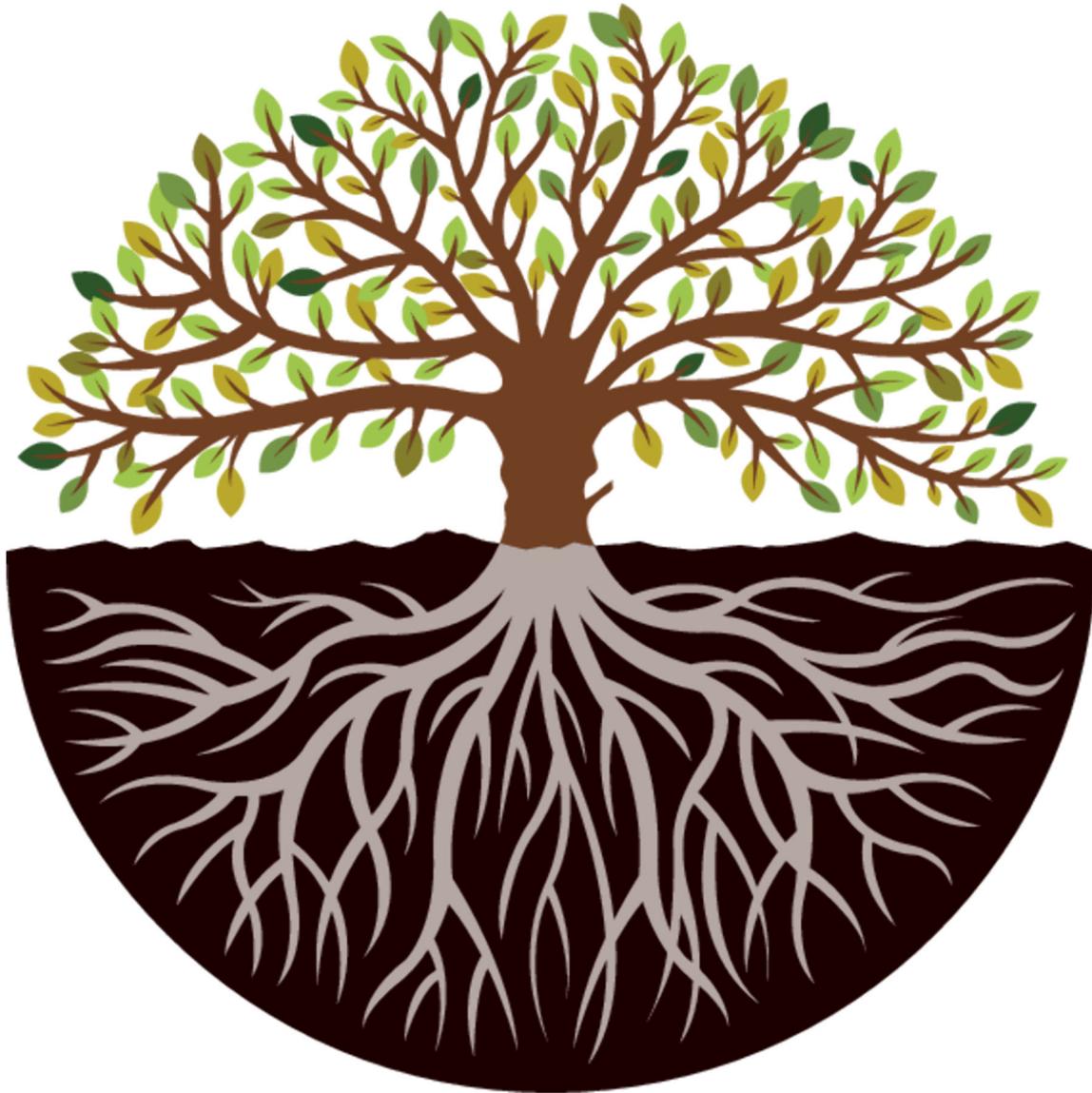


Deloitte.



The City of Calgary
2019 Audit service plan

For the year ending December 31, 2019
Presented to the Audit Committee
July 23, 2019

July 15, 2019

To the Members of the Audit Committee of
The City Council of The City of Calgary

2019 Audit service plan

Dear Audit Committee Members:

We are pleased to provide you with our audit service plan for The City of Calgary ("The City") for the year ending December 31, 2019. This document describes the key features of our plan including our audit scope and approach, our planned communications with you, our team, and an estimate of our fees.

We are proud of our relationship with The City. Our objective at Deloitte is to set the standard of excellence and our team is committed to providing an efficient, high-quality audit. Our commitment to you is straightforward: we will provide you with outstanding professional services delivered by an experienced and dedicated team of specialists.

Our engagement will include an audit of:

- The City's consolidated financial statements (the "financial statements") as at and for the year ending December 31, 2019, prepared in accordance with Canadian public sector accounting standards ("PSAS") and conducted in accordance with Canadian generally accepted auditing standards ("Canadian GAAS");
- The Municipal Information Return for the year ending December 31, 2019;
- The Funds Held in Trust by The City for the year ending December 31, 2019; and
- The City newspaper insert for the year ending December 31, 2019 (summarization of The City's 2019 financial information).

