



AGENDA

AUDIT COMMITTEE

May 20, 2021, 9:30 AM
IN THE COUNCIL CHAMBER

Members

Councillor E. Woolley, Chair
Councillor J. Farkas, Vice-Chair
Councillor D. Colley-Urquhart
Councillor J. Davison
Citizen Representative L. Caltagirone
Citizen Representative K. Kim
Citizen Representative M. Lambert
Mayor N. Nenshi, Ex-Officio

SPECIAL NOTES:

*Public are encouraged to follow Council and Committee meetings using the live stream
www.calgary.ca/watchlive
Members may be participating remotely.*

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, 2021 April 20
5. CONSENT AGENDA
 - 5.1. DEFERRALS AND PROCEDURAL REQUESTS
 - 5.1.1. Procedural Request that a Regular Meeting of the Audit Committee be held 2021 September 9 at 1:00 p.m. (Verbal) - AC2021-0640
 - 5.2. BRIEFINGS
None

6. POSTPONED REPORTS
(including related/supplemental reports)

None

7. ITEMS FROM OFFICERS, ADMINISTRATION AND COMMITTEES

7.1. Calgary Municipal Land Corporation 2020 Annual Report - AC2021-0663

7.2. Independent Assessment of The City's Whistle-blower Program - AC2021-0737

7.3. Integrated Risk Management Audit - AC2021-0730

7.4. Civic Partner Audit Report - AC2021-0557
Attachments 3, 5 and 6 held confidential pursuant to Sections 16 (Disclosure harmful to business interests of a third party), 23 (Local public body confidences), and 24 (Advice from officials) of the *Freedom of Information and Protection of Privacy Act*.

Review By 2026 October 22.

7.5. External Auditor's Update on Off-Site Levy Assurance Procedures - AC2021-0661

8. ITEMS DIRECTLY TO COMMITTEE

8.1. REFERRED REPORTS
None

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) - AC2021-0664
Held confidential pursuant to Section 24 (Advice from officials) of the *Freedom of Information and Protection of Privacy Act*.

10.1.2. External Auditor (Verbal) - AC2021-0665
Held confidential pursuant to Sections 23 (Local public body confidences) and 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*.

10.1.3. City Auditor (Verbal) - AC2021-0666
Held confidential pursuant to Section 24 (Advice from officials) of the *Freedom of Information and Protection of Privacy Act*.

10.2. URGENT BUSINESS

11. ADJOURNMENT



**MINUTES
AUDIT COMMITTEE**

**April 20, 2021, 8:30 AM
IN THE COUNCIL CHAMBER**

PRESENT: Councillor E. Woolley, Chair
Councillor J. Farkas, Vice-Chair (Remote Participation)
Councillor D. Colley-Urquhart (Remote Participation)
Councillor J. Davison (Remote Participation)
Citizen Representative L. Caltagirone (Remote Participation)
Citizen Representative K. Kim (Remote Participation)
Citizen Representative M. Lambert (Remote Participation)

ALSO PRESENT: Chief Financial Officer C. Male (Remote Participation)
A/City Auditor L. Ormsby (Remote Participation)
External Auditor T. Nakka (Remote Participation)
Executive Advisor C. Smillie
Legislative Advisor J. Palaschuk
Legislative Advisor D. Williams

1. CALL TO ORDER

Councillor Woolley called the Meeting to order at 8:31 a.m.

2. OPENING REMARKS

Councillor Woolley provided opening remarks.

ROLL CALL

Councillor Farkas, Councillor Davison, Councillor Colley-Urquhart, Citizen Representative Caltagirone, Citizen Representative Kim, Citizen Representative Lambert and Councillor Woolley.

3. CONFIRMATION OF AGENDA

Moved by Councillor Farkas

That the Agenda for the 2021 April 20 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, 2021 March 18

Moved by Councillor Farkas

That the Minutes of the 2021 March 18 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 2020 Annual Investment Report - AC2021-0535

A presentation entitled "2020 Annual Investment Report", dated 2020 April 20, was distributed with respect to Report AC2021-0535.

Moved by Citizen Representative Lambert

That with respect to Report AC2021-0535, the following be approved:

That the Audit Committee:

1. Recommends Council approval of The City of Calgary 2020 Annual Investment Report; and
2. Forward report AC2021-0535 to the 2021 April 26 Strategic Meeting of Council.

For: (7): Councillor Woolley, Councillor Farkas, Councillor Colley-Urquhart, Councillor Davison, Citizen Representative Caltagirone, Citizen Representative Kim, and Citizen Representative Lambert

MOTION CARRIED

7.2 The City of Calgary 2020 Annual Report - AC2021-0485

Councillor Woolley left the Chair at 9:27 a.m. and Vice-Chair Farkas assumed the Chair remotely.

Councillor Woolley resumed the Chair at 9:29 a.m. and Councillor Farkas returned to his seat at Committee remotely.

A presentation entitled "The City of Calgary 2020 Annual Report", dated 2020 April 20, was distributed with respect to Report AC2021-0485.

Moved by Councillor Colley-Urquhart

That with respect to Report AC2021-0485, the following be approved:

That the Audit Committee:

1. Consider this report in conjunction with Report AC2021-0460 "2020 External Auditor's Year-End Report";
2. Recommends Council approval of The City of Calgary 2020 Annual Report; and
3. Forward to the 2021 April 26 Strategic Meeting of Council.

For: (7): Councillor Woolley, Councillor Farkas, Councillor Colley-Urquhart, Councillor Davison, Citizen Representative Caltagirone, Citizen Representative Kim, and Citizen Representative Lambert

MOTION CARRIED

7.3 2020 External Auditor Year-End Report - AC2021-0560

Moved by Councillor Colley-Urquhart

That with respect to Report AC2021-0560, the following be approved:

That the Audit Committee:

1. Conduct a Closed Meeting discussion with the External Auditor and keep that discussion confidential pursuant to Sections 24 (Advice from officials) and 25 (Disclosure harmful to economic and other interests of the public body) of the *Freedom of Information and Protection of Privacy Act*, to be reviewed by 2026 April 20;
2. Receive this Report and Attachments for the Corporate Record and consider them in conjunction with Report AC2021-0485, The City of Calgary 2020 Annual Report;
3. Direct that this Report and Attachments be forwarded to the 2021 April 26 Strategic Council Meeting;
4. Recommend that Council receives Report AC2021-0560, 2020 External Auditor's Year-End Report, and the Attachments, for information and the Corporate Record; and
5. Keep Attachment 2 and the Closed Meeting discussions with the External Auditor confidential pursuant to Sections 24 (Advice from officials) and 25 (Disclosure harmful to economic and other interests of the public body) of the *Freedom of Information and Protection of Privacy Act*, to be reviewed by 2026 April 20.

For: (7): Councillor Woolley, Councillor Farkas, Councillor Colley-Urquhart, Councillor Davison, Citizen Representative Caltagirone, Citizen Representative Kim, and Citizen Representative Lambert

MOTION CARRIED

7.4 City Auditor's Office 1st Quarter 2021 Report - AC2021-0580

Councillor Woolley left the Chair at 10:46 a.m. and Vice-Chair Farkas assumed the Chair remotely.

Councillor Woolley resumed the Chair at 10:49 a.m. and Councillor Farkas returned to his seat at Committee remotely.

Moved by Citizen Representative Lambert

That with respect to Report AC2021-0580 the following be approved:

1. Receive this report for the Corporate Record; and
2. Recommend that Council receive this report for the Corporate Record.

For: (7): Councillor Woolley, Councillor Farkas, Councillor Colley-Urquhart, Councillor Davison, Citizen Representative Caltagirone, Citizen Representative Kim, and Citizen Representative Lambert

MOTION CARRIED

7.5 Shareholder Alignment Review of Wholly-Owned Subsidiaries Update - AC2021-0214

Moved by Councillor Davison

That with respect to Report AC2021-0214 the following be approved:

That Audit Committee receive this report for information and the Corporate Record.

For: (7): Councillor Woolley, Councillor Farkas, Councillor Colley-Urquhart, Councillor Davison, Citizen Representative Caltagirone, Citizen Representative Kim, and Citizen Representative Lambert

MOTION CARRIED

7.6 External Auditor Update on Off-Site Levy Assurance Procedures - AC2021-0545

Moved by Councillor Farkas

That with respect to Report AC202-0545 the following be approved:

That the Audit Committee:

1. Receive this report and attachment for the Corporate Record; and
2. Keep the Closed Meeting discussions confidential pursuant to Section 24 (Advice from Officials) and 26 (Testing procedures, tests and audits) of the

Freedom of Information and Protection of Privacy Act, to be reviewed 2022 April 20.

For: (6): Councillor Woolley, Councillor Farkas, Councillor Davison, Citizen Representative Caltagirone, Citizen Representative Kim, and Citizen Representative Lambert

Against: (1): Councillor Colley-Urquhart

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 Councillor Farkas

That pursuant to Sections 19 (Confidential evaluations), 23 (Local public body confidences), 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*, Committee now move into Closed Meeting at 11:09 a.m., in the Council Boardroom, to discuss confidential matters with respect to the following Items:

- 10.1.1 Audit Forum (Verbal) - AC2021-0489
- 10.1.2 External Auditor (Verbal) - AC2021-0490
- 10.1.3 City Auditor (Verbal) - AC2021-0491
- 10.1.4 External Auditor Annual Renewal (Verbal) - AC2021-0584

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

By General Consent, pursuant to Section 6(1) of Procedure Bylaw 35M2017, Committee suspend Section 78(2)(a) of the Procedure Bylaw in order to complete the remainder of the Agenda prior to the lunch recess.

MOTION CARRIED

Committee reconvened in public meeting at 12:21 p.m. with Councillor Woolley in the Chair.

ROLL CALL

Councillor Farkas, Councillor Davison, Councillor Colley-Urquhart, Citizen Representative Caltagirone, Citizen Representative Kim, Citizen Representative Lambert and Councillor Woolley.

Moved by Councillor Farkas

That Committee rise and report.

MOTION CARRIED

10.1 ITEMS FROM OFFICERS, ADMINISTRATION AND COMMITTEES

10.1.1 Audit Forum (Verbal) - AC2021-0489

People in attendance during the Closed Meeting discussions with respect to Confidential Verbal Report AC2021-0489:

Clerks: D. Williams and J. Palaschuk. Advice: C. Male, L. Ormsby, L. Tochor, and C. Smillie. External Advice: T. Nakka, H. Gill, I. Cvitanusic, and E. Vervoort.

Moved by Councillor Farkas

That with respect to Confidential Verbal Report AC2021-0489, the following be approved:

That the Audit Committee 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*.

For: (7): Councillor Woolley, Councillor Farkas, Councillor Colley-Urquhart, Councillor Davison, Citizen Representative Caltagirone, Citizen Representative Kim, and Citizen Representative Lambert

MOTION CARRIED

10.1.2 External Auditor (Verbal) - AC2021-0490

People in attendance during the Closed Meeting discussions with respect to Confidential Verbal Report AC2021-0490:

Clerks: D. Williams and J. Palaschuk. Advice: C. Smillie. External Advice: T. Nakka, H. Gill, I. Cvitanusic, and E. Vervoort.

Moved by Citizen Representative Caltagirone

That with respect to Confidential Verbal Report AC2021-0490, the following be approved:

That the Audit Committee direct that the Closed Meeting discussions remain confidential pursuant to Sections 23 (Local public body confidences), 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*.

For: (7): Councillor Woolley, Councillor Farkas, Councillor Colley-Urquhart, Councillor Davison, Citizen Representative Caltagirone, Citizen Representative Kim, and Citizen Representative Lambert

MOTION CARRIED

10.1.3 City Auditor (Verbal) - AC2021-0491

People in attendance during the Closed Meeting discussions with respect to Confidential Verbal Report AC2021-0491:

Clerks: D. Williams and J. Palaschuk. Advice: L. Ormsby, A. Bleau, and C. Smillie.

Moved by Councillor Colley-Urquhart

That with respect to Confidential Verbal Report AC2021-0491, the following be approved:

That the Audit Committee direct that the Closed Meeting discussions remain confidential pursuant to Sections 19 (Confidential evaluations) and 24 (Advice from officials) of the *Freedom of Information and Protection of Privacy Act*.

For: (7): Councillor Woolley, Councillor Farkas, Councillor Colley-Urquhart, Councillor Davison, Citizen Representative Caltagirone, Citizen Representative Kim, and Citizen Representative Lambert

MOTION CARRIED

10.1.4 External Auditor Annual Renewal (Verbal) - AC2021-0584

People in attendance during the Closed Meeting discussions with respect to Confidential Verbal Report AC2021-0584:

Clerks: D. Williams and J. Palaschuk. Advice: C. Smillie.

Moved by Councillor Colley-Urquhart

That with respect to Confidential Verbal Report AC2021-0584, the following be approved:

That the Audit Committee:

1. Approve the annual renewal of the External Auditor's contract with the City of Calgary, effective 2021 May 01; and
2. Keep the Closed Meeting discussions confidential pursuant to Sections 19 (Confidential evaluations) and 24 (Advice from officials) of the *Freedom of Information and Protection of Privacy Act*.

For: (7): Councillor Woolley, Councillor Farkas, Councillor Colley-Urquhart, Councillor Davison, Citizen Representative Caltagirone, Citizen Representative Kim, and Citizen Representative Lambert

MOTION CARRIED

10.2 URGENT BUSINESS

None

11. ADJOURNMENT

Moved by Councillor Farkas

That this meeting adjourn at 12:28 p.m.

MOTION CARRIED

The following items have been forwarded to the 2021 April 26 Strategic Meeting of Council:

ITEMS FROM OFFICERS, ADMINISTRATION AND COMMITTEES

- 2020 Annual Investment Report, AC2021-0535
- 2020 City of Calgary Annual Report, AC2021-0485
- 2020 External Auditor's Year-End Report, AC2021-0560

The following item has been forwarded to the 2021 May 10 Combined Meeting of Council:

CONSENT:

- City Auditor's Office 2021 1st Quarter Report, AC2021-0580

The next Regular Meeting of the Audit Committee is scheduled to be held on 2021 May 20 at 9:30 a.m.

CONFIRMED BY COMMITTEE ON

CHAIR

ACTING CITY CLERK

**Calgary Municipal Land Corporation Report to
Audit Committee
2021 May 20**

**ISC: UNRESTRICTED
AC2021-0663
Page 1 of 2**

Calgary Municipal Land Corporation 2020 Annual Report

RECOMMENDATION:

That Audit Committee receive this report and presentation for the Corporate Record.

HIGHLIGHTS

- This report is in response to the Audit Committee's request for a presentation on governance, financial and performance reporting, risk management and talent and culture insights.
- What does this mean to Calgarians? Citizens are provided assurance that the Audit Committee has oversight of the City of Calgary's civic partners.
- Why does it matter? Investment in civic partners is significant and ensuring these entities have good governance, financial and performance reporting, risk management and talent and culture practices aligns with Council's citizen priorities.
- The Audit Committee 2021 Work Plan includes a presentation from five civic partners on their 2020 annual report and Calgary Municipal Land Corporation was one of the partners selected to present this year.
- Strategic Alignment to Council's Citizen Priorities: A well-run city
- The Audit Committee Bylaw 33M2020 provides that Audit Committee oversees its governance responsibility with audit committees of The City's major autonomous civic entities, as determined by the Audit Committee.

DISCUSSION

The Audit Committee requested information on governance, financial and performance reporting, risk management and talent and culture insights be provided to the Committee by Calgary Municipal Land Corporation, as follows:

Governance

1. A brief outline of your organization's governance structure including board committees, term lengths and limits, skills matrix, evaluation, succession and recruitment planning for all positions.
2. Specific to your organization's board committees:
 - (a) What is the frequency of review of the compositions and Terms of Reference, and are there any recent changes to the Committee Charter or Terms of Reference?
 - (b) What frequency does the board's governance committee regularly assess board composition to ensure the board has the requisite skills, competencies, diversity and independence to provide oversight required by the organization (e.g. financial, legal and risk oversight)?
 - (c) What is the current composition of the Audit Committee including relevant financial experience?
 - (d) What is your Audit Committee's 2021 Work Plan?

**Calgary Municipal Land Corporation Report to
Audit Committee
2021 May 20**

**ISC: UNRESTRICTED
AC2021-0663
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Calgary Municipal Land Corporation 2020 Annual Report

Financial and Performance Reporting

3. Brief summary of your organization's recent financial highlights and key 2021 initiatives/strategy.
4. How has the board considered environmental, social factors and metrics into its 2021 planning, and beyond?
5. What initiatives are currently in progress to improve the efficiency of your processes (e.g. sustainable operations, key performance indicators and relevance of the organization in the future)?
6. Are there any regulatory or market changes that impacted the business approach in 2020 and would they be relevant to share publicly with the Audit Committee?
7. Please provide the most recent management letter including management responses as appropriate.

Enterprise Risk Management

8. What are your organization's principal risks including financial and operational as well risk management policies and procedures?
9. How is the principal risks oversight assigned, tracked and monitored by the board?
10. What internal controls are in place to manage risk including information technology and systems?
11. What frequency does the board continually evaluate oversight controls, processes and disclosure?
12. Are there any results of regulatory or internal/external business assessments that provide assurance on the effective management of the principal risks as addressed in your presentation?

Talent and Culture

13. Have there been any significant changes to your organization's executive leadership?
14. How are the board's diversity goals included in your organization's corporate governance framework to ensure diversity is promoted for the board, executive and organization?
15. What mechanisms are in place to support concerns of management and employees?
16. Describe the board's compensation strategy including retention and morale; pay ratios; transparency; views of the shareholder and stakeholders; and long-term strategy and objectives.

Attachments to this report have been provided by Calgary Municipal Land Corporation to address Audit Committee's request.

ATTACHMENT(S)

1. CMLC 2021 Report to Audit Committee
2. CMLC Audit Committee Terms of Reference.
3. CMLC Audit Committee 2020 Work Plan.
4. CMLC Control Environment Assessment.
5. CMLC Risk Register.
6. Deloitte – CMLC 2020 Audit Results and Communications.
7. CMLC 2020 Financial Statements and Auditor's Report.

CMLC's Report to Audit Committee

2020 was a year that was defined by the challenges and the changes wrought by the COVID-19 crisis. As its ripple effects reverberated through our community, our resilience as an organization was put swiftly and continually to the test. And, as we have always done in the face of unforeseen obstacles, after calmly and thoughtfully taking stock of our projects and the risks we now had to consider, CMLC rose confidently to these new challenges.

This new reality called for adaptations in every facet of our business. With a few modifications for evolving public health protocols, we forged ahead with our four major projects in east Victoria Park: the BMO Centre expansion, the Event Centre, the Arts Commons Transformation and the extension of 17th Avenue SE across the LRT tracks into Stampede Park.

Proceeding with these projects responsibly—adapting to the impacts of COVID-19 along the way—will be an important part of Calgary's long-term economic recovery.

With the built-in flexibility and innovation needed to navigate complexities both within and well beyond our control, CMLC moves forward with full confidence in our ability to continue creating excellent places and outstanding value for all Calgarians.

In response to the financial impact of COVID-19 on revenues we reassessed and forecasted the Community Revitalization Levy (CRL) to ensure that we would still meet our long-term obligations. This work helped us reaffirm that despite the impact of COVID-19 the anticipated CRL would be sufficient to meet our current and future obligations.

Governance

CMLC's Board of Directors continues to provide strong, committed leadership to the company, and a subcommittee of the Board provides specific governance leadership. To further assist with governance, additional subcommittees focus on Human Resources & Compensation, Finance & Audit, and Environment, Health & Safety. CMLC has staggered terms of appointment for the Board of Directors to ensure that there is continuity of Board of Directors and an appropriate balance of experience and fresh eyes.

The Board's Governance Committee has developed criteria, including a skills matrix, for future Board candidates to ensure that we attract qualified and committed Calgarians. This recruitment process has produced a high-functioning Board, which is diverse and open to a wide variety of perspectives.

At an operational level, CMLC's management continues to update corporate policies and our employee and Board of Directors' manuals as necessary. CMLC will continue to operate in a transparent, timely, efficient manner and in the best interests of our shareholder, the City of Calgary.

In 2020, we undertook a search for two new Directors. CMLC welcomed these two new members to the CMLC Board early in 2021.

The Board Terms of Reference are reviewed annually. There were no significant changes to the Committee Charter or Terms of Reference in 2020. Board composition is also reviewed on an annual basis to ensure oversight is provided to CMLC.

Audit Committee Composition

Shannon Doram

Audit Committee Chair

Environment, Health & Safety Committee Member

Shannon Doram joined the CMLC Board of Directors in 2019. She is currently the President and CEO of YMCA Calgary, working with more than 3,000 staff and volunteers to optimize the operation of 1 million square feet of infrastructure. Shannon recently led the organization through a two-year transformation, doubling in size to service the well-being of Calgarians. To achieve YMCA's goals of healthy and vibrant communities, Shannon works with a diverse array of partners, including government, public and private organizations, sponsors, and donors. Driven by a passion for community-building and mobilizing leadership, she is actively involved in leading numerous leadership and YMCA initiatives across Canada, the US and internationally. Shannon holds a BSc from the University of Calgary (Kinesiology) and MSc from the U of A's School of Public Health.

Adam Pekarsky

Audit Committee Member

Compensation & Human Resources Committee Member

Adam Pekarsky is the Founding Partner of Pekarsky & Co., an award-winning, Calgary-based, independently owned and operated executive search firm. Adam has been recruiting executives, advising boards and offering thought leadership in western Canada for nearly 20 years. Prior to founding Pekarsky & Co. in 2009, Adam was a Client Partner in the Calgary office of Korn/Ferry International, where he was a member of the firm's Global Industrial Market's Energy Sector, as well as the firm's Legal Center of Expertise. Adam holds an LL.B. from the University of Alberta and a bachelor's degree in political science from Tufts University in Boston. Adam previously served five years on Tourism Calgary's Board of Directors, and presently sits on the YMCA Calgary Board of Directors, where he chaired the Strategy Committee, sits on the Governance Committee and leads the Camp Chief Hector Endowment Committee. Adam is also a sessional instructor at the University of Calgary Faculty of Law.

Kent Brown

Audit Committee Member

Kent Brown joined the CMLC Board in 2021. Born and raised in Calgary, Kent is a Canadian entrepreneur who has focused on the climate tech sector for the past 20 years. Founder and CEO of BluEarth Renewables, Kent and his team built a successful \$1.2 billion renewable energy platform before it sold in 2015. He is also the former CEO of Canadian Hydro Developers which was the largest Canadian renewable energy company when it sold in 2009. With a passion for advising on climate technology and the impacts of climate change, Kent is an active mentor at the Creative Destruction Lab and was appointed by the Government of Alberta's Climate Change Advisory Panel in 2015 to co-lead and co-facilitate Electricity Stakeholder Technical Engagement sessions which lead to the Climate Leadership Plan. He also co-created The Catherine Bell & Kent Brown Awakened Company Award at the Smith School of Business at Queen's University.

Other Affiliations: VEERUM (Board Chair), Canary Biofuels (Board Chair)

Strategic Planning

CMLC's Board and staff are committed to bringing ongoing value to our shareholder and, ultimately, to the citizens of Calgary. In 2020, CMLC continued to use our four 'strategic pillars' to focus our city-building efforts:

1. Maximizing impact
2. Relationship management
3. Community-building innovation
4. Excellence in project execution

At the end of 2020, one year in, we assessed our performance and progress in each of these areas. In so doing, we also factored in the overall global events of the past year. We remain confident that our work remains on track and continues to deliver value and relevance.

Below are the initiatives we aim to commence delivery on in 2021.

Within the Rivers District

To deliver a public infrastructure and placemaking program to attract private investment, to stimulate CRL generation, and to create a sustainable tax base for the City of Calgary as our shareholder.

East Village Infrastructure Upgrades & Maintenance

9th Avenue SE Parkade & Innovation Centre

Land Strategy and Activations

East Victoria Master Plan

- Victoria Park Infrastructure Upgrades
- East Victoria Park Land Strategy
- 17th Avenue SE Extension + Stampede Trail
- 9th Avenue SE Bridge

Project Management

Corporate Programming

- Corporate communications
 - Safety and Vitality
 - Community Placemaking & Programming
 - Marketing Communications

Strategy outside the Rivers District

To create value (ROI) for CMLC and City of Calgary as our shareholder by strategically selecting real estate development opportunities that not only support the organization's vision and mandate but also best utilize our core competencies.

The development of the David D. Oughton (DDO) School Site is a priority. We will seek the most effective way of delivering on this project through collaboration with the private industry.

Financial and Performance Reporting

Financial Highlights

- Positive impact within the Rivers District through investment in Community Projects: BMO Expansion, 9th Avenue Parkade, 17th Avenue Extension, Stampede Crossing Station, East Village Place Renovations, East Village Place Maintenance, Rivers District Master Plan: Victoria Park
- Continued maintenance of completed Infrastructure assets saving the City on additional maintenance costs.
- Clean auditor's opinion on financial statements.
- Financial statements of CMLC are consolidated into the City financial statements
- No regulatory or market changes impacted CMLC's business approach in 2020

Sustainability & Accessibility

CMLC is reviewing our corporate accessibility and sustainability (A&S) practices to improve visibility, accountability and transparency in these areas. In the past year, we have worked toward establishing a more formal integration of A&S into our corporate culture and projects through the following efforts:

- liaising with similar organizations to understand how they have integrated these concepts into their corporate philosophy and operations.
- engaging with our partners to better understand industry best practices and evolving standards.
- organizing facilitated, in-house staff development sessions.

Our goal with these pursuits is to better understand how A&S considerations play into partner selection and our day-to-day operations, and how we can continue supporting and collaborating with our partners while maintaining high A&S standards. CMLC is committed to continuing to enhance the accessibility and sustainability of our organization and our community. We take the following measures to ensure project designs meet or exceed industry best practices for A&S at the procurement and review stages.

- We ensure consistency and compliance through the City's Sustainable Building Policy, which guides design and construction decisions on City-funded projects.
- We ensure our consultants meet the mandatory Alberta Building Code (ABC) requirements for accessibility and further require our project teams to include a dedicated accessibility consultant as part of the integrated project team.
- The City's Advisory Committee on Accessibility reviews and provides feedback on all project designs, with their standards exceeding the mandatory ABC requirements.

- We review designs through independent, third-party accessibility programs to ensure we remain leaders in this practice.

CMLC is committed to making our communities, our projects and our workplace as accessible and sustainable as possible. This is an ongoing process, and we will continue to strive for the highest standards in A&S

Diversity, Equity & Inclusion

As a community member and community champion, CMLC is committed to improving diversity and inclusion (D&I) within and outside of our organization. To underscore this commitment, we are embarking on a process to incorporate D&I principles into all we do. Toward the end of 2020, we invited all CMLC team members into a series of open conversations so we could begin to understand how we can be more responsive to and reflective of the community we live and work in. Increasing our diversity awareness and our organization's inclusiveness can have far-reaching benefits to our culture, our work and our relationships with stakeholders. Through 2021, we will take the following actions to advance our D&I practices.

1. Establish our D&I baseline and goals—seek company-wide input to identify where are we, what we want to achieve, and how will we get there.
2. Explore and learn—grow our collective understanding of D&I terminology, D&I leading practices and evolution, and the impact of unconscious bias.
3. Develop specific and achievable goals, both internal and external—strike a working group, commit to outcomes, and map our plan for getting there.
4. Execute and measure—integrate the working group's findings into our business strategy, building accountability to ensure an iterative and ongoing process.

Enterprise Risk Management

CMLC's Enterprise Risk Management (ERM) program gives the organization a systematic approach to managing risk. The ERM program is embedded in CMLC's business activities to support effective project management and gives the Board, the senior management team and the rest of the organization useful risk information to support strategic decision-making. The ERM program gives us a clearly defined risk governance structure with roles and responsibilities and alignment between strategic objectives and organizational risks. Prior to 2020, CMLC reviewed and updated our ERM program on an annual basis. In 2020, we decided to shift to biannual reviews of the ERM program, starting in 2021.

- CMLC developed its Enterprise Risk Management (ERM) framework in 2016. The ERM program was approved by the CMLC Board of Directors.
- CMLC has an Enterprise Risk Management Policy (Policy) that defines the Policy objectives, risk management roles and responsibilities and Policy ownership.

Principal Financial risks faced by CMLC include:

- Financial Investment Risk: Loss of ability to attract investment.
- CRL Risk: Risk of lower than expected CRL revenue.

Principal Operational risks faced by CMLC include:

- Economy Resilience Risk: Risk that economy impacts ability to meet current plans.
- Project Risk: Financial loss due to failure to implement strategic projects, within proposed time and budget estimates.
- Growth Risk: Loss of ability to react quickly, inability to maintain high level of quality, innovation and credibility.
- Stakeholder and Partner Relationship Risk: Risks resulting from development partnerships and loss of control over delivery of projects.
- THE CMLC Enterprise Risk Management Function (ERMF) comprises the VP Finance and Corporate Services, VP Marketing & Communications and VP Design & Construction. The ERMF oversees the implementation and ongoing execution of risk management processes within their areas of responsibility, and report on CMLC consolidated enterprise-wide risks and risk management status to the Board on at least an annual basis.
- The Board determines the appropriate level of risk that the Board is willing to accept in the conduct of CMLC business activities. The Enterprise Risk Management Function (ERMF) assists the Board in carrying out this oversight role. The CMCL ERMF reports periodically (minimum annually) to the Audit Committee on its risk assessment activities.
- CMLC's principal risks are documented in an ERM risk register. The risk register captures the risk event, risk cause, current mitigations and a risk assessment based on likelihood of occurrence and impact to CMLC. Where additional risk mitigation activities are identified, these are captured and assigned a risk owner.
- CMLC reports principal risks to the board audit committee on an annual basis. Reporting includes principal risks; risk causes and impact to CMLC should they occur.
- Board reporting includes a heat map that illustrates how the likelihood of occurrence and impact of principal risks changes year over year.
- Information technology risk is mitigated by outsourcing IT to a consultant with an experienced team.

- Cybersecurity & financial risk is mitigated through certificates on Senior Management Team signatures and spending authorization processes.
- Cybersecurity insurance in place to transfer risk to a third party.
- The board audit committee evaluates highest priority risks on a bi-annual basis.
- Safety risk is assessed through an independent third-party site audit on all CMLC developer sites to ensure they are complying with the Health and Safety standards.
- Project risk is monitored internally through regular variance (financial) analysis. Project risk is mitigated through Force Majeure contract clauses to hold the developer accountable for project delays.

Talent and Culture

In 2020, CMLC had no significant changes to our executive leadership.

Through CMLC's Human Resources & Compensation Committee Terms of Reference we ensure diversity is promoted throughout the organization. Employees have access to our Corporate Intranet site and Human Resource Representative for any concerns. We also have a Whistleblower policy to ensure employees feel safe should they need to report any unethical occurrences.

We offer the challenge of constantly improving our employees' capabilities in a pleasant, dynamic and friendly work environment. VP, Finance and Corporate Services is notified when there is an intention to hire, and it is also communicated to the President & CEO. Compensation range and benefits are determined prior to posting of new positions on the company's website and/or using a search company.

Typically, at least two interviews will be conducted with potential candidates. Reference checks will be performed before a candidate is offered a position. All employees will be given a three months' probation period for the employee and CMLC to determine whether there is a good fit.

We offer employees on-the-job coaching and annual performance feedback. We are currently in the process of enhancing our feedback mechanism so that feedback is provided on a more frequent basis. We goal is to do quarterly check-ins with our employees on work progress and reaching performance goals.

We offer full time employees training and development to enhance their knowledge and skills, with the goal to assist employees with their career growth.

Succession Planning

Succession planning is essential to ensure that CMLC has the suitable talent with the appropriate skills, knowledge and abilities are in place, or being developed. Mitigate risk when leadership departs and as organization moves towards its strategic future and establish a talent management process to promotes and clarify career progression

Succession plan beyond the CEO: Keep succession as a constant leadership agenda item – consider key positions, including areas beyond CEO, that are critical to ensure that the organization’s ability to function will not be crippled in an emergency

Manage vulnerabilities: Establish a common understanding of where unique skills exist and whether they can be replaced. Determine whether internal successors are ready now and how to prepare them

Responsiveness: Ensure that supporting procedures and instructions are in place to deal with such a situation quickly

Develop leadership capability: Continue to develop a pool of successors that can be used to meet changing needs with a mix of stretch assignments and leadership development to build capacity

In 2020 we developed an emergency succession plan in response to the COVID-19.

