not complete the inventory count.

A current collaborative initiative underway by Warehouse and Inventory is to identify, with support from Business Units, obsolete inventory items for write-off purposes. Warehouse and Inventory annually shares a Stagnant Report from FSCM with each Business Unit, which identifies inventory items that have not been utilized in the past three years. Business Units are expected to review the report, and authorize approval of write-off of any obsolete inventory items. Once approval is given, the items will be written off and the cost charged to the relevant Business Unit. If Business Units do not provide approval, inventory items will remain on the Stagnant Report for the following year unless utilized. We analyzed changes as at December of 2016, 2017 and 2018 on the Stagnant Reports and provided this information to Supply Management to support their ongoing work to effectively manage inventory items.

We would like to thank staff from Supply Management for their assistance and support throughout this audit.

## 4.0 Observations and Recommendations

### 4.1 Approval of Inventory Adjustments Over Tolerance Level

The FSCM system control which forces a second person approval on write-offs and adjustments of inventory greater than set tolerance levels is not operating as designed.

Warehouse processes require, where a write-off or adjustment of inventory in FSCM is greater than either \$100 in value or more than 10% of total item quantity, an approval must be provided by an authorized employee who did not complete the inventory count. Warehouse and Inventory have designed a system control where approval into FSCM is required when tolerances are exceeded, however during 2018, 3 of 37 automatically processed write-offs/adjustments (i.e. \$868.91, \$133.20 and \$366.91) for the General Store warehouse were greater than \$100 in value, but did not trigger the expected approval process in the system. Warehouse and Inventory are investigating why the control embedded in FSCM to require approval did not operate as designed. In addition, FSCM reports do not include which employee completed an inventory count, only which employee provided write-off approval if tolerance is exceeded. Warehouse and Inventory therefore cannot verify if the same employee is conducting a count and approving the resulting write-off/adjustment of inventory levels.

Where approvals by an authorized employee (who did not complete the initial inventory count) are not required for higher dollar or quantity write-offs and adjustments, the risk of undetected errors in inventory records and opportunity for misappropriation of inventory increases.

#### Recommendation 1

Manager, Warehouse and Inventory, to work with IT to investigate and resolve the operation of the FSCM embedded approval process to ensure that write-offs greater than tolerance levels are validated and approved by an authorized employee who did not complete the inventory count.

#### Management Response:

Agreed.

Action Plan	Responsibility
<p>After review Supply Management, with the support of ESS (IT), will undertake the following actions:</p> <ol style="list-style-type: none"> <li>1. Supply has raised a support ticket which ESS to action a review of the documented instances where FSCM failed to correctly handle adjustments in excess of threshold for approval. This ticket tasks ESS to determine why the process control failed. Corrective action will then be taken to ensure that adjustments in excess of tolerance are correctly referred by FSCM for review and approval.</li> <li>2. ESS at direction of Supply Management will split the Warehouse Roles in FSCM so that users do not have access to both to Cycle Count and Adjustment approval processes. Warehouse FSCM users will then be assigned one of the two new FSCM roles based on their job within Warehouse Operations.</li> <li>3. ESS will develop a report which will highlight any adjustments where the same user both cycle counted and approved the resulting adjustment. This report will be reviewed on a regular basis by Warehouse Leaders to ensure that the new controls are effective in preventing count and reconciliation by same user.</li> </ol>	<p><u>Lead:</u> Manager, Warehouse &amp; Inventory</p> <p><u>Support:</u> Leader, IT</p> <p><u>Commitment Date:</u> Item 1: September 30, 2019 Item 2 &amp; 3: March 30, 2020</p>

## 4.2 Inventory Count Process

Inventory count processes are not effectively designed to support the completeness and accuracy of inventory records. As a result, errors in inventory records may not be identified in a timely manner.

Inventory counts are not completed using a “blind count” process and are currently performed by a single employee who knows the expected quantity of the item (recorded in FSCM) at the time of count. No independent verification of inventory count is required unless a discrepancy of more than \$100 or 10% of item quantity is identified between the count information and FSCM records.