We are providing this audit service plan to the Audit Committee (the "Committee") on a confidential basis. It is intended solely for the use of the Committee to assist in discharging its responsibilities with respect to the financial statements for the year ending December 31, 2019 and is not intended for any other purpose. Accordingly, we disclaim any responsibility to any other party who may rely on it.

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

Yours truly,



Chartered Professional Accountants

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Our audit explained

Audit scope and terms of engagement

We have been asked to perform an audit of The City's consolidated financial statements (the "financial statements") in accordance with Canadian public sector accounting standards ("PSAS") as at and for the year ending December 31, 2019. Our audit will be conducted in accordance with Canadian generally accepted auditing standards ("Canadian GAAS").

The terms and conditions of our engagement are described in the master services agreement ("MSA") dated July 25, 2018 and signed by the Audit Committee and Administration and confirmation of changes to the MSA included in Appendix 9. The confirmation of changes to the MSA includes updates to the terms and conditions for fiscal year 2019 and should be signed on behalf of City Council and Administration.



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 consolidated budgeted operating expenses and other qualitative factors. Our preliminary estimate of materiality for the year ending December 31, 2019, has been set at \$65M (2018, \$60M).

We will inform the Committee of all corrected and 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 (pages 3 to 8).

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 Administration's effort to manage financial results.
5. Evaluating whether the judgments and decisions related to Administration estimates indicate a possible bias.
6. Incorporating an element of unpredictability in selecting our audit procedures.

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

If we suspect fraud involving Administration, we will immediately inform the 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 Committee. The primary reports and formal communications through which we will address these matters are:

- This Audit Service Plan
- Year-end Audit Report
- Our Auditor's Report on the financial statements

Management Recommendations Letter

We will provide you with insights into the condition of your operations, controls and offer meaningful suggestions for improvement following the completion of the fiscal 2019 audit.



Audit fees

Please refer to Appendix 2 for fees relating to The City and Appendix 3 for fees for the related parties and other audits.

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.

Tangible Capital Assets

Audit risk

Completeness and valuation of Tangible Capital Assets ("TCA").

Our proposed audit response

- We will audit The City's TCA additions, disposals, and amortization along with related disclosures. Our testing will include, on a sample basis, reviewing amounts included in the current year transactions to ensure only amounts that meet the definition of capital are included and are appropriately valued.
- We will also test a sample of items recorded as repairs and maintenance to ensure these amounts are appropriately expensed.
- We will review Administration's assessment of impairment indicators of TCA and perform audit procedures on any amounts written down in the year.
- We will test TCA work in progress ("WIP") additions to ensure these WIP additions were appropriately accounted for as WIP. We will also test the aging of TCA projects to ensure appropriate accounting treatment of those projects in the year-end financial statements.

Administration override of controls

Audit risk

Assurance standards include the presumption of Administration override of controls as a significant risk. Administration may be in a unique position to perpetrate fraud because of Administration'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 Administration and others, including The City Auditor, City Manager, and the 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 City'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 Administration override of controls identified.

Capital deposits – revenue recognition

Audit risk

Capital revenue relating to government funding and private contributions is not recognized in the correct period, as expenditures are incurred.

Our proposed audit response

- We will apply audit procedures to revenue recognition of capital deposits relating to both government funding and private contributions. Our testing will include, on a sample basis, reviewing amounts included in the current year transactions to ensure only amounts that meet the revenue recognition criteria under PSAS are recognized as revenue.
- We will review capital deposit contracts to ensure that the revenue recorded aligns with the stipulations in the contract.
- We will apply audit procedures to test the completeness of revenue by reviewing budget deficits recorded in Q1 2020 to determine if grant funding has been applied in the appropriate period.
- We will also test the design and implementation as well as operating effectiveness of relevant internal controls at the business unit level.

New Accounting Standards

Audit risk

The following accounting standard is required to be adopted for the year ending December 31, 2019:

- *Restructuring transactions*, Section PS 3430

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

Our proposed audit response

- We will review The City's methodology and process for application and adoption of the standard, which will include a review of position papers prepared by Administration.
- We will audit a sample of the accounting transactions recorded under this standard, if applicable.
- We will also review the disclosure in the year-end financial statements to ensure compliance with the applicable guidance within the 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 for 2019

Public Private Partnership (“P3”) Agreements

Audit risk

During fiscal 2015 and 2016, The City signed the following P3 agreements:

Stoney Transit Facility effective September 13, 2016, and the Composting Facility Project effective June 25, 2015.

P3 agreements can include a number of complex underlying accounting treatments which require an in-depth, detailed analysis to ensure all accounting and financial reporting matters impacting the consolidated financial statements are taken into consideration. As there is currently no specific accounting standard under PSAS which provides accounting and financial reporting guidance, an entity is required to complete its own analysis specific to the agreement entered into in conjunction with existing accounting standards.

As the Composting Facility Project was completed in fiscal 2017, The City commenced accounting for this facility in the 2017 year-end financial statements as TCA.

The Stoney Transit Facility is expected to be completed in 2019.