CALGARY MUNICIPAL LAND CORPORATION (“CMLC”)**AUDIT****BOARD COMMITTEE MANDATE**

1. Pursuant to Section 5 of Replacement Bylaw No. 1 of CMLC (the “Corporation”) a committee of the directors to be known as the Audit Committee (hereinafter referred to as the “Committee”) is hereby established.
2. (a) The Committee shall be comprised of a minimum of three independent non- management directors, none of whom shall have any interest in, or business or other relationship with the Corporation that may, or may reasonably be perceived to, interfere with the exercise of their independence from management and the Corporation.

(b) If not an appointed member of the Committee, the Chair of the Board may attend Committee meetings at his discretion but shall not be entitled to vote except as required by Section 7(b).
3. The members of the Committee shall be financially literate or become financially literate within a reasonable period of time after being appointed. Further, at least one member of the Committee shall have accounting or related financial management expertise. For purposes hereof, “financially literate” shall mean the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that can reasonably be expected to be raised by the Corporations’ financial statements.
4. The members of the Committee shall be appointed or reappointed at the meeting of the Board of Directors (the “Board”) immediately following each Annual General Meeting of the Shareholder of the Corporation. Each member of the Committee shall continue to be a member thereof until his/her successor is appointed, unless he/she shall resign or be removed by the Board or he/she shall cease to be a director of the Corporation. Where a vacancy occurs at any time in the membership of the Committee, it shall be filled by the Board.

5. The board shall appoint a Chair of the Committee. If the Chair of the Committee cannot be present at any meeting of the Committee, the Chair shall, in advance of the meeting, designate another member of the committee, as Chair. Failing which, the chair of the Committee shall be chosen by the Committee from among the members present. At all meetings of the Committee, every question shall be decided by a majority of the votes cast on the question. In the case of an equality of votes, the motion shall be lost and the person acting as chair of the meeting shall not be entitled to a second or casting vote.
6. The Committee has the authority to investigate any activity of the Corporation. All employees are to cooperate as requested by the committee. All information received by the Committee in connection with any investigation will be made available for examination by a director of the Corporation upon request to the Chair of the Committee
7. The time and place of meetings of the Committee and the procedure at such meetings shall be determined from time to time by the members thereof provide that:
 - a) A quorum for meetings shall be two members, present in person or by telephone or other telecommunication device that permit all persons participating in the meeting to speak and hear each other;
 - b) In circumstances where a quorum cannot be constituted as in 7(a), the Chair of the Board may be considered in establishing quorum and shall be entitled to vote for the duration of the meeting;
 - c) The Committee shall meet at least semi-annually; and
 - d) Notice of the time and place of every meeting shall be given in writing or facsimile communication to each member of the Committee, at least 24 hours prior to the time fixed for such meeting, provided, however, that a member may in any manner waive a notice of meeting; and attendance of a member at a meeting is a waiver of notice of the meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called. The external auditors are entitled to attend Committee meetings at the expense of the Corporation, if requested by the Chair. A meeting of the committee may be called by the Chair or CEO of the Corporation, by a member of the Committee or the external auditors. Notwithstanding the provision of this paragraph, the Committee shall at all times have the right to determine who shall and shall not be present at any part of the meeting of the Committee.

8. The Committee shall:

a) in connection with its advisory functions:

- (i) review and upon satisfaction recommend to the Board for approval all annual, interim and other financial statements of the Corporation, all annual and interim reports and annual information forms, management discussion and analysis and other public financial documents, if deemed required;
- ii) review and be satisfied with the policy and procedures in place for the review of the Corporation's disclosure of financial information extracted or derived from the Corporation's financial statements;
- iii) review the external auditors' advice in respect of the Corporation's accounting systems and policies and representation letters given to the external auditors by management.
- iv) review with Management and report to the Board, on an annual basis, on the financing plans of the Corporation.
- v) at the conclusion of a Committee meeting, meet in camera with the external auditors, if present, and report to the Board on such meeting;
- vi) review recommendations of the officers of the Corporation as to the appointment or reappointment of external auditors as well as qualifications in the case of new auditors and make recommendations to the Board with respect to the nomination and remuneration of external auditors to be appointed at each Annual General Meeting of the Shareholder.
- vii) if a change in external auditors is proposed, the Committee will review the reasons for the proposed change as well as obtain a response from the incumbent auditor;
- viii) oversee the work of the external auditors engaged for the purpose of preparing or issuing an audit report or related work;
- ix) review periodically, the nature and extent of compliance with requirements regarding statutory deductions and remittances, including deductions and remittances under the Income Tax Act (Canada), the Excise Tax Act (Canada), the Canada Pension Plan Act, the Employment Insurance Act (Canada), the Alberta corporate Tax Act and the Health Insurance Premiums Act. (Alberta) and the nature and extent of non-compliance together with the reasons therefor, and the plan and

timetable to correct deficiencies and report to the Board on the status of such matters;

- x) review any policy that delegates financial authorities from the Board of Directors to Management including, but not limited to, the Delegation of Authority Limits.
 - xi) review with officers of the Corporation, on an annual basis, and recommend to the Board, for approval, changes as considered advisable on the following:
 - a) the risks inherent to the Corporation's businesses, facilities and strategic direction;
 - b) the overall financing of risk (including insurance coverage);
 - c) the risk retention philosophy and the resulting uninsured exposure of the Corporation; and
 - d) loss prevention policies, risk management programs, standards and accountabilities of the Corporation in the context of competitive and operational consideration.
 - xii) annually review work plan and work load for Vice President, Finance & Corporate Services for the Corporation.
- b) in connection with the exercise of its powers:
- i) review material related party transactions;
 - ii) engage and compensate independent counsel and other advisors that the Committee determines are necessary to carry out its duties;
 - iii) communicate directly with the external auditor as the Committee considers necessary to carry out its duties;
 - iv) communicate the Committee's expectations regarding the external auditor's performance and evaluate the auditor's past performance;
 - v) review the audit plan of the external auditor of the Corporation and inquire as to the extent the planned audit scope can be relied upon to detect weaknesses in internal control or fraud or other illegal acts. Review significant recommendations made by the auditors for the strengthening of internal controls;
 - vi) review as required the adequacy and effectiveness of internal controls over the accounting and financial reporting systems within the Corporation including management's response to the internal control recommendations of the external auditor.

- vii) review any changes in accounting policies and the financial impact thereof and review any major areas of management judgement and estimates that have a significant effect upon the financial statements;
- viii) review semi-annually with management, the external auditor and if necessary with legal counsel, any litigation, claim or other contingency, including tax assessments, that could have a material effect upon the financial position or operating results of the Corporation, and the manner in which these matters have been disclosed in the financial statements;
- ix) review annually with management material covenants in credit and loan agreements;
- x) review the disclosure provided by the Chief Executive Officer and Vice President, Finance & Corporate Services in connection with:
 - a) the annual certification obligations pursuant to applicable laws, if any;
 - b) significant deficiencies and material weaknesses in the design or operation of internal controls that could adversely affect the corporation's ability to disclose information required to be disclosed by it under applicable securities laws within the time periods required; and
 - c) any fraud, whether or not material, that involves management or other employees with a significant role in the Corporation's internal controls;
- xi) monitor the independence of the external auditor through written disclosures and meetings with the auditor and by reviewing the independent auditor's account of the total fees derived from the audit client for management advisory services, during the past year and a description of such services;
- xii) directly or by delegation to the Audit Committee Chair and Director, Finance & Corporate Services, acting together, pre-approve non-audit related services provided by the external auditors and the fees related thereto and assess the impact of such non-audit related services on the independence of the external auditors;
- xiii) review the basis and amount of the external auditors' fees in light of the number and nature of reports issued by the auditors, the quality of the internal controls, the size, complexity and financial condition of the Corporation and the extent of internal audit and other support provided by the Corporation to the external auditors;

- xiv) annually review consulting engagements from accounting and audit firms to ensure that their use is effective and efficient and to confirm that external audit firms were not contracted for audit services;
 - c) report to the Board after each Committee meeting, required during the year and, upon request, at the end of each fiscal year, table report to the Board with respect to its activities during the preceding year with such recommendations as are deemed desirable in the circumstances;
 - d) Formally assess its effectiveness on a yearly basis.
- 8. In instances where members of the Committee believe that in order to properly discharge their fiduciary obligations to the Corporation it is necessary to obtain the advice of external experts, the Chair shall, at the request of the Committee, engage the necessary experts. The Board shall be kept appraised of both the selection of the experts and the expert's findings through the Committee's regular reports to the Board.
- 9. The Committee shall meet in camera for a part of each meeting of the Committee.

FINANCE & AUDIT COMMITTEE 2021 WORKPLAN

IN RESPECT OF	AS REQUIRED	April 20, 2021	June 22, 2021	Sept 20, 2021	Dec 13, 2021
COMPOSITION, PROCEDURES AND ORGANIZATION					
The Committee shall meet regularly and as often as necessary to perform their duties	X				
The Committee may consider meeting in-camera, without Management, after any Committee meeting		X	X	X	X
COMPLIANCE, POLICIES and CONTROLS					
Quarterly compliance certificate; review of certification and regulatory requirements		X	X	X	X
Review of corporate processes and policy guidelines, including policies delegating financial authorities from the Board to Management	X				
Review and Report to the Board on the sufficiency of resources available for carrying out the actions recommended	X				
Annual Assessment of internal control environment of CMLC		X			
ENTERPRISE RISK MANAGEMENT					
Annual risk assessment and report; semi-annual check-in			X		X
Annual insurance review				X	
Semi-annual litigation and claim review			X		X
AUDIT AND FINANCIAL MANAGEMENT					
Review and approve quarterly interim financial statements			X	X	X
Review and approve audited year end financial statements		X			
Appoint / re-appoint Auditors			X		
Review results of annual audit with external auditor		X			

FINANCE & AUDIT COMMITTEE 2021 WORKPLAN

IN RESPECT OF	AS REQUIRED	April 20, 2021	June 22, 2021	Sept 20, 2021	Dec 13, 2021
Review external auditors' advice in respect to CMLC's accounting system & policies & representation letters		X			
Evaluation performance of external auditor		X			
Review of corporate processes and policy guidelines				X	
Review and identify areas requiring special attention during annual audit				X	
Review and approve external auditor audit scope and audit plan, and issue engagement letter					X
Review and report to the Board the financial plans of CMLC, including material covenants in credit and loan agreements					X
MANDATE AND WORK PLAN					
Review Committee Mandates, roles and responsibilities and recommend to the Board					X
Review of Committee Chair Position Description and recommend to the Board					X
Review Annual Work Plan ¹	X				X

¹ 2021 work plan will be reviewed by the committee in April 2021; 2022 work plan will be reviewed in December 2021.

CALGARY MUNICIPAL LAND CORPORATION – CONTROL ENVIRONMENT ASSESSMENT
May 2021

COMPONENTS OF INTERNAL CONTROL		DESCRIPTION (EXAMPLES)	CURRENT ASSESSMENT	FURTHER ACTIONS PLANNED
1	CONTROL ENVIRONMENT	The overall control environment at CMLC is critical in ensuring that the Internal Controls Over Financial Reporting (ICFR) operates efficiently and effectively.	<p>CMLC has a strong control environment. CMLC's governance structure is set by Council through a Unanimous Shareholder Agreement, and includes a Board of Directors which in turn has appointed an Audit Committee.</p> <p>As part of its terms of reference, CMLC's Audit Committee oversees the integrity of CMLC's financial statements and the system of disclosure and internal controls. The President & CEO and VP, Finance and Corporate Services meet and provide representations to the External Auditor describing how their responsibilities are discharged.</p>	<p>Ongoing review and active application of control policies and procedures and documentation.</p> <p>Keeping current on new accountability requirements and industry standards to ensure control policies and procedures remain appropriate.</p>
		City Council sets the overall tone for internal controls for all business units. The CMLC Board and management contribute to this tone through its operating practices, integrity, and adherence to core values.	<p>There is a culture and operating practices at CMLC that deliberately and emphatically produce an environment of strong financial control. CMLC has a conservative and careful approach to financial management.</p> <p>CMLC follows industry best practices for the acquisition of goods and services required to fulfill its mandates.</p> <p>CMLC has a code of conduct in place for its staff, and for its Board members.</p>	CMLC will continue to stress the importance of a strong control environment by remaining aware of City initiatives in this regard.

CALGARY MUNICIPAL LAND CORPORATION – CONTROL ENVIRONMENT ASSESSMENT
May 2021

COMPONENTS OF INTERNAL CONTROL		DESCRIPTION (EXAMPLES)	CURRENT ASSESSMENT	FURTHER ACTIONS PLANNED
2	RISK ASSESSMENT	An overall risk assessment should help determine the highest risk areas at CMLC that could impair the achievement of objectives.	<ul style="list-style-type: none"> The Audit Committee reviews Risk Management on a regular basis. The last update was completed in 2020. 	<ul style="list-style-type: none"> The Audit Committee update the overall risk assessment for CMLC on an annual basis.
3	CONTROL ACTIVITIES	Control activities include policies, procedures, documented approvals, reconciliations, verifications, reviews, physical security, segregation of duties, and so on.	<ul style="list-style-type: none"> Controls are monitored and updated on a regular basis as the dynamics of the organization changes. The Audit Committee is informed of the changes at Board committee meetings by management. All the process and control procedures are posted on the CMLC intranet site for staff to review. These controls include: clear delegation of signing authority which requires dual signatures on all purchases according to specified limits. Dual signatures are also required on all cheques. In addition, the CICA Handbook requires external auditors to be more proactive in assessing control activities and the risk of fraud. This provides more independent feedback on CMLC's existing controls. 	<ul style="list-style-type: none"> Management reviews and updates policies and control procedures on an on going basis. The Audit Committee reviews the policies and control procedures for CMLC on a quarterly basis.
4	INFORMATION AND COMMUNICATION	There should be a continuous flow of financial reporting and information throughout CMLC to support the strong control environment.	<ul style="list-style-type: none"> Monthly financial reports are used as a foundation for control activity. Cash flows are monitored on a weekly basis. Relevant information is disseminated through staff, management, and Board meetings. 	<ul style="list-style-type: none"> CMLC continues to meet with City of Calgary Finance representatives (Treasury) on a quarterly basis. CMLC also meets with Council twice a year and provides a financial update during those meetings. Staff will be apprised as new or revised policies, procedures, and controls are developed.

CALGARY MUNICIPAL LAND CORPORATION – CONTROL ENVIRONMENT ASSESSMENT
May 2021

COMPONENTS OF INTERNAL CONTROL		DESCRIPTION (EXAMPLES)	CURRENT ASSESSMENT	FURTHER ACTIONS PLANNED
5	MONITORING	Ongoing monitoring occurs in the normal course of operations, and includes regular management and supervisory activities and other actions by personnel as part of the assessment of internal controls.	<ul style="list-style-type: none"> The Business Plan and Budget is monitored to ensure objectives are achieved. CMLC reviews its financial policies on a regular basis to ensure compliance. Financial reconciliations are performed on a monthly basis to ensure accuracy and completeness of accounts payable. Monthly financial statements are prepared for review by management. Quarterly financial statements are prepared for review by management and audit committee. Infrastructure project budgets are reviewed on a monthly basis and any variances are immediately followed up. Change orders are required for all changes to contracts. 	<ul style="list-style-type: none"> Continued monitoring and enforcing compliance with policies and procedures. The Board and Management emphasize a control conscious environment that supports the business processes.
6	INFORMATION TECHNOLOGY – DISASTER RECOVERY	CMLC's business needs require business continuity and high availability. In order to accomplish this, disaster recovery infrastructure and methods have been implemented.	<ul style="list-style-type: none"> Real time data replication (5-minute delay maximum) to an off-site datacenter. This system is tested with management oversight annually. The Disaster Recovery Point Objective (maximum amount of potential data loss due to a disaster situation) is less than 10 minutes. The Recovery Time Objective (time from disaster status until data and services are operating on the off-site datacenter servers) is under 4 hours. A disaster recovery plan is available to all staff on the shared office network drive, and is reviewed annually. Internal IT audits of the Disaster Recovery infrastructure are done periodically to ensure all hardware and methods are up to date and functioning properly. Co-located Exchange/Email servers provide redundancy and high availability. In the case of a disaster situation, email roles are taken over by the standby server in the off-site datacenter. 	<ul style="list-style-type: none"> Continued monitoring and annual testing of the systems to ensure business continuity by Management. Audit Committee updated on IT activities on a quarterly basis.

CALGARY MUNICIPAL LAND CORPORATION – CONTROL ENVIRONMENT ASSESSMENT
May 2021

	OTHER INFORMATION TECHNOLOGY SECURITY MEASURES	We have implemented procedures to protect CMLC from cyber attacks.	<ul style="list-style-type: none"> • Office365 Multi-Factor Authentication (MFA) - Account logins utilize random-generated security codes as additional layer of authentication – can eliminate up to 95% or more of account compromises. • Exchange upgrade - Exchange Online - Microsoft is pushing for customers to get off of on premises Exchange servers and move to the cloud. Exchange Online is better protected against attacks like the recent HAFNIUM attack. Includes user mailboxes under MFA protection for logins. Evolution of disaster recovery and business continuity for Exchange. • Bitlocker on CMLC laptops - Encryption of laptop hard drives – if a laptop is stolen, it's data can be protected if the thief were to remove the hard drive to extract data. • Immutable backups - Specialty disk storage that can only be read, but not altered. New standard in protection against would-be ransomware attackers – protects backups from being encrypted or deleted. • Cloud backups - Move away from tape backups, offsite backups to the 'cloud', housed securely at Ci2 datacenters. Offsite, but local (YYC), for quick restores in case of emergencies. • Hardware - Industry leading Unified Threat Management from Fortinet inspects every piece of internet traffic and detects malicious code, traffic to/from botnets, compromised websites, spam, proxies, etc. • Enterprise level monitoring and Anti-Virus - N-Able enterprise monitoring and antivirus provides desktop, laptop, and server protection and alerts the IT team in the case of any detection. N-Able also tracks IT assets, and provides remote access and alerting on other issues. • Secure file systems - NTFS security and share permissions lock down unauthorized access to network files. Best practices are implemented to prevent rogue accounts to gain access through security loop holes. 	<ul style="list-style-type: none"> • Continued monitoring and monthly meetings between Management and IT consultants to ensure standards are being met.
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CALGARY MUNICIPAL LAND CORPORATION – CONTROL ENVIRONMENT ASSESSMENT
May 2021

			<ul style="list-style-type: none">• Secure WiFi - Guest and Corporate WiFi is separated. Only approved corporate devices are connected to the internal WiFi and the password is never given out.• Secure passwords• Security Orders - In response to emerging threats, security orders are implemented and executed at the highest priority.• 3-2-1 Backup Standard for Data - In the case of a successful cybercrime breach, the highest industry standard for data backup has been implemented and is audited regularly.• Education - Staff are educated through IT Bulletins and in person training what to look for and how to respond to unfamiliar requests and system behavior. Requests are escalated immediately with the security team.	
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Calgary Municipal Land Corporation: Enterprise Risk Register

2020

Risk Identification				Risk Assessment				
RISK No.	RISK EVENT	RISK CAUSE	IMPACT / CONSEQUENCE	CURRENT MITIGATIONS	RESIDUAL RISK			
					LIKELIHOOD (1-3)	IMPACT (1-3)	SCORE (1-9)	RISK RATING
1	Strategic Risk: The risk of not meeting the City of Calgary's objectives for urban densification and community renewal, infrastructure investment and placemaking.							
1a	Economy Resilience Risk: Risk that economy impacts ability to meet current plans.	Impact of COVID and current economy on residential, retail, hospitality and commercial markets.	Slowed development and inability to attract developer and resident investment.	Retail study conducted. Development of convertible spaces to be adaptable for multiple uses. Development of spaces and utilities to accommodate various uses.	3	1	3	MEDIUM
1b	Political and Governance Risk: Risk arising from significant changes in municipal government.	Change in governance, funding commitment and/or shareholder composition. Change in community priorities around urban densification and large gatherings resulting from COVID.	Increased input from the City and loss of autonomy. Loss of committed or future funding. Opportunity to fund new projects.	Seek opportunities with new governments. Stay innovative and nimble. Develop processes that can scale down for smaller projects. Funding has been committed.	1	3	3	MEDIUM
1c	Stakeholder and Partner Relationship Risk: Risks resulting from development partnerships and loss of control over delivery of projects.	Conflicting stakeholder interests that may not align with the shareholder vision. Inability to meet all stakeholder requests and fulfill CMLC mandate. Loss of personal connections and networks as a result of COVID.	Inability to meet the needs of Calgarians while meeting the needs of the community. Lack of influence over plan to enable long term social, environmental and community resilience.	Listen to and support partners while delivering on the CMLC mandate.	3	1	3	MEDIUM
1d	Innovation Opportunity: Opportunities to operate intelligently, innovate & enable long-term resilience resulting from development being in a planning stage.	Victoria Park and BMO Centre are in the planning phases. Corporate culture and skilled resources that are nimble to adapt to changing community needs. Ability to leverage strong relationships from previous success to provide resource support.	Ability to adjust and adapt plans to meet the changing needs of the community in response to COVID, the long term viability of large social gathering places, the local economy and changing political environment. Opportunity to incorporate pandemic best practices into development plans. Long term opportunity to provide consulting services to large scale projects locally and internationally.	Development of convertible spaces to be adaptable for multiple uses. Development of spaces and utilities to accommodate various uses. Use of specialists in how we address inclusion & diversity.	3	1	3	MEDIUM
1e	Innovation Risk: Risk of not demonstrating project innovation.	Lack of investment in project innovation by focusing on financial return versus other strategic success metrics. Resource constraints that take away from being innovative. Timelines to make changes to BMO and Event Centre are minimal.	Inability to meet all success criteria defined for CMLC. Not maintaining reputation as a leader, loss of credibility as a placemaker.	Taking on innovative projects by pursuing excellence and challenging best practices. Recruiting skilled and experienced resources. Utilizing external resources & consultants to gain and maintain leading practices. Third party design review and cost review.	1	2	2	LOW

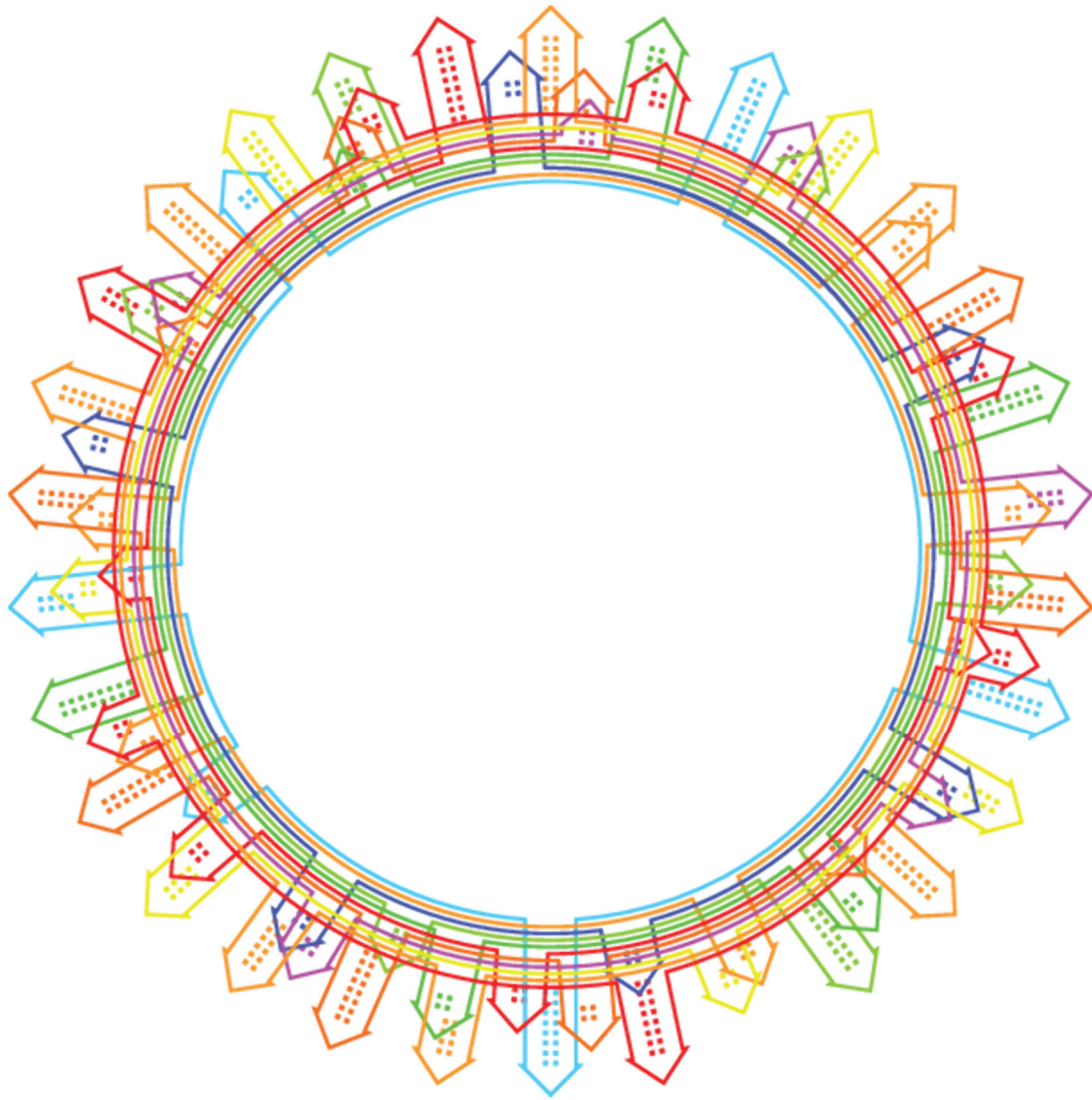
Risk Identification				Risk Assessment				
				RESIDUAL RISK				
RISK No.	RISK EVENT	RISK CAUSE	IMPACT / CONSEQUENCE	CURRENT MITIGATIONS	LIKELIHOOD (1-3)	IMPACT (1-3)	SCORE (1-9)	RISK RATING
1f	Mandate Risk: City of Calgary objectives for urban densification and community renewal, infrastructure investment and placemaking is not met.	Projects do not align with shareholder vision while balancing financial measures. Loss of confidence or credibility to build or grow new communities by failing to meet both qualitative and quantitative measures. Projects are becoming more complex and risky. Mandate may no longer meet the needs of citizens if urban densification and large gatherings are no longer deemed a priority. Inability to conduct community programming due to COVID restrictions.	Loss of CMLC autonomy from the City of Calgary resulting from an inability to meet the mandate for community renewal.	Ongoing communications with the shareholder and community. Annual business planning and clear communication of goals to stay results oriented. Project decision matrix to support strategic decision making. Development of processes that can scale down for future smaller projects in response to the local economy. Continue to be innovative, produce tangible results and complete projects on budget and on time. Provide annual report to the Province. Strategic priorities and specific pillars under community building innovation and project execution excellence.	1	1	1	LOW
2	Environment, Health and Safety Risk: Events arising from inadequate safeguards to maintain public safety, the natural environment and / or CMLC’s human capital well-being.							
2a	Public Safety Incident: Risk of environmental, health or safety incidents resulting in harm to an employee or member of the public.	Increasing social issues in East Village and Victoria Park as a result of high unemployment, closure of public spaces and increased drug use as a result of the COVID Pandemic and local economy. Inadequate police presence and social support. Population density, demographic of inhabitants (short term rentals).	Serious injury or illness to a member of the public or staff.	Environmental, Health & Safety Committee meets to assess and improve our standards. Independent third party site audit on all our developer sites to ensure they are complying with the Health and Safety standards. Constant monitoring of sites by our Development team. Increased security and monitoring. Constant communication with social groups.	1	3	3	MEDIUM

Risk Identification				Risk Assessment				
				RESIDUAL RISK				
RISK No.	RISK EVENT	RISK CAUSE	IMPACT / CONSEQUENCE	CURRENT MITIGATIONS	LIKELIHOOD (1-3)	IMPACT (1-3)	SCORE (1-9)	RISK RATING
3	Operational Risk: Risks pertaining to the delivery of services. These could include risks involving human resources, controls and processes.							
3a	Project Risk: Financial loss due to failure to implement strategic projects, within proposed time and budget estimates.	Development delays resulting from prolonged isolation mandates, illness outbreak at CMLC site and / or supply chain disruptions. Lack of project management maturity within the organization. Increasing material and labour costs (tariffs, supply chain disruptions, COVID fees).	Project delays resulting in increased long term cost and lower CRL in the short term. Impact to project quality and CMLC reputation.	Experienced resources and continuous monitoring of budgets. Variance analysis done regularly. Benchmarking to peers (insurance and salary), recruitment of experienced resources. Force Majeure contract clauses hold the developer accountable for project delays. Lunch and learns to expand project management maturity. Opportunities to accelerate projects and seek efficiencies resulting from COVID, such as increased development windows from lack of community events.	1	2	2	LOW
3b	Growth Risk: Loss of ability to react quickly, inability to maintain high level of quality, innovation and credibility.	Rapid growth resulting from new projects and expanding mandate. Onboarding of resources who do not share the culture of the organization. Inadequate number of resources.	Loss of public confidence and credibility resulting in limited ability to grow.	Processes that can be scaled up/down with the size of the project. Use of external consultants to help meet staffing needs.	2	1	2	LOW
3c	Cybersecurity Risk: Risks resulting from a cyber attack or data breach.	Lack of investment to secure IT infrastructure or train resources to identify and mitigate cyber attacks.	Financial and reputation loss.	IT consultant with an experienced team. Certificate on SMT signatures and spending authorization processes.	1	1	1	LOW
4	Reputation Risk: A situation, occurrence, business practice or event that has the potential to materially influence the public and / or external stakeholders perceived trust or confidence in CMLC.							
4a	Project Partner Reputation Risk: Risk resulting from partner reputation being correlated with CMLC reputation.	High profile and influential partners with competing priorities that may not align with CMLC priorities.	Negative perception by stakeholders and the public.	Constant awareness and monitoring.	3	1	3	MEDIUM
4b	Communications Risk: The risk that communication or lack of communication will result in inconsistent or ineffective	Multiple stakeholders, partners, and existing residents with various communications. Communications are not setting the right	Negative perception by stakeholders and the public, lack of credibility. Project delays, impact to project delivery.	Documented strategy on external communication by the organization. Continuous engagement & management of stakeholders and partners .Communication protocols in	3	1	3	MEDIUM
4c	Independence Perception Risk: Public perception that Board members and / or management is biased when making procurement decisions.	Lack of proper documentation to support fair decision making, few suppliers. Interference in procurement process by stakeholders.	Delayed decision making, decreased ability to be nimble, lack of public confidence and credibility. Negative publicity and media attention resulting in negative public perception.	Properly documented procurement process with solid internal controls. Abide by the procurement standards under the NWPTA, through posting RFPs & RFQs on Alberta Purchasing Connection and Merx websites. Board members and management are mandated to declare conflict of interest. On an annual basis, staff are required to read and sign off on the employee handbook which contains the whistleblower policy.	1	2	2	LOW

Risk Identification				Risk Assessment				
					RESIDUAL RISK			
RISK No.	RISK EVENT	RISK CAUSE	IMPACT / CONSEQUENCE	CURRENT MITIGATIONS	LIKELIHOOD (1-3)	IMPACT (1-3)	SCORE (1-9)	RISK RATING
4d	Brand Risk: Inability to meet increased expectations of the CMLC Brand.	Variety of projects with differing success criteria, increased scrutiny going forward. Growth of mandate to include construction & project management in addition to marketing and communications. Lack of public clarity on the role and mandate of CMLC. Inability to control messaging from community partners perceived to be associated with CMLC. Not being aware of current economic climate when planning programming.	Negative perception by stakeholders and the public.	Remain neutral on political issues. Remain humble - CMLC funding is not dependent upon competing against other companies, but rather on maintaining the brand and mandate. Events and communications aligned to current COVID climate.	1	1	1	LOW
4e	Flood Mitigation Perception Risk: Risks resulting from perception that EV and EVP lack adequate flood control / mitigation infrastructure.	Lack of communications to change public perception that flood mitigation has been implemented.	Inability to attract desired developers to CMLC projects and inability to attract potential homebuyers and retail investment.	Infrastructure has been built to withstand a 1 in 100 year flood as evidenced in 2013. Continue to activate public places within the East Village and East Victoria Park for the public to attend and see the flood mitigation work around East Village and East Victoria Park. Continue to engage the public and communicate the minimal impact of the previous flood in East Village and East Victoria Park.	1	1	1	LOW