Completion of “blind counts” (where the employee does not know the expected quantity of the item) supports the accuracy of the inventory count process as it requires the physical count to be completed and prevents count bias, where an individual counts to the right answer (based on known FSCM records).

## Recommendation 2

Manager, Warehouse and Inventory, to redesign the inventory count process by incorporating blind inventory counts to support the early identification of inventory record discrepancies.

### Management Response:

Agreed.

Action Plan	Responsibility
Supply Management will review the operational cycle count procedure, the available FSCM cycle count processes and reports, and develop a new procedure that will adhere to the concept of a "Blind Count". This procedure will ensure that staff counting a location will not be aware of the FSCM item quantity at time of count. This work will include the modification by ESS of the current FSCM count sheet which displays the item quantities by location when created. Once procedure and revised count sheet are completed all Warehouse Division staff will be trained in the new cycle count procedure.	<u>Lead:</u> Manager, Warehouse & Inventory  <u>Support:</u> Leader, IT  <u>Commitment Date:</u> March 30, 2020

## **4.3 Inventory Count Frequency**

Warehouse and Inventory are not able to monitor and verify whether inventory counts for type A inventory items (high usage) are being completed within the required cycle count intervals.

Inventory items are categorized by type A, B, C, or D based on usage volume analysis; then the frequency of the counts are determined accordingly: type A items are required to be counted at a cycle interval of 70 days due to their higher usage and turnover, while type B, C and D items are required to be counted at a cycle interval of 365 days.

The FSCM inventory report utilized by Warehouse and Inventory includes what items were counted, the percentage of items counted, last count date, and number of counts in a calendar year. The report can only be run at a point in time rather than being able to reflect historical information. The report does not show historic count dates, so cannot be used to provide assurance as to whether type A inventory item counts have been completed at the required interval of 70 days during the year. Where item counts are not completed at the required intervals, the risk of delay in identifying loss, misappropriation or incorrect recordkeeping of type A inventory items increases.



Recommendation 3

Manager, Warehouse and Inventory, to develop a process to monitor and verify that inventory counts for type A inventory items are completed within the required cycle count intervals.

Management Response:

Agreed.

Action Plan	Responsibility
<p>ESS will develop, at direction of Supply Management, a count report that will provide a record at item level per warehouse when counts have been completed versus the assigned categorization frequency (A, B, C, or D) set within FSCM for the year. This report will allow calculation of a completion metric by warehouse that will allow Manager, Warehouse and Inventory, to identify whether required count frequencies are being met at each warehouse.</p> <p>Supply Management's monthly performance metrics will be revised to utilize a new completion metric to provide visibility on adherence to count schedules to Supply Management Leadership.</p>	<p><u>Lead:</u> Manager, Warehouse &amp; Inventory</p> <p><u>Support:</u> Leader, IT</p> <p><u>Commitment Date:</u> March 30, 2020</p>

REFERRED REPORT

Comprehensive Public Sector Pension Review, (C2019-0568), AC2019-1041

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RECOMMENDATION:

That the Audit Committee provide a recommendation to a September 2019 Council meeting on how to best achieve the intent based on their experience with annual audits of the City's pension plans, as internal and external experts in matters of financial and organizational effectiveness.

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BACKGROUND:

Excerpt from the Minutes of the 2019 April 29 Combined Meeting of Council:

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**"Moved by** Councillor Chahal  
**Seconded by** Councillor Demong

THEREFORE, BE IT RESOLVED that Council directs Administration to engage independent expert(s) and/or consultant(s) to address the following, with a report back to Priorities and Finance no later than Q1 2020:

1. A comprehensive examination that includes but is not limited to a quantitative and qualitative analysis of the state of The City of Calgary's Pension Plans by:
  - a. Reviewing annual financial and performance history that dates back to 2000 and may include, but not limited to, expense ratios, solvency funded ratios, going concern ratios, assets, liabilities, unfunded liabilities, administrative costs, pension plan contributions (employer and employee), number of active members, investment returns, and any other variables that can describe plan strengths, weaknesses, gaps, and suitability for the long-term health of The City;
  - b. Examining the short, medium, and long-term viability and sustainability;
  - c. Comparing public and private industry trends including best practices;
  - d. Comparing other types of pension plans available in the marketplace (i.e. Defined Contribution, Hybrid, Target Benefit, Other etc.) that would provide good financial stewardship (current and future) and risk mitigation for The City of Calgary while also striving to keep the impact of any possible changes at a minimum for all employees (exempt, non-exempt, Council);
  - e. Evaluating entry/exit strategies, including costs or savings, of moving toward other identified pension plans that would include recommendations to align with current policy, rules, collective agreements, or legislation (municipal, provincial, or federal) or provide suggestions on recommended changes that would need to be implemented at the municipal, provincial, or federal levels to achieve the pension reform changes that are being suggested;

- f. Identifying any potential impacts on current employee retention and future employee recruitment of moving towards other identified pension plans;
- g. Determining risks and other impacts on The City of Calgary and employees in migrating towards other potential viable and sustainable pension plans.

Vote not put

**Moved by** Mayor Nenshi  
**Seconded by** Councillor Farrell

That Council refer to Administration to further consult and clarify with the mover of the motion and develop a brief scoping report with cost, timeline and work plan to return to the 2019 July PFC.

ROLL CALL VOTE

For: (4): Mayor Nenshi, Councillor Carra, Councillor Farrell, and Councillor Jones  
Against: (10): Councillor Chahal, Councillor Chu, Councillor Colley-Urquhart, Councillor Davison, Councillor Demong, Councillor Farkas, Councillor Gondek, Councillor Keating, Councillor Magliocca, and Councillor Sutherland

**MOTION DEFEATED**

**Moved by** Councillor Gondek  
**Seconded by** Councillor Sutherland

That with respect to Notice of Motion C2019-0568, the following be approved:

That Council refer Notice of Motion C2019-0468 to Audit Committee and request that they provide a recommendation to a September 2019 Council meeting on how to best achieve the intent based on their experience with annual audits of the City's pension plans, as internal and external experts in matters of financial and organizational effectiveness.

**MOTION CARRIED"**

ATTACHMENT

1. Notice of Motion, C2019-0568



**Report Number:** C2019-0568

**Meeting:** Combined Meeting of Council

**Meeting Date:** 2019 April 29

## NOTICE OF MOTION

### **RE: COMPREHENSIVE PUBLIC SECTOR PENSION REVIEW**

**Sponsoring Councillor(s):** GEORGE CHAHAL, DIANE COLLEY-URQUHART, PETER DEMONG,  
SHANE KEATING

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WHEREAS the Pension Governance Committee (PGC) is responsible for oversight on matters relating to The City of Calgary pension plans for employees and Council, and for appointing stakeholder representatives (Plan Sponsor) for the multi-employer pension plans that are under the oversight of other bodies such as the Local Authorities Pension Plan (LAPP), the Special Forces Pension Plan (SFPP) and the Firefighters Supplementary Pension Plan (FSPP);

AND WHEREAS the Administrative Leadership Team (ALT) is accountable for approving a comprehensive compensation structure including retirement packages and pensions in order to attract and retain talent that is also competitive and financially sustainable for The City and Calgary taxpayers;

AND WHEREAS the Federal Government tabled legislation in 2016 which would introduce changes to amend the Pension Benefits Standards Act through Bill C-27 so that federally regulated companies and Crown corporations would have the option of setting up Target Benefit Plans (TBP) for their employees;

AND WHEREAS in 2018 the Government of Alberta introduced Bill 27: Joint Governance of Public Sector Pensions Act which transitions the LAPP and the SFPP into a joint governance structure which gives substantial power to employer and/or employee representatives to manage different aspects of the pension plans;

AND WHEREAS The City of Calgary is the second largest employer represented in the LAPP with just under 10% of the active plan members, while Alberta Health Services makes up more than 50% of the active plan members;

AND WHEREAS from 2009-2017, The City of Calgary booked an average of 52% of its total expenditures on total compensation and 5% on pension expenses, where the average annual growth for pension expenses was 11% while total compensation was 6% and total expenditures was 6%;