Due to the highly complex nature of P3 agreements and the related accounting implications there is a risk the accounting for these transactions is not complete or accurate. There is also a risk that the financial statement presentation and disclosure is not complete.

Our proposed audit response

- We will apply audit procedures on the accounting transactions for the P3 agreements to ensure that these transactions have been accurately and completely recorded in the year-end financial statements in accordance with Administration’s proposed accounting treatment and applicable accounting standards.
- We will also review the disclosure in the year-end financial statements to ensure this is in compliance with applicable accounting standards.

PS 3260, Liability for contaminated sites

Audit risk

Completeness and accuracy of the liability for contaminated sites.

Our proposed audit response

- We will review The City’s methodology for application of this standard on City owned land and property. We will audit the assumptions and the calculation of the liability associated with the potential remediation costs. We will also review The City’s assessment of all sites identified as having a high risk of contamination.
- We will review financial statement disclosure to ensure consistent with accounting guidance.

PS 3270, Solid waste landfill closure and post-closure liability

Audit risk

Valuation of environmental liabilities and asset retirement obligations, relating to the accrual of post closure landfill liabilities.

Our proposed audit response

- We will review The City's estimates of post closure landfill liabilities.
- We will review City Council minutes and legal confirmations, hold discussions with Administration and rely on our knowledge of business to ensure completeness of the liability.
- We will review Administration's estimates and assumptions for reasonability and perform tests of details on the transactions during the year.
- We will require representations to be signed by Administration that all environmental liabilities and clean-up costs are complete and appropriately disclosed.

Funding contracts

Audit risk

Disclosure and completeness of liabilities and commitments under funding contracts provided by The City.

Our proposed audit response

- We will review Administration's assessment of liabilities and commitments required to be recorded or disclosed under agreements entered into during the year.
- We will test a sample of funding contracts entered into during the year to assess Administration's treatment and appropriate recording of these transactions.
- We will also assess the completeness of the balances via review of City Council minutes and performing a search for unrecorded liabilities as well as a review of prior year estimates.

Related parties (authorities/subsidiaries/civic partners)

Audit risk

Completeness and disclosure of the accounting for organizations included in the government reporting entity (related authorities or subsidiaries).

Our proposed audit response

- We will review The City's accounting policies and any changes therein related to its related parties.
- We will verify that the related parties have been accounted for and disclosed in accordance with The City's accounting policies and PSAS and perform separate audits of significant related parties.
- We will audit all material balances relating to the related parties.

Litigation accruals and contingencies

Audit risk

Completeness and accuracy of claims and litigation matters of The City and its related authorities.

Our proposed audit response

- We will enquire with The City's legal department and City Solicitor to determine the status of outstanding legal matters.
- We will review legal correspondence from The City Solicitor and external legal counsel (if applicable) and discuss the status of outstanding legal matters with Administration and others, as necessary.
- We will then work with Administration to assess the appropriateness of any contingent liabilities and financial statement disclosures.

Government grants and transfers

Audit risk

Accounting and disclosure of government grants and transfers.

Our proposed audit response

- We will test a sample of funding agreements to determine if the contract requires financial statement disclosure.
- We will test a sample of federal and provincial transfer payments received during the year to fund specific projects.
- We will review the related funding agreements to ensure funds are used for their intended purpose and that revenue is recognized in the appropriate period, including the deferred revenue.
- We will review deferred revenue for compliance with the applicable PSAS guidance.
- We will test expenditures and ensure that the corresponding revenue has been recognized.

Tax revenue

Audit risk

Completeness and accuracy of the accounting for tax revenue.

Our proposed audit response

- We will perform reasonability tests on tax revenue balances.
- We will review and test the tax revenue business cycle process controls.
- We will complete data analytical testing on the property tax revenues for the year ending December 31, 2019.

Reserves

Audit risk

Completeness and accuracy of the recording and presentation of reserves.

Our proposed audit response

- We will test expenditures charged to each reserve and vouch a sample of expenditures to invoices to verify that the transaction was within the terms and conditions approved by City Council.
- We will also review the completeness and accuracy of the financial statement disclosures relating to reserves.

Long-term debt, pension liability, contractual and other long-term obligations

Audit risk

Disclosure and completeness of long-term debt, pension liability, contractual and other long-term obligations.

Our proposed audit response

- We will review the completeness and accuracy of the financial statement disclosures relating to The City's long-term debt, pension liability, and contractual and other long-term obligations.
- We will ensure that these disclosures are in accordance with PSAS guidance.

Non-standard transactions

Audit risk

Completeness and accuracy of non-standard transactions.

Our proposed audit response

- Non-standard transactions are inherently riskier as there is no precedence for which to account for these items. Examples of non-standard transactions may include, but are not limited to, transfer of lands to/from the Province, transfer of corporate properties between business units, and purchase and sale of properties.
- We will review large transactions that have occurred during the year to ensure that these transactions have been accurately and completely recorded in the year-end financial statements.

Adoption of future accounting standards

Audit risk

Appendix 8 includes future accounting standards that are required to be adopted by The City along with the adoption dates. Many of these standards are highly complex, require significant planning and resource allocation and impact a number of business units. There is a risk that the adoption of the new standards is not compliant with guidance within the standards or is not completed to meet the required adoption deadline.