Risk Identification				Risk Assessment				
				RESIDUAL RISK				
RISK No.	RISK EVENT	RISK CAUSE	IMPACT / CONSEQUENCE	CURRENT MITIGATIONS	LIKELIHOOD (1-3)	IMPACT (1-3)	SCORE (1-9)	RISK RATING
5	Human Resource Risk: <i>Inability to attract, retain or properly train qualified individuals.</i>							
5a	Corporate Culture Risk: Loss of corporate culture to be strategic, nimble, results oriented and adaptable.	Rapid growth, speed and scale of projects, and inability to attract or onboard resources to the corporate culture. Loss of ability to communicate and collaborate effectively. Resources who lack strategic, big picture personalities and skillsets. Remote work that impacts the ability to re-enforce the CMLC culture.	Inability to scale processes for the size and complexity of projects, inability to meet project quality criteria, loss of confidence by stakeholders.	Formal onboarding process. Seek a return to the office to support building and reinforcing the corporate culture for new hires. Hiring for the desired culture. Leaders who reinforce the desired culture. Weekly meetings to support communication, collaboration and sharing of ideas.	2	2	4	MEDIUM
5b	Human Resource Capacity Risk: Risk that capacity of CMLC employees and contractors is inadequate to deliver on current and future projects.	Inability to attract, onboard and train experienced resources adequately to fill capacity needs and maintain current culture.	Resource burnout, inability to deliver quality projects on time and on budget to meet the needs of the community. Loss of ability to be nimble, operate intelligently and innovate.	Seek a return to working in the office to support communication and collaboration. Performance objectives are tied to the Strategic Plan. Investment in employees through social committee and funding during COVID, strong leadership at the SMT level. Professional development to build redundant skills, bringing experienced resources in-house. Succession planning for SMT as part of Pandemic Emergency Planning and long	2	2	4	MEDIUM
5c	Succession Planning Risk: Risks resulting from a change in Senior Management Team.	Changes within the CMLC senior management leadership team. Inadequate succession planning for leaders within all areas of the organization.	Increased focus on project management and construction activities. Lack of mid-management leadership resulting in resources feeling over/under managed.	Succession planning in place for CEO. Continue to identify and create development plans for senior leadership and management team. Identify potential external candidates to fill key leadership roles. Re-organization to develop future leaders. Identify successors for Senior Management Team.	1	3	3	MEDIUM
5d	Board Governance Risk: Ineffective Board.	Failure to follow recognized Board governance processes. New Board members.	Delayed decision making, failure to implement strategic objectives.	The Board committee mandates are reviewed on an annual basis and updated appropriately. Monthly Board meetings and quarterly committee meetings in which other corporate policies are reviewed. The board is appointed by the Shareholder at the AGM. Updated board terms included the board and board chair would now serve in staggered term (2 years with maximum 3 times reappointment, and 3 years with maximum 3 times	1	3	3	MEDIUM
6	Financial Risk: <i>Risks associated with operating and capital funds and budgets.</i>							
6a	Financial Investment Risk: Loss of ability to attract investment.	Weak oil and gas, retail and hospitality industries impacting developer interest and development timelines.	Delayed completion of projects and resulting delays to capture CRL revenue. Inability to optimize financial returns. Inability to inspire vitality, interest, investment and development in Calgary neighbourhoods.	Financial commitments made from conservative forecasts of CRL. Accounted for a delay in start of projects which creates contingency in schedule.	3	2	6	MEDIUM
6b	CRL Risk: Risk of lower than expected CRL revenue.	Lack of development activity from high downtown vacancy rates, and lower city tax assessments of commercial buildings in the downtown core. Lack of access to capital by developers or developer bankruptcies, delayed build activities and subsequent revenue.	Inability to fund growth, development plans and to re-pay debt.	Revenue budgets based on conservative revenue estimates. CRL forecast review conducted in Q2 2020 to account for current economic climate. Develop processes that can be scaled down for smaller projects. Work with banks to re-finance debt.	3	1	3	MEDIUM

Risk Identification				Risk Assessment			
				RESIDUAL RISK			
RISK No.	RISK EVENT	RISK CAUSE	IMPACT / CONSEQUENCE	CURRENT MITIGATIONS	LIKELIHOOD (1-3)	IMPACT (1-3)	RISK RATING
7	Legal/Regulatory Risk: <i>The risk of non-compliance with criminal, civil and common law including liability, negligence, fraud, breach of contract and tort.</i>						
7a	Legal/Regulatory Risk: The risk of non-compliance with criminal, civil and common law including liability, negligence, fraud, breach of contract and tort.	Non compliance with existing policy and processes, lack of resources to adopt new policies and processes within reasonable timeframe. Historical obligations and commitments.	Legal expenses, negative impact to reputation.	Legal experts consulted for help. Adequate insurance coverage is in place and is reviewed annually. Appropriate internal controls exist and are reviewed by Audit Committee annually. All transactions and commitments are monitored and reviewed for any potential liabilities and loss to CMLC. Updated employee manual and policies maintained on Intranet. Each employee signs an acknowledgement form to show that they have read and understood the policies and guidelines.	1	1	LOW
8	Emerging Risk: <i>Inability to identify and respond to emerging trends which may be highly unlikely but with high impacts, or whose likelihood could grow very rapidly.</i>						
8a	Prolonged Pandemic Opportunity: Opportunities resulting from a multiyear pandemic.	COVID pandemic and resulting economic and social opportunities. Accelerated projects to create jobs and take advantage of lower labour and material costs. New land & building acquisition opportunities	Realization of CRL sooner than forecast, positive reputation and greater ability to meet changing social needs.	Create a strategy that allows CMLC to take advantage of opportunities, stay nimble and don't over-commit.	NR	NR	UNRATED



Calgary Municipal Land Corporation

Report to the Audit Committee on the 2020 audit

April 23, 2021

April 16, 2021

The Audit Committee of Calgary Municipal Land Corporation

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 Municipal Land Corporation ("CMLC") for the 2020 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. We are continuing to work with management to complete the outstanding matters summarized on page 1 of this report.

As agreed in our confirmation of changes letter dated December 10, 2020, we have performed an audit of the financial statements of Calgary Municipal Land Corporation as of and for the year ended December 31, 2020, in accordance with Canadian generally accepted auditing standards ("Canadian GAAS") and expect to issue our audit report thereon dated April 23, 2021.

Our audit has been conducted in accordance with the audit plan that was presented to the Audit Committee at the meeting on December 10, 2020.

This report is intended solely for the information and use of the Audit Committee, management and others within CMLC 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,



Chartered Professional Accountants

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Executive summary



Audit scope and terms of engagement

We have been asked to perform an audit of CMLC's financial statements (the "financial statements") in accordance with Canadian public sector accounting standards ("PSAS") as at and for the year ended December 31, 2020. 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 confirmation of changes letter. We have developed appropriate safeguards and procedures to eliminate threats to our independence or to reduce them to an acceptable level.



Significant risks

1 Management override of controls

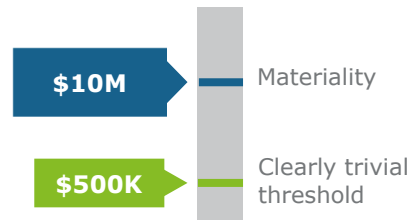


Continued from prior year

Status



Materiality



Materiality levels are determined on the basis of total assets. Our materiality for the year ended December 31, 2020 was \$10,000,000 (2019, \$9,000,000).



Outstanding Matters & Next Steps

Receipt of signed management representation letter

Receipt of legal letters

Completion of audit procedures relating to donations expense and land inventory

Completion of the Engagement Quality Control review



Highlights

Engaged with management on the complex accounting of the Event Centre and Arts Commons

No changes in the significant risks identified

Performed additional audit procedures on land inventory relating to valuation

Communicated with management throughout the fiscal year

**Audit fees**

Audit fees	2020	2019
Audit	\$76,000	\$66,700
System conversion testing	-	\$3,500
Audit procedures applied to the adoption of the new accounting standard	-	\$600
Audit procedures applied to the BMO Expansion accounting entries and agreements	-	\$9,500
Audit procedures applied to the Event Centre accounting entries and agreements	\$3,500	-
Additional audit procedures due to the impact of COVID-19*	-	-
Total fees	\$79,500	\$80,300

* As part of our investment into our valued relationship with CMLC, we have internalized the costs related to additional effort resulting from procedures performed related to COVID-19.

**Going Concern**

Management has completed its assessment of the ability of CMLC to continue as a going concern and in making its assessment did not identify any material uncertainties related to events or conditions that may cast significant doubt upon CMLC's ability to continue as a going concern. We agree with management's assessment.

**Results**

No restrictions have been placed on the scope of our audit. We intend to issue an unmodified audit report on the financial statements of CMLC for the year ended December 31, 2020 once the outstanding items referred to above are completed satisfactorily and the financial statements are approved by the Board of Directors.

Significant audit risks, significant events and areas of focus

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

Significant risk dashboard

Legend



Significant level of management judgment involved



Minimal/No management judgment involved

D+I: Planned testing of the design and implementation of key controls

OE: Planned testing of the operating effectiveness of key controls

Significant risks

Management override of controls

Fraud Risk	Control Testing Planned	Level of management judgement	Specialist, Expert or Innovation Involvement
YES	D+I		Excel Analytics were used to perform journal entry testing.
Analysis of risk		Audit response and results	
<ul style="list-style-type: none"> 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. 		<ul style="list-style-type: none"> 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 CMLC 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 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. We obtained sufficient audit evidence to conclude that there were no material misstatements. 	

Significant events

COVID-19

Impact on our 2020 audit

Due to COVID-19, we identified certain areas of our 2020 audit that were directly impacted in comparison to previous years. These changes had an impact to our audit in terms of nature, timing and extent of audit procedures that we were required to perform. We have outlined below the significant changes identified.

- Identified audit risks specific to COVID-19 and planned audit procedures to address the risks.
- Increased communication with management throughout the year to understand the impacts and implications of COVID-19.
- Applied audit procedures to any changes in processes and controls at CMLC.
- Considered alternative methods to obtain audit evidence (scanned copies, electronic versions, video calls to walk through controls, analyses and questions) due to remote work arrangements.
- Performed audit testing remotely.

We also monitored audit scope and timelines and adjusted accordingly to ensure we met reporting deadlines. As part of our investment into our valued relationship with CMLC, we have internalized the costs related to additional effort resulting from procedures performed related to COVID-19.

Areas of focus

Accounting for the construction of the Event Centre ("Event Centre")

Analysis	Audit response and results
<ul style="list-style-type: none"> • The agreements entered into by CMLC, The City of Calgary, Calgary Sports and Entertainment Corporation and the Calgary Exhibition and Stampede Ltd. governing the construction and management of the Event Centre are complex and will require management to apply judgment with respect to accounting for the transaction. • There is professional judgment applied in the determination of the appropriate accounting for the Event Centre project as outlined in the agreements. 	<ul style="list-style-type: none"> • We read the underlying agreements and obtained an understanding of the transaction. • We reviewed the accounting treatment prepared by management relating to the agreement. • We held discussions with management with respect to key judgments applied to the transaction which included determination of appropriate accounting standards to apply, determination of whether or not the arrangement meets the definition of a government partnership, and determination of appropriate recognition and measurement of assets, liabilities, revenues and expenditures under the agreements. • We obtained sufficient audit evidence to conclude that there were no material misstatements.

Recording, presentation and valuation of land inventory

Analysis	Audit response and results
<ul style="list-style-type: none"> Land inventory may not be appropriately recorded or valued. The economic impact of COVID-19 may have decreased the market value of the land inventory to be below the cost. If the market value is below cost, a write-down would be required. 	<ul style="list-style-type: none"> We tested a sample of transactions of purchase agreements and supporting documentation to verify that land inventory was recorded at the appropriate amount. We also tested a sample of land inventory parcels for impairment, ensuring that the book value did not exceed the market value. In addition, we reviewed the disposition / transfer of land inventory, if applicable, to ensure that it has been appropriately accounted for in light of PSAS guidance. We obtained sufficient audit evidence to conclude that there were no material misstatements.

Transfer of infrastructure development assets to tangible capital assets

Analysis	Audit response and results
<ul style="list-style-type: none"> Infrastructure development assets are projects currently under construction that will result in an asset being constructed at the final acceptance certificate ("FAC") phase of construction. There is a risk that infrastructure development assets are complete and have been issued at the FAC but have not been transferred to tangible capital assets and commenced amortization. 	<ul style="list-style-type: none"> We obtained and reviewed the list of infrastructure development assets that includes the estimated FAC date. We tested a sample of infrastructure development assets, obtaining the FAC (if already issued) as well as meeting with various individuals in operations to determine the status of the infrastructure development assets, to verify if the asset is complete. For a sample of infrastructure development assets that have been completed, we reviewed the transfer of the assets to tangible capital assets and recalculate the amortization. We obtained sufficient audit evidence to conclude that there were no material misstatements.

Significant accounting policies, judgements and estimates

The accounting policies described below are those that are most important and representative of CMLC's financial condition and financial performance.

In the course of our audit of the financial statements, we considered the qualitative aspects of the financial reporting process, including items that have a significant impact on the relevance, reliability, comparability and understandability of the information included in the financial statements.

We believe CMLC's significant accounting policies to be:

- Net realizable value of land inventory
- Useful lives of tangible capital assets
- Impairment of tangible capital assets
- Accrued liabilities

In our judgment, the significant accounting practices and policies, selected and applied by management are, in all material respects, acceptable under PSAS and are appropriate to the particular circumstances of CMLC.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgements. These judgements are normally based on knowledge and experience about past and current events, assumptions about future events and interpretations of the financial reporting standards.

During the year ended December 31, 2020, management advised us that there were no significant changes in accounting estimates or in judgements relating to the application of the accounting policies.

Appendix 1 – Communication requirements and other reportable matters

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
Audit Service Plan	
1. Our responsibilities under Canadian GAAS, including forming and expressing an opinion on the financial statements	Confirmation of changes letter.
2. An overview of the overall audit strategy, addressing: <ul style="list-style-type: none"> a. Timing of the audit b. Significant risks, including fraud risks c. Nature and extent of specialized skill or knowledge needed to perform the planned audit procedures related to significant risk 	Audit plan communicated on December 10, 2020.
3. Significant transactions outside of the normal course of business, including related party transactions	Related party transactions are disclosed in Note 14 to the financial statements. Refer to Significant Risks section for further details on significant transactions outside the normal course of business.
4. How those charged with governance exercise oversight over management's process for identifying and responding to the risk of fraud and the internal control that management has established to mitigate these risks	We believe adequate internal controls exist to sufficiently mitigate the risk of management override of controls. Those charged with governance exercise oversight over management's process for identification and response to the risk of fraud by establishing and enforcing a code of conduct, establishing committees to govern various aspects of operations and engaging frequently with key management personnel.
5. Any known suspected or alleged fraud affecting CMLC	We are not aware of any actual or suspected fraudulent events.

Required communication	Refer to this report or document described below
6. Whether CMLC is in compliance with laws and regulations	<p>Management is responsible for ensuring that CMLC's operations are conducted in accordance with the laws and regulations applicable to CMLC in the jurisdictions in which it operates. The responsibility for preventing and detecting noncompliance rests with management. The auditor is not and cannot be held responsible for preventing noncompliance with laws and regulations.</p> <p>Our limited procedures did not identify any areas of material noncompliance with laws and regulations by CMLC.</p>
Year End Communication	
7. Fraud or possible fraud identified through the audit process	We are not aware of any fraudulent events.
8. Significant accounting policies, practices, unusual transactions, and our related conclusions	Significant accounting policies, judgements and estimates section of this document.
9. Alternative treatments for accounting policies and practices that have been discussed with management during the current audit period	Significant accounting policies, judgements and estimates section of this document.
10. Matters related to going concern	Executive summary section of this document.
11. Consultation with other accountants	Management has informed us that CMLC has not consulted with other accountants about auditing or accounting matters.
12. Management judgements and accounting estimates	Significant accounting policies, judgements and estimates section of this document.
13. Significant difficulties, if any, encountered during the audit	During the course of our audit, we did not encounter any significant difficulties in dealing with management related to the performance of the audit.
15. Material written communications between management and us, including management representation letters	Management representation letter.
16. Circumstances that affect the form and the content of the auditor's report	Draft auditor's report.
17. Other matters that are significant to the oversight of the financial reporting process	No other matters to report.
18. Modifications to our opinion(s)	Executive summary section of this document.
19. Other significant matters discussed with management	Significant audit risks, significant events and areas of focus section of this document.

Required communication	Refer to this report or document described below
20. Matters involving noncompliance with laws and regulations that came to our attention, unless prohibited by law or regulation, including illegal or possibly illegal acts that come to our attention.	We are not aware of any matters involving noncompliance with laws and regulations or illegal acts.
21. Litigation	No litigation matters to report.
22. Significant deficiencies in internal control, if any, identified by us in the conduct of the audit of the financial statements	No deficiencies to report.
23. Uncorrected misstatements and disclosure items	In accordance with Canadian GAAS, we request that all misstatements be corrected. No uncorrected misstatements and uncorrected disclosure misstatements to report.
24. Changes to the audit plan	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.
25. Concerns regarding management competence and integrity	We do not have any concerns regarding management's competency and integrity.
26. Disagreements with management	During the current audit, we did not have any disagreements with management.
27. Post-balance sheet events	At the date of finalizing this report, management is in the process of determining any possible significant post-balance sheet events given recent events. We will update you verbally at the meeting.
28. Limitations when sending confirmations	Not applicable.
29. Other significant matters arising from the audit	No other significant matters 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 Shareholder of
Calgary Municipal Land Corporation

Opinion

We have audited the financial statements of Calgary Municipal Land Corporation (“CMLC”), which comprise the statement of financial position as at December 31, 2020, and the statements of operations and accumulated surplus, changes in net financial assets and cash flows 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 CMLC as at December 31, 2020, and the results of its operations, 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 CMLC 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 CMLC’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 CMLC or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing CMLC’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 CMLC’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 CMLC’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 CMLC 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 23, 2021

Appendix 3 – Draft independence

April 23, 2021

The Audit Committee of
Calgary Municipal Land Corporation

Dear Audit Committee members:

We have been engaged to audit the financial statements of Calgary Municipal Land Corporation ("CMLC") for the year ended December 31, 2020.

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 CMLC, 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 22, 2020, the date of our last letter.

We are not aware of any relationships between the Member Firms of Deloitte Touche Tohmatsu Limited and their respective affiliates (collectively, the "Deloitte Entities") and CMLC and its affiliates, or persons in financial reporting oversight roles at CMLC and its affiliates, that, in our professional judgment, may reasonably be thought to bear on independence, that have occurred from May 23, 2020 to April 23, 2021.

The total fees charged to CMLC for audit services were \$81,320 (2019, \$71,369) for the audit, \$3,745 (2019, \$nil) for audit procedures applied to the Event Centre accounting entries and adjustments, \$nil (2019, \$3,745) relating to system conversion testing, \$nil (2019, \$642) for audit procedures applied to the adoption of the new accounting standard and \$nil (2019, \$10,165) for audit procedures applied to the BMO Expansion accounting entries and adjustments. These fees include the 7% administration charge but not GST.

We hereby confirm that we are independent with respect to CMLC in accordance with the Rules of Professional Conduct of the applicable Chartered Professional Accountants of Alberta as of April 23, 2021.

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

Yours truly,

Chartered Professional Accountants

Appendix 4 – Draft management representation letter

[CMLC letterhead]

April 23, 2021

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

Dear Sirs:

Subject: Financial statements of Calgary Municipal Land Corporation as at and for the year ended December 31, 2020

This representation letter is provided in connection with the audit by Deloitte LLP ("Deloitte" or "you") of the financial statements of Calgary Municipal Land Corporation ("CMLC" or "we" or "us") as of and for the year ended December 31, 2020, the notes to the financial statements and a summary of significant accounting policies (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 CMLC in accordance with Public Sector Accounting Standards ("PSAS").

Certain representations in this letter are described as being limited to matters that are material. Items are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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 master services agreement between CMLC and Deloitte dated November 28, 2018 and the confirmation of changes letter dated December 10, 2020 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 CMLC as at December 31, 2020 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. CMLC 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, 2020 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. 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, 2020 and up to the date of this letter.
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;
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence; and
 - d. All minutes of the meetings of directors and committees of directors, or summaries of actions of recent meetings for which minutes have not yet been prepared. All significant board and committee actions are included in the summaries.
9. 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.
10. 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.

11. We have no knowledge of any information in relation to allegations of actual, suspected or alleged fraud, or illegal or suspected illegal acts affecting CMLC.
12. There have been no communications with regulatory agencies concerning actual or potential noncompliance with or deficiencies in financial reporting practices. There are also no known or possible instances of noncompliance with the requirements of regulatory or governmental authorities.
13. We have disclosed to you the identities 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.

Independence matters

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

14. Prior to CMLC having any substantive employment conversations with a former or current Deloitte engagement team member, CMLC has held discussions with Deloitte and obtained approval from the Audit Committee.
15. We have ensured that all non-audit services provided to CMLC 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 CMLC in accordance with applicable laws, regulations and rules that apply to CMLC, including the Audit Committee approval requirements.
16. 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

Except where otherwise stated below, immaterial matters less than \$500,000 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to or disclosure in the Financial Statements.

17. All transactions have been properly recorded in the accounting records and are reflected in the Financial Statements.
18. CMLC 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.
19. There are no instances of identified or suspected noncompliance with laws and regulations.
20. 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.
21. 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.
22. 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.
23. We have disclosed to you, and CMLC has complied with all aspects of contractual agreements that could have a material effect on the Financial Statements in the event of noncompliance, including all covenants, conditions or other requirements of all outstanding debt.

24. CMLC 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.

Accounting Policy

25. The accounting policies selected and the application of those policies are appropriate.
26. CMLC'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, 2019.

Fair Value

27. With regard to the fair value measurements and disclosures of certain assets and liabilities, we believe that:
- a. The completeness and adequacy of the disclosures related to fair values are in accordance with PSAS;
 - b. No events have occurred subsequent to December 31, 2020 that require adjustment to the fair value measurements and disclosures included in the Financial Statements; and
 - c. They appropriately reflect management's intent and ability to carry out specific courses of action on behalf of CMLC when relevant to the use of fair value measurements or disclosures.

Management's responsibilities

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

Receivables

29. CMLC is responsible for determining the appropriate carrying amount of accounts receivable, as well as estimates used to determine such amounts. Management believes that the carrying amounts recorded and disclosed are appropriate.

Government transfers

30. We have disclosed to you all correspondence relating to government transfers that CMLC has had with the funding body.
31. We have assessed the eligibility criteria and determined that CMLC is an eligible recipient for the government transfers received.
32. We have assessed the stipulations attached with the funding and have recognized the revenue in accordance with meeting the stipulations required.
33. All government transfers that have been recorded as deferred 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.

Tangible capital assets

34. Tangible capital assets have been recorded properly and consistently according to the standards in Section PS 3150, *Tangible Capital Assets*.
35. We have assessed the useful lives of tangible capital assets and have determined all tangible capital assets contribute to CMLC's ability to provide goods and services and therefore do not require a write down.

Section PS 3260, *Liability for Contaminated Sites*

36. CMLC was required to adopt Section PS 3260, *Liability for Contaminated Sites* effective for fiscal 2015 for the purposes of the PSAS. Management has determined the impact of this standard on the year-end financial statements, and based on management's assessment, there is no impact on the adjustments for the December 31, 2020 PSAS Financial Statements of this standard.

Communicating a threshold amount

37. We understand that the threshold used for accumulating misstatements identified during the year was \$500,000 for purposes of Appendix A. Misstatements below this amount have been considered clearly trivial.

Land Inventory

38. CMLC is responsible for determining the appropriate carrying amount of inventories held for resale. All inventories are the property of CMLC and do not include any items consigned to it, any items billed to customers or any items for which the liability has not been recorded.
39. Management asserts that certain properties are designated as Heritage properties by The City of Calgary and the value will be recovered through long-term tenant agreements with or direct sales to third parties. For those parcels not sold to third parties, the land inventory will be transferred to The City of Calgary at cost; therefore, management believes that no impairment of land inventory exists at December 31, 2020.
40. Management have declared the true intent for items classified as land inventory and have appropriately classified items as land inventory versus tangible capital assets.
41. 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.
42. We have reviewed all outstanding construction invoices at year-end, and have determined that year-end accrual regarding construction invoices is complete.

Infrastructure development assets – long term plans

43. All costs incurred to date relating to East Village, RiverWalk, 4th Street Underpass, St. Patrick's Island, West Village, Victoria Park, 9th Avenue Parkade, Arts Commons, David D. Oughton, Fifth Street Underpass and Event Centre sites are appropriately capitalized as infrastructure development assets in the year-end financial statements, as based on CMLC's 2020 Business Plan, these sites are part of the long term development plan of CMLC.
44. We have disclosed to you all Infrastructure development assets that received Final Acceptance Certificates during the year.

Contingent assets

45. CMLC has identified all contingent assets in accordance with Section PS 3320, *Contingent Assets* when the occurrence of the confirming future event is considered likely. No items have come to the attention of CMLC that require disclosure.

Contractual rights

46. CMLC has identified and disclosed all contractual rights, as discussed in Note 19 of the financial statements that will result in both an asset and revenue in the future, once the terms of the contract or agreement are met, in accordance with Section PS 3380, *Contractual Rights*.

Inter-entity transactions

47. CMLC has recognized all transactions involving the transfer of assets or liabilities between public sector entities in accordance with Section PS 3420, *Inter-entity Transactions* ("PS 3420").
48. CMLC has recorded all inter-entity transactions properly at exchange or carrying amount in accordance with the criteria in PS 3420.14-.22.
49. CMLC has disclosed all inter-entity transactions in the notes to the Financial Statements whether or not such transactions are recognized in the financial statements, in accordance with PS 2200, as shown in Note 13 of the financial statements.

Assets

50. CMLC has recognized all assets, which do not fall within the scope of other standards, only when the requirements in Section PS 3210, *Assets* ("PS 3210") have been met. For those assets which do not meet the recognition criteria in PS 3210, CMLC has appropriately disclosed details of such unrecognized assets in accordance with PS 3210. There was no impact on CMLC's financial statements upon adoption of PS 3210.

Restructuring transactions

51. CMLC has identified all restructuring transactions, as defined in Section PS 3430, *Restructuring Transactions*.

Yours truly,
Calgary Municipal Land Corporation

Kate Thompson, President and CEO

Kondwani Bwanali, Director, Finance and Corporate Services

Appendix A

Calgary Municipal Land Corporation

Summary of uncorrected financial statement misstatements and disclosure deficiencies
Year ended December 31, 2020

There were no uncorrected misstatements or disclosure deficiencies identified for the year ended December 31, 2020.

Financial statements of Calgary Municipal Land Corporation

December 31, 2020

Statement of financial position	1
Statement of operations and accumulated surplus	2
Statement of cash flows	3
Statement of changes in net financial assets	4
Notes to the financial statements.....	5-18

Independent Auditor's Report

To the Shareholder of
Calgary Municipal Land Corporation

Opinion

We have audited the financial statements of Calgary Municipal Land Corporation ("CMLC"), which comprise the statement of financial position as at December 31, 2020, and the statements of operations and accumulated surplus, changes in net financial assets and cash flows 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 CMLC as at December 31, 2020, and the results of its operations, 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 CMLC 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 CMLC'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 CMLC or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing CMLC'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 CMLC'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 CMLC'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 CMLC 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.

Deloitte LLP

Chartered Professional Accountants
April 23, 2021

CALGARY MUNICIPAL LAND CORPORATION
Statement of Financial Position
As at December 31, 2020

	2020	2019
	\$	\$
FINANCIAL ASSETS		
Cash and cash equivalents (Note 3)	23,023,479	30,369,893
Accounts receivable (Note 13 and Note 14a)	87,198,146	38,839,087
Mortgage receivable (Note 5)	2,357,006	2,357,006
Infrastructure development assets (Note 7)	270,883,737	205,387,314
Land inventory (Note 8)	113,217,731	114,142,280
	<u>496,680,099</u>	<u>391,095,580</u>
FINANCIAL LIABILITIES		
Bank indebtedness (Note 10)	34,306,257	13,619,742
Accounts payable and accrued liabilities (Note 4 and Note 14a)	21,275,432	16,654,555
Holdbacks payable	6,775,096	4,655,762
Interest payable (Note 14a)	2,698,909	2,807,014
Developer deposits (Note 6)	223,190	218,150
Long term debt (Note 11)	377,524,937	302,246,775
Share capital (Note 12)	1	1
	<u>442,803,822</u>	<u>340,201,999</u>
NET FINANCIAL ASSETS	<u>53,876,277</u>	<u>50,893,581</u>
NON-FINANCIAL ASSETS		
Prepaid expenses	127,002	100,737
Tangible capital assets (Note 9)	67,072,143	70,218,150
	<u>67,199,145</u>	<u>70,318,887</u>
ACCUMULATED SURPLUS	<u>121,075,422</u>	<u>121,212,468</u>

CALGARY MUNICIPAL LAND CORPORATION
Statement of Operations and Accumulated Surplus
For the month ended December 31, 2020

	Annual Budget (Note 17) \$	2020 Actual \$	2019 Actual \$
REVENUES			
Community revitalization levy	31,700,000	69,834,426	52,350,828
Land sales	-	-	7,182,986
Interest	-	4,735	373
Rental	1,050,000	1,014,283	2,017,426
Project management fees	4,075,000	4,497,992	1,675,726
Miscellaneous	26,700	35,787	83,274
	<u>36,851,700</u>	<u>75,387,223</u>	<u>63,310,613</u>
EXPENSES			
Salaries and employee benefits	4,400,000	4,318,001	3,274,569
Cost of sales - Land Inventory	-	-	7,182,986
Land impairment (Note 8)	-	6,756,286	1,808,256
Site servicing & remediation	1,000	3,101	118,336
General administration	4,100,000	3,875,283	5,090,639
Infrastructure repairs and maintenance	1,650,000	1,654,289	2,090,767
Amortization expense (Note 9)	3,500,000	3,478,493	3,386,696
Interest - debentures	14,250,000	15,137,997	7,377,238
Loan administration fees	550,000	535,730	537,297
Financing charges	700,000	681,944	557,674
	<u>29,151,000</u>	<u>36,441,124</u>	<u>31,424,458</u>
EXCESS OF REVENUES OVER EXPENSES BEFORE DONATIONS & CONTRIBUTIONS			
Donations & Contributions	7,700,700	38,946,099	31,886,155
	<u>535,500</u>	<u>39,083,145</u>	<u>20,130,840</u>
EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENSES	7,165,200	(137,046)	11,755,315
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>121,212,468</u>	<u>121,212,468</u>	<u>109,457,153</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>128,377,668</u>	<u>121,075,422</u>	<u>121,212,468</u>

CALGARY MUNICIPAL LAND CORPORATION
Statement of Cash Flows
For the month ended December 31, 2020

	2020 Actual \$	2019 Actual \$
Operating activities		
(Deficiency)/Excess of revenues over expenses	(137,046)	11,755,315
Items not affecting cash:		
Amortization expense (Note 9)	3,478,493	3,386,696
Transfer of assets from infrastructure development assets to tangible capital assets (Note 9)	(11,857)	(538,714)
	<u>3,329,590</u>	<u>14,603,297</u>
Change in non-cash working capital		
Accounts receivable (Note 13)	(48,359,059)	(27,723,905)
Mortgage receivable (Note 5)	-	(2,357,006)
Infrastructure development assets (Note 7)	(65,496,423)	(30,522,682)
Acquisition of land inventory (net)	924,549	6,008,918
Accounts payable and accrued liabilities (Note 4)	4,620,877	5,268,742
Holdbacks payable	2,119,334	3,600,186
Interest payable	(108,105)	(199,170)
Prepaid Expense	(26,265)	710
Developer deposits (Note 6)	5,040	97,065
	<u>(102,990,462)</u>	<u>(31,223,845)</u>
Capital activity		
Acquisition of tangible capital assets (Note 9)	<u>(320,629)</u>	<u>(590,928)</u>
Financing activities		
Change in bank indebtedness (Note 10)	20,686,515	668,885
Infrastructure debentures (Note 11)	29,000,000	16,500,000
Repayment of debenture principal (Note 11)	(26,269,169)	(23,492,408)
Repayment of mortgage	(7,969,349)	(337,702)
Fort Calgary (draw)/advance	(480,586)	(18,395)
Project Advance (Note 11)	2,070,612	-
City of Calgary ACT Advance	1,000,000	-
CHC EV Place Advance	-	1,200,000
BMO City of Calgary Loan (Note 11)	35,565,789	23,505,504
City of Calgary Event Centre Advance (Note 11)	-	10,000,000
CSEC Event Centre Advance (Note 11)	-	10,000,000
Event Centre City of Calgary Loan (Note 11)	4,634,796	-
Event Centre CSEC Loan (Note 11)	4,634,796	-
Calgary Parking Authority advance for the 9th Avenue Parkade (Note 11)	24,391,273	15,608,782
Innovation Centre Loan (Note 11)	8,700,000	8,550,000
	<u>95,964,677</u>	<u>62,184,666</u>
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(7,346,414)	30,369,893
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>30,369,893</u>	<u>-</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>23,023,479</u></u>	<u><u>30,369,893</u></u>
Cash and Cash equivalents consist of:		
Cash (Note 3)	<u>23,023,479</u>	<u>30,369,893</u>
	<u><u>23,023,479</u></u>	<u><u>30,369,893</u></u>

CALGARY MUNICIPAL LAND CORPORATION
Statement of Changes in Net Financial Assets
For the month ended December 31, 2020

	Budget	2020	2019
	(Note 17)	Actual	Actual
	\$	\$	\$
EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENSES	7,165,200	(137,046)	11,755,315
Amortization expense (Note 9)	-	3,478,493	3,386,696
Transfer of assets from infrastructure development assets to tangible capital assets (Note 9)	-	(11,857)	(538,714)
Acquisition of tangible capital assets (Note 9)	-	(320,629)	(590,928)
Use of Prepaid expenses	-	(26,265)	710
INCREASE IN NET FINANCIAL ASSETS	<u>7,165,200</u>	<u>2,982,696</u>	<u>14,013,079</u>
NET FINANCIAL ASSETS, BEGINNING OF YEAR	50,893,581	50,893,581	36,880,502
NET FINANCIAL ASSETS, END OF YEAR	<u>58,058,781</u>	<u>53,876,277</u>	<u>50,893,581</u>

1. Description of business

Calgary Municipal Land Corporation ("CMLC" or the "Corporation"), a wholly owned subsidiary of The City of Calgary ("The City"), was incorporated on February 22, 2007. On July 5, 2007, pursuant to the Alberta Municipal Government Act and the Control of Corporation Regulation (AR 284/2003), the Provincial Minister of Municipal Affairs approved, via Ministerial Order L: 162/07, The City as the sole shareholder pursuant to Section 250(2) (e) of the Municipal Government Act. CMLC, as a wholly owned subsidiary of The City, is not subject to income tax.