AND WHEREAS in 2017 1) total expenditures equaled \$3.82B, 2) total compensation equaled \$2.01B, and 3) pension expenses equaled \$208M;

AND WHEREAS in recent years, the private sector and in some cases the public sector has started to migrate away from Defined Benefit Plans (DBP) for a variety of valid reasons;

AND WHEREAS DBPs can be volatile in nature due to valuation assumption risk whereby actuarial valuations on plan assets and liabilities are dependent on economic and demographic assumptions, possibly resulting in significant variability in realized gains or losses, which may have a direct and/or indirect impact on employer and/or employee contributions;

AND WHEREAS the foundational assumptions of DBPs may include things such as interest rates, investment returns, inflation, life expectancy, future salary levels and demographic assumptions that can change over time and cause significant volatility in realized gains and/or losses for such pension plans;

AND WHEREAS The City of Regina experienced such escalating issues with respect to the Regina Civic Employees' Superannuation & Benefits Plan (7,000+ civic employees plus members from other industries) with a deficit close to \$300M in 2013, which led to threats from the provincial regulator to cancel the plan;

AND WHEREAS The City of Montreal also saw the cost of pension servicing go from \$100M to \$600M between 2002 and 2014 resulting in a pension deficit of close to \$2B in 2012;

AND WHEREAS The Government of New Brunswick also incurred major setbacks with their public sector pension plans after the financial crisis in 2008, which caused substantial investment losses, and led to major reforms and the introduction of Bill 63 to amend the Pensions Benefit Act (creating a new pension option called the Shared-Risk Pension Plan (SRPP) which is a TBP);

AND WHEREAS The City of Calgary and City Council spent a considerable amount of time debating the recent \$250M shortfall in the budget due to devaluation of downtown office towers which resulted in increases in taxes and possible structural changes that may result from an in-depth Service Line Review;

AND WHEREAS with City Council governance responsibilities, direction must be given to look at creative ways of providing secure, sustainable, and affordable pension options that balance the needs of all stakeholders including the employer, the employees, taxpayers, future taxpayers, society-at-large, and which comply with applicable legislation and existing labour agreements;

AND WHEREAS it is imperative for the long-term health of The City of Calgary that City Council is proactive, and makes continuous improvements and adjustments to its policies, procedures, and operations by asking the right questions in order to avoid crisis situations before they materialize;

THEREFORE, BE IT RESOLVED that Council directs Administration to engage independent expert(s) and/or consultant(s) to address the following, with a report back to Priorities and Finance no later than Q1 2020:

1. A comprehensive examination that includes but is not limited to a quantitative and qualitative analysis of the state of The City of Calgary's Pension Plans by:
  - a. Reviewing annual financial and performance history that dates back to 2000 and may include, but not limited to, expense ratios, solvency funded ratios, going concern ratios, assets, liabilities, unfunded liabilities, administrative costs, pension plan contributions (employer and employee), number of active members, investment returns, and any other variables that can describe plan strengths, weaknesses, gaps, and suitability for the long-term health of The City;
  - b. Examining the short, medium, and long-term viability and sustainability;
  - c. Comparing public and private industry trends including best practices;
  - d. Comparing other types of pension plans available in the marketplace (i.e. Defined Contribution, Hybrid, Target Benefit, Other etc.) that would provide good financial stewardship (current and future) and risk mitigation for The City of Calgary while also striving to keep the impact of any possible changes at a minimum for all employees (exempt, non-exempt, Council);
  - e. Evaluating entry/exit strategies, including costs or savings, of moving toward other identified pension plans that would include recommendations to align with current policy, rules, collective agreements, or legislation (municipal, provincial, or federal) or provide suggestions on recommended changes that would need to be implemented at the municipal, provincial, or federal levels to achieve the pension reform changes that are being suggested;

- f. Identifying any potential impacts on current employee retention and future employee recruitment of moving towards other identified pension plans;
- g. Determining risks and other impacts on The City of Calgary and employees in migrating towards other potential viable and sustainable pension plans.