Our proposed audit response

During fiscal 2019, we will review the workplan developed by Administration to ensure the following are included in the workplan:

- roles and responsibilities of business units and Corporate Finance Reporting personnel.
- deliverables and key internal reporting deadlines.
- Implementation and delivery of training sessions for those business units and finance personnel responsible for the implementation of the accounting standards.

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

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 City.

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
- 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 Administration 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 City’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 Administration’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 Committee regarding:

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

We will also inquire if the Committee is aware of tips or complaints regarding The City's financial reporting (including those received through The City's internal whistleblower program), and, if so, the 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 Administration, we will communicate these suspicions to the 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.

We will assess the design and effectiveness of general computer controls in the following areas:

- Data centre and network operations;
- System software acquisition, change and maintenance;
- Program change;
- Access security; and
- Application system acquisition, development, and maintenance.

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 Administration 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 Administration'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 Committee and Administration 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 clearly trivial threshold has been set at 5% of materiality), will be reported to Administration and the 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 City.

We are independent of The City and we will reconfirm our independence in our final report to the Committee.

5. Leveraging technology

Our audit approach utilizes fully automated, paperless audit software where information and supporting schedules are prepared and exchanged electronically. Our audit software facilitates leveraging what The City already prepares as part of account analysis and financial closings and allows us to share files and work papers with our engagement team members. We use other web-based connectivity tools and file interrogation software to quickly and comprehensively analyze data. Our audit software supports the full lifecycle of an audit engagement. The proprietary software we use is globally connected and allows for real-time tracking, ultimately providing better status reporting to our clients. Our software leverages industry guidance and knowledge so that we tailor our approach in a meaningful way to reflect the nuances of our clients' businesses. Our ability to customize our software to each client's specific situation enables us to have

more engaging business conversations. In addition, our software allows us to track findings and observations noted throughout the course of our audit, enabling us to provide our clients with more meaningful insights and discuss any issues as they arise with fewer surprises.

The tools described in the following table help us determine our audit scope, prepare consistent audit work papers and files, conduct analytical procedures, select data for testing, accumulate audit results and monitor progress to provide for the timely completion of tasks. In addition, we intend to make full use of The City’s own technologies to gain further efficiencies.

Technology	Description	Benefits
Deloitte Audit System	Deloitte’s audit software, incorporating audit-specific templates, reference materials, support documents and Administration insights.	<ul style="list-style-type: none"> • Rapid and effective electronic transfer of information among the audit team members.
Deloitte Spotlight	An integrated analytics application that leverages analytical data techniques to more effectively test large volumes of journal entry data, in order to uncover unusual trends, patterns, or anomalies in The City’s journal entries.	<ul style="list-style-type: none"> • Enables easy extraction from your systems and other applications in a consistent and repeatable format that requires minimal effort from you. • Allows for the customization of characteristics of fraudulent journal entries, which are specific to particular circumstances. • Analyzes the entire journal entry data set and returns results in a matter of minutes. • This tool further enhances the data analytics & visualization tools above for testing of journal entries.
Data Analytics & Visualization	The City will get an enhanced access to leading practices in data mining and insightful analytics reports. Our Data Visualization Toolset can also help more clearly, and effectively, interpret and understand complex data sets.	<ul style="list-style-type: none"> • Pinpoints risks more effectively, allowing us to focus on outliers and reduces efforts spent on tedious detail testing that provides less insight. • Allows for the visualization of the group audit scope and strategy to very quickly assess the sufficiency of coverage. • This tool is currently utilized on The City audit engagement through testing of property and business tax revenue.

Technology	Description	Benefits
Deloitte Technical Library	A comprehensive online compilation of accounting and financial disclosure literature that allows Deloitte to research specific accounting issues and functions through access to authoritative literature from pertinent regulatory bodies, as well as our own interpretations and guidance.	<ul style="list-style-type: none"> • The extensive accounting and reporting guidance helps support the quick and efficient research of complex accounting matters.

6. Audit scope uncertainty

Our audit service plan is based on several assumptions. Circumstances may arise during the engagement that could significantly affect the scope, extent, and timing of our audit procedures. These circumstances may include, but are not limited to:

- A deterioration in the quality of The City’s accounting records during the current year engagement compared to the prior year engagement;
- The identification of significant deficiencies in The City’s internal control that result in the expansion of our audit procedures;
- The identification, during our audit, of a significant level of proposed audit adjustments; and
- The occurrence of significant new issues or changes, such as:
 - New accounting issues;
 - Changes in accounting policies or practices from those used in prior years;
 - Events or transactions not contemplated in our budget;
 - Changes in The City’s financial reporting process or IT systems;
 - Changes in The City’s accounting personnel, their responsibilities, or their availability;
 - Changes in auditing standards;
 - Significant adjustments to accounts and balances;
 - Changes in The City’s use of experts or specialists and/or their work product does not meet the qualifications that Canadian GAAS require for us to be able to use their work; and
 - Changes in the audit scope caused by events that are beyond our control.