The Corporation was formed to implement public infrastructure improvements that will be the catalyst for private and public sector real estate development.

2. Significant accounting policies

Basis of presentation

The financial statements are prepared in accordance with Public Sector Accounting Standards ("PSAS") for local government organizations as established by the Public Sector Accounting Board of Chartered Professional Accountants of Canada.

Basis of accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based on receipt of goods or services and/or the legal obligation to pay.

Cash and cash equivalents

Cash and cash equivalents consist of cash in the bank.

Land inventory

Land inventory is carried at the lower of cost and net realizable value. The net realizable value is the market value of land less any selling costs. CMLC capitalizes all costs associated with land held for resale, including property taxes, maintenance charges and environmental costs.

Infrastructure development assets

Infrastructure development assets are projects currently under construction that will result in an asset being constructed which will be turned over to The City at the final acceptance certificate phase of construction. Infrastructure development assets are recorded at cost. CMLC capitalizes direct construction, development costs and environmental costs to the project under development, which will be recovered from The City through the Community Revitalization Levy ("CRL") collected by The City on behalf of CMLC. Assets will be transferred to tangible capital assets and amortized when they have received final acceptance certificates and they have not yet been transferred to The City.

BMO Convention Centre expansion

On December 14, 2018, CMLC entered into an agreement with The City and Calgary Exhibition and Stampede Limited ("CESL") to expand the BMO Convention Centre which is owned and operated by CESL. The City through CMLC committed to fund two-thirds of the Eligible Costs of \$333,333,334 which will be funded via The City's Major Capital Projects Reserve. CMLC will repay The City through the Rivers District Community Revitalization Levy starting in 2028 through 2047. The remaining one-third is funded by CESL. As project costs are incurred, the full cost is recorded as project work-in-progress ("WIP").

2. Significant accounting policies (continued)

The WIP balance is subsequently offset by the one-third portion funded by CESL and the two-third portion funded by The City as a donation to CESL. CMLC simultaneously records the long-term CRL receivable and CRL revenue as this amount is earned as construction occurs, resulting in a nil impact on the statement of operations and accumulated surplus. Please see Note 11 for additional details on the funding of the project.

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 excess of revenues over expenses, represents the change in net financial assets for the year.

Accumulated surplus or deficit

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

Tangible capital assets

Tangible capital assets are stated at cost less accumulated amortization. Amortization is provided using methods and rates intended to amortize the cost of assets over their estimated useful lives. The amortization rates are as follows:

Office furniture and equipment	straight-line method over 5 years
Computer infrastructure	straight-line method over 3 years
Computer software	straight-line method over 3 years
Leasehold improvements	straight-line method over 5 years
Building improvements	straight-line method over 10 years
Elbow River Traverse	straight-line method over 50 years
East Village Infrastructure	straight-line method over 25 years
St Patrick's Bridge	straight-line method over 50 years

Amortization commences in the first full month of ownership. When Infrastructure Development Assets receive their final acceptance certificates, the asset is moved from work in progress to tangible capital assets.

Tangible capital assets are recorded at cost and tested for impairment whenever a change in events or circumstances indicates that the carrying value may not be recoverable. Any resulting impairment loss is recognized in the period it is determined.

Revenue recognition

Community Revitalization Levy, interest, rental and project management fee revenues are recognized when persuasive evidence of an arrangement exists, the amounts are earned and measurable and collection is reasonably assured.

Land sale revenues are recognized upon title of the property passing to the purchaser and receipt of at least 15% of the total proceeds and when collection is reasonably assured.

Rental revenue includes amounts earned from tenants. CMLC recognizes rental revenue and donation expense for operating leases that are rent-free to tenants.

2. Significant accounting policies (continued)

Miscellaneous revenue includes Sales Centre management fees and property management revenue on the East Village magazine. Sales Centre management fees and property management revenues are recognized when service is completed. Miscellaneous revenue also includes revenue that does not fall into the other revenue categories.

Site servicing

Site servicing costs relating to land parcels that have been sold are expensed as incurred.

Remediation

Remediation costs relating to land inventory are capitalized until the land inventory is sold. Remediation costs relating to land parcels that have been sold are expensed as incurred.

Use of estimate

The preparation of financial statements, in conformity with PSAS, requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Such estimates include the net realizable value of land inventory, estimated useful lives and potential impairment of tangible capital assets and accrued liabilities.

Actual results could differ from these estimates. These estimates and assumptions are reviewed quarterly and, as adjustments become necessary, they are reported in the statement of operations and accumulated surplus in the period in which they become known.

Management continues to assess the impact of the novel coronavirus ("COVID-19") and governments' response to it on CMLC. The amounts recorded in these financial statements are based on the latest reliable information available to management at the time the financial statements were prepared where that information reflects conditions as at the date of the financial statements.

Future accounting pronouncements

CMLC is currently assessing the impact of the following new accounting standards effective for future periods.

(a) Asset Retirement Obligations (effective January 1, 2022)

Asset Retirement Obligations ("PS 3280") provides guidance on how to account for and report a liability for retirement of a tangible capital asset.

(b) Revenue (effective January 1, 2023)

This section provides guidance on the recognition of revenue that distinguishes between revenue that arises from transactions that include performance obligations and for transitions that do not have performance obligations.

3. Cash & cash equivalents

	2020	2019
	\$	\$
Cash	1,533	2,171
Restricted cash	23,021,946	30,367,722
	23,023,479	30,369,893

Pursuant to the development management agreements with the CESL and Calgary Sports and Entertainment Corporation ("CSEC"), respectively, restricted cash consists of \$8,827,438 (2019 - \$10,367,760) and \$14,194,508 (2019 - \$19,999,962). These funds are restricted to the BMO Convention Centre expansion and the Event Centre project related expenses and are held separately from CMLC cash balances.

4. Accounts payable and accrued liabilities

	2020	2019
	\$	\$
Accounts payable	17,322,948	13,056,172
Vacation pay accrual	97,029	65,264
Accrued liabilities	3,855,455	3,533,119
	21,275,432	16,654,555

5. Mortgage receivable

	2020	2019
	\$	\$
Mortgage receivable	2,357,006	2,357,006

The mortgage receivable balance consists of \$2,357,006 (2019 - \$2,357,006) due from Copez Properties Ltd. relating to the sale of the Firefighters land parcel. Pursuant to an agreement with Copez Properties Ltd., the mortgage bears no interest and shall be paid by delivering the mortgage on the closing date which is 30 days after the date of waiver, or the satisfaction of the road closure condition. The term commences on the closing date and expires on the maturity date, which is 30 days following the earlier of the expiration of the current term of the Hostel Lease (March 31, 2025) or the termination of the Hostel lease. The land is currently occupied by The Calgary Hostel who holds a lease with Copez Properties Ltd. until March 31, 2025.

6. Developer deposits

	2020	2019
	\$	\$
Developer deposits	223,190	218,150

7. Infrastructure development assets

	2020	2019
	\$	\$
East Village	88,726,942	86,847,263
RiverWalk	24,441,536	24,427,222
4th Street Underpass	55,276,631	55,276,631
The City of Calgary recovery	(28,000,000)	(28,000,000)
St. Patrick's Island	21,242,236	21,222,080
West Village	2,973,372	2,919,278
Environmental	5,932,073	5,932,073
Victoria Park	24,601,069	5,924,018
9th Avenue Parkade	63,374,692	28,461,082
Arts Commons	676,351	259,344
David D. Oughton	1,491,126	831,770
Fifth Street Underpass	878,116	849,139
Fort Calgary	—	3,873
Event Centre	9,269,593	433,541
	270,883,737	205,387,314

In 2010 and 2011, CMLC recovered a total of \$28,000,000 from The City for work performed on the 4th Street Underpass as per a cost sharing agreement with The City.

8. Land inventory

	2020	2019
	\$	\$
Balance, beginning of year	114,142,280	120,151,197
Additions	5,831,737	3,300,642
Dispositions and impairment	(6,756,286)	(9,309,559)
Balance, end of year	113,217,731	114,142,280

During the year ended December 31, 2020, the impairment losses recognized as an expense were \$6,756,286 (2019 – \$1,808,246).

9. Tangible capital assets

General Tangible Capital Assets							Infrastructure Development Assets Transferred into Tangible Capital Assets				2020 Total	2019 Total
Estimated Useful Life	Building Improvements	Office Furniture & Equipment	Computer Infrastructure	Leasehold Improvements	Computer Software	Sub Total	Elbow River Traverse	East Village Infrastructure	St Patrick's Bridge	Sub Total	\$	\$
	10 years	5years	3years	5 years	3years		50years	25 years	50years			
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$		
Historical Cost												
Beginning of year	8,009,744	365,751	470,426	2,704,077	379,333	11,929,331	3,298,392	35,517,662	30,137,845	68,953,899	80,883,230	79,753,588
Additions	-	110,804	67,207	126,314	16,304	320,629	-	11,857	-	11,857	332,486	1,129,642
	8,009,744	476,555	537,633	2,830,391	395,637	12,249,960	3,298,392	35,529,519	30,137,845	68,965,756	81,215,716	80,883,230
Accumulated Amortization												
Beginning of year	3,739,630	296,364	403,588	1,801,056	196,228	6,436,866	197,904	2,222,516	1,807,794	4,228,214	10,665,080	7,278,384
Amortization Expense	776,384	54,976	48,592	428,340	80,639	1,388,931	65,967	1,420,838	602,757	2,089,562	3,478,493	3,386,696
	4,516,014	351,340	452,180	2,229,396	276,867	7,825,797	263,871	3,643,354	2,410,551	6,317,776	14,143,573	10,665,080
Net Book Value at December 31, 2020	3,493,730	125,215	85,453	600,995	118,770	4,424,163	3,034,521	31,886,165	27,727,294	62,647,980	67,072,143	
Net Book Value at December 31, 2019	4,270,114	69,387	66,838	903,021	183,105	5,492,465	3,100,488	33,295,146	28,330,051	64,725,685		70,218,150

10. Bank indebtedness

As at December 31, 2020, the Corporation had cheques issued in excess of deposits on hand of \$1,032,019 (2019 - \$1,298,839).

The Corporation has an approved operating facility with a maximum amount of \$45,000,000 (2019 - \$26,000,000), which bears interest, payable monthly, at ATB Financials' prime interest rate plus 0.25% per annum. In July 2020, CMLC increased the maximum operating facility from \$26 million to \$45 million, which bears an interest rate of Prime +0.25%. The prime rate at December 31, 2020 was 2.45%. This facility is secured by a general security agreement pledging all assets and obligations of the Corporation. As at December 31, 2020, the operating facility had a balance owing of \$33,274,238 (2019 - \$12,320,903).

The total bank indebtedness as at December 31, 2020 was \$34,306,257 (2019 - \$13,619,742).

11. Long-term debt

	2020	2019
	\$	\$
ACFA Debentures	197,298,925	183,887,356
Calgary Parking Authority advance for the 9th Avenue Parkade (b)	5,000,000	5,000,000
Calgary Parking Authority loan for the 9th Avenue Parkade (b)	44,089,137	19,697,864
Innovation Centre loan	18,059,524	9,359,524
Fort Calgary Advance	1,019	481,605
EV Place Project Advance	1,200,000	1,200,000
BMO City of Calgary Loan (d)	59,071,293	23,505,504
City of Calgary Event Centre Advance (e)	10,000,000	10,000,000
Calgary Sports & Entertainment Event Centre Advance (e)	10,000,000	10,000,000
Project Loan - Calgary Housing Company	2,070,612	—
Event Centre City of Calgary Loan	4,634,796	—
Event Centre Calgary Sports & Entertainment Loan	4,634,796	—
ACT City of Calgary Loan (f)	1,000,000	—
	357,060,102	263,131,853
Add: ACFA Debentures current portion	20,464,835	31,145,573
Add: Mortgages current portion (a)	—	7,969,349
	377,524,937	302,246,775

As of December 31, 2020, the Corporation issued \$29 million (2019 - \$16.5 million) in debentures. In December 2020, CMLC refinanced \$82 million in debentures from The City through arrangements with Alberta Capital Finance Authority ("ACFA"). Total debentures outstanding including current portion at December 31, 2020 were \$217,763,760 (2019 - \$215,032,925).

11. Long-term debt (continued)

Debenture details are as follows:

Debenture no.	Interest rate %	Maturity date	2020 \$	2019 \$
D20080001	4.660	16-06-2028	—	13,165,953
D20080009	4.791	16-06-2028	—	12,879,035
D20080016	4.736	15-09-2028	9,191,535	10,116,926
D20090005	5.222	16-03-2029	7,046,451	7,690,307
D20090012	5.125	15-06-2029	9,212,002	10,000,000
D20090019	4.880	15-09-2029	7,362,166	8,000,000
D20100003	4.390	15-03-2025	3,385,935	4,052,659
D20100004	4.362	15-06-2025	1,011,337	13,124,337
D20100015	3.947	15-09-2025	—	11,353,373
D20110006	3.569	15-06-2026	6,502,099	7,457,840
D20110010	3.013	15-09-2026	4,544,143	5,225,348
D20120002	2.769	15-03-2027	3,874,125	4,411,045
D20120008	2.599	17-09-2027	5,149,259	5,811,795
D20130003	2.229	15-03-2023	1,898,041	2,628,292
D20140006	2.512	16-06-2024	—	7,967,467
D20140012	2.404	15-09-2024	—	5,298,353
D20140015	2.314	15-12-2024	2,871,296	3,469,988
D20150008	1.835	15-09-2025	2,614,085	3,108,858
D20160007	1.782	15-09-2026	—	12,212,762
D20160009	2.299	15-12-2026	533,348	8,481,055
D20170001	1.660	15-03-2022	1,543,629	2,551,654
D20170002	2.277	15-03-2027	2,701,754	3,083,237
D20170008	2.671	15-09-2027	6,182,311	6,975,446
D20170009	2.270	15-09-2022	827,182	1,226,978
D20170013	2.532	15-12-2027	5,411,500	6,058,915
D20180003	2.716	15-03-2026	—	12,428,406
D20180009	2.685	15-06-2026	5,387,438	6,204,471
D20180010	2.870	17-09-2026	3,083,797	3,548,425
D20190027	2.420	15-09-2044	9,704,754	10,000,000
D20190035	2.772	15-12-2039	6,500,000	6,500,000
D20200009	2.049	15-03-2040	6,000,000	—
D20200014	2.448	15-06-2040	7,000,000	—
D20200027	2.120	15-09-2040	8,500,000	—
D20200036	2.084	31-12-2040	82,225,573	—
D20200037	2.315	31-12-2040	7,500,000	—
			217,763,760	215,032,925

- a) As of December 31, 2020, all mortgages payable to the City of Calgary have been paid in full (2019 - \$7,969,349). These mortgages relate to developable land parcels held by the City that were transferred to CMLC. The mortgages were due on the earlier of December 31, 2019 or when CMLC closes a sale of the related land to a third party. The mortgages are secured by land and are non-interest bearing. As of December 31, 2019, the land remained unsold and CMLC repaid the City of Calgary on January 2, 2020.

11. Long-term debt (continued)

- b) CMLC and The City signed a Credit Agreement on November 2, 2018 to fund the construction of the 9th Avenue Parkade on behalf of Calgary Parking Authority. The Credit Agreement is for a maximum loan amount of \$57,000,000 which is interest free, secured by a mortgage on title. As of December 31, 2020, an amount of \$5,000,000 of The City's contribution to the 9th Avenue Parkade project budget was received on behalf of Calgary Parking Authority as an advance to CMLC to fund working capital for the 9th Avenue Parkade project. The City has also funded \$44,089,137 (\$19,697,864 in 2019) to the 9th Avenue Parkade project on behalf of Calgary Parking Authority for the period ended December 31, 2020.
- c) The New Central Library project was substantially completed in September 2018 and officially opened to the public on November 1, 2018. As of December 31, 2020, CMLC has transferred \$231,935,590 of the New Central Library asset to The City. Of this amount, \$175,000,000 was removed from the New Central Library loan, which represented The City's full contribution to the New Central Library project. As of December 31, 2020, CMLC also contributed \$56,935,590 of the CMLC committed amount of \$70,000,000. Of this amount, \$394,661 was recognized as a donation expense in 2020.
- d) CMLC and CESL have entered into a Development Management and Funding Agreement on December 14, 2018 to commence and complete the development of the BMO Convention Centre expansion ("BMO expansion"). The anticipated project cost is \$500,000,000. CMLC's role is to manage and administer the construction and completion of the project. The Government of Alberta and The City have agreed to allocate up to \$333,333,334 (2/3 of project costs) of future CRL Revenue towards the eligible project costs (approximately \$166,666,667 each) and CESL will provide \$166,666,666 (1/3 of project costs) representing the Government of Canada Grant.

As of December 31, 2020, The City and the Government of Alberta have funded \$59,071,293 to the BMO expansion. CMLC has transferred \$55,994,542 from the BMO Asset WIP account to donation expense. CMLC also recognised \$55,994,542 as CRL Receivables from The City of Calgary and CRL Revenue. Please refer to Note 13.

- e) CMLC, The City, CSEC and CSE Real Estate Corporation have entered into a Development Management Agreement on December 5, 2019 to commence and complete the development of the new Calgary Event Centre. The anticipated project cost is \$550,000,000. CMLC's role is to manage and administer the construction and completion of the project. The project will be fully funded by The City and CSEC with both respective parties paying 50% of the total project costs. The \$20,000,000 initial contribution of working capital consists of \$10,000,000 deposited each by both The City and CSEC in December 2019. These funds are recorded in the Event Centre bank account, as shown in Note 3, which had a balance of \$14,194,508 at December 31, 2020 (2019 – \$19,999,962). CMLC recognised \$9,269,592 as CRL Receivables, 50% from The City of Calgary (\$4,634,796) and 50% from CSEC (\$4,634,796).
- f) CMLC, The City, and Arts Commons entered into a Development Management and Funding Agreement on September 30, 2020 to commence and complete Phase 1 of the Arts Commons Transformation (ACT) project. Council approved an increase of \$22,500,000 to a previously approved \$2,500,000 Municipal Sustainability Initiative (MSI) together totaling \$25,000,000 toward the design and construction of the Road House. The estimated cost for the detailed design phase of the ACT Project is \$14,200,000. CMLC has been appointed as the Development Manager for the ACT Project. On December 18, 2020 The City transferred the initial contribution payment of Working Capital of \$1,000,000.

11. Long-term debt (continued)

g) Long-term debt is repayable as follows:

	\$
2021	90,884,107
2022	16,957,392
2023	16,127,968
2024	36,241,179
2025 & thereafter	217,314,291
	<u>377,524,937</u>

12. Share capital

Authorized, unlimited number

Common shares

CMLC has one common share issued and outstanding for \$1 with The City.

13. Accounts receivable

	2020	2019
	\$	\$
The City of Calgary	13,040,811	8,364,204
Canada Revenue Agency	1,418,711	1,659,792
Calgary Parking Authority	6,664,506	3,515,789
Calgary Housing Company	1,160,904	—
Calgary Exhibition & Stampede	3,305,116	2,003,506
Calgary Sports & Entertainment Corporation	4,634,796	—
Zinc Ventures	20,326	3,270,326
Long-term CRL Receivable (Note 2 & Note 11)	55,994,542	18,540,631
Other receivables	958,434	1,484,839
	<u>87,198,146</u>	<u>38,839,087</u>

14. Transactions with The City and City entities

The arm's length transactions have been recorded at the exchange amount, which represents the amount of consideration established and agreed to by the related parties. The non-arm's length transactions have been recorded at the carrying amount.

a) Transactions with The City and City entities

Total purchases from The City and City entities were as follows:

	2020	2019
	\$	\$
ENMAX Corporation	1,800,520	882,379
The City of Calgary	2,707,077	6,385,249
Calgary Public Library	221,900	233,780
Calgary Arts Development	2,500	2,500
Calgary Police Services	40	—
Calgary Housing Company	—	1,200,000
Calgary Economic Development	10,000	51,450
	4,742,037	8,755,358

Purchases from ENMAX Corporation ("ENMAX") are for infrastructure and energy related goods and services. Purchases from The City are for infrastructure upgrade work, application fees and payment of property taxes to The City.

During the period, principal in the amount of \$108,494,743, including \$82,225,573 in refinanced debentures (2019 - \$23,492,408), interest in the amount of \$7,114,031 (2019 - \$7,485,909), and administrative fees of \$525,603 (2019 - \$537,297) relating to ACFA debentures was paid to The City. Debt refinancing fees and interest in the amount of \$6,806,382 (2019 - nil) was paid to The City on Dec 15, 2020.

Accounts payable and accrued liabilities with The City and City entities were as follows:

	2020	2019
	\$	\$
ENMAX	1,911,212	1,130,574
The City of Calgary	750,675	533,264
	2,661,887	1,663,838

Amounts payable to ENMAX are for infrastructure and energy related goods and services. Amounts payable to The City also include interest of \$2,698,909 (2019 - \$2,807,014) infrastructure upgrade work, application fees and property taxes.

a) Transactions with The City and City entities (continued)

Revenue from The City and City entities was as follows:

	2020	2019
	\$	\$
Community Revitalization Levy	32,380,516	33,810,197
Calgary Parking Authority	1,016,325	1,419,472
Calgary Housing Company	98,601	—
The City of Calgary	1,045,000	2,920
	34,540,442	35,232,589

Revenues from Calgary Parking Authority are related to project management fees relating to the 9th Avenue Parkade and profits from CMLC land that are managed by Calgary Parking Authority as parking lots. Revenues relating to The City are for project management fees for the Event Centre and ACT projects.

Receivables from The City and City entities were as follows:

	2020	2019
	\$	\$
The City of Calgary	13,040,181	8,364,204
Calgary Parking Authority	6,664,506	3,515,789
Calgary Housing Company	1,160,904	—
Calgary Economic Development	630	630
	20,866,221	11,880,623

Receivables from The City are related to the expected fourth quarter revenue of 2020 CRL.

b) Transactions with related parties other than The City and City entities

As of December 31, 2020, there were no significant transactions and no non-arm's length transactions between CMLC and key management personnel, their close family members, and other entities that they or their close family members have influence over the decision-making process.

15. Letters of credit

In the normal course of operations, letters of credit are issued to The City to facilitate the issuance of development permits necessary to undertake infrastructure work. The Corporation issued letters of credit in the amount of \$1,786,500 which is secured under a general security agreement with ATB Financial as at December 31, 2020 (2019 - \$1,668,500).

16. Financial instruments

The fair values of cash and cash equivalents, accounts receivable, mortgages receivable, accounts payable and accrued liabilities, holdbacks payable and interest payable approximate their carrying values due to their short-term maturity. The estimated fair value of the debentures is \$216,229,827 (2019 - \$198,087,554). The estimated fair value of the mortgage receivable is \$2,414,752 (2019 - \$2,573,556). The estimated fair value is based on current lending rates with similar maturities obtainable from AFCA.

Credit risk

The Corporation's credit risk is primarily attributable to its accounts receivables. The Corporation's credit risk is limited as 67% (2019 - 59%) of the Corporation's accounts receivable balance at December 31, 2020 is due from The City, with the remaining balance comprising Goods and Services Tax receivable, rent, advance agreements and chargebacks.

Interest rate risk

Interest rate risk reflects the sensitivity of CMLC's financial results and condition to movements in interest rates. Interest rate risk is limited as 52% (2019 - 60%) of the Corporation's long term debt balance at December 31, 2020 is held with The City, through ACFA with rates that are locked in for longer terms. Interest rate risk for mortgages is managed through the staggering of mortgage renewals.

Liquidity risk

Liquidity risk is the risk that the Corporation will be unable to meet its contractual cash outflow obligations as they come due. CMLC mitigates this risk by monitoring cash activities and expected cash outflows through extensive budgeting and maintaining availability of cash through cash on hand and available credit.

17. 2020 budget

The budget amounts presented throughout these financial statements are based on the operating and capital budgets approved by the Board of Directors of CMLC and The City of Calgary Council.

18. Contractual obligations and commitments

Contractual obligations represent a legal obligation of CMLC to others and will become liabilities in the future when the terms of the contract are met. Estimated payment requirements for each of the next five years and thereafter are as follows:

	Obligations Under Operating Leases and Contracts	Obligations Under Capital Projects	Total
	\$	\$	\$
2021	236,381	64,939,808	65,176,189
2022	-	130,937,830	130,937,830
2023	-	122,311,964	122,311,964
2024	-	29,408,032	29,408,032
2025 & thereafter	-	-	-
	<u>236,381</u>	<u>347,597,632</u>	<u>347,834,013</u>

18. Contractual obligations and commitments (continued)

Major commitments included in the above figures are commitments for the development management and funding of the BMO Convention Centre and 17th Avenue Station and Expansion.

Capital commitments of \$107,061,194 are not reflected in the financial statements. This amount represents uncompleted portions of contracts, as at December 31, 2020, on major projects and estimated obligations under other various agreements.

19. Contractual rights

Contractual rights are rights of CMLC to economic resources arising from contracts or agreements that will result in both assets and revenues in the future when the terms of those contracts or agreements are met. Estimated amounts that will be received or receivable for each of the next five years and thereafter are as follows:

	Rights Under Operating Leases and Contracts	Rights Under Project Management	Rights under Future CRL Revenue	Total
	\$	\$	\$	\$
2021	509,172	4,214,514	52,546,071	57,269,757
2022	387,152	3,643,804	96,582,871	100,613,827
2023	330,485	3,123,804	97,858,033	101,312,322
2024	307,152	2,228,595	30,351,816	32,887,563
2025 & thereafter	153,576	-	-	153,576
	<u>1,687,537</u>	<u>13,210,717</u>	<u>277,338,791</u>	<u>292,237,045</u>

Independent Assessment of The City's Whistle-blower Program

RECOMMENDATIONS:

That the Audit Committee:

1. Receive this report for the Corporate Record; and
2. Recommend that Council receive this report for the Corporate Record.

HIGHLIGHTS

- The City's Whistle-blower Program (WBP) was established by Council policy CC0026 in 2007. The City Auditor developed processes to administer this program including the assessment of suspected acts of waste and/or wrongdoing reported by employees and Calgarians, and the conduct and delivery of investigations.
- In 2020, the City Auditor's Office initiated an independent assessment of the WBP to confirm that existing procedures remain relevant and aligned with best practices, and to identify opportunities for improvement. Rubin Thomlinson LLP were retained to conduct the independent assessment.
- What does this mean to Calgarians? The WBP gives employees and Calgarians an independent avenue to report suspected acts of waste and/or wrongdoing at The City, confidentially and anonymously. The City Auditor is responsible for the operation of the WBP and reports on its activities to Council, through the Council's Audit Committee.
- Why does it matter? An effective WBP is a key component supporting an ethical organization. Rubin Thomlinson LLP concluded that the WBP is comprehensive and well-structured to fulfill its mandate. Their report also included recommendations to further strengthen the WBP including clarifying WBP policy language and manual guidance pertaining to the investigation process and decision-making, and improving communications and reporting.
- Strategic alignment to Citizen Priorities: A Well-Run City.

ATTACHMENT

1. Attachment 1 – Assessment of Whistle-blower Program AC2021-0737
2. Attachment 2 - Independent Assessment of The City's Whistle-blower Program Presentation Slide AC2021-0737

DEPARTMENT CIRCULATION

Name	Title, Department or Business Unit	Approve/Consult/Inform
Liz Ormsby	Acting City Auditor	Approve



Report to:

The City of Calgary

Per: **Liz Ormsby, Acting City Auditor**

May 7, 2021

Assessment of Whistle-blower Program

Prepared by:

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EXECUTIVE SUMMARY

The City of Calgary retained Rubin Thomlinson LLP to do an assessment of its Whistle-blower Program (the “WBP”). This is a program that gives employees, members of the public, and others an avenue to report wrongdoing at the City confidentially. The City Auditor’s Office runs the WBP and reports on its activities to Council, through the Council’s Audit Committee.

We conducted the assessment by reviewing documents relating to the WBP and interviewing individuals whom we selected based on their involvement in WBP-related work. We then prepared a draft report with our recommendations, which we gave to the City Auditor. Our final report incorporates the City Auditor’s responses to the recommendations.

Our overall assessment was that the WBP is a comprehensive program with a solid structure in place. We found that there are many things that the WBP does really well. For example:

- The WBP has well-documented processes and tools (e.g., a reporting portal for whistle-blowers) to ensure its proper functioning.
- The WBP staff tracks the status of files closely, pays attention to timeliness, and uses a risk-based approach to prioritize its work.
- Many measures are in place to ensure that WBP matters remain confidential.
- Important decisions about each file are consistently documented.
- The WBP has an effective website which clearly sets out how to report wrongdoing.

We also heard many positive comments about the WBP and its staff from those whom we interviewed.

We made 24 recommendations in the report which are intended to strengthen the program even further. These are the following:

- **Seven recommendations about amending different aspects of the City’s Whistle-blower Policy.** For example, we recommended clarifications about what can be reported under this policy and when the City Auditor can decline to investigate a whistle-blower report.
- **Four recommendations about amending the WBP’s procedure manual.** We recommended, for example, that the intake, assessment, and triage process in this manual be clarified.
- **Three recommendations relating to decision-making.** We recommended that the template for investigation reports be simplified. We also recommended that the document that is used to record intake decisions be reviewed to ensure that it aligns with the requirements of the Whistle-blower Policy. Finally, we recommended that breaches of law be considered when deciding whether a named individual (i.e., the person who is the subject of an investigation) engaged in wrongdoing.
- **Two recommendations about the investigation process and investigation management.** We recommended that named individuals be notified in writing of the allegations against them. We also recommended that the City Auditor’s Office review the amount of administrative work for the investigation files to determine whether it can be reduced.

- **Four recommendations about how the City Auditor’s Office communicates with whistle-blowers.** We recommended that the WBP website be amended to ensure that it aligns with the requirements in the Whistle-blower Policy and that it does not contain language to discourage whistle-blowers from coming forward. We also recommended that the City Auditor’s Office review its written communications to whistle-blowers to make sure that they are in plain language. Finally, we recommended that a yearly “check in” with City Administration be established for the City Auditor’s Office to review what is being done to inform employees and others about the WBP.
- **Four recommendations about Audit Committee and City Administration reporting.** We recommended that a reporting threshold be set for what should be reported verbally to the Audit Committee. We also recommended minor adjustments to the documents that are used to communicate information about the WBP to the Audit Committee and City Administration.

The City Auditor’s Office agreed with all our recommendations and has developed an action plan to address each, which we have incorporated in the report.

I. MANDATE

On December 10, 2020, The City of Calgary (the “City”) retained Rubin Thomlinson LLP to conduct an impartial assessment of its Whistle-blower Program (the “WBP”). The scope of the assessment is set out in Appendix A of the report.

We first set out an overview of the WBP. This context is necessary to understand the steps that we took to complete the assessment (section III) and the general observations and recommendations that follow (sections IV and V).

