

Calgary Police Service 2018 Audit service plan

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

November 7, 2018

To the Finance and Audit Committee of the Calgary Police Commission

2018 Audit service plan

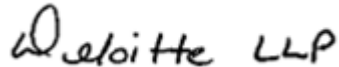
Dear Finance and Audit Committee members:

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

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

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

Yours truly,

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

Chartered Professional Accountants

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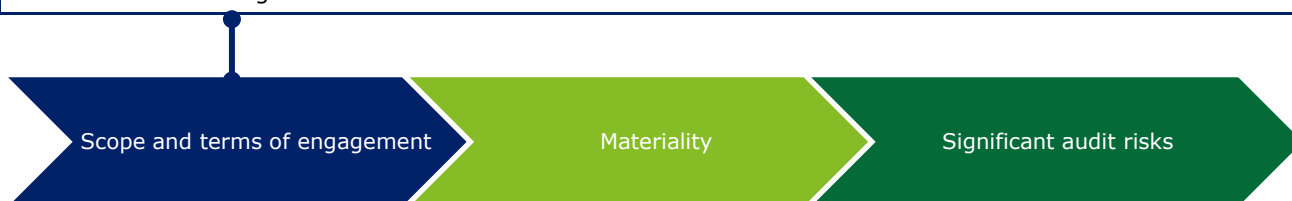
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Our audit explained

Audit scope and terms of engagement

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

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



Materiality

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

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

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

Significant audit risks

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

Fraud risk

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

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

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

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

Complete engagement reporting**Audit reporting**

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

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

Business Insights

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

**Audit fees**

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

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

These fees exclude the 7% administration fee and GST.

Significant audit risks

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

Revenue recognition

Audit risk

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

Our proposed audit response

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

Management override of controls

Audit risk

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

Our proposed audit response

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

New accounting standards

Audit risk

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

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

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

Our proposed audit response

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

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

Areas of focus

Accuracy, recording and presentation of reserves

Audit risk

Completeness and accuracy of the recording and presentation of reserves.

Our proposed audit response

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

Accuracy and disclosure of pension liability (employee benefit obligations)

Audit risk

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

Our proposed audit response

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

Appendix 1 – Audit approach

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

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

1. Initial planning

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

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

2. Assessing and responding to engagement risk

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

Consideration of the risk of fraud

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

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

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

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

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

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

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

Information technology

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

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

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

3. Developing and executing the audit plan

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

Audit procedures

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

Tests of controls

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

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

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

Substantive audit procedures

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

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

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

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

Independence

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

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

Appendix 2 – Communication requirements

Required communication	Reference
Audit Service Plan	
1. Our responsibilities under Canadian GAAS, including forming and expressing an opinion on the financial statements	CAS ¹ 260.14
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 	CAS 260.15
3. Significant transactions outside of the normal course of business, including related party transactions	CAS 260 App. 2, CAS 550.27
Enquiries of those charged with governance	
4. How those charged with governance exercise oversight over management's 's process for identifying and responding to the risk of fraud and the internal control that management has established to mitigate these risks	CAS 240.20
5. Any known suspected or alleged fraud affecting the Service	CAS 240.21
6. Whether the Service is in compliance with laws and regulations	CAS 250.14
Year-end communication	
7. Fraud or possible fraud identified through the audit process	CAS 240.40-.42
8. Significant accounting policies, practices, unusual transactions, and our related conclusions	CAS 260.16 a.
9. Alternative treatments for accounting policies and practices that have been discussed with management during the current audit period	CAS 260.16 a.
10. Matters related to going concern	CAS 570.23
11. Management judgments and accounting estimates	CAS 260.16 a.
12. Significant difficulties, if any, encountered during the audit	CAS 260.16 b.
13. Material written communications between management and us, including management representation letters	CAS 260.16 c.
14. Other matters that are significant to the oversight of the financial reporting process	CAS 260.16 d.
15. Modifications to our opinion(s)	CAS 260.A18

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

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

Appendix 3 – 2018 summary audit timeline

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

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

Appendix 4 – Upcoming financial reporting standards

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

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

Appendix 5 – Draft master services agreement



Deloitte LLP
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Canada

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www.deloitte.ca

November 14, 2018

Private and confidential

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

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

Re: Master Services Agreement for Professional Services

Dear Sirs/Mesdames:

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

Services and fees

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

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

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

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

Scope of services chart

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

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

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

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

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

Term

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

Our responsibilities

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

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

Your responsibilities

Our expectations of you can simply be summarized as follows:

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

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

General business terms

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

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

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

Yours truly,

Chartered Professional Accountants

Enclosure

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

Signature

Title

Date

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

Signature

Title

Date

General business terms

Calgary Police Service
November 14, 2018

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

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

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

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

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

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

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

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

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

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

Appendix A

Financial statement audit

Calgary Police Service
November 14, 2018

Our audit services and audit scope

The financial statements

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

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

Our audit report

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

Our responsibilities

Performance of the audit

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

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

Information on internal controls

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

Reporting considerations**Going concern**

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

Other information

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

Communication with the Finance and Audit Committee

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

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

Fraud and illegal acts

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

Your responsibilities**Financial statements and internal control**

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

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

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

Access to information and personnel

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

Prevention of fraud and error

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

Compliance with laws and regulations

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

Related parties

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

Subsequent events

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

Correction of material errors

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

Representation letter

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

Disclosure of report

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

You will not, without obtaining our prior written consent:

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

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

Other information

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

Independence

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

Independence matters as a result of restrictions on providing certain services

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

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

Independence matters relating to hiring

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

Finance and Audit Committee’s responsibilities

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

Appendix A(i)

Expected form of report

Calgary Police Service
Fiscal year end December 31

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

Draft Independent Auditor's Report

To the Members of
Calgary Police Commission

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Service in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PSAS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Service's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Service or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Service's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Service's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Service's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Service to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

(To be signed Deloitte LLP)

Chartered Professional Accountants

•, 2019

Calgary, Alberta



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