If any of these or similar such circumstances arise during the course of our audit, we will discuss them on a timely basis with Administration and provide the Committee with a report regarding the impact on our audit at its next scheduled meeting. Matters that we consider to be significant and that may be sensitive from a reporting timing perspective will be communicated immediately to the Chair of the Committee.

Appendix 2 – Audit fees

We focus our activities and make every effort to optimize the efficiency of our audit.

We recognize and are sensitive to your concerns about managing costs. Therefore, we will maximize the efficiency of our audit by focusing on risk areas and coordinating our activities with Administration. Furthermore, our current audit plan builds upon the successes achieved in the 2018 year-end audit.

The following fee estimate is preliminary and may be adjusted based on the final scope of our audit and our final determination of the audit procedures that we consider necessary to enable us to express an opinion on the financial statements. Our anticipated level of work and the associated fee estimate do not include the effect of any regulatory or other changes to existing auditing and accounting standards yet to be issued. We will seek the Committee's pre-approval before commencing the additional procedures arising from these unexpected changes.

The 2019 estimated audit fees are as follows:	2019*	2018*
The City of Calgary consolidated financial statement audit	\$272,000	\$270,000
Municipal Information Return	\$4,600	\$4,600
Funds Held in Trust Audit	\$1,800	\$1,800
Newspaper insert (summarization of The City's financial information)	Included in the City of Calgary Audit fee	Included in the City of Calgary Audit fee
<i>PS 3260, Liability for contaminated sites</i>	\$5,000	\$5,000
Audit procedures on accounting transactions and related to financial statement disclosure of P3 Agreement – Stoney Transit Facility dated September 13, 2016	\$5,000	\$5,000
Audit procedures on related authorities for consolidation purposes	\$18,500	\$16,500
Additional audits as requested by Administration and the Committee up to approval limit	\$25,000	\$25,000
Adoption of new accounting standard for December 31, 2019	\$7,500**	\$28,000
Review of implementation of TCA Vehicles policies and procedures on a prospective basis	-	\$4,500
Total	\$339,400	\$360,400

* These fees are subject to a 7% administrative charge and applicable GST.

** Preliminary estimate subject to review following completion of Administration's assessment of the new standard.

Appendix 3 – Related parties and other audits

Summary of engagement timing and estimated fees for the year ending December 31, 2019. These fees include only the base audit fee for each entity.

Entity	Reporting entity relationship	Estimated audit completion	Estimated 2019 audit fee**	2018 audit fee
The City of Calgary consolidated	City of Calgary Audit Committee	April 2020	\$272,000	\$270,000
Calgary Municipal Land Corporation	Calgary Municipal Land Corporation Audit Committee	April 2020	\$52,200	\$51,700
Calgary Parking Authority	Calgary Parking Authority Audit Committee	March 2020	\$90,200	\$89,300
Calgary Public Library	Calgary Public Library Finance and Audit Committee	March 2020	\$40,100	\$39,700
Calhome Properties Ltd.	Calhome Properties Ltd. Audit Committee	March 2020	\$79,200	\$78,400
Calgary Police Service	Calgary Police Commission	May 2020*	\$50,100	\$49,600
TELUS Convention Centre	TELUS Convention Centre Audit Committee	May 2020*	\$42,400	\$42,000
ENMAX Corporation	ENMAX Audit Committee	March 2020	\$318,700	\$315,500
Elected Officials Pension Plan	Pension Governance Committee	May 2020	\$7,400	\$7,300
Supplementary Pension Plan	Pension Governance Committee	May 2020	\$14,000	\$13,900
Municipal Employees Benefits Association of Calgary	Executive Committee of Municipal Employees Benefits Association of Calgary	April 2020	\$25,700	\$25,400
Family & Community Support Services	City of Calgary Administration	April 2020	\$20,100	\$19,900
Municipal Information Return	City of Calgary Administration	April 2020	\$4,600	\$4,600
Funds Held in Trust	City of Calgary Administration	April 2020	\$1,800	\$1,800
Core Benefit Plan	Audit to be completed every four years – next audit will be fiscal 2021	-	-	-
Total			\$1,018,500	\$1,009,100

*Fieldwork will be completed by March 2020.

**The fee estimate is per the agreed upon rates in the 2018 Request for Proposal and external audit contract, which is a 1% increase over the prior year amount for base audit fees. These fees are subject to review for changes in accounting or auditing standards and operational changes which may impact the final fees. The fees are subject to 7% Administrative charge and GST.

Consolidation

For the purposes of The City’s consolidated financial statements, each reporting entity is required to provide their final internal financial statements to Administration prior to completion of the consolidated audit. The timing of our audit procedures is planned for completion prior to the anticipated final auditor’s report for The City. Our final auditor’s reports are presented to each reporting entity at their respective Audit Committee meetings.