II. OVERVIEW OF THE WBP

In general terms, the purpose of the WBP is to receive reports of potential wrongdoing, investigate these, and make findings about whether there has been wrongdoing. These reports can be made by City employees, contractors, suppliers, or members of the public.

The City Auditor’s Office operates the WBP. We understand that the mission of the City Auditor’s Office is to provide independent and objective assurance, advisory, and investigative services to add value to the City and enhance public trust. (Any reference to the City Auditor’s Office in this report refers only to the investigative services of the WBP; it does not refer to the assurance and advisory activities.)

The City Auditor’s Office reports on the activities of the WBP directly to Council, through the Council’s Audit Committee. This reporting is done in quarterly Audit Committee meetings, and annually, through the annual report of the City Auditor.

The Whistle-blower Policy (CCo26), which is a Council policy (the “Policy”), governs the WBP.

The City Auditor has decision-making authority for the WBP and operates it with the help of WBP staff from the City Auditor’s Office. The management of the day-to-day activities of the WBP lies with the Manager, Whistle-blower Program, under the oversight of the City Auditor. The Manager also investigates whistle-blower reports, along with one other investigator, who reports to the Manager. The City Auditor’s Office has a procedure manual that describes how it does its WBP work (the “Manual”).

Under the Policy, the City Auditor’s Office and City Administration have joint responsibility for the WBP. For example, the City Manager¹ is responsible, under the Policy, for ensuring that administrative policies are in place and maintained to define the conduct that is expected of City employees. City Administration also communicates information about the WBP to City staff.

The City Auditor may at times involve City Administration in the triage and investigation of whistle-blower reports. However, the City Auditor retains decision-making authority for these reports and any resulting investigations.

There are two WBP-related committees which contribute to the collaboration between the City Auditor’s Office and City Administration. The first is the Whistle-blower Triage Team which generally meets weekly to discuss new whistle-blower reports and how to handle these. It is made up of WBP staff from the City Auditor’s Office and staff from City

¹ The City Manager is the chief administrative officer for the City who oversees the operation of all City departments (i.e., City Administration). The City Manager reports to Council.

Administration. The second is the Whistle-blower Oversight Group on which the City Auditor and some of the more senior members of City Administration sit. As noted in the Terms of Reference for the Whistle-blower Oversight Group, its purpose is to “support improved governance on outcomes resulting from whistle-blower activity and internal investigations.”

III. ASSESSMENT PROCESS AND LIMITATION

There were three stages to our assessment. During the first stage, we reviewed documents about the WBP that the City Auditor’s Office gave us. We requested additional documents which we also reviewed.

For the second stage, we interviewed 10 individuals about the WBP. We selected the following individuals based on their involvement in WBP-related work:

- The City Auditor and the WBP staff from the City Auditor’s Office
- Two members of the Audit Committee
- Management-level employees from the office of the City Manager, Legal Services, Human Resources (“HR”), and two business units

In the final stage of the assessment, we prepared a draft report and gave it to the City Auditor’s Office so that the City Auditor could review our recommendations and respond to them. The City Auditor’s responses have been incorporated in this final report; they appear after each recommendation.

There is one limitation to our assessment, which is that we did not review the WBP files of the City Auditor’s Office. Such a review was not included in

the mandate. We understand that this was because it would have required the City Auditor's Office to give us access to confidential information, including the identity of those who make whistle-blower reports.

IV. GENERAL OBSERVATIONS

Overall, there is a solid structure in place for the WBP. The City Auditor's Office has well-documented processes for its WBP work and tools to ensure its proper functioning (e.g., a reporting portal for whistle-blowers). We did not find that the processes were so rigid as to render the WBP ineffective or overly bureaucratic. This is important, given that there are unique circumstances for each whistle-blower report and that flexibility is often required.

There is no question that those directly involved in the operation of the WBP care about the program. There is a continuing focus on improvement. We understand that the program has come a long way from what it was five or six years ago and that significant efforts have been made to bring more rigour to it (for example, hiring additional resources, updating the Manual, enhancing the Triage Team and establishing the Whistle-blower Oversight Group). These efforts have resulted in the comprehensive program that is in place today.

Those from outside the City Auditor's Office whom we interviewed generally had positive feedback about the WBP. For example, we heard the WBP described as "mature" and "professional" and WBP staff from the City Auditor's Office as "solution oriented" and "collaborative." One interviewee described having a "high level" of confidence in the WBP.

There are many things that the City Auditor's Office is doing well with the WBP. Here are some of the highlights:

- In managing its case load, the City Auditor’s Office uses a risk-based approach. It has developed a “risk priority scoring” form, which must be completed for each file that requires investigation. The purpose of this form is to assess objectively the risk level of a new matter by taking into account various factors (for example, the seriousness of the alleged wrongdoing). While this form is completed at the outset of a matter, we understand that the City Auditor’s Office may reassess the risk profile of a matter while it progresses. We find this to be prudent, given that the level of risk may easily change during the life of an investigation.
- There are appropriate measures in place to ensure that WBP matters remain confidential. For example:
 - the Policy requires that employees keep the details and results of an investigation confidential;
 - as required by the Manual, the investigators tell witnesses to keep the investigation confidential;
 - the name of the whistle-blower is not generally disclosed, and we understand that file materials that may reveal the identity of a whistle-blower are typically redacted before being shared with anyone; and,
 - the electronic files for the WBP can only be accessed by those in the City Auditor’s Office who do WBP work.
- The City Auditor’s Office effectively keeps track of the status of each WBP file and there is a good amount of reporting/communication

between the City Auditor and the WBP staff. This is a good practice, given that the City Auditor is the decision-maker for the WBP files.

- The City Auditor’s Office consistently records important decisions (this is typically the decision whether to investigate a new report and the decision after an investigation). This is an effective way of ensuring that the City Auditor has something to rely upon should the City Auditor ever have to explain why a decision was made on a file.
- The City Auditor’s Office has an effective record-keeping system to ensure that file materials, including the evidence, are kept in order. Each investigation has its own file folder (both electronic and physical) and there is a consistent subfile structure in place to ensure that materials are organized within each file. This is important to maintain continuity should an investigation ever need to be transferred from one investigator to the other or if an investigation is ever challenged. We also note that the investigators use a consistent practice for receiving evidence and ensuring its safekeeping.

Given that there is already a good structure in place for the WBP, the recommendations in the next section of this report are proposed as “tweaks” to some of the components of the WBP. We are by no means suggesting an overhaul of the program, but we believe that our recommendations can strengthen it further and mitigate some of the risks we have identified.

V. RECOMMENDATIONS

In this section, we have made 24 recommendations based on our assessment of the WBP. We have grouped the recommendations into the following five categories:

- The Policy and the Manual
- Decision-making
- Investigation process and investigation management
- Communication with whistle-blowers
- Audit Committee and City Administration reporting

1. Recommendations about the Policy and the Manual

Our most extensive recommendations in this report relate to the Policy. This is because the Policy is what sets the parameters of the WBP. While the Policy does have some good features (like whistle-blower protections), we found that some of its components are not sufficiently clear. We have made recommendations to address this.

We have also made recommendations regarding the Manual, which is another important document as it describes how the work of the WBP is done. These recommendations are intended to clarify and simplify some of the processes that are set out in the Manual.

a) Amend the Policy

i. Clarify in the Policy what can be reported under the WBP

The Policy governs how the WBP must operate. Among other things, it defines what can be reported under the WBP. This is standard and should be included in the Policy.

However, in the Policy, there are inconsistencies about what can be reported and some overlap in the definitions. For example:

- in the introductory sections, the Policy refers to reports of “waste and wrongdoing”; elsewhere in the same sections, it refers to waste and wrongdoing, and “matters of public concern” (p. 1)
- in the definition of “Whistle-blower Program,” it refers to the City Auditor’s Office as receiving reports regarding activities that may be considered “dishonest, unethical, wasteful, improper, or a matter of public concern or illegal” (p. 2)
- the definition of “wrongdoing” includes the misappropriation or misuse of funds, equipment, and other assets, which is already included in the definition of “waste” (p. 3)

The issue with this is that it is difficult to know what kind of wrongdoing was contemplated as being within the scope of the program. For that reason, we recommend that the Policy be amended to clarify what can be reported under the WBP. We recommend that this be done by having one, clear definition of “wrongdoing.” There is no need to separate “waste” or “matters of public concern” into their own category; they can be included as part of the definition of wrongdoing. The definition of “wrongdoing” can include, for example:

- breaches of policy
- breaches of law (more on this in recommendation 2(d) below)
- grave danger to health and safety or the environment
- mismanagement or misuse of City assets

The current definition is quite broad as it includes any “inappropriate” conduct. We recommend moving away from such a broad definition as it

makes it difficult for the City Auditor to determine what should or should not be investigated (and conversely, for whistle-blowers to know what they can report).

City Auditor's Response:

Agreed. The Policy is scheduled for updating in 2021 and a draft updated policy is anticipated to be completed by end of Q4 2021.

Action Plan	Responsibility
1 (a)(i) Ensure that the updated policy draft clarifies reporting requirements and consistent definitions.	Lead: City Auditor Support: Manager, Whistle-blower Program Commitment Date: December 31, 2021

ii. Clarify in the Policy when the City Auditor can decline to investigate a report

The Policy is also unclear about when the City Auditor can decline to investigate a report. The “General Policy Statements” section of the Policy states that the City “will fully investigate any suspected acts or allegations of waste and/or wrongdoing” (p. 3). However, clauses elsewhere in the Policy suggest that there are situations where the City Auditor may not be required to investigate; these are inconsistent with the statement that any suspected acts or allegations will be investigated.

Moreover, the exclusions in the Policy are inconsistent. For example, the Policy states:

- “[The WBP] will not accept items that are considered to be activism and/or challenges to the appropriateness of Council policy decisions.” (p. 3)
- “All allegations made in good faith through the Whistle-blower Program, and not raised solely for self-interest or representing a political agenda, will be subject to a timely assessment, and investigation and resolution, as appropriate.” (p. 5)
- “All reported allegations received in good faith, and not under review by other mechanisms, will be assessed and investigated as appropriate.” (p. 7)

Also, exceptions are listed in section 7.3.1 of the Manual. Several of these are different than the exceptions noted in the Policy.

To resolve these inconsistencies, we recommend that there be one complete list of exceptions and that this list be included in the Policy, rather than in the Manual.

We do consider this list of exceptions as being a necessary component of the WBP. This is because not all matters are suitable for investigation under the WBP. The following are examples of matters that may not be suitable, which the City can consider excluding (these are suggestions and not an exhaustive list):

- The whistle-blower provided insufficient information
- The subject matter of the report is, or was, before a court or another decision-making body

- The subject matter of the report relates to an employment or labour matter that can be grieved
- The subject matter of the report relates to harassment and discrimination (more on this in recommendation 1(a)(iii) below)
- The matter is being dealt with by law enforcement
- There has been a delay in reporting (more on this immediately below)
- The matter is being dealt with through another City process
- The subject matter of the report relates to a policy decision
- The report is frivolous, vexatious, or made in bad faith

With respect to delay in reporting, we were asked to consider how much time has to pass between when the matter arose to when it was reported for it to be considered too “old” to be investigated. There is no magic number here and we recommend against including a strict limitation period. This is because, while a matter may be dated, an investigation may still be relevant (for example, the employee may still be with the City). The delay in reporting, however, can still be included as an exception, but we recommend that it be listed along with other factors. For example, there is a delay in reporting and:

- the investigation would serve no useful purpose as a result of the delay
- the named individual is no longer an employee

- evidence can no longer be obtained as a result of the delay

Finally, as part of the list of exceptions, the City could also include a clause that allows the City Auditor to use discretion to exclude any other matter that is not suitable for investigation, if a valid reason exists to do so.²

City Auditor's Response:

Agreed. The Policy is scheduled for updating in 2021 and a draft updated policy is anticipated to be completed by end of Q4 2021. The recommended clarity supports the City Auditor's commitment to transparency and will also support consistent decision-making.

Action Plan	Responsibility
1 (a)(ii) Ensure that the updated policy draft clearly outlines the City Auditor's authority and discretion to assess a report as not meriting further investigation.	Lead: City Auditor Support: Manager, Whistle-blower Program Commitment Date: December 31, 2021

iii. Include an exclusion in the Policy for harassment and discrimination matters

Currently, matters involving harassment and discrimination can be reported through the WBP. The City Auditor's Office typically sends these matters to HR for investigation (the City Auditor is permitted under the Policy to rely on City resources to conduct investigations). The City Auditor

² Such a clause exists, for example, in the federal and Ontario whistleblowing legislation: see clause f of section 24(1) of the *Public Servants Disclosure Protection Act* and clause 9 of section 117 of the *Public Service of Ontario Act*.

retains decision-making authority over these matters. HR submits an investigation report that the City Auditor has to approve.

Our view is that, generally, HR matters are not well-suited for whistleblowing. This is because they usually cannot be investigated without disclosing the name of the whistle-blower (the matters typically relate to one-on-one issues between employees). Also, there are usually established channels for reporting harassment and discrimination matters.

We understand, for example, that City employees can report harassment and discrimination matters to HR and to the City's Respectful Workplace Office. We also understand that this office did not exist at the time the City implemented the WBP.

We were advised that City employees sometimes report their concerns of harassment and discrimination to both the WBP and the City's Respectful Workplace Office and/or HR. This means that there can be duplication of work and unnecessary time spent trying to decide who will do what. We also question the efficiency of having the City Auditor and the WBP staff oversee harassment and discrimination matters when these are normally handled elsewhere within the City without this oversight.

For these reasons, we recommend that there be an exclusion in the Policy for harassment and discrimination matters. Alternatively, the City could place parameters around when employees can use the WBP for these matters. For example, a report of harassment or discrimination may be suitable for the WBP when it is alleged that the conduct is such that it is interfering with the work of the City (for example, an allegation that a manager is so abusive that the unit can no longer operate effectively).

City Auditor's Response:

Agreed. The Policy is scheduled for updating in 2021 and a draft updated policy is anticipated to be completed by end of Q4 2021.

Action Plan	Responsibility
1 (a)(iii) Engage in discussions with City Administration in order to obtain support for the change and to ensure that broader messaging is provided to City employees regarding the reporting and escalation process when reporting to HR. Subsequently, any change in process would require alignment with the Policy draft, WBP website, and the Manual.	<p>Lead: City Auditor</p> <p>Support: Manager, Whistle-blower Program, Human Resources</p> <p>Commitment Date: December 31, 2021</p>

iv. Set out in the Policy how much information whistle-blowers have to provide when making a report

We understand that at times, whistle-blowers do not provide enough information when making a report. This can make investigations very challenging (and at times, impossible). For example, a whistle-blower may not even name the person who is alleged to have engaged in the wrongdoing.

We recommend that the Policy be amended so that whistle-blowers are required to provide as much information as possible when making a report. It is helpful to be able to rely on this language when trying to get more

information from whistle-blowers. (As noted in recommendation 4(a)(ii), however, employees should not be encouraged to seek out evidence.)

City Auditor's Response:

Agreed. The Policy is scheduled for updating in 2021 and a draft updated policy is anticipated to be completed by end of Q4 2021. Some relevant guidance is currently provided on the WBP webpage regarding reporting.

Action Plan	Responsibility
1 (a)(iv) Ensure that the updated Policy draft includes language regarding minimum information requirements, and how the absence of key details can result in the City Auditor's decision to not consider a report for investigation, in alignment with Recommendation 1(a)(ii).	Lead: City Auditor Support: Manager, Whistle-blower Program Commitment Date: December 31, 2021

v. Clarify in the Policy what the City Auditor can do with new reports

The Policy requires employees to “cooperate fully in any City investigations or **reviews** arising from reports” (emphasis added) under the WBP. It is not clear from the Policy what a “review” is.

We understand that the City Auditor makes one of the following decisions after assessing a new report: (1) directs that an investigation be undertaken; (2) declines to investigate; or, (3) refers the matter to City Administration for their consideration (without retaining oversight of the matter).

We recommend that the Policy be amended so that there is transparency about these different avenues. We also recommend that some parameters be put in place about when a matter may be referred. It was not entirely clear to us when this can be done. In our view, a matter should be referred only if it falls short of wrongdoing (i.e., it does not fall within the Policy) and there is a reason why City Administration may need to know about it.

City Auditor's Response:

Agreed. The Policy is scheduled for updating in 2021 and a draft updated policy is anticipated to be completed by end of Q4 2021. It is noted that assessment decision outcomes are currently provided on the WBP webpage.

Action Plan	Responsibility
1 (a)(v) Ensure that the updated Policy draft includes transparency of process, in alignment with completion of Recommendation 1(a)(ii).	<p>Lead: City Auditor</p> <p>Support: Manager, Whistle-blower Program</p> <p>Commitment Date: December 31, 2021</p>

vi. Extend reprisal protection in the Policy to witnesses

The Policy puts in place protections for whistle-blowers. First, it requires that the identity of the whistle-blower be kept confidential to the extent possible. Second, the Policy prohibits retaliation against whistle-blowers. However, the same protections do not apply to witnesses.

To encourage witnesses to participate fully in the investigation process, we recommend that the reprisal protections in the Policy be extended to witnesses (provided that these witnesses are employees).

City Auditor's Response:

Agreed. The Policy is scheduled for updating in 2021 and a draft updated policy is anticipated to be completed by end of Q4 2021. In alignment with the current Policy, which clearly requires City employees to cooperate with whistle-blower investigations, language regarding reprisal protection should be clearly extended to witnesses interviewed during a whistle-blower investigation.

Action Plan	Responsibility
1 (a)(vi) Ensure that the updated Policy draft includes language to extend protection to witnesses supporting a whistle-blower investigation.	Lead: City Auditor Support: Manager, Whistle-blower Program Commitment Date: December 31, 2021

vii. Remove mandatory police reporting in the Policy

The Policy states that where “the results of the investigation find reasonable grounds to indicate that a fraud or criminal act may have occurred, the file will be turned over to The Calgary Police Service.” The Policy leaves no room for discretion; the City must turn over its file to police.

In some situations, however, the City may wish to deal with matters internally even if there are reasonable grounds to indicate that there was a crime; for example, in the case of a very minor theft of City property.

Accordingly, we recommend that the language in the Policy be amended so that police reporting is not mandatory.

City Auditor's Response:

Agreed. The Policy is scheduled for updating in 2021 and a draft updated policy is anticipated to be completed by end of Q4 2021. The recommended action aligns with procedures currently in place within City Administration and provides more consistency in how the organization as a whole responds to such matters.

Action Plan	Responsibility
1 (a)(vii) Ensure that the updated Policy draft replaces the obligation to report to police to one of consideration, where appropriate. Discussions with Law and Corporate Security will occur to ensure consistency within the organization.	Lead: City Auditor Support: Manager, Whistle-blower Program, City Solicitor, Chief Security Officer Commitment Date: December 31, 2021

b) Amend the Manual

i. Update and simplify the content of the Manual

The Manual contains many of the same provisions that are included in the Policy. If the Policy is updated to satisfy the recommendations set out

above, we recommend that the Manual be updated at the same time to avoid it being inconsistent with the Policy.

That said, we found that the Manual is quite dense. While it is good to be thorough, we do not think that it is necessary to reproduce information that is included in other WBP documents. For example, the Manual includes a list of the Triage Team members. These names, however, already appear in the Triage Team terms of reference document. (As an aside, it is a good idea to avoid including names in the Manual as it can cause it to become outdated quickly – for example, when an individual leaves their position.)

The purpose of the Manual should be to set out the processes that the City Auditor’s Office applies when doing its WBP work. It does not need to be all-encompassing and can be instead read in conjunction with other WBP documents. While the Manual can certainly reference other WBP documents, there is no need to replicate the wording from these.

We recommend, therefore, that when updating the Manual, the City Auditor’s Office consider simplifying it by removing duplicative information.

City Auditor’s Response:

Agreed. The Manual is an ongoing work in progress and routine, minor updates are made on an annual basis. This recommendation requires a full update following the update of the Policy.

Action Plan	Responsibility
1 (b)(i) Update and simplify the Manual to reflect changes in practice, to provide clarity and to remove	Lead: City Auditor Support: Manager, Whistle-blower Program

duplication and information that is no longer relevant and/or required.	Commitment Date: September 30, 2022
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ii. Clarify intake, assessment, and triage process in the Manual and the WBP Decision Tree

The Manual is not entirely clear about what process is followed at the intake/assessment stage (i.e., the period after a new whistle-blower report is received, but before a decision is made about what to do with a report).

The Manual separates this initial phase into three components: (1) report intake and eligibility; (2) preliminary assessment; and, (3) WBP triage process. There seems to be duplication in these categories as eligibility, assessment, and triage are all part of the same process of deciding what to do with a new whistle-blower report.

To eliminate this confusion, we recommend that the process be collapsed into two components: (1) intake and (2) assessment.

For the “intake” stage, we recommend that the Manual set out the process that the City Auditor’s Office follows to record and acknowledge receipt of a report.

For the “assessment” stage, we recommend that the Manual set out the process that the City Auditor’s Office follows to decide what to do with a new whistle-blower report. For example, the process can include the following components:

- obtaining more information from the whistle-blower
- conducting background research

- consulting the Triage Team
- considering whether any exclusions apply
- completing the form which records the decision of what to do with a new report (this is called the “Preliminary Assessment Decision” form or the “PAD”)

The process should set out which steps are mandatory and which are not. For example, the Manual is unclear as to when a matter is brought to the Triage Team for discussion. We understand that not every new report is discussed with the Triage Team. That being the case, the Manual should set out some general guidance about when to involve this team.

Ultimately, the goal of the assessment is to decide what the City Auditor will do with a new whistle-blower report and this decision must be made in a way that complies with the Policy. The assessment process is to gather information to decide whether the City Auditor may accept it for investigation. We encourage the City Auditor’s Office to describe the assessment process in the Manual in these terms.

Finally, we note that there is a “WBP Decision Tree” which is incorporated by reference into the Manual. This document is a flow diagram of the WBP processes. We understand that it does not entirely reflect the current processes. Given its importance, and that it forms part of the Manual, we recommend that it be updated and also kept up-to-date. Moreover, we note that the intake/assessment/triage components are, like the Manual, not entirely clear; a person with no prior knowledge of the WBP would find it difficult to follow the process. As such, we recommend that these components of the WBP Decision Tree also be simplified.

City Auditor's Response:

Agreed. The Manual is a work in progress and routine, minor updates are regularly made and approved on an annual basis. The recommended clarity will support consistent decision-making. As a supporting document, the WBP Decision Tree requires an update to clarify current practices and will be updated in alignment with the Manual.

Action Plan	Responsibility
1 (b)(ii) Update the WBP Decision Tree to illustrate and clarify current practice and approach, in alignment with Recommendation 1(b)(i).	Lead: City Auditor Support: Manager, Whistle-blower Program Commitment Date: September 30, 2022

iii. Provide guidance in the Manual about the collection of evidence

Knowing what evidence to collect is one of the most challenging aspects of conducting investigations. It is not an exact science and a case-by-case approach is necessary. On the one hand, an investigator must avoid embarking on a “fishing expedition”; that is, obtaining evidence that does not have a link to what is being alleged. On the other hand, an investigator must ensure that there are no gaps in the evidence.

In our experience, there are some general guiding principles that can help investigators decide what evidence to collect. Given the importance of evidence collection, we recommend that the following two be included in the Manual:

- To collect evidence in an investigation, it has to be relevant to an allegation at issue. This is the main consideration when deciding what evidence to collect. The evidence is relevant if it makes what is being alleged more or less probable.
- The investigation must also be timely, fair, thorough, and confidential. These factors must also be weighed in determining whether to obtain evidence.

City Auditor's Response:

Agreed. Adding guidance to the Manual will support appropriate on-going consideration of the need for evidence on a case-by-case basis by the lead investigator.

Action Plan	Responsibility
1(b)(iii) The Manual will be updated to include language as suggested above, in alignment with work to be completed in addressing Recommendation 1(b)(i).	Lead: City Auditor Support: Manager, Whistle-blower Program Commitment Date: September 30, 2022

iv. Provide guidance in the Manual about how much information is communicated to whistle-blowers

We understand that the practice of the WBP is to provide only high-level information to whistle-blowers about the progress and outcome of investigations. We support this practice as this is important to maintain the confidentiality of investigations and the named individuals.

Given the importance of confidentiality in these investigations, we recommend that guidance about the level of information that is provided to whistle-blowers be included in the Manual.

City Auditor's Response:

Agreed. Adding guidance to the Manual will support a consistent approach.

Action Plan	Responsibility
1(b)(iv) The Manual will be updated to include guidance regarding messaging communicated to whistle-blowers, in alignment with work to be completed in addressing Recommendation 1(b)(i).	Lead: City Auditor Support: Manager, Whistle-blower Program Commitment Date: September 30, 2022

2. Recommendations about decision-making

In this section, we have made recommendations that relate to the City Auditor's decision-making.

First, we have made recommendations about changes to two documents that capture key decisions about whistle-blower reports: the Preliminary Assessment Decision Form and the investigation report.

Second, we were asked to assess the standard of proof that the City Auditor applies when deciding, at the end of an investigation, whether allegations are substantiated. As set out below, our assessment is that the current standard ("balance of probabilities") be maintained.

Finally, we were also asked to consider whether determinations of wrongdoing should be restricted to City policies or be expanded to include breaches of law. We have recommended that breaches of law be considered when determining whether there is wrongdoing.

a) Review the Preliminary Assessment Decision form to ensure that it reflects Policy requirements

The Preliminary Assessment Decision form (the “PAD”) captures the City Auditor’s decision about what to do with a new matter. We understand that the form has to be completed for each new matter. The use of this form is an excellent practice and should be maintained. Importantly, it gives the City Auditor something on which to rely if an assessment decision is ever challenged (for example, a decision not to investigate a report).

We like that the PAD:

- captures what steps were taken to do the assessment
- identifies the category of wrongdoing
- identifies the risk level of the report
- confirms that an acknowledgement of receipt was sent to the whistle-blower and that the whistle-blower was advised of the City Auditor’s decision about how to handle the matter
- requires the City Auditor’s sign-off

We recommend that, after the Policy is updated, the PAD be reviewed to ensure that it captures that the decision was made in accordance with the Policy requirements. This is to ensure that the City Auditor’s decision about how to proceed with a whistle-blower report can withstand scrutiny. Based

on the changes to the Policy that we have recommended in section 1, we suggest that the following three elements be clearly communicated in the PAD:

- Is the person about whom the report is made subject to the Policy?
- Did the reporter disclose behaviour that, if true, is potentially “wrongdoing” under the Policy?
- Is there a reason why the City Auditor should refuse to investigate?

The answer to these questions should be more than just a “yes” or “no.” We suggest that an explanation be provided for each component. We provide two examples to illustrate this (these are entirely fictional and not based on the current version of the Policy):

Example 1:

The City Auditor’s Office receives a report that a manager has hired their child to work for the City. The City Auditor decides to investigate the matter because it falls within the Policy. The PAD should indicate how each of the components is satisfied:

- The report is about an employee of the City, and is, therefore, a person to whom the Policy applies
- The report discloses behaviour that, if true, is potential wrongdoing (a breach of City policy). This is because hiring a family member is a conflict of interest, which is prohibited under the City’s Code of Conduct (the section of the Code would be noted)
- None of the exclusions apply

The allegation going forward for investigation is the following:

- It is alleged that Employee X hired their child, in breach of section XYZ of the Code of Conduct.

Example 2:

The City Auditor’s Office receives a report telling the City Auditor to investigate Employee Y for a “grave paperwork error.” No other details are provided and the whistle-blower is not responding to communications. The City Auditor declines to investigate. The PAD should state:

- The report is about an employee of the City, and is, therefore, a person to whom the Policy applies.
- However, there is insufficient information to determine whether there is potential wrongdoing under the Policy as there is no description of the “grave paperwork error.” Therefore, the City Auditor is declining to investigate the matter.

Finally, we recommend that the City Auditor’s Office avoid language that could suggest that the outcome of a matter has been pre-determined. For example, the one completed PAD we reviewed indicated that the activity in question appeared to be a “non-compliance activity....” This type of language should be avoided as it may give the impression that the City Auditor is not neutral.

City Auditor’s Response:

Agreed.

Action Plan	Responsibility
2 (a) Update the Preliminary Assessment Decision form template to	Lead: City Auditor Support: Manager, Whistle-

<p>ensure those elements noted above which are not on the current template, are added, specifically:</p> <ul style="list-style-type: none"> - Whether the person about whom the report is made is subject to the Policy - whether there is a reason why the City Auditor should refuse to investigate and whether that reason aligns to Policy <p>Additionally, the City Auditor will enforce consistency in the use of the template.</p>	<p>blower Program</p> <p>Commitment Date: June 30, 2022</p>
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b) Simplify the investigation report template

The City Auditor's Office gave us their investigation report template (the current template and a proposed updated template) and one redacted investigation report, which appears to have been written using the current template. Based on our review of these, we can provide some general guidance about the report format which we think can help the City Auditor's Office when revising its current template.

The use of a template is prudent as it helps to maintain consistency and ensures that important elements are included in the investigation report; the City Auditor's Office should continue using one. However, we do think that the template can be improved to clarify what decisions were made and how they were made.

Our recommendation is to simplify the report template.

The proposed template has many different sections and the way they are ordered is difficult to follow. For example, the sources of evidence are listed at the end of the report; we would expect to see these (along with a summary of evidence) before the findings are made. As another example, in the sample report we reviewed, there were two conclusion sections, in different places in the report.

The sections of the report can look something like this (in the order presented here):

- Confidentiality explanation
- Background
- Purpose of the investigation³
- Investigation steps
- Evidence
- Findings of fact
- Analysis
- Recommendations

Regardless of what section headings are used, the template should be set up so that the report clearly sets out: (a) the relevant evidence collected for each allegation; (b) the decision about what happened (i.e., the findings of fact) for each allegation; and, (c) whether, based on the findings of fact, the named individual engaged in wrongdoing. We have provided further

³ The purpose of the investigation can be stated as follows: The purpose of the investigation was to make findings of fact about the following allegations and determine whether the named individual engaged in wrongdoing, as that term is defined in the Policy: [...]

guidance about this below, as it may assist the City Auditor’s Office when revising the template.

For clarity, “evidence” is information that is relevant to the allegations which is collected from various sources (e.g., witnesses, documents). A “finding of fact” is a determination that is made, taking into account the evidence that was collected, about whether an alleged event happened. For example, if the allegation is that an employee hired a family member, the finding of fact would be whether the employee did this or not. In the investigation reports, care must be taken to separate the evidence from the findings of fact.

The investigation report should first summarize what relevant evidence was collected and from what sources, for each allegation.

After the evidence is summarized, findings of fact need to be made. To keep the evidence separated from the findings, appropriate subheadings can be used. For a decision to be legally defensible, the City Auditor needs to set out the evidence relied upon to make findings. If there is competing evidence (i.e., two sources of evidence on the same point state different things), the City Auditor needs to decide what evidence is preferred and give a reason why. This explanation would be set out in the “findings of fact” section.

Once the City Auditor has made findings of fact, a determination needs to be made about whether the person engaged in wrongdoing. This is what we call the “analysis” portion of the report; it needs to be separated from the evidence and the findings of fact. The purpose of the “Analysis” section is to set out the decision about whether the person under investigation engaged in wrongdoing, as defined in the Policy. The section can contain the relevant

policy language (if the matter relates to a breach of policy), the decision about whether there was wrongdoing, and reasons for that determination.

City Auditor's Response:

Agreed. The updated investigation report template currently in draft is a result of a commitment to continued improvement, and this guidance will be helpful in finalizing the document.

Action Plan	Responsibility
2 (b) Complete updated version of investigation report template to simplify and improve readability.	Lead: City Auditor Support: Manager, Whistle-blower Program Commitment Date: December 31, 2021

c) Maintain current standard of proof for making decisions

We were asked to consider what standard of proof should be applied to the WBP matters. We understand that the “balance of probabilities” standard is currently applied. For the reasons that follow, our assessment is that this should continue to be the standard that is applied when making findings of fact.

In simple terms, the standard of proof describes the level of satisfaction that the decision-maker must reach to decide that the alleged behaviour happened. Different standards of proof can be applied. In criminal court, for example, the prosecution needs to put forward enough evidence that the judge or jury is satisfied “beyond a reasonable doubt.” This is a very high standard because there is typically so much at stake for the accused. In civil

matters (i.e., matters that do not involve criminal or quasi-criminal charges by the Crown), it is well established that the standard of proof is the balance of probabilities.⁴ These civil matters include, for example, court matters involving litigation between two parties and matters heard by adjudicative bodies (like human rights tribunals). The balance of probabilities is also the accepted standard in workplace investigations.