Appendix 4 – 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 Administration's process for identifying and responding to the risk of fraud and the internal control that Administration has established to mitigate these risks	CAS 240.20
5. Any known suspected or alleged fraud affecting The City	CAS 240.21
6. Whether The City 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 Administration during the current audit period	CAS 260.16 a.
10. Matters related to going concern	CAS 570.23
11. Administration 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 Administration and us, including Administration 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 Administration consulted with other accountants and about which we have concerns	CAS 260.A19
17. Significant matters discussed with Administration	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 City's related parties	CAS 550.27

Appendix 5 – Audit team

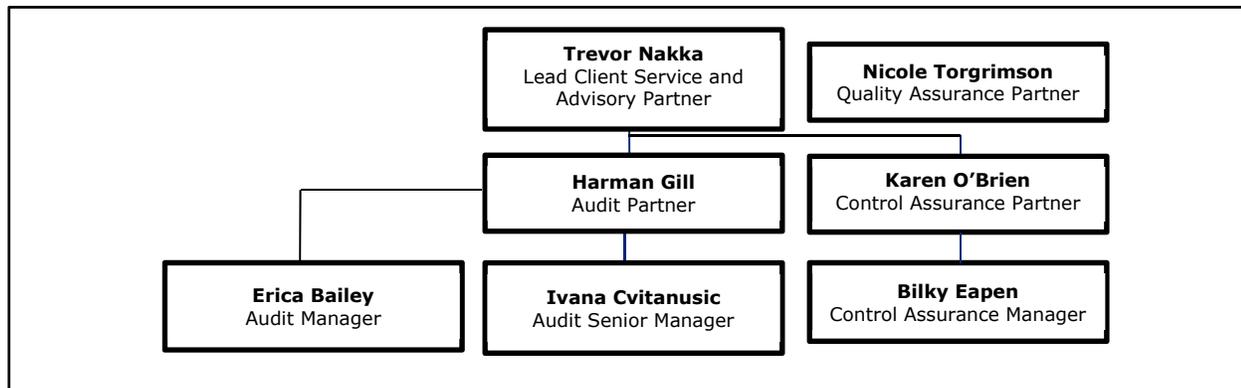
We are led by Trevor Nakka, lead client service and advisory partner. As a team we are committed to delivering on Deloitte’s client service principles to:

- **Make** and meet our commitments to our clients
- **Understand** our clients’ business and what is important to them
- **Provide** value through technical competence and consistent results
- **Demonstrate** professionalism through effective interaction and communications, and
- Provide a **no surprises** experience.

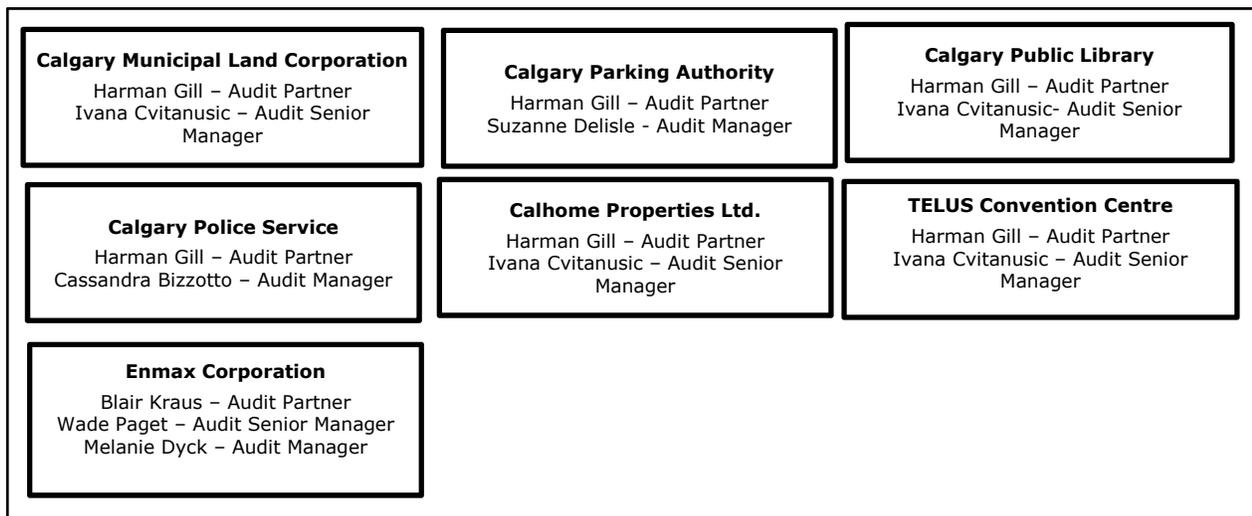
Our audit team members have been chosen for their experience and expertise. Trevor Nakka and/or Harman Gill will attend all Audit Committee meetings and will be accompanied by one or more additional engagement team members, depending on the meeting agenda.

The key members of the core audit engagement of The City and related parties are listed below:

The City of Calgary



Related Authorities



Appendix 6 – 2019 Summary audit timeline

This calendar indicates our various procedures and meetings as planned throughout the year:

	July	August	September	October	November	December	January	February	March	April	May	June
Procedures:												
Audit planning including scope, risks of fraud, and fees	•	•										
Audit procedures performed on areas of risks, areas of focus and significant and complex transactions		•			•				•			
August 2019: First interim visit. We will perform the following procedure during our first interim: <ul style="list-style-type: none"> • Audit planning • Design, implementation and operating effectiveness testing of internal controls 		•										
November 2019: Second interim visit. We will perform the following procedures during our second interim: <ul style="list-style-type: none"> • Substantive testing of expenditures, payroll and TCA additions • Assessment of new PSAS accounting standard 					•							
Final audit procedures related to the financial statements									•	•		
Communicate the status of our audit against our plan and any major difficulties encountered										•		
Review the results of our audit and provide audit report										•		
Review of the annual report to citizens										•		
Release of audit report										•		
Update to 2018 Management Recommendations Letter							•					
Present 2019 Management Recommendations Letter												•

Appendix 7 – Audit committee terms of reference

As the external auditors of The City we have the privilege of assisting the Committee in the fulfillment of the Committee’s terms of reference. The following table outlines our involvement in the fulfillment of specific terms of reference and any reports that we will issue following the completion of the 2019 audit.

Bylaw 48M2012	Description	Related Deloitte Involvement
Schedule B, 1(b)	Pre-approves all audit and non-audit services performed by the External Auditor.	All audit and non-audit services are presented to the Committee for pre-approval prior to the commencement of such work. Independence letter summarizing the fees for all services performed to be presented to the Committee at the April 2020 meeting.
Schedule B, 1(c)	Requires the External Auditor, as an expert in accounting and financial reporting, to express independent judgment about the appropriateness and acceptability of The City’s financial statements, in accordance with professional standards.	Communicated in the Year-end Audit Report to be presented by Deloitte to the Committee at the April 2020 meeting.
Schedule B, 1(d)	Prior to the commencement of the annual external financial audit, review the financial audit plan with the External Auditor.	2019 Audit Service Plan presented by Deloitte on July 23, 2019.
Schedule B, 1(e)	In conjunction with Administration’s presentation of the annual financial statements, receive and review the External Auditor’s annual audit report. This report is to be forwarded to Council for information.	Report of the Independent Auditor on the consolidated Financial Statements and Year-end Audit Report to be presented by Deloitte to the Committee at the April 2020 meeting.
Schedule B, 1(f)	Receives and reviews the External Auditor’s Administration letter(s), together with any administrative responses, and forward, either in full or in summary, to Council for information.	Management recommendations letter to be presented by Deloitte at the June 2020 meeting.
Schedule B, 1(g)	The Audit Committee meets with the External Auditor, in the absence of the Administration, at least quarterly.	In-camera sessions held with Deloitte at Committee meetings throughout 2019 and 2020.
Schedule C, 1(g)	Ensures that the combined work of the City Auditor and the External Auditor provides an appropriate level of audit coverage and is effectively coordinated.	2019 Audit Service Plan and audit work completed will be discussed in the Year-end Audit Report to be presented by Deloitte to the Committee at the April 2020 meeting.

Bylaw 48M2012	Description	Related Deloitte Involvement
2(a)	Oversees the integrity of, and reviews, the annual Financial Statements and recommends their approval to Council.	Report of the Independent Auditor on the consolidated Financial Statements and Year-end Audit report to be presented by Deloitte to the Committee at the April 2020 meeting.
2(b)	Reviews and discusses the City’s compliance with financial reporting procedures with Administration, the City Auditor, and the External Auditor.	Report of the Independent Auditor on the consolidated Financial Statements and Year-end Audit Report to be presented by Deloitte to the Committee at the April 2020 meeting. Management recommendations letter to be presented by Deloitte at the June 2020 meeting.
2(c)	Engages Administration, the City Auditor and the External Auditor in candid discussions regarding issues that may alter judgment or affect the quality of the reporting process and search for insight into the results.	Participation and attendance by Deloitte at Committee meetings throughout the year.
2(d)	Reviews and discusses areas where changes in accounting standards could have a material impact on financial results, and may request a detailed analysis, prepared by Administration in consultation with the External Auditor, of the implications of those changes.	Appendix 8 of 2019 Audit Service Plan presented by Deloitte on July 23, 2019.
2(e)	Maintains open lines of communication with the External Auditor, City Auditor, and Administration.	Participation and attendance by Deloitte at Committee meetings throughout the year.
6(b)(i)	Review reports from Administration and from the City Auditor as to the adequacy and effectiveness of corporate policies such as legal matters, regulations, ethical principles, code of conduct, and conflict of interest.	Year-end Audit Report to be presented by Deloitte to the Committee at the April 2020 meeting includes our notification of whether any violations of this nature have come to our attention.

Appendix 8 – Upcoming financial reporting standards

Significant upcoming financial reporting standards and other regulatory requirements that are likely to impact The City's financial reporting for the current and future audits are listed below.

Standards	Effective Date
<i>Restructuring Transactions</i> , Section PS 3430	Fiscal years beginning on or after April 1, 2018.
<i>Foreign Currency Translation</i> , Section PS 2601	Fiscal years beginning on or after April 1, 2021 except for government organizations that applied the CPA Canada Handbook – Accounting prior to adopting the CPA Canada Public Sector Accounting Handbook. Earlier adoption is permitted when adopting Sections PS 1201 and PS 3450.
<i>Financial Instruments</i> , Section PS 3450	Fiscal years beginning on or after April 1, 2021 except for government organizations that applied the CPA Canada Handbook – Accounting prior to adopting the CPA Canada Public Sector Accounting Handbook. Earlier adoption is permitted when adopting Sections PS 1201 and PS 2601.
<i>Financial Statement Presentation</i> , Section PS 1201	When Sections PS 2601 and PS 3450 are adopted.
<i>Portfolio Investments</i> , Section PS 3041	When Sections PS 1201, PS 2601 and PS 3450 are adopted.
<i>Asset Retirement Obligations</i> , Section PS 3280	Fiscal years beginning on or after April 1, 2021. Earlier adoption is permitted.
<i>Revenue</i> , Section PS 3400	Fiscal years beginning on or after April 1, 2022. Earlier adoption is permitted.