Essentially, the balance of probabilities standard requires that the decision-maker decide whether it is more likely than not that whatever is being alleged happened.

The matters that are reported through the WBP are not criminal matters in that they do not involve charges by the Crown. While matters reported through the WBP could potentially result in criminal charges if the City referred a matter to police, this does not change the standard of proof when the matter is in the hands of the City Auditor. The decision-maker at that stage is the City Auditor – not the criminal court or any other adjudicative body. For that reason, the City Auditor need not, and should not, consider the standard of proof that these other decision-makers may apply.

To be clear, the standard of proof is applied when the City Auditor is making a decision at the end of the investigation about whether the allegations are substantiated. Before getting to that stage, the role of the City Auditor (and by extension, the WBP staff of the City Auditor's Office) is to collect evidence that is relevant to the allegations⁵ so that the City Auditor can make a decision. The standard of proof does not factor into the

⁴ *F.H. v. McDougall*, [2008] 3 S.C.R. 41.

⁵ As noted above, evidence is relevant to the allegations if it makes what is being alleged more or less probable.

collection of evidence. This is because the City Auditor is neutral and is not trying to achieve or drive any particular outcome.

In sum, our assessment is that the City Auditor should continue to apply the balance of probabilities standard of proof when deciding whether alleged wrongdoing is substantiated. This standard should be applied in all cases, regardless of what the whistle-blower is alleging or the likelihood that the matter may at some point be before a different decision-maker.

d) Consider breaches of the law when deciding whether wrongdoing exists

We were asked to consider whether, when deciding whether there was wrongdoing, the City Auditor should consider breaches of law, or only breaches of City policy and procedures.

The answer to this depends on whether a breach of the law is a potential wrongdoing under the Policy. While the Policy does not explicitly set out that a breach of the law is potential wrongdoing, from the broad definition of wrongdoing currently in the Policy, we believe it is included. (It would be peculiar if it was not, as this is one of the most important types of wrongdoing that can be uncovered through a whistle-blower program.)

If we accept that a breach of a law is a type of wrongdoing that can be reported under the Policy, then it follows that, when this type of allegation is made, the ultimate conclusion will need to be whether: (a) the person engaged in the behaviour (the findings of fact), and if so, (b) whether the behaviour contravenes the law such that it is “wrongdoing” under the Policy (the analysis).

That said, we understand that the City has many policies in place. These policies may incorporate matters that are also covered by legislation. If that

is the case, the City Auditor’s Office may decide that when both a policy and a law applies, it will resort to the policy to determine whether there was wrongdoing.

However, if a City policy does not cover the type of wrongdoing that was reported, but legislation does, then we recommend that the City Auditor’s Office consider in its analysis whether there was a contravention of the legislation. The City Auditor’s Office may wish to consider whether it can draw upon the City’s legal resources to help with this work.

City Auditor’s Response:

Agreed.

Action Plan	Responsibility
2 (d) Engage in an appropriate discussion with Law, Corporate Security and HR, as necessary, to ensure consistency, and update Manual as required.	Lead: City Auditor Support: Manager, Whistle-blower Program Commitment Date: June 30, 2022

3. Recommendations about the investigation process and investigation management

Given that we did not review the investigation files of the WBP, we asked a lot of questions about how the investigators do their investigations. For example, we asked about potential sources of evidence, how witnesses are approached, and how interviews are conducted. Generally, the investigation process and investigation management seemed to be effective and sound, with one exception relating to the notice of allegation that is given to the

named individual (i.e., the person whose conduct is at issue). Our recommendation about this is below.

We had also been asked to assess the timeliness of the WBP investigations. We did not take issue with timeliness generally and our assessment is that the WBP should maintain its current focus on completing files in a timely manner.

Finally, we made one recommendation about investigation management, which relates to the administrative work associated with the investigation files.

a) Provide notice of allegations to named individual in writing

One of the elements we considered during the assessment was whether the named individual in a whistle-blower report is treated fairly.

We understand that the City Auditor's Office does not typically advise the named individual at the outset of the investigation that they have been named in a whistle-blower report.⁶ This is because the City Auditor's Office first collects evidence to assess whether the wrongdoing may be potentially substantiated. If there is insufficient evidence, then the investigation is closed, and the named individual is not told of the investigation. We were advised that this is to protect the reputation of the named individual and to avoid putting them through the stress of an investigation unnecessarily.

⁶ We understand that the practice may be different for harassment and discrimination investigations that are reported through the WBP.

We have not found a legal principle that requires that the person who is the subject of an investigation be told about it at the outset. Due to this, we are not recommending that the City Auditor's Office change its practice.

There is, however, one risk that the City Auditor's Office should consider with its approach. The risk is that the named individual will find out about the investigation informally, which would be unfair to them. If the City Auditor's Office is investigating "behind the scenes" (for example, by collecting documents), then the risk is low. However, if the City Auditor's Office interviews witnesses, then there is a possibility that one of them will tell the named individual about the investigation. While each witness is told to keep the fact of the investigation confidential, it is not a guarantee that everyone will comply with this.

If the named individual has not yet been informed of the investigation, before interviewing any witnesses, the City Auditor's Office may wish to consider:

- the likelihood of an employee disclosing the fact of the investigation to the named individual (for example, interviewing a close colleague of the named individual may be a problem)
- whether the witness can be interviewed without that witness figuring out what the matter is about
- the seriousness of the matter (for example, more caution may need to be exercised for an allegation that could result in a termination of employment)

The City Auditor's Office can decide, with these factors in mind, whether it is prudent to interview witnesses before the named individual is notified. This can be done on a case-by-case basis.

The approach of the City Auditor's Office is to advise the named individual of the investigation before adverse findings are made against them and to allow them to respond to the allegations and the evidence. This practice should continue as it is necessary for the investigation to be procedurally fair.

However, we were advised that the City Auditor's Office does not always give the allegations to the named individual in writing. This means that a named individual may know very little about what the investigation is about before they are interviewed. This carries some risk that the named individual will complain that the process was unfair. While under the stress of the interview, the individual may not understand the allegations. They may also feel that the interview is an "ambush" and that they were not given the opportunity to respond properly.

To guard against this, we recommend that the City Auditor's Office give the named individual the list of allegations before the interview, in writing. In deciding how far in advance of the interview the allegations should be given, the City Auditor's Office should consider the circumstances of the case. For example, for very serious allegations, or cases that require the named individual to locate a lot of documents, the City Auditor's Office may wish to give the named individual ample notice before they are interviewed.

City Auditor's Response:

Agreed. The recommended practice is important in ensuring fairness and transparency. It is acknowledged that current practice regarding what is

disclosed, and when, can at times be inconsistent.

Action Plan	Responsibility
<p>3 (a)</p> <p>(a) Implement in practice as soon as possible by way of direction provided by the Manager, Whistle-blower Program; and,</p> <p>(b) Formally document the procedure in the Manual as part of routine annual update, clearly outlining what information shall be provided, when, and in what format.</p>	<p>Lead: City Auditor</p> <p>Support: Manager, Whistle-blower Program</p> <p>Commitment Date: December 31, 2021</p>

b) Maintain current focus on timeliness

We were asked to comment on the timeliness of the investigations. We were advised that on average, investigations take about 180 days to complete. We understand that through the efforts of the City Auditor's Office, the average completion time was significantly reduced over the last five to six years.

Based on our experience, we do not think that six months is out of the ordinary for public sector whistle-blower investigations. For example, the federal Office of the Public Sector Integrity Commissioner, which receives whistle-blower reports from federal public servants, sets its investigation

completion target at one year (80% of investigations must be completed within that timeframe).⁷

There are a variety of factors that play into how long it takes to investigate. For whistle-blower investigations, one main consideration is that there is often very little information to go on initially. This is very different from a harassment investigation, for example, where the complainant sets out exactly what is at issue and can tell the investigator where to get relevant evidence. Other factors can be the number of allegations reported and how dated a matter is. A case with a lot of documentary evidence will also take longer⁸ as will one where there are a lot of witnesses; in our experience, the coordination and availability of witnesses often gets in the way of a speedy investigation. The availability of resources to investigate and the challenges that come with juggling multiple files can also be a factor.

The City Auditor's Office monitors closely how long its investigations take and may reassign priorities to ensure that older investigations can be concluded promptly. We support these activities and the continued focus on timeliness.

c) Review investigators' administrative file work to determine whether it can be reduced

The goal is to ensure that the City Auditor's Office keeps the WBP files moving; they should avoid periods of time when a file lies dormant. We understand that this may at times be challenging given competing priorities and the resources of the City Auditor's Office. We do have one

⁷ Annual Report of the Office of the Public Sector Integrity Commissioner, 2019-2020, page 8: https://ispc-psic.gc.ca/sites/default/files/2020-06/2019-20_annual_report_en_-_print_o.pdf.

⁸ This is because there is usually some delay in receiving documents, and it takes time to review them. In the case of the City Auditor's Office, they have to wait to receive documents from City Administration.

recommendation that may assist with this, which is that the City Auditor's Office review the amount of administrative work for each investigation file. In our experience, administrative tasks can detract from investigative file work.

For example, we note that the City Auditor's Office keeps a physical copy of each of its files and an electronic one. The investigators have to make sure that each of these files is complete (we understand that the files essentially mirror one another). We recommend that the City Auditor's Office consider designating the electronic version of the file as the official file (for record retention purposes) and relieving the investigators of the need to keep a physical file.

We also noticed that there are some process steps that are not followed consistently. For example, we were given an investigation diary template and a document log template. The first is for documenting the investigation steps in a file, and the second is for recording evidence collected. We understand that these are used inconsistently. The City Auditor's Office should consider whether it is necessary to complete these, and if not, should remove them from its process.

City Auditor's Response:

Agreed. With current experience working remotely during the COVID-19 pandemic, WBP staff have become accustomed to relying primarily on electronic records to complete their work, and we concur that this is an appropriate time to review the practice of maintaining paper records.

Action Plan	Responsibility
3 (c) The Manager, Whistle-blower Program and the City Auditor will discuss how and when to best incorporate this change in practice, ensuring alignment with the City Auditor's Office records retention plan, City records retention policy and processes, and update the Manual as necessary.	<p>Lead: City Auditor</p> <p>Support: Manager, Whistle-blower Program</p> <p>Commitment Date: March 31, 2022</p>

4. Recommendations about communications with whistle-blowers

In this section, we have made recommendations about how the City Auditor's Office communicates with whistle-blowers, both on its website and during the life of a file.

We have also considered how the existence of the WBP is communicated to those who can access it (e.g., employees). We have made a recommendation to ensure that the City Auditor's Office stays informed about how City Administration communicates information about the WBP.

a) Update and amend the City's whistle-blower website

Generally, we think that the whistle-blower website is good. It is easy to navigate, and information contained on the website is relevant and written clearly. It is also easy for users to identify how to make a report.

We do, however, have two recommendations to make about the website, which are below.

- i. Ensure the whistle-blower website is consistent with the Policy

Like the Policy, there are inconsistent definitions on the website about what can be reported through the WBP. We also note that the list on the website of what should not be reported through the WBP is inconsistent with the exceptions in the Policy.

We recommend that, once the Policy is updated, the website be amended to ensure that it is consistent with the Policy.

City Auditor's Response:

Agreed. Due to the language in the current Policy which directs the City Auditor to establish procedures, the language on the website is intentionally provided to align with the procedures guiding the WBP. With the planned update to the Policy and incorporation of recommendations, ensuring consistent messaging on the webpage will be necessary.

Action Plan	Responsibility
4 (a)(i) Ensure consistency in messaging on the WBP webpage and the council-approved version of the Policy.	Lead: City Auditor Support: Manager, Whistle-blower Program Commitment Date: June 30, 2022

ii. Remove language from the website that may discourage whistle-blowers from coming forward

The first item on the list of what not to report through the WBP is the following: “allegations based on rumour, hearsay, speculation, opinion and or conclusions, without evidence, or not made in good faith.”

We recommend that this language be removed. We are concerned that it will discourage individuals who may have valid concerns from coming forward. First, employees do at times hear rumours about behaviour that concerns them; we do not think there is anything wrong with them reporting this information to the WBP. Second, employees should not be expected to act as investigators. While they may come across evidence that could suggest wrongdoing, they should not try to obtain additional evidence, and should bring forward their concerns instead.

City Auditor’s Response:

Agreed. The above-referenced should be criteria considered in decision-making regarding what to do with a report and not whether a report should be submitted in the first instance. Guidance is provided on the website clearly discouraging any reporter to “investigate” or obtain information to which they have no authority to access or possess. This modification can be completed in isolation of the completion of other recommendations.

Action Plan	Responsibility
4 (a)(ii) Remove the language “allegations based on rumour, hearsay, speculation, opinion and or	Lead: City Auditor Support: Manager, Whistle-blower Program

conclusions, without evidence, or not made in good faith” from the WBP web page.	Commitment Date: June 30, 2021
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b) Ensure communications with whistle-blowers are in plain language

We reviewed the initial communication that the City Auditor’s Office sends to whistle-blowers after they have made a report. The correspondence is quite formal and contains a lot of information. We are concerned that a whistle-blower may be overwhelmed by its content.

We recommend that the correspondence be simplified and that plain, easy to understand language be used.

City Auditor’s Response:

Agreed. A review of the various communications is an outstanding work item that has been delayed due to limited resources and workload priorities.

Action Plan	Responsibility
4 (b) Review and update reporter communications to provide more concise and less formal messaging.	Lead: City Auditor Support: Manager, Whistle-blower Program Commitment Date: December 31, 2021

c) Maintain current level of communication with whistle-blowers

We were asked to assess the timing, frequency, and detail of information shared with whistle-blowers. To do this, we interviewed WBP staff, reviewed the Manual, and considered the communication templates that were provided to us.

We understand that the City Auditor's Office confirms with whistle-blowers that they have received their report and that this is usually done within one business day. This is a good practice, and in our assessment should continue. We also understand that after this, the whistle-blower is advised of the outcome of the assessment decision (i.e., the decision about whether or not to investigate). We think that this, too, is a good practice and should continue.

Once an investigation begins, we understand that the City Auditor's Office does give periodic updates to the whistle-blower and that this is done at least monthly. Some whistle-blowers may find that this is not frequent enough, while some may not care. One approach is to discuss with the whistle-blower at the beginning of the investigation the frequency with which they will be contacted so that they know what to expect. Other than this suggestion, we do not have any recommendations to make about the frequency of contact; it can be decided on a case-by-case basis.

Finally, we understand that the City Auditor's Office advises whistle-blowers of the outcome when an investigation is finished, which is also a good practice and should continue.

d) Establish a yearly “check in” with City Administration to review what is being done to inform employees and others about the WBP

Generally, those who we interviewed believe that the employees had a good awareness of the WBP. We understand that the existence of the WBP is communicated through a number of ways. For example, the WBP is accessible through the WBP website, the City’s intranet page, the “311” service, town halls, the Code of Conduct manual, and Code of Conduct training.

The communications surrounding the existence of the WBP are really important. Simply put, if employees and others do not know about the WBP, they cannot use it.

The City Auditor’s Office has a general awareness of what City Administration does to communicate information about the WBP, which is good. Given the importance of these communications, however, we recommend that the City Auditor’s Office establish a yearly “check in” with City Administration to review what is being done to inform employees and others about the WBP.

City Auditor’s Response:

Agreed. This activity will be incorporated on an annual basis into the Whistle-blower Oversight Group agenda.

Action Plan	Responsibility
4 (d) The City Auditor will incorporate discussion regarding communication of the WBP into the final WOG agenda of each calendar year.	Lead: City Auditor Support: Manager, Whistle-blower Program

	Commitment Date: December 31, 2021
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5. Recommendations about Audit Committee and City Administration reporting

The WBP provides reports about its activities to the Audit Committee and to City Administration. We were asked to assess the effectiveness of this reporting by conducting interviews with stakeholders. In this section, our recommendations are generally based on these interviews.

a) Clarify the “Whistle-blower Program Activity” section of the quarterly report to the Audit Committee

We were advised that there is some confusion about how to reconcile the numbers reported in the “Whistle-blower Program Activity” section of the quarterly report for the following categories: New Reports, In-Progress Investigations, and Closed Investigations. We recommend that the City Auditor consider how to eliminate this confusion; an explanatory note may resolve the matter.

City Auditor’s Response:

Agreed. The portion of the report allotted to WBP activity is limited in order to provide Audit Committee with a brief document of all activity in the City Auditor’s Office. We will review the value and format of the WBP information shared.

Action Plan	Responsibility
5 (a) Review and update the WBP section of the City Auditor’s Office	Lead: City Auditor Support: Manager, Whistle-

Quarterly Report to ensure relevant data shared is clear and understandable.	blower Program Commitment Date: December 31, 2021
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b) Provide more detailed information to the Audit Committee about the type of wrongdoing being disclosed

Through our interviews, it was suggested that more detailed information be provided to the Audit Committee about the types of wrongdoing being reported to the WBP. In the quarterly reports, the categories of wrongdoing are broad; for example, “business integrity” or “HR, Diversity and Respectful Workplace.”

Accordingly, we suggest that the City Auditor’s Office accommodate this request by providing a further breakdown of the types of wrongdoing being reported. We leave it to the City Auditor’s Office to decide how best to do this (the closed meeting materials provided to the Audit Committee may be an option).

City Auditor’s Response:

Agreed. The portion of the report allotted to WBP activity is limited in order to provide Audit Committee with a brief document of all activity in the City Auditor’s Office. We will review the value and format of the WBP information shared.

Action Plan	Responsibility
5 (b) Review and update the WBP section of the City Auditor’s Office	Lead: City Auditor Support: Manager, Whistle-

Quarterly Report where possible, considering the request for reporting activity based on classification rather than category (as is currently reported).	blower Program Commitment Date: December 31, 2021
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c) Set a reporting threshold for what should be reported verbally during Audit Committee meetings

We understand that the City Auditor's Office presents some confidential WBP activities during closed meetings of the Audit Committee. We recommend that the City Auditor's Office establish a reporting threshold for what should be reported verbally during Audit Committee meetings, as we understand that no such threshold is currently in place.

City Auditor's Response:

Agreed. We will discuss reporting with members of Audit Committee following the 2021 election.

Action Plan	Responsibility
5 (c) Determine with members of Audit Committee thresholds to trigger discussions in closed meetings of the Audit Committee.	Lead: City Auditor Support: Manager, Whistle-blower Program Commitment Date: March 31, 2022

d) Ensure that reporting letters to City Administration have sufficient information to identify what the matter was about

We heard that the reporting letters back to City Administration do not always contain the level of detail required, and it is sometimes unclear to which matter the letter pertains. We recommend that a brief description of the alleged wrongdoing be included in the letter to remind the recipient of what exactly the matter was about.

City Auditor's Response:

Agree.

Action Plan	Responsibility
5 (d) The closing letter will be revised to reflect similar reference to the initial notification letter.	Lead: City Auditor Support: Manager, Whistle-blower Program Commitment Date: June 30, 2021

VI. CONCLUSION

To summarize, we found that there is a good structure in place for the WBP and that the program has many positive aspects, including dedicated staff. We are confident that with the implementation of the recommendations we make in this report, the WBP will continue to serve as an effective channel to report wrongdoing at the City.

APPENDIX A – SCOPE OF WORK

1. Requirements of the Consultant

- a) An existing understanding of best practices to conducting workplace investigations within a municipal government environment, with focus on investigations conducted as a result of employee hotline reporting platforms.
- b) An understanding of relevant Alberta law relating to workplace investigations.
- c) Capacity to complete field work in Q1 2021 and present findings and recommendations no later than the May 20, 2021 meeting of Audit Committee.

2. Approach

- a. Utilizing existing knowledge of best practices, Consultant will conduct an independent assessment of the City's Whistle-blower Program ("WBP") procedures and practices, evaluating effectiveness and efficiency, on a basis of maturity and not simply as a pass or fail.
- b. Through focused interviews with selected stakeholders and available City resources, Consultant will evaluate the relevance and effectiveness of quarterly and annual statistical reporting provided to Administration leadership and Audit Committee. Consultant may select stakeholders for interview from list of names provided or suggest alternatives.
- a. Consultant will review available information in order to consider:
 - i. How the WBP approaches, and gives appropriate consideration to, confidentiality in its day-today activities.
 - ii. How the WBP communicates with whistle-blowers (timing, frequency, detail of information shared). Will require review of current webpage and standard notifications.
 - iii. How new report submissions are assessed (including the triage process).

- iv. How assessment of risk is incorporated into decision-making and ongoing activities, including risk-based prioritization of investigations.
- v. How the WBP documents decisions and key activities.
- vi. How the WBP collects documentary evidence (differentiating between evidence and information).
- vii. Whether current practice of meeting the civil standard of proof is appropriate, or whether meeting the criminal standard is required.
- viii. Whether workplace investigators should restrict their determination of wrongdoing to City policy and procedure or expand to include potential breaches of law or legislation.
- ix. Whether the WBP should consider the option to refuse allegations which are too aged to effectively investigate, and what the time limitation should be.
- x. With an understanding of relevant Alberta law relating to workplace investigations, determine whether there are relevant legal decisions and considerations related to workplace investigations that the WBP ought to be applying to investigations, including confidentiality.
- xi. Timeliness of investigations. How the time to conclude aligns with available resources, with consideration given to what is a reasonable amount of time to investigate and conclude, on an average basis, acknowledging the varying nature and complexity of investigations.
- xii. The effectiveness and completeness of the investigation report structure.
- xiii. The completeness and effectiveness of investigation file structure. As the Consultant will not have physical access to confidential whistle-blower investigations, assessment may need to be determined by way of a specific Q&A process led by the Consultant.

3. Deliverables

- a. An evaluation of the WBP's effectiveness and efficiency in meeting best practice standards, through:
 - i. Review and assessment of the WBP policy;
 - ii. Review and assessment of the WBP Decision Tree, procedures manual, and various forms and templates utilized;
 - iii. Assessment of investigation file structure;
 - iv. Review and assessment of practices for maintaining confidentiality, communication, and transparency;
 - v. Review and assessment of investigation report format; and,
 - vi. Interviews with 7-10 WBP stakeholders (consider City Auditor; Manager, WBP; City Manager; Chair plus 1 additional member of Audit Committee; select general managers and/or directors, Law).
- b. Provide a written draft report with recommendations for improvements. Report will be independently produced, however, WBP will need to be engaged in ensuring appropriate communication of recommendations in public domain.
- c. Provide a final written report with recommendations and recommendation responses.
- d. Present (virtually) summary of results to Audit Committee.



Calgary

City Auditor's Office

ISC: Unrestricted
AC2021-0737 ATT2

Independent Assessment of The City's Whistle-blower Program

Why we did this

- To confirm that Whistle-blower Program (WBP) procedures remain relevant and aligned with best practices, and to identify opportunities for improvement.

What did the assessment conclude

- Rubin Thomlinson LLP concluded that the WBP is comprehensive and well structured to fulfill its mandate.
- Recommendations made to further strengthen the WBP include: clarifying WBP policy language and manual guidance pertaining to the investigation process and decision-making and improving communications and reporting.

Why it matters

- An effective WBP is a key component supporting an ethical organization.
- The City Auditor's Office agreed with all recommendations in the report to further enhance the effectiveness of the WBP.

Integrated Risk Management Audit

RECOMMENDATIONS:

That the Audit Committee:

1. Receive this report for the Corporate Record; and
2. Recommend that Council receive this report for the Corporate Record.

HIGHLIGHTS

- Bylaw 30M2004 (as amended) established the position of City Auditor and the powers, duties and functions of the position. In accordance with Bylaw 30M2004 (as amended), the City Auditor reports the outcome of all audits to the Audit Committee (including Administration's response and corrective actions to be taken in regard to specific recommendations). The City Auditor is accountable to Council and subject to the oversight of Audit Committee under Bylaw 33M2020.
- What does this mean to Calgarians? The City Auditor's Office (CAO) provides independent and objective audit assurance services to add value to The City of Calgary (The City) and enhance public trust.
- Why does it matter? An effective Integrated Risk Management (IRM) Framework enhances The City's ability to achieve desired results, including delivery of services to citizens, by establishing a reliable basis for decision making and planning. Where risks are not identified, assessed, and managed, The City is at risk of incurring unnecessary costs and service disruption. As a result, this recurring operational audit assessing the effectiveness of the IRM Framework, was included on the CAO 2020 Audit Plan. We concluded the IRM Team has made significant progress in advancing the maturity of the IRM Framework and raised five recommendations intended to help achieve clarity on the future strategic direction and maturity of the IRM Framework, and identify areas where the IRM Team can build on and improve current processes that support continuous improvement.
- Strategic alignment: Citizen Priority – A Well Run City.

ATTACHMENTS

1. Integrated Risk Management Audit – AC2021-0730
2. Integrated Risk Management Audit Presentation Slide – AC2021-0730

DEPARTMENT CIRCULATION

Name	Title, Department or Business Unit	Approve/Consult/Inform
Liz Ormsby	Acting City Auditor	Approve
David Duckworth	City Manager	Inform
Carla Male	Chief Financial Officer	Inform
Kelly Gardner	Leader Performance Management Risk and Benchmarking	Inform



City Auditor's Office

Integrated Risk Management Audit

May 12, 2021

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The City Auditor's Office conducted this audit in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

Executive Summary

Council adopted the Integrated Risk Management (IRM) Policy (CC011), which was last amended in 2020, to embed a more proactive, corporate-wide and systematic approach to managing risks that impact The City of Calgary's (The City's) ability to achieve its results. The City developed a structured IRM Framework¹ and supporting processes to guide risk management. Where risks are not identified, assessed, and managed, The City is at risk of incurring unnecessary costs and service disruption.

The City Auditor's Office conforms to The Institute of Internal Auditor's International Standards for the Professional Practice of Internal Auditing (Standards). Under the Standards, the City Auditor's Office is required to periodically audit the effectiveness and contribute to the improvement of risk management processes of the organization. As a result, this recurring operational audit assessing the effectiveness of the IRM Framework was included on the City Auditor's Office 2019-2020 Audit Plan.

The objective of this audit was to assess the effectiveness of the IRM Framework by independently validating the IRM Team's 2020 self-assessment against the 2011 Canadian Standards Association Risk Management Maturity Continuum and Assessment Criteria and associated attributes²:

- Continual Improvement;
- Full Accountability for Risks;
- The Application of Risk Management in all Decision Making;
- Continual Communications; and
- Full Integration into the Organization's Governance Structure.

We validated the IRM Team's 2020 self-assessment and determined, that overall, the IRM Framework is at an enhanced level of maturity. The IRM Team has made significant progress in advancing the maturity of the IRM Framework, since we last completed an audit in 2014. They have moved past basic risk management practices and are focused on continually maturing and improving risk management practices. We raised five recommendations that are intended to help achieve clarity on the future strategic direction and maturity of the IRM Framework, and identify areas where the IRM Team can build on and improve current processes that support continuous improvement of the IRM Framework.

Specifically, we recommended the IRM Team make a collective decision with the Executive Leadership Team on the desired level of maturity which will include further engagement with Audit Committee. This will help focus continuous improvement efforts and support the effective utilization of resources. There should also be a formal process to periodically evaluate Framework performance that includes input and direction from all relevant stakeholders. In addition, the IRM Team should expand on current Risk Appetite and Tolerance Guidelines to include approved levels for both strategic and operational risk to support effective decision making within The City.

¹ The City's framework is based on International Organization for Standardization guidance for risk management ISO 31000:2018.

² Canadian Standards Association Risk Management Maturity Continuum and Assessment Criteria as defined in the Implementation Guide to CAN/CSA-ISO 31000, Risk Management Principles and Guidelines (Q31001-11, March 2011).

We reviewed the Principal Corporate Risk Process and the Service Risk Register Process and noted they are both well established and defined bi-annual processes that support accountability for risk management. We also reviewed specific continual improvement activities including the Service Risk Register assessment process, the annual risk maturity survey, and how feedback from the e-learning course and other continuous improvement mechanisms flows into IRM Program work-plans. These processes are working well, however we recommended enhancements to the qualitative assessment process to support consistent identification of services in need of assistance, and improvements in Service Risk Register quality and value from year to year.

We also reviewed the IRM Program's seven performance measures. Although performance measures are generally aligned to program goals, we recommended the IRM Team re-evaluate the measures to ensure they are relevant and measurable. Measures should be periodically re-evaluated to effectively gauge progress towards IRM Program goals.

The IRM Team agreed to all recommendations and has committed to set action plan implementation dates no later than December 31, 2022. The City Auditor's Office will follow-up on all commitments as part of our ongoing recommendation follow-up process.

1.0 Background

The City Auditor's Office conforms to The Institute of Internal Auditor's International Standards for the Professional Practice of Internal Auditing (Standards). Under the Standards, the City Auditor's Office is required to periodically audit the effectiveness and contribute to the improvement of risk management processes of the organization. An effective integrated risk management (IRM) Framework enhances The City of Calgary's (The City's) ability to achieve desired results including delivery of services to citizens by establishing a reliable basis for decision making and planning. Where risks are not identified, assessed, and managed, The City is at risk of incurring unnecessary costs and service disruption. As a result, this recurring operational audit assessing the effectiveness of the IRM Framework, was included on the City Auditor's Office 2019-2020 Audit Plan.

The City Auditor's Office completed the last IRM audit in 2014 (Integrated Risk Management Audit-AC2014-0295). The audit independently validated the maturity self-assessment conducted by the City Manager's Office and assessed how effectively the IRM Framework was meeting the needs of the organization. We concluded in that audit that IRM practices generally met the principles of The City's IRM Policy (CC011) and our results supported the City Manager's Office's self-assessment of a "low enhanced" level of maturity, that is, a combination of maturing and basic risk management practices.

On February 3, 2020, the IRM Policy was amended to reflect the opportunity to capitalize on risk and create a culture that embraces the appropriate levels of risk. In addition, amendments aligned with the ISO 31000:2018 International Standard, which is the foundation of The City's IRM Framework. The purpose of the policy is to embed a more proactive, corporate-wide and systematic approach to managing risks that impact The City's ability to achieve its results. Under the amended IRM Policy, the City Manager continued to be responsible for risk management throughout The City.

The City's IRM Framework guides risk management practices to inform decision making and consists of a structured framework and supporting processes categorized in four pillars:

1. Governance and Oversight
2. Integration with Strategic Direction
3. Established Practices and Processes
4. Review and Continuous Improvement

Corporate Initiatives, a division of the Chief Financial Officer's Department, is responsible for leading the corporate IRM Program, which supports the IRM Framework and contributes to The City's risk maturity. Although the IRM Program supports the advancement of risk management across the organization, it is the collective responsibility of all employees to manage risks within their respective areas. There are three staff dedicated to the IRM Program, who will be referred to as the IRM Team throughout this report.

The IRM Program's three goals to advance the IRM Framework in 2020 were to: develop a robust risk culture, mature The City's IRM Program and improve risk communication and coordination. The IRM Team reported to ELT (ALT2020-0577 –Attachment 4) the focus of the Program in 2020 was to continuously evolve and advance a risk aware culture, encouraging every employee to manage risks proactively, including embracing the positive side of risk, and to communicate openly about risk.

2.0 Audit Objective, Scope and Approach

2.1 Audit Objective

The objective of this audit was to assess the effectiveness of the IRM Framework by independently validating the IRM Team's 2020 self-assessment against the 2011 Canadian Standards Association CAN/CSA-ISO-31000 Risk Management Maturity Continuum and Assessment Criteria (Maturity Continuum) and associated principles and attributes:

- Continual improvement
- Full accountability for risks
- Application of risk management in all decision making
- Continual communications
- Full integration into the organization's governance structure

2.2 Audit Scope

The scope of the audit included processes in operation from January 1, 2019 to November 30, 2020.

2.3 Audit Approach

Our audit approach included:

- Evaluating the design and operating effectiveness of the following key processes:
 - The Service Risk Register (SRR) process;
 - The Principal Corporate Risk (PCR) process; and
 - The IRM Program's Qualitative and Quantitative Assessment of SRR.
- Reviewing the IRM Policy, IRM Guidelines, reports, procedures, including those related to risk appetite and tolerance.
- Interviewing members of the IRM Team and gathering input from a sample of key stakeholders (PCR Owners, members of the Corporate Risk Network³, and members of Audit Committee).

It is our understanding the COVID-19 pandemic impacted IRM processes and activities. We adjusted our test plan to incorporate alternatives developed in response, where appropriate.

³ Corporate Risk Network – Individual who has worked with the IRM Team and/or has been involved in risk management at The City (Departmental Planners, Business Strategists, Business Coordinators, etc.). Does not include PCR Owners or Service Owners. – who were included in interviews.

3.0 Results

During the planning phase of the audit, we reviewed the ISO-31000 2018 International Standard and determined the Maturity Continuum is aligned with the updated standards. The IRM Team conducted a self-assessment against the Maturity Continuum.