Appendix 9 – Confirmation of Changes to MSA



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Calgary AB T2P 0R8
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July 23, 2019

Private and confidential

The Audit Committee of The City of Calgary
Councillor Evan Woolley, Audit Committee Chair
The City of Calgary
PO Box 2100, Station M
Calgary AB T2P 2M5

Ms. Carla Male, Acting Chief Financial Officer
The City of Calgary
PO Box 2100, Station M
Calgary AB T2P 2M5

Re: Confirmation of Changes to master services agreement

Dear Sir/Madam:

This letter is issued to you further to the master services agreement ("MSA") between The City of Calgary ("The City") and Deloitte LLP ("Deloitte") dated July 25, 2018. This letter is subject to the terms of the MSA, the appendices to the MSA, the general business terms that form part of the MSA, all as may be updated or amended from time to time.

The purpose of this letter is to confirm our mutual understanding of the changes to the MSA which include an update of fees for fiscal 2019.

Changes to services

The MSA, and any confirmation letters subsequently issued under the MSA, set out the entities we will serve and the nature of the services and our fees.

For the current year, the chart below sets out the entities and the services we will provide to them in respect of their year ends. The chart also sets out an estimate of our professional fees. 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	Scope	Fees
The City of Calgary	December 31, 2019	Consolidated Financial Statement Audit	\$272,000
The City of Calgary	December 31, 2019	Municipal Information Return	\$4,600
The City of Calgary	December 31, 2019	Newspaper Insert	Included in the Consolidated Financial Statement Audit fee
The City of Calgary	December 31, 2019	Funds Held in Trust	\$1,800
<i>Plus the following fees as described:</i>			
		PS 3260, <i>Liability for contaminated sites</i>	\$5,000
		Review of accounting transactions of P3 agreement – Stoney Transit Facility Project dated September 13, 2016	\$5,000
		Audit procedures on the related parties for consolidation purposes	\$18,500
		Adoption of PS3430, Restructuring Transactions	\$7,500
		Additional audits as requested by Administration and Audit Committee up to approval limit	\$25,000
Total			\$339,400

This confirmation letter (including any appendices and documents incorporated by reference) will continue in force for future services provided by us to you unless amended.

Please sign and return the attached copy of this letter to indicate your acknowledgement that it is in accordance with your understanding of the arrangements for our engagement for the December 31, 2019 fiscal year end.

Yours truly,

Chartered Professional Accountants

Enclosure

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

Signature

Title

Date

The services and terms set forth in and incorporated into this letter are accepted and agreed to by The City of Calgary Administration:

Signature

Title

Date

Appendix 10 – Deloitte resources a click away

At Deloitte, we are devoted to excellence in the provision of professional services and advice, always focused on client service. We have developed a series of resources, which contain relevant and timely information.

<input type="checkbox"/> Canada's Best Managed Companies www.bestmanagedcompanies.ca	<ul style="list-style-type: none"> • Directors • CEO/CFO 	<p>The Canada's Best Managed Companies designation symbolizes Canadian corporate success: companies focused on their core vision, creating stakeholder value and excelling in the global economy.</p>
<input type="checkbox"/> Centre for financial reporting www.cfr.deloitte.ca	<ul style="list-style-type: none"> • Directors • CEO/CFO • Controller • Financial reporting team 	<p>Web site designed by Deloitte to provide the most comprehensive information on the web about financial reporting frameworks used in Canada.</p>
<input type="checkbox"/> Financial Reporting Insights www.iasplus.com/fri	<ul style="list-style-type: none"> • CFO • Controller • Financial reporting team 	<p>Monthly electronic communications that helps you to stay on top of standard-setting initiatives impacting financial reporting in Canada.</p>
<input type="checkbox"/> On the board's agenda	<ul style="list-style-type: none"> • Directors • CEO/CFO 	<p>Bi-monthly publication examining a key topic in detail, including the perspectives of a Deloitte professional with deep expertise in the subject matter as well as the views of an experienced external director.</p>
<input type="checkbox"/> State of change www.iasplus.com/StateOfChange	<ul style="list-style-type: none"> • CFO • VP Finance • Controller • Financial reporting team 	<p>Bi-monthly newsletter providing insights into key trends, developments, issues and challenges facing the not-for-profit sector in Canada, with a Deloitte point of view.</p>
<input type="checkbox"/> Deloitte Financial Reporting Update www.deloitte.com/ca/update	<ul style="list-style-type: none"> • CFO • VP Finance • Controller • Financial reporting team 	<p>Learning webcasts offered throughout the year featuring our professionals discussing critical issues that affect your business.</p>