Risk Management Maturity Continuum And Assessment Criteria			
	Basic	Enhanced	Excellence
Risk management maturity continuum-Description	The organization meets basic internal and external stakeholder risk management expectations from primarily compliance or specialized risk management perspectives.	Activities and techniques are employed for enhanced stakeholder confidence that strategic, operational, and project risks are managed proactively. Integration of risk management activities is occurring across the organization.	Risk management is seen as an organization-wide tool to address uncertainty, aid decision making at all levels, improve organizational performance, and enhance governance and accountability. Risk management is a demonstrated core value of the organization.
Risk Management Maturity Continuum			
	Fledgling risk management practices	Maturing risk management practices	ISO 31000 attributes of enhanced risk management
			

Table 1⁴

We independently validated the IRM Team's self-assessment against the Maturity Continuum and associated principles and attributes and determined, overall, the IRM Framework is at an enhanced level of maturity. At this level, on the maturity continuum as defined in Table 1 above, IRM practices are maturing, which provides confidence to stakeholders that strategic, operational, and project risks are managed proactively based on activities and techniques employed, and integration of risk management activities is occurring across the organization. In contrast, the results of the last IRM audit in 2014 supported a "low enhanced" level of maturity, that is, a combination of maturing and basic risk management practices. We also determined each individual attribute was at an enhanced level of maturity and included details of the IRM Team's and our assessment in the Appendix.

⁴ Canadian Standards Association Risk Management Maturity Continuum and Assessment Criteria as defined in the Implementation Guide to CAN/CSA-ISO 31000, Risk Management Principles and Guidelines (Q31001-11, March 2011).

The IRM Team is focused on continually advancing and improving the Framework. Our recommendations are intended to help the IRM Team achieve clarity on the direction of the Framework's maturity and identify areas where they can build on and improve current processes. Detailed test results for each attribute are included in sections 3.1-3.6 below.

3.1 Continuous Improvement

In 2019 and 2020, the IRM Team implemented a number of mechanisms that contribute to continual improvement of risk management. These include:

- Implementing the annual risk maturity survey with the purpose of gathering feedback on risk management at The City, including awareness and knowledge of the IRM Policy, and the risk maturity model;
- Developing the e-learning course, which provides high level training intended to help individuals provide an understanding of risk management and includes gathering feedback from participants; and
- Implementing the SRR assessment process, which includes a quantitative and qualitative review.

The IRM Team incorporate feedback from continuous improvement mechanisms into annual work-plans, which may include consulting sessions and workshops.

IRM Framework Performance Assessment

There has been significant progress in the maturity of the IRM Framework, since we last completed an audit of IRM in 2014. Under ISO 31000, organizations should periodically measure risk management framework performance against its purpose, implementation plans, indicators and expected behaviors and determine whether it remains suitable to support achieving the objectives of the organization. We recommended the IRM Team make a collective decision with the Executive Leadership Team (ELT) on the desired level of maturity including formal input from Audit Committee, which will help them plan resources and focus improvement activities (Recommendation #1).

Various methods can be utilized to periodically evaluate performance including self-assessments, surveys and interviews. We noted that the IRM Team gather feedback from stakeholders through presentations with the ELT and Audit Committee and their annual maturity survey to the Corporate Risk Network. However, current processes to evaluate IRM Framework performance do not include formal engagement with all relevant key stakeholders. We recommended the IRM Team review current methods utilized to evaluate performance and implement processes that include feedback from relevant stakeholders (Recommendation #1).

IRM Program Performance Measures

The IRM Program established performance measures to track the achievement of goals. In 2020, Program goals were to develop a robust risk culture, mature The City's IRM Program and improve risk communication and coordination. We reviewed the IRM Program's seven performance measures and assessed alignment to IRM Program goals, relevance, measurability and inclusion of realistic timelines.

The IRM Team has made good progress establishing measures, which generally align to IRM Program goals. In addition, the IRM Team shared results with management, including progress on program maturity in reports to ELT in 2019 and 2020. We noted effectiveness of performance measures can be further enhanced by re-evaluating measures and setting performance targets with timelines, which will allow the IRM Team to better measure and track progress against goals. (Recommendation #3). The IRM Team has indicated in their response that they intend to align timelines to Results Based Accountability practices, which is the City's adopted framework for performance.

Service Risk Register Assessment Process

The SRR assessment process was established in 2019 to evaluate the quantity and quality of individual SRR. The quantitative review provides insight on the number of risks, risk ratings and trends from year to year, such as the distribution of risks into high, medium and low, and the number of risks requiring significant improvement. Twice a year, the IRM Team also complete a qualitative assessment that rates each SRR submission based on six criteria, then review results and identify improvements. Qualitative results inform the Work-Plan by identifying where to focus training and consulting activities.

In addition, the IRM Team indicated they complete a summary of findings and trends as an input into the one-page evidence based summaries that are completed for the PCR process.

Although we determined the qualitative assessment process contributes to improved SRR quality and risk management, our review of design and operating effectiveness identified enhancements to further support consistent rating and the implementation of improvements identified by communicating improvements to employees responsible for completing the SRR (Recommendation #4).

3.2 Full Accountability for Risks

To validate the IRM Team's assessment, we reviewed the IRM Policy and Administrative Guidelines, the SRR and PCR processes and conducted interviews with a sample of key stakeholders as detailed below.

IRM Policy and Administrative Guidelines

On February 3, 2020, the IRM Policy (CC001) was amended to reflect the opportunity to capitalize on risk and create a culture that embraces the appropriate levels of risk. Amendments aligned with the ISO 31000:2018 International Standard, which is the foundation of The City's IRM Framework.

In addition, the IRM Team developed Administrative Guidelines (ALT2020-1109), which ELT approved in November 2020. The purpose of these guidelines is to operationalize the IRM Council Policy, outline Administration's leadership commitment on the importance of managing risk at The City, and create consistency in risk management practices.

We reviewed the IRM Policy and Administrative Guidelines and determined roles and responsibilities are appropriately assigned to Council, senior management, Administration and all other employees and clear reporting lines are established.

Service Risk Register Process

We reviewed the SRR process and determined it is a well-established bi-annual process that is operating effectively to identify, analyze and evaluate risks. We noted the IRM Team implemented the 5x5 Risk Matrix (heat map) in 2019, to enhance the risk assessment process. We confirmed, through interviews, that services review, update and approve SRR before they are submitted to the IRM Team.

We interviewed a sample of 25 individuals in the Corporate Risk Network who indicated they had the appropriate resources, skills and knowledge, and understanding of controls and the foundational tools to complete the SRR. They noted the IRM Team provide good support, is helpful and knowledgeable about processes and easy to engage with, and provide information on SRR completion through emails, training and workshops. Stakeholders interviewed also identified the following opportunities for improvement: facilitate peer learning, offer coaching on conversations with managers on risk, and provide more tactical examples of risk management in training and consulting sessions. The IRM Team could consider implementing these opportunities in future work-plans.

The risk register process transitioned to a service line approach in 2019 as part of One Calgary 2019-2022 Service Plans and Budgets. We analyzed IRM Program data and noted services made progress towards submitting individual SRR rather than SRR combined by business unit. We confirmed between 2019 and 2020, submission⁵ rates were between 95% and 98%, with the exception of mid-year 2020 submissions. At mid-year 2020, submissions declined to 52%, which was directly linked to resource constraints within services due to The City's response to the COVID-19 pandemic. The IRM Team successfully leveraged other sources including One Calgary monthly submissions, to obtain information on risks and risk analysis within those service lines. This decision was made considering the capacity of the organization and the importance of collecting risk information.

We also noted through a review of the service lines submitted that, although the IRM Team follow up with service lines that do not submit an SRR, there is no escalation process to ensure the SRR was received. We recommended that instances where an SRR has not been submitted should be escalated for resolution to support effective risk management and provide valuable information to the IRM Team to support the PCR process and continual improvement (Recommendation #5).

⁵ In a combined or individual format.

Principal Corporate Risk Process

The corporate risk review process to confirm and update PCR utilizes a bottom up and top down approach, which is outlined in the following diagram.

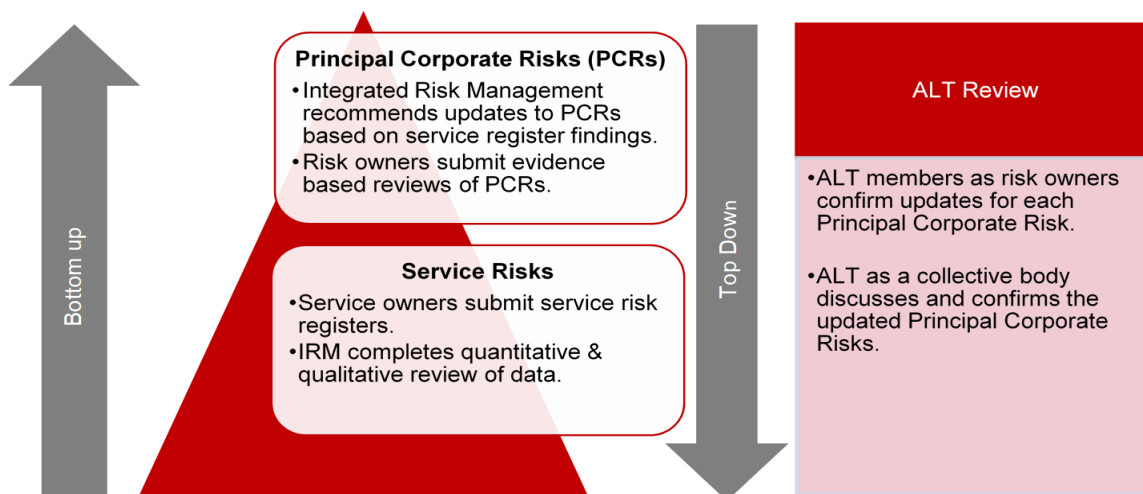


Diagram 1⁶

We reviewed the PCR process and determined it is operating effectively as designed. The IRM Team analyze the PCR and meet with risk owners and/or their delegates to discuss updates. Risk owners and/or their delegates prepare evidence based one-page summaries for each PCR. The IRM Team review each PCR summary, since these directly inform the bi-annual reports to ELT. PCR owners confirmed in interviews they discuss, review and approve evidence based summaries before they are sent to the IRM Team. They also indicated that external factors are considered in the summaries since many PCR are heavily influenced by external factors.

We reviewed 2019 and 2020 bi-annual reports provided to ELT and associated minutes and noted ELT approved updates to PCR, which included changes to PCR from period to period. PCR owners confirmed ELT collectively discuss PCR results and changes.

3.3 Application of Risk Management in all Decisions

PCR Owners interviewed indicated risk is inherently embedded into all ELT and departmental decisions and there has been significant improvement in the quality of risk analysis. In addition, the majority indicated they have the foundational tools to make appropriate decisions and the application of risk management was reflected in ELT and Council reports. Interviewees indicated the quality and sophistication of risk analysis in discussions, and Council and Committee reports has improved.

Audit Committee members interviewed indicated that consideration of risk and the application of risk management is appropriately reflected in reports brought forward to Council. Members of Audit Committee commented there is good risk awareness at The City and a good risk culture.

⁶ Corporate Risk Review Process- ALT2019-0355 Attachment 1

Although the IRM Framework meets enhanced attributes (see Appendix), if a decision is made to further advance the maturity of risk management (see Section 3.1), there is an opportunity to provide guidance on a more structured approach (formal, intentional and consistent) to incorporate risk management into ELT and departmental decision making and guidance on decision making that applies to day-to-day operations.

3.4 Continual Communications

The IRM Team developed a 2020 communication plan targeted to two audiences, key stakeholders involved in the SRR and PCR processes, and all employees. The 2020 plan included the following goals, which align to IRM Program goals:

- Create awareness of risk management at The City with key stakeholders; and
- Facilitate well-coordinated and ongoing communications to all employees about risk management to enhance the risk culture and maturity at The City.

The tactical communication plan for key stakeholders includes semi-annual corporate communication on SRR and PCR deadlines and information on tools and resources, which is shared through emails, meetings, the myCity IRM internal webpage, and the corporate risk reports presented to ELT and Audit Committee. The communication plan to all employees highlights the importance of risk management through All Employee and Take Five emails, myCity articles, and IRM Program website updates.

The IRM Team is doing a good job of identifying and providing information to key stakeholders and all employees. Based on our review, planned communication to key stakeholders and all employees is occurring. We also confirmed the IRM Team provided semi-annual reports to ELT and Audit Committee in 2019 and 2020.

In interviews with key stakeholders, they identified opportunities to utilize plain language and provide tactical examples of day-to-day risk management, including success stories in future communication. The IRM Team created a common language/definitions guide for a strategic session with General Managers in May 2020, which they are considering finalizing.

3.5 Integration

Principles of integrated risk management are outlined in the IRM Policy, including recognition that risk management is an essential component of good management and the expectation that risk management is integrated into existing long term strategic and business planning as well as informed decision-making in the day-to-day management of activities. In addition, IRM Administrative Guidelines indicate City projects are required to identify, assess and treat risk.

We observed Administration has incorporated risk management into One Calgary 2019-2022 Business Plans and Budgets, and in particular the 2020 Mid-Cycle Adjustments. In addition, Administration has incorporated risk management into other work such as the Solutions for Achieving Value and Excellence Program and monthly reports to Council on the service and financial impacts of COVID-19.

PCR owners interviewed indicated integration of IRM into all City management processes is improving and generally there is a good understanding of the IRM Framework, the IRM Policy, tools and templates, and responsibilities.

Although efforts are under way to ensure risk management is viewed as central to the organization's management processes there is an opportunity to further advance the maturity of this attribute based on direction from ELT on desired level of maturity (see Section 3.1). We are sharing the following opportunities identified by key stakeholders interviewed for the IRM Team's consideration: identify where there are still silos or groups whose processes do not align with IRM practices, and increase cross-corporate collaboration.

3.6 Risk Appetite and Tolerance

Although risk appetite and tolerance is not a specific attribute outlined in the Maturity Continuum, we determined that this was an important component of risk management to review since the IRM Policy includes specific requirements of all employees with respect to risk appetite and tolerance.

The IRM Team is working on advancing risk appetite and tolerance. They have worked directly with business units through consulting sessions, and developed Risk Appetite Guidelines to provide a common understanding of risk appetite and tolerance as well as common framework for implementing. However, there is limited guidance on approved risk appetite and tolerance levels. We recommended the IRM Team expand on current guidance and raise awareness to support employee roles and responsibilities in risk management outlined in the IRM Policy (Recommendation#2).

We would like to thank the IRM Team and the members of Audit Committee, PCR Owners and members of the Service Risk Network, who participated in interviews, for their assistance and support throughout this audit.

4.0 Observations and Recommendations

4.1 IRM Framework Performance Assessment

Current IRM processes used to evaluate the effectiveness of the IRM Framework do not include formal engagement with all relevant City stakeholders. The IRM Program should periodically evaluate the framework and identify strengths, successes, gaps and areas for improvement. Evaluations should include relevant stakeholders at all levels to provide feedback and direction to the IRM Program to support planning and the effective utilization of resources.

The City's IRM Framework is based on the ISO 31000 Risk Management Standards. ISO 31000-2018 Risk Management Guidelines indicate an organization should periodically measure risk management framework performance against its purpose, implementation plans, indicators and expected behaviors and determine whether it remains suitable to support achieving the objectives of the organization.

As a first step, the IRM team should gather formal feedback from ELT and Audit Committee (in keeping with the Audit Committee's role with regard to risk management outlined in Bylaw 33M2020- Bylaw to Continue the Audit Committee) on expectations of risk maturity of the IRM Framework, and then make a decision with ELT, on desired level of maturity. Since the IRM Program contributes to The City's risk maturity, clear expectations will help to plan resources and focus improvement activities. We interviewed six PCR owners who echoed that an important first step for the IRM Team to be successful, was to be clear on maturity expectations.

Various methods can be utilized to periodically evaluate the risk management framework. The IRM Team conducted a self-assessment against the Maturity Continuum for the purpose of this audit using a three-point scale. However, the IRM Team do not regularly complete this type of formal self-assessment.

Currently, the IRM Team conduct an annual survey (implemented in 2019), to gather feedback on risk management at The City, including awareness and knowledge of the IRM Policy, the risk maturity model and information on continuous improvement efforts. The survey uses the Archer Governance Risk and Control 5-point scale maturity model. Information gathered informs the IRM Program's annual work-plan and helps the IRM Team advance the maturity of IRM. The survey is sent to individuals familiar with risk management at The City, however, the list of survey recipients does not include PCR Owners or all Service Owners and/or delegates.

Although the IRM Team noted they engage ELT and Audit Committee members through one-on-one interviews and meetings, emails, as well as on feedback on reports on risk maturity presented to ELT and Audit Committee, there is an opportunity to be more intentional. The IRM Team should implement processes to obtain formal input and direction on the performance of the IRM Framework from relevant stakeholders.

The IRM Team could expand the annual survey to include relevant stakeholders at all levels of the organization or utilize the current survey along with one or more other methods to evaluate the framework. If committed to a maturity model approach, the IRM Team should

determine the most appropriate maturity model (Maturity Continuum, Archer or others) to utilize for formal assessments.

Recommendation #1

The Leader Performance Measurement, Benchmarking and Risk:

- Direct the IRM Team to make a collective decision with the ELT on the desired level of maturity, which will include further engagement with Audit Committee;
- Review current methods utilized to evaluate IRM Framework performance and implement processes that include a standard approach for obtaining feedback from relevant stakeholders at all levels of The City; and
- Determine the appropriate model upon which to base the evaluation of the IRM Framework.

Management Response

Agreed.

Action Plan	Responsibility
IRM will consult with the Executive Leadership Team and the Audit Committee (in keeping with the Audit Committee's role with regard to risk management outlined in Bylaw 33M2020- Bylaw Continue the Audit Committee) to determine the desired level of maturity and frequency of review of the IRM Framework. Based on the desired results, IRM will review current methods and implement processes that include feedback from stakeholders at all levels of The City. This includes utilizing maturity models appropriate to stakeholder needs.	<p><u>Lead:</u> Manager, Corporate Initiatives; Team Lead, PMBR</p> <p><u>Support:</u> IRM Team, Executive Leadership Team (ELT)</p> <p><u>Commitment Date:</u> December 31, 2022</p>

4.2 IRM Risk Appetite and Tolerance

Although the IRM Team developed Risk Appetite and Tolerance Guidelines, there is limited guidance on approved risk appetite and tolerance levels. The IRM Program should provide detailed guidelines that support effective employee decision making.

The IRM Policy (CC011) states: "All City employees are responsible for managing risks within their respective areas." The Policy also indicates: "All employees of The City will accept an appropriate level of risk defined by approved risk appetite levels." and "All employees of The City will operate within approved risk tolerance levels."

The IRM Team developed guidelines to provide The City with a common understanding of risk appetite and tolerance as well as a common framework for implementing. The guidelines utilize a 1-5 risk appetite scale and sort the PCRs into six risk types. Further guidance on risk appetite for each PCR was provided in AC2020-0711 Attachment 3, which plotted each PCR on the risk appetite scale. However, guidance does not include risk appetite for operational

risks within the organization and guidance on risk tolerance is limited to instances where the IRM Team has worked directly with a specific business unit through consulting sessions. Members of the Corporate Risk Network, PCR owners, and Audit Committee also indicated in interviews that further clarification and guidance on how to apply risk appetite and tolerance would be beneficial to enhance decision making within the City and that guidelines should be circulated to appropriate City staff.

We also reviewed a sample of five ELT reports from 2019 and 2020 and noted consideration of risk appetite/tolerance was not included in these reports. Including this information would further support effective decision making. We were advised through interviews with PCR Owners that a review of reports to ELT will occur in 2021.

The IRM Team participated in a review of Council reports in September 2020 that resulted in an update to the templates however, information on risk appetite and tolerance was not included in the report template. Further updates to the templates should consider guidance on risk appetite and tolerance.

Recommendation #2

The Leader Performance Measurement, Benchmarking and Risk:

- Expand on current Risk Appetite and Tolerance Guidelines to include approved levels for both strategic and operational risk to support effective decision making within The City;
- Raise awareness of approved risk appetite and tolerance levels through communication and training; and
- Provide guidance/direction on how including risk appetite/tolerance should be considered in reports to ELT and Council (if future updates occur).

Management Response

Agreed.

Action Plan	Responsibility
<p>In accordance with the direction received from the Executive Leadership Team (ELT) and Audit Committee, regarding the desired level of risk maturity, IRM will expand on the Risk Appetite and Tolerance guidelines for both strategic and operational risk. This work is in keeping with the recent updates to the IRM Policy and the approved IRM Guidelines and is dependent upon the direction from the ELT regarding desired level of maturity. If there is a desire to move towards excellence, broader organizational resources will be required to support collaboration and cultural change.</p> <p>A measured and pragmatic approach to Risk Appetite and Tolerance is recommended to ensure that guidance and tools are appropriate to support strategic and operational risk. Given that leading practice for municipal environments is limited, implementation of this initiative will require analysis, testing and refinement prior to the broader roll-out to the organization.</p>	<p><u>Lead:</u> Manager, Corporate Initiatives; Team Lead, PMBR</p> <p><u>Support:</u> IRM Team, Executive Leadership Team, Service Owners.</p> <p><u>Commitment Date:</u> December 31, 2022</p>

4.3 Performance Measures

IRM Program performance measures can be enhanced to ensure progress towards IRM Program goals can be effectively measured. Performance measures should be specific, measurable, achievable, relevant and timely (SMART).

IRM Program goals in 2020 were to develop a robust risk culture, mature The City's IRM Program, and improve risk communication and coordination. We reviewed the IRM Program's seven performance measures and noted effectiveness can be enhanced by re-evaluating targets and setting timelines for risk maturity, and setting performance targets and timelines for the remaining measures which will allow the IRM Team to better track progress against goals. In addition, measures should be re-evaluated to ensure they are relevant, which is detailed below along with general descriptions:

1. Risks Identified - Tracks the number of risks identified, which does not provide the IRM Team with information on achieving program goals. The IRM Team should consider alternate measures based on trends identified through the quantitative assessment process, which includes % risks rated medium, high or extensive, % of increasing service risk, % of risks requiring significant improvement.
2. Qualitative Risk Ratings - Tracks overall qualitative assessment ratings for the six criteria . The IRM Team should consider using % of SRR with scores below 3 rather than averages to provide better insight on the quality of SRR.

3. City-Specific Learning (IRM E-Course) - Measures overall satisfaction and applicability of learning to workplace.
4. Risk Maturity - Tracks average risk maturity rating determined by stakeholder survey. The IRM Team indicated a target of 4 with a timeline of 2022. The IRM Team should re-evaluate the target and timeline based on additional feedback on desired level of maturity noted under Recommendation #1.
5. Consulting - Tracks the number of internal consulting sessions as an indicator of risk culture advancement.
6. Communications - Tracks the number of communications compared to prior year as a measure of the IRM Teams' intention to communicate more. Although the focus is on "how much", the IRM Team is planning on building in a measure of "is anyone better off", which will improve the relevance of this measure.
7. Reporting - The IRM Team track the number of reports they wrote or contributed to. The IRM Team should re-evaluate this measure since it does not provide information on achieving IRM Program goals.

Recommendation #3

The Leader Performance Measurement, Benchmarking and Risk re-evaluate current performance measures and ensure they are specific, measurable, attainable, relevant, and time oriented (SMART).

Management Response

Agreed.

Action Plan	Responsibility
<p>IRM is currently re-evaluating current performance measures as part of the 2021 work plan. Progress is being made to align performance measures with IRM goals and results in keeping with Results Based Accountability, The City's adopted framework for performance measurement.</p> <p>The identification of performance measures takes time and includes refinement of measures, collection of data, analysis and reporting. Given the resources and time required, the updates to measures will align with the development of measures for the next business plan cycle (2023-2026).</p>	<p><u>Lead</u>: Team Lead, PMBR</p> <p><u>Support</u>: IRM Team</p> <p><u>Commitment Date</u>: December 31, 2022</p>

4.4 Service Risk Register Assessment Process

The design of the SRR qualitative assessment process can be enhanced to support consistent rating, and improvement in the quality of SRR submitted. An effective process ensures the IRM Team is able to consistently identify services in need of assistance, and support improvements in SRR quality and value from year to year.

The qualitative assessment process was established in 2019 to evaluate the quality of individual SRR. Results inform the IRM Program's work-plan by identifying where to focus communications, training and consulting activities, and inform the PCR process.

Once the SRRs are received (twice per year), the IRM Team divide them amongst the team for evaluation. The IRM Team developed qualitative analysis criteria, which include six criteria that are assigned an individual rating from 1 to 5. Once the IRM Team evaluate the SRR, they provide comments on the overall rating. SRR that score less than 3 are considered to be in need of assistance. The IRM Team then meet to review results and identify improvements. The IRM Team also calculate an overall SRR rating for performance measure purposes.

Following the assessment, the IRM Team meet with service owners including department representatives to discuss common themes for improvement. However, interviewees indicated information from these meetings is often not being cascaded back down to the individuals responsible for completing the SRR.

We reviewed the rating criteria and noted they were based on reasonable measures to assess SRR quality since they included a review of risks, indicators, ratings and responses, and overall alignment. However, criteria are subjective and rely on the experience and knowledge of the IRM Team to complete individual scoring. Although, for the most part there has been a consistent team with knowledge and expertise in IRM evaluating the SRR, the consistency of the process can be enhanced by adding comments with the rationale for each rating.

We reviewed the methodology to assign an overall rating to each criteria and noted in 2019, the IRM Team used a weighted rating while in 2020 they used an average rating. The methodology should be consistent to ensure performance can be effectively evaluated from year to year. We also noted one service did not receive an overall score in 2019.

Recommendation #4

The Leader Performance Measurement, Benchmarking and Risk enhance the SRR qualitative assessment process by:

- Communicating improvements identified to employees responsible for completing the SRR;
- Establishing and documenting a consistent methodology to assign an overall rating; and
- Adding comments to each of the six criteria rated, to support rating consistency from year to year.

Management Response

Agreed.

Action Plan	Responsibility
Enhancements to the SRR qualitative assessment process are underway to support improvements in SRR quality and value from year to year. Enhancements include: informing the people who complete the SRR as to the specific aspect being focused on for improvement; engaging about the overall results of the Corporate Risk Review process; providing assessment criteria and guidelines to the risk register evaluators to improve consistency in the qualitative review process; and requiring the evaluators to provide comments on their ratings of the risk registers.	<u>Lead:</u> Team Lead, PMBR <u>Support:</u> IRM Team, Service Owners and Teams <u>Commitment Date:</u> December 31, 2021

4.5 Service Risk Register Process

Although the IRM Team review SRR received and follow-up with services that do not submit, there is no escalation process to ensure SRR are submitted. All City services that report to Administration are required to submit an SRR to support effective risk management and provide valuable information to the IRM Team to support the PCR process and continual improvement.

We analyzed IRM Program data and noted the majority of services submitted an SRR in 2019 and at year-end 2020. Although we noted evidence of follow-up to obtain missing SRR, the IRM Team advised there was no escalation process to ensure information was received.

Recommendation #5

The Leader Performance Measurement, Benchmarking and Risk escalate instances where an SRR is not submitted for resolution in keeping with the IRM Administrative Guidelines approved by ELT in 2020 November.

Management Response

Agreed.

Action Plan	Responsibility
<p>In keeping with the Integrated Risk Management (IRM) Guidelines services are required to complete and submit a Service Risk Register (SRR). The City conducts at least two cross-corporate risk reviews annually. At a minimum, this review includes an analysis of SRR completed by services and an evidence-based analysis of Principal Corporate Risks by Principal Corporate Risk owners.</p> <p>For instances when an SRR is not submitted, there should be an escalation process to understand the circumstances and to determine the best course of action to resolve the issue. IRM will develop an escalation process to support effective risk management and to ensure that valuable information is provided to the IRM team to support the PCR process and continual improvement.</p>	<p><u>Lead</u>: Team Lead, PMBR</p> <p><u>Support</u>: IRM Team, Service Owners and Teams.</p> <p><u>Commitment Date</u>: December 31, 2021</p>

Appendix

Maturity Continuum Assessment

Attribute	CAN/CSA-ISO 31000 Principles	Enhanced Attributes	Assessment
Continual improvement	Organizations should develop and implement strategies to improve their risk management maturity alongside other aspects of their organization.	<p>Frequent risk assessments occur in line with normal management analysis and reporting. Risks are assessed and managed in an integrated fashion across the strategic, operational, and project levels of an organization.</p> <p>Explicit requirements are being defined for risk management performance assessment to align it with the governance and accountability structure.</p> <p>An emphasis is placed on continual improvement in risk management through the setting of organizational performance goals, measurement, review, and subsequent modification of processes, systems, resources, capability and skill.</p>	<p>IRM Team-Low-Excellence</p> <p>Audit-Enhanced</p>
Full accountability for risks	<p>Risk management is not a stand-alone activity that is separate from the main activities and processes of the organization.</p> <p>Risk management is part of the responsibilities of management and an integral part of all organizational processes, including strategic planning and all project and change management processes.</p> <p>Risk management recognizes the capabilities, perceptions, and intentions of external and internal</p>	<p>Efforts are under way to ensure that risk management includes comprehensive, fully defined, and fully accepted accountability for risks, controls, and risk treatment tasks.</p> <p>Designated individuals fully accept accountability, are appropriately skilled, and have adequate resources to check controls, monitor risks, improve controls, and communicate effectively about risks and their management to external and internal stakeholders.</p>	<p>IRM Team-Enhanced</p> <p>Audit-Enhanced</p>

Attribute	CAN/CSA-ISO 31000 Principles	Enhanced Attributes	Assessment
	people who can facilitate or hinder achievement of the organization's objectives.		
Application of risk management in all decision making	<p>Risk management helps decision makers make informed choices, prioritize actions, and distinguish among alternative courses of action.</p> <p>Risk management explicitly takes account of uncertainty, the nature of that uncertainty, and how it can be addressed.</p> <p>The inputs to the process of managing risk are based on information sources such as historical data, experience, stakeholder feedback, observation, forecasts, and expert judgement. However, decision makers should inform themselves of, and take into account, any limitations of the data or modelling used or the possibility of divergence among experts.</p>	<p>Efforts are under way to ensure that all decision making within the organization, whatever the level of importance and significance, involves the explicit consideration of risks and the application of risk management in a systematic, structured, and timely manner. This can be indicated by records of meetings and decisions to show that explicit discussions on risks took place.</p> <p>Major capital, operational, technology, and change management decisions are beginning to be supported by the best available risk assessments. Risk and control activities are being embedded in business processes.</p>	<p>IRM Team-Enhanced</p> <p>Audit-Enhanced</p>
Full integration into the organization's governance structure	<p>Risk management contributes to the demonstrable achievement of objectives and improvement of performance in, for example, human health and safety, security, legal and regulatory compliance, public acceptance, environmental protection, product quality, project management, efficiency in operations, governance and reputation.</p> <p>Risk management is aligned with the organization's external and internal context and risk profile.</p> <p>A systematic, timely, and structured approach to risk management contributes to efficiency and to consistent, comparable, and reliable results.</p>	<p>Efforts are under way to ensure risk management is viewed as central to the organization's management processes, such that risks are considered in terms of effect of uncertainty on objectives.</p> <p>The governance structure and process have been refined and are based on the management of risk.</p> <p>Efforts are under way at the management level to ensure that risk management fully supports the achievement of objectives. This includes enhancement of the decision-making processes and risk-based culture of the organization.</p>	<p>IRM Team-Enhanced</p> <p>Audit-Enhanced</p>

Attribute	CAN/CSA-ISO 31000 Principles	Enhanced Attributes	Assessment
Continual communications	<p>Appropriate and timely involvement of stakeholders and, in particular, decision makers at all levels of the organization, ensures that risk management remains relevant and up-to-date. Involvement also allows stakeholders to be properly represented and to have their views taken into account in determining risk criteria.</p> <p>Risk management continually identifies and responds to change. As external and internal events occur, context and knowledge change, monitoring and review of risks take place, new risks emerge, some change, and others disappear.</p>	<p>Efforts are under way to develop and implement enhanced risk management continual communications with external and internal stakeholders, including comprehensive and frequent reporting of risk management performance, as part of good governance.</p> <p>Efforts are under way to provide comprehensive reporting to the Board of Directors or governing body, the audit committee, and key stakeholders on current risk levels and future risk issues.</p>	<p>IRM Team-Enhanced</p> <p>Audit-Enhanced</p>



Calgary

City Auditor's Office

ISC: Unrestricted
AC2021-0730 ATT2

Integrated Risk Management Audit

Why we did this

- To conduct a recurring operational audit assessing the effectiveness of the IRM Framework as required by the International Auditing Standards.

What we concluded

- The IRM Team has made significant progress in advancing the maturity of the IRM Framework, since we last completed an audit in 2014. They have moved past basic risk management practices and are focused on continually maturing and improving.
- We raised five recommendations intended to help achieve clarity on the future strategic direction and maturity of the IRM Framework, and identify areas where the IRM Team can build on and improve current processes that support continuous framework improvement.

Why it matters

- Where risks are not identified, assessed, and managed, The City could incur unnecessary costs and service disruption.

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Civic Partner Audit Report

RECOMMENDATIONS:

That the Audit Committee recommend that Council:

1. Receive this report for the Corporate Record; and
2. Direct that Attachments 3, 5 and 6 remain confidential pursuant to Sections 16 (Disclosure harmful to business interests of a third party), 23 (Local public body confidences), and 24 (Advice from officials) of the *Freedom of Information and Protection of Privacy Act* (Alberta), to be reviewed 2026 October 22.

HIGHLIGHTS

- The Civic Partner Audit Report presents the results of an annual financial review that evaluates The City's exposure to risk based on Civic Partners' audited financial statements and assigns a rating of low risk, elevated risk, or high risk. The process provides an opportunity to work with partners as needed to improve their financial health and is one component of a larger accountability framework that assesses the overall financial and organizational health of Civic Partners.
- **What does this mean to Calgarians?** The City invests significant operating and capital funding in Civic Partners, and they manage and operate valuable City-owned assets. The financial review process helps identify The City's potential financial exposure and risks, enhances accountability for partners, and provides an opportunity to understand the current state of Civic Partner operations.
- **Why does this matter?** Reviewing a partner's financial health, risk management and governance practices reduces the City's exposure to risks that are inherent in partnering. It also provides an opportunity to assess and address organizational sustainability.
- Based on 2020 audited financials, the majority of Civic Partners were rated as low risk. Administration is working with the remaining six partners rated as elevated risk and one rated as high risk to confirm mitigation strategies are in place and provide support where appropriate.
- To provide insight into organizational health, particularly in light of the significant financial impact of COVID-19 on most partner operations, governance and risk management practices are highlighted in the cover report, and detailed self-reported information from each Civic Partner is included in Attachment 6 (confidential).
- Risks most frequently reported by Civic Partners included the impact of COVID-19, financial risk (including as it relates to the impact of COVID-19), and risks related to operations, and managing assets and infrastructure.
- In 2020 October, Council adopted AC2020-1049 Civic Partner Audit Report recommendations.
- Strategic Alignment to Council's Citizen Priorities: A well-run city
- Background and Previous Council Direction is included as Attachment 1.

DISCUSSION

By partnering with external organizations, The City benefits from partners' knowledge and expertise, and their ability to leverage and multiply The City's investment to meet the needs of Calgarians. Civic Partners manage and operate over \$865 million in City-owned assets (insured

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value), and in 2020, The City invested over \$107 million in operating funding, and \$18 million in capital funding.

This report is one component of a broader accountability framework in place to mitigate risks related to partnering. Following direction from Council, Administration has brought forward a Civic Partner Audit Report every year since 2013. “Partnership Risk,” with a focus on partners managing City-owned assets is also one of The City’s Principal Corporate Risks that is owned by the General Manager of Community Services, and reported twice a year to Council through Audit Committee.

The annual financial review process evaluates The City’s exposure to risk related to Civic Partners, assesses the overall financial health of these organizations, and provides an opportunity to work with partners as needed to improve their financial health. The process uses a tool with clearly established criteria and ratios to evaluate operating cash on hand, working capital/cash expenses, deficit level, and reserves, among other items. The same process and tool are used to review Community Associations and Social Recreation Groups with a Lease or License of Occupation.

Based on established criteria, each Civic Partner is assigned a rating of low risk, elevated risk, or high risk (definitions are included in Attachment 2). Based on 2020 audited financials, the majority of Civic Partners are financially stable with twenty-two rated as low risk, six rated as elevated risk, and one rated as high risk. Ratings for all Civic Partners reviewed are included in Attachment 3 (confidential). The 2020 ratings have a similar overall risk profile as previous years. Of the small number of partners rated as elevated risk in 2020 (six), four have experienced longer term challenges that contributed to similar ratings since 2018. The remaining two partners rated as elevated risk, and the one rated as high were significantly impacted by COVID-19 in 2020.

When a Civic Partner is rated as elevated or high risk during the financial review process, Administration works with them to identify mitigation strategies that can improve the organization’s financial health, and reduce The City’s exposure to risk. Attachment 5 (confidential) provides a summary of risk mitigation strategies for the organizations rated as elevated and high risk.

Detailed, self-reported information from Civic Partners about board governance, talent and culture including compensation and evaluation, risk management, and policies and practice is included in Attachment 6 (confidential). The following are some highlights reported by partners:

Civic Partner organizations have a range of **risk management practices** in place to effectively manage their operations. Each organization engages their board in this work, and has a risk matrix or similar tool to monitor and manage risk. While top strategic risks reported by partners varied depending on the nature of their operations, the most commonly reported risks included:

- **Financial risk, including the impact of COVID-19 on financial health**, was the most frequently risk reported by partners. Lower attendance, ticket sales, events, catering, programs, and other key earned revenue activities had a significant impact. Partners also reported more challenges attracting sponsorships and donations. Partners mitigated this risk in part by accessing COVID-related subsidies and funding programs including The City’s Emergency Resiliency Fund (ERF) program, the federal government’s Canadian Emergency Wage Subsidy and Canadian Emergency Commercial Rent Assistance Program, and the provincial government’s Small and Medium Enterprise Relaunch Grant. However, not all

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partners were eligible for these programs, including City of Calgary wholly owned subsidiaries such as the Calgary Convention Centre Authority. For additional information about the operational impacts of COVID-19 on Civic Partners with City operating grants, refer to CPS2021-0587 *Civic Partner Annual Report* coming forward to the Standing Policy Committee on Community and Protected Services on 2021 May 27.

- Risks related to **operations** and **assets and infrastructure** were also most frequently reported. Operating risks were diverse, and included the negative impact of disruptions, ability to carry out work effectively, and challenges identifying new signature projects. Asset-related risks varied due to the range of City-owned assets Civic Partners manage and operate, but the most common type of risk was related to operating and maintaining aging assets that require ongoing lifecycle maintenance investments.

Self reported information from Civic Partners (Attachment 6) demonstrates that partners' **governance practices** continue to evolve. Civic Partner organizations are arms-length, separate entities from The City. In addition to their accountability to The City, they are also accountable to their boards of directors, and a broad range of stakeholders including patrons and customers, partners, members, and funders. Strong governance practices can help ensure an organization is sustainable and manages risk appropriately.

All partners report using a skills matrix for board recruitment, and a variety of evaluation tools to assess board performance and identify areas for improvement. An area of continued development reported by most partners is diversity, inclusion and equity. In 2020, boards adopted new policies and practices, focused on recruiting for more diversity, struck board committees and working groups, carried out audits, and engaged consultants and organizations with expertise in diversity to help shape changes to governance and operations. A number of partners identified diversity and inclusion as a continued area of focus in 2021.

Additional information about Civic Partner operations and results is available in the *Civic Partner Annual Report* (CPS2021-0587) to be presented to the Standing Policy Committee on Community and Protective Services on 2021 May 27.

STAKEHOLDER ENGAGEMENT AND COMMUNICATION (EXTERNAL)

- ☐ Public Engagement was undertaken
- ☐ Public Communication or Engagement was not required
- ☐ Public/Stakeholders were informed
- ☒ Stakeholder dialogue/relations were undertaken

Civic Partners self-reported their governance and risk management practices (Attachment 6). As part of the review process, Administration communicates with each partner to inform them of their rating, and discuss issues and risk mitigation as required.

IMPLICATIONS

Social

Many Civic Partners lead and support implementation of the *Enough for All 2.0* poverty reduction strategy, and provide valuable recreation, sport and cultural opportunities for Calgarians in alignment with The City's *Sport for Life* Policy, and a *Cultural Plan for Calgary*. They foster healthy

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physical and social environments and enrich the social fabric of Calgary and support a high quality of life.

Environmental

Through the Civic Partner Asset Management Program and internal organizational programs, Civic Partners continue to review and adjust their operational practices to reduce consumption of resources and their ecological footprint. They promote conservation, environmental stewardship and community sustainability strategies including public education and awareness related to public spaces and natural resources.

Economic

Guided by *Calgary in the New Economy: An economic strategy for Calgary*, the Council-approved economic strategy stewarded by Calgary Economic Development, many Civic Partners contribute to economic development in Calgary through related strategies and activities including the *Enough for All* poverty reduction strategy, *Destination Strategy*, *Living a Creative Life*, and convention centre services. The City's allocation of operating and capital funding to Civic Partner operations are strategic investments that create a diverse range of facilities and programs for Calgarians and visitors to enjoy. The City's investment in Civic Partner operations are multiplied and leveraged by Civic Partners through resources and funding.

Service and Financial Implications

Existing operating funding - base

\$107,893,796

Existing capital funding – one time

\$17,979,851

Base operating grant funding for Civic Partners included in One Calgary contributes to partners' capacity to extend and compliment The City's service delivery under the following eight lines of service: Economic Development and Tourism, Library Services, Arts and Culture, Affordable Housing, Community Strategies, Parks and Open Spaces, City Planning and Policy, and Recreation Opportunities. Civic Partner capital funding programs provided through programs such as the *Civic Partner Infrastructure Grant*, support the maintenance and lifecycle work required to support high functioning City-owned assets managed and operated by partners. Additional one-time funds provided to partners are not included in the above number, for example, one-time Emergency Resiliency Fund grants provided in 2020.

RISK

Partnership-related risks may include reputational risk, financial risk, infrastructure management risk, operations risk, political risk, among others. The most significant risks are associated with any circumstance in which a third-party organization operating a City-owned facility defaults or ceases operations. In these cases, responsibility for the building's capital costs to ensure building safety for a new tenant or the public may fall on The City. Depending on the circumstances, the operating costs of the facility may also be The City's responsibility and Calgarians would be negatively impacted by a loss or decrease in programs and/or services. Administration works closely with its Civic Partners to develop and implement strategies to mitigate risks and this report is a key tool for monitoring and reporting on risk.

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ATTACHMENTS

1. Previous Council Direction, Background
2. Definition of Rating Terms
3. Civic Partner 2020 Audit Ratings (Confidential)
4. Civic Partner Grant Funding 2018-2021
5. Civic Partner Risk Mitigation Strategies (Confidential)
6. Self-Reported Governance and Risk Management Information (Confidential)

Department Circulation

General Manager/Director	Department	Approve/Consult/Inform

Previous Council Direction, Background

The following is a summary of previous Council Direction related to the Civic Partner Audit Report.

Context

This report is one aspect of a broader accountability program that summarizes the results of an annual financial review of Civic Partners and their wholly owned subsidiaries to evaluate The City's exposure to risk related to Civic Partner. The review process rates partners as low risk, elevated risk, or high risk; assesses the overall financial health of Civic Partner organizations; and provides an opportunity to work with partners as needed to improve their financial health.

Previous Council Direction

The following is a summary of previous Council direction related to the Civic Partner Audit Report.

DATE	REPORT NUMBER	DIRECTION/DESCRIPTION
10/20/2020	AC2020-1049	<p>Civic Partner Audit Report</p> <p>1. Receive this report for the Corporate Record; and 2. Direct that Attachments 3, 5 and 6 remain confidential pursuant to Sections 16 (Disclosure harmful to business interests of a third party), 23 (Local public body confidences), and 24 (Advice from officials) of the Freedom of Information and Protection of Privacy Act, to be reviewed 2026 October 22.</p>
6/17/2019	AC2019-0472	<p>Civic Partner Audit Report</p> <p>That Audit Committee recommends that Council: 1. Receive this report for information; and 2. Direct that Attachments 2, 4 and 5 remain confidential under Sections 16, 23, and 24 of the Freedom of Information and Protection of Privacy Act until 2025 April 23.</p>
5/28/2018	AC2018-0409	<p>Civic Partner Audit Report</p> <p>That Council adopt recommendations contained in AC2018-0409 as follows 1.Receive this report for information; and 2.Direct that this report and Attachments 2, 4 and 5 remain confidential under Sections 23(1) (b), 24(1)(b), and 16(1) of the Freedom of Information and Protection of Privacy Act (Alberta) until such time as six years from this date.</p>
1/29/2017	AC2017-1149	<p>Status of Community Associations and Social Recreation Organizations on City Owned Land</p> <p>Attachment 6 of the report informed Council that five organizations would be moving to the Civic Partner Audit report starting with the 2017 financial year: The Calgary Young Men's Christian Association, North East Centre of Community Society (Genesis Centre), Nose Creek Sports and Recreation Association (Vivo), South Fish Creek Recreation Association (Cardel South), and Westside Regional Recreation Centre.</p>
5/8/2017	AC2017-0367	<p>Civic Partner Audit Report</p> <p>1.Receive the report for information; and 2. Direct that the report and all attachments remain confidential pursuant to Sections 23(1)(b), 24(1)(b), and 16(1) of the Freedom of Information and Protection of Privacy Act (Alberta) until such time as six years from this date.</p>

7/19/2012	AC2012-0493	<p>Status of Third Party Organizations Operating Not-for-Profit Facilities on Land Owned by The City of Calgary</p> <p>Audit Committee approved that recommendations contained in AC2012-0493 be approved after amendment, as follows: Receive the report for information; Direct that Attachments 2 and 3 remain confidential under Sections 23(1)(b), 24(1)(a), 24 (1)(g) and 25 (b)(c)(ii) of the Freedom of Information and Protection of Privacy Act (Alberta) until such time as six years from this date; and direct Administration to continue to report to the Audit Committee on the status of community associations and social-recreation organizations, while preparing a separate annual report to the Audit Committee on all Civic Partners (including those on City-owned land and otherwise), commencing in the third quarter of 2013 annually.</p>
1/19/2006	AC2006-02	<p>Status of Third Party Organizations Operating Not-for-Profit Facilities on Land</p> <p>Recommendations approved as follows: Direct Administration to expand the report to include all third party organizations with facilities on City-Owned land that Community Services & Protective Services liaises with, and include financial exposure as it relates to an evaluation of liabilities exceeding assets available to satisfy these liabilities.</p>

Bylaws, Regulations, Council Policies

Investing in Partnerships Policy (CPS2017-01)

The *Investing in Partnerships Policy* classifies City of Calgary partners into categories that drive accountability and other requirements. Civic Partners are partners with are classified into two categories: Strategy Delivery, and Program and Service Delivery. The Policy supports a clear line of sight between The City's investment in a partnership and the results achieved; consolidated data to inform decision-making; greater effectiveness through clearer accountabilities, reporting, and risk management; and greater efficiency and cost-savings through improved knowledge transfer and reduced duplication of administrative time and effort.

Definitions of Rating Terms

In reviewing financial statements and the financial practices of Civic Partner organizations, Community Services and Finance have taken the following into consideration.

Low risk: The organization is in a good overall financial position with sufficient working capital and healthy equity. The organization is showing no more than one unfavourable financial factor that is not considered to challenge the long term sustainability of the organization.

Elevated risk: The organization is in a position to meet its short term financial obligations; however, there is more than one risk indicator which creates concern in terms of the organization's long-term sustainability. The risk indicators may include:

- Low cash reserves: if revenues were interrupted, the cash in place is not sufficient to sustain beyond 30 days of regular operations;
- Current operational practices may not be sustainable: a large operating deficit or cumulative deficits threaten to eliminate the organization's reserves; or
- Insufficient reporting: an organization has submitted financial statements that missed critical financial information and have received a rating of "insufficient" for three consecutive years.

High risk: There are indicators that the organization may be unable to meet its short term financial obligations, either immediately, or in the near future. If financial health further deteriorates, there is a risk that the organization may be forced to cease all or a portion of its operations. The risk indicators may include:

- Financial Issues: absence of acceptable financial policies and procedures, inadequate financial reporting, low level of liquidity, insufficient unrestricted reserves, consecutive yearly deficits and problems with cash flow and/or budgeting;
- Governance issues: not operating within current bylaws and objectives or a lack of governance practices in place; or
- Risk management issues: inadequate risk management and internal controls procedures in place and/or non-compliance with City agreement.

Other:
Insufficient: Statements are missing critical financial information, e.g. Balance Sheet, Statement of Revenues and Expenditures; or comparative data or information is presented in a way that does not allow for analysis or rating.

Not Rated: Statements have been received and a rating will be assigned once analysis is complete.

Not Received: Statements have not been submitted by the organization.

Not Required: The terms of the legal contract with the organization do not include the submission of financial statements.

Auditors: Statements are currently being audited by the group or an independent organization.

Civic Partner Operating Grant Funding 2018-2021					
Organization Name	2018 Actual	2019 Actual	2020 Actual	2021 Grant Budget	* % of Partner Operating Revenue
Aerospace Museum Association of Calgary (The Hangar Flight Museum)	250,358	461,358	411,358	411,358	36%
Calgary Arts Development Authority Ltd. <i>One time funding</i>	6,400,000 -	12,040,000 -	13,140,000 -	14,290,000	92%
Arts Commons****	2,564,738	2,479,738	2,546,544	2,546,350	28%
Calgary Convention Centre Authority** (Calgary TELUS Convention Centre) <i>One time funding</i>	1,761,309 620,000	1,703,309 425,079	1,749,270 500,000	1,749,231	17%
Calgary Economic Development Ltd. <i>One time funding</i>	5,808,765 1,200,000	9,877,765	10,077,765	9,752,765	76%
Calgary Heritage Authority	175,000	193,000	343,000	343,000	79%
Calgary Public Library Board	51,874,814	52,457,720	50,327,720	53,627,720	89%
Calgary Science Centre Society (TELUS Spark)	2,212,562	2,139,562	2,197,327	2,197,092	24%
Calgary Sport Council Society (Sport Calgary)	462,210	462,210	444,265	459,596	82%
Calgary Technologies Inc.*** (Platform Calgary)	829,459	802,459	824,058	1,448,657	22%
Calgary Zoological Society	8,296,184	8,022,184	8,238,425	8,238,666	26%
Fort Calgary Preservation Society	1,222,210	1,109,210	1,139,097	1,138,984	57%
Heritage Park Society <i>One time funding</i>	3,113,787 600,000	3,494,787	3,614,787	3,739,787	27%
Lindsay Park Sports Society (Repsol Sport Centre)	1,398,762	1,352,762	1,389,179	1,389,596	15%
Parks Foundation, Calgary	-	193,000	193,000	193,000	30%
Silvera for Seniors	1,365,000	5,673,000	6,531,000	7,071,000	22%
Tourism Calgary Convention and Visitors Bureau <i>Special Events Fund</i>	2,961,665	2,703,665 466,000	2,777,001 966,000	2,777,337 2,966,000	53%
VCC Initiatives Ltd. (Vibrant Communities Calgary)	500,000	484,000	484,000	484,000	58%
TOTAL	90,561,635	106,540,809	107,893,796	114,824,139	

*Per cent of a partner's total operating revenue received from The City (based on 2020 financial statements and excluding Emergency Resiliency Fund grants)

**Excludes debt funded on behalf of partners

***CTI's year end was 2019 March 31

****Arts Commons' year end was 2019 August 31

Civic Partner Capital Grant Funding 2018-2021				
Organization Name	2018 Actual	2019 Actual	2020 Actual	2021 Grant Budget
Aero Space Museum of Calgary (The Hangar Flight Museum)	0	34,635.00	116,589	307,000
Calgary Mosquito Aircraft Preservation Society	32,831	41,383	8,580	122,605
Calgary Public Library Board	4,160,747	2,309,822	1,794,392	3,179,591
Calgary Convention Centre Authority (Calgary TELUS Convention Centre)	953,795	3,916,879	5,936,256	1,563,788
Calgary Science Centre Society (TELUS Spark)	0	21,420.00	203,229	3,194,500
Calgary Zoological Society	1,475,352	1,328,596	1,391,175	1,669,000
Arts Commons	7,069,480	1,555,993	3,123,434	1,514,500
Fort Calgary Preservation Society	330,042	72,715	49,612	64,000
Heritage Park Society	2,091,572	1,462,157	2,029,000	2,610,000
Lindsay Park Sports Society (Repsol Sport Centre)	596,915	497,652	436,948	85,000
Parks Foundation, Calgary	250,000	0	-	3,297,500
Silvera for Seniors	-	940,318.33	2,767,903	4,198,018
Vecova	-	267,157.00	122,732	130,000
TOTAL	16,960,734	12,448,728	17,979,851	32,638,002

2020 Emergency Resiliency Fund Grants	
Organization Name	Grant
Aerospace Museum Association of Calgary (Hangar Flight Museum)	70,000
Calgary Arts Development Authority (for disbursement through grant programs)	2,000,000
Arts Commons	523,000
Calgary Science Center Society (TELUS Spark)	147,000
Calgary Sport Council Society (Sport Calgary)	25,000
Calgary Technologies Inc. (Platform Calgary)	30,000
Calgary Convention Centre Authority (Calgary TELUS Convention Centre)	1,265,000
The Calgary Young Men's Christian Association (YMCA)	500,000
Contemporary Calgary Arts Society	50,000
Heritage Park Society	490,000
North East Centre of Community Society (Genesis)	10,000
Silvera for Seniors	318,000
South Fish Creek Recreation Association (Cardel Rec South)	272,800
Vivo Centre for Healthy Generations	640,800
Vecova Centre for Disability Services and Research	407,800
Calgary Female Sport Development Association* (Great Plains)	62,200
Lindsay Park Sports Society* (Repsol Sport Centre)	16,500

*Paid in 2021

**Audit Resource Management Report to
Audit Committee
2021 May 20**

**ISC: UNRESTRICTED
AC2021-0661
Page 1 of 1**

External Auditor's Update on Off-Site Levy Assurance Procedures

RECOMMENDATIONS:

That Audit Committee:

1. Receive this report, attachment and presentation for the Corporate Record; and
2. Keep the Closed Meeting discussions confidential pursuant to Section 24 and 26 of the *Freedom of Information and Protection of Privacy Act*, to be reviewed 2022 May 20.

HIGHLIGHTS

- The External Auditor (Deloitte LLP) is providing Audit Committee with a progress update (both public and in closed meeting) on the assurance procedures undertaken with respect to their Council directed engagement with the Off-Site Levy Governance Committee and industry representatives.
- What does this mean to Calgarians? Citizens are informed on the independent assurance procedures undertaken by the external auditor on concerns with off-site levies.
- Why does this matter? Calgarians should have confidence in City policies and processes. Industry concerns with off-site levies are being evaluated by an independent firm who will present recommendations for corrective action.
- The City collects off-site levies from developers to fund Calgary's growth-related infrastructure costs and is reviewing the off-site levy bylaw with plans to bring a new bylaw to Council in 2022.
- Industry representatives have expressed concerns with respect to off-site levy stewardship, governance, accounting and project management.
- Details on the progress of this engagement have been provided by the External Auditor and are contained in the Attachment.
- The final report will be presented at the 2021 June 24 Audit Committee Meeting.
- Strategic Alignment to Council's Citizen Priorities: A well-run city.
- Audit Committee was directed by Council, in Motion Arising PFC2021-0035, to engage with the Off-Site Levy Governance Committee and for the external auditor to evaluate the concerns raised by stakeholders. At the January 28, 2021 meeting Audit Committee directed the External Auditor to engage with the Off-Site Levy Governance Committee and stakeholders to understand and evaluate concerns, including those raised by industry representatives.
- The External Auditor provided an update to Audit Committee on Off-Site Levy Assurance Procedures at their 2021 April 20 Meeting (AC2021-0545).

ATTACHMENT

Attachment – Status Update on Assurance Procedures as at 2021 May 13

Department Circulation

Councillor E. Woolley	Chair of Audit	Approve
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Deloitte LLP
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Canada

May 13, 2021

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The Audit Committee of
The City Council of The City of Calgary

Status update on assurance procedures

Dear members of the Audit Committee of The City Council of The City of Calgary:

We are pleased to provide an update on the status of our assurance procedures for The City of Calgary ("The City") as communicated at our meeting on February 25, 2021:

- Audit of Off-Site Levy ("OSL") balances as at and for the years ended December 31, 2016, 2017, 2018, 2019 and 2020 in accordance with Canadian Auditing Standard 805, *Audit of specific elements, accounts or items of a financial statement line item* ("CAS 805").
- Specified auditing procedures on the Project Management Quality Assurance ("PMQA") process of The City of Calgary Corporate Project Management Framework ("CPMF") relating to capital projects for the years ending December 31, 2018, 2019 and 2020 in accordance with Section 9100, *Reports on the Results of Applying Specified Auditing Procedures to Financial Information Other than Financial Statements* ("Section 9100").

Audit of Off-Site Levy Balances

- We have determined preliminary materiality for 2020 for each department: Water Resources, Transportation, Community Services and Police Services. As communicated in our audit plan, presented on February 25, 2021, materiality has been determined using our professional judgment and on the basis of ending OSL balances. We will report to you any uncorrected misstatements greater than our clearly trivial threshold as outlined in Appendix A. Deloitte notes that preliminary materiality for years ended 2016, 2017, 2018 and 2019 was provided in our April 20, 2021 meeting.
- We have completed planning activities for each year under audit including finalization of significant risks and planned audit procedures. These have been outlined in Appendix B.
- We have received various process flows prepared by Administration and have performed walkthroughs with the relevant business units. We have evaluated the design and implementation of relevant controls. Resulting from this work, we are discussing observations and recommendations with Administration and will communicate to the Audit Committee any significant control deficiencies identified at our next update.
- We have made significant progress in testing of collection of levies, allocation of investment income and usage of levies. As of the mailing of this document, Administration has provided the majority of our initial sample selection requests for each test of details for the years ended December 31, 2016, 2017, 2018 and 2019. We are following up with the various business units for additional information as required. Further, we have provided Administration with our sample selections for each test of details for the year ended December 31, 2020.
- We are in ongoing discussions with Administration with respect to availability of information comprising activity in pre-2016 opening off-site levy balances. Administration has provided internal schedules that demonstrate how levies collected prior to 2016 were spent and whether material amounts from earlier collection periods remain unspent at the end of 2016 as well as at the end of 2020, the latest period under audit. These schedules contain sufficient appropriate detail to

demonstrate collection of usage of levies. However; Administration has informed us that due to retention policies, as allowable under local laws governing data retention, records prior to 2013 have been purged and limited external sources of information are available. Our preliminary estimate is that this limitation relates to our ability to obtain external audit evidenced with respect to transactions amounting to approximately \$25,000,000 of off-site levy balances collected pre-2013 and unspent at the year ended December 31, 2020. Deloitte notes that levies were subject to audit during previous audits of the consolidated financial statements and no material misstatements were identified as a result of those audits based on consolidated materiality.

- We expect to present our report with respect to our substantive testing at the June 24, 2021 Audit Committee meeting. We are working with Administration on deliverables and timelines with respect to the letter of recommendations arising from completion of our procedures.
- Administration has been attentive to our requests and responsive to our audit queries. Throughout this period, we held regular discussions with Administration, and we found Administration to be supportive and transparent.

Specified Auditing Procedures on the PMQA Process

- Our specified procedures are currently in progress. We have received and reviewed information (PMQA assessments including supporting documents) required to complete our procedures from the various business units for each of the years ended December 31, 2018, 2019 and 2020. We are in the process of discussing follow up questions and/or obtaining additional information as necessary based on our first review of the information with the applicable business units.
- Our specified procedures include a review of compliance with all PMQA standards as established by the CPMF. We will also review the PMQA Action Plan and follow up procedures / plans to determine how exceptions or variances identified were addressed by the business unit.
- We expect to present our report with respect to our specified audit procedures at the June 24, 2021 Audit Committee meeting. We are working with Administration on deliverables and timelines with respect to the letter of recommendations arising from completion of our procedures.
- We continue to hold regular discussions with Administration. Administration has been responsive and supportive in the completion of our procedures.

This communication is intended solely for the use of the members of the Audit Committee of The City Council of The City of Calgary, Administration and others within The City to assist them in understanding the status update of the assurance procedures and is not intended for any other purpose.

Yours truly,

A handwritten signature in cursive script that reads "Deloitte LLP".

Chartered Professional Accountants

Appendix A

Materiality by department for 2020

Year	2020			
Department	<i>Community Service</i>	<i>Transportation</i>	<i>Water</i>	<i>Police</i>
Materiality	3,000,000	1,000,000	800,000	530,000
Performance materiality	2,400,000	880,000	640,000	424,000
Clearly trivial threshold	150,000	55,000	40,000	26,500

Appendix B Risk Assessment

During our risk assessment, we identified significant audit risks that will require special audit consideration. These risks, together with our planned responses, are described below. The OSL balance is disclosed within the capital deposits balance in The City's annual consolidated statement of financial position, our procedures outlined below are designed to ensure that both the OSL balance and any related amounts recognized in the consolidated statement of operations and accumulated surplus are recognized and measured in accordance with underlying agreements, legislation and accounting standards.

Off-site levies collected (Completeness, Rights and Obligations, Valuation and Allocation)

Audit risk

There is a risk that off-site levies collected are not recognized in the appropriate period, at the correct amount, and as the appropriate levy type by department (Water Resources, Transportation, and Community Services).

Our proposed audit response

- We will assess the design and implementation of relevant controls.
- We will obtain and read a sample of off-site levy agreements executed in each year under audit to ensure amounts levied are in accordance with the underlying legislation and agreements.
- We will test a sample of off-site levy payments collected in each respective year to ensure they are recognized and measured in accordance with the master development agreement and bylaw.
- We will agree a sample of off-site levies collected to corresponding invoices and bank statements to ensure they were recorded in the correct period and at the appropriate amount.
- We will review the unspent OSL balance for each year subject to audit relative to the OSL levies collected and related commitments on unspent balances in order to understand the relationship between amounts collected and amounts committed.

Investment income earned (Completeness, Occurrence, Accuracy, Cut-off)

Audit risk

There is a risk that investment income earned for each respective year for the off-site levy balances is measured accurately is and is not recognized in the correct period

Furthermore, investments at The City are pooled and earn a blended rate of return. As a result, investment income for off-site levy balances is based on an allocation of the rate of return on all of the pooled investments. There is a risk that the blended rate of return is not supported by actual interest earned on investments.

Our proposed audit response

- We will assess the design and implementation of relevant controls.
- We will reperform the Administration's calculation of allocating investment income to off-site levy balances by year.
- We will assess, on a sample basis, the completeness and accuracy of underlying data inputs into Administration's investment income allocation schedule.
- We will test, on a sample basis, the underlying rate of return calculation by agreeing to the third-party investment manager statements, where available

Density incentive program transfer (Completeness, Existence, Valuation and Allocation)

Audit risk

There is a risk that the amounts of density incentive program recognized for each respective year are not complete and accurate.

The density incentive program was included in Bylaw 2M2016 to help incentivize redevelopment in established areas. When a development reaches a density at or above 185 equivalent persons per hectare, their levy rate is capped, and they do not need to pay for the additional units or square metres of development space. The difference is paid through the Established Area Redevelopment Incentive Budget which is funding through property tax.

Our proposed audit response

- We will assess the design and implementation of relevant controls.
- We will test a sample of the development permits that qualified for the density incentive program in each year under audit and will recalculate the amounts recognized.
- We will test a sample of all development permits to determine if there are any additional development permits that should have qualified for the density incentive program but were not recognized as such.
- We will assess, on a sample basis, the completeness and accuracy of underlying data inputs into the density incentive program calculation.

Off-site levies spent (Existence, Rights and Obligations, Valuation and Allocation)

Audit risk

There is a risk that off-site levies utilized in each year under audit are not recognized in the appropriate period, at the correct amount, and as the appropriate levy type by department (Water Resources, Transportation, and Community Services).

Due to the nature of the infrastructure constructed by the Water Resources department, these expenditures are incurred prior to receiving the funds from developers through off-site levies. As such, these expenditures are typically funded by external debt which can then be repaid through off-site levies collected.

Our proposed audit response

- We will assess the design and implementation of relevant controls.
- We will test a sample of off-site levies utilized in each respective year under audit to ensure they are recognized and measured in accordance with the master development agreement and bylaw.
- We will agree a sample of off-site levies utilized to corresponding invoices and bank statements to ensure they were recorded in the correct period and at the appropriate amount in order to substantiate that levies were spent on allowable expenses for the allowable project.
- For the Water Resources department, we will test a sample of the debt servicing costs to ensure that the underlying levy and usage of funds was incurred for the appropriate debt based on the bylaw.

The above noted significant risks have been identified through our preliminary planning discussions. As we perform additional audit procedures and continue our iterative planning and risk assessment activities, we may determine that changes are required to this risk assessment and outlined procedures.