

The City of Calgary 2020 Audit service plan

For the year ending December 31, 2020
Presented to the Audit Committee
July 23, 2020

July 15, 2020

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

2020 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, 2020. 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.

Our engagement will include audits of the following:

- The City's consolidated financial statements as at and for the year ending December 31, 2020
- The Municipal Information Return for the year ending December 31, 2020
- The Funds Held in Trust by The City for the year ending December 31, 2020
- The City newspaper insert for the year ending December 31, 2020 (summarization of The City's 2020 financial information)

(Collectively, the "financial statements").

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 professionals will continue providing you with best practices and insights to face the increasingly complex array of issues and challenges encountered by entities like The City. At Deloitte, we are committed to helping The City grow and successfully achieve its business objectives in today's ever-changing economy.

We are providing this audit service plan to the Audit Committee on a confidential basis. It is intended solely for the use of the Audit Committee to assist in discharging its responsibilities with respect to the financial statements for the year ending December 31, 2020 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,

Deloitte LLP

Chartered Professional Accountants

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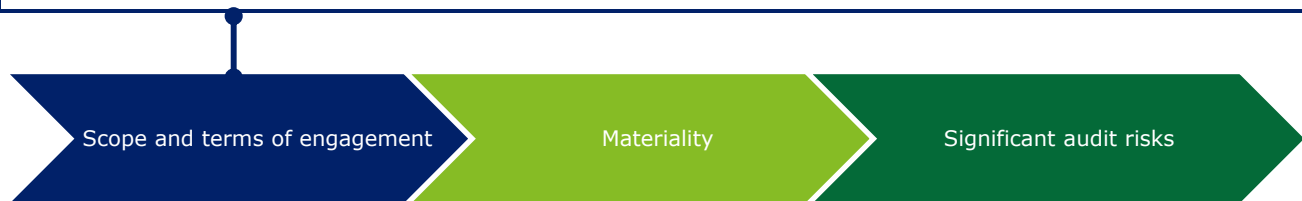
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Our audit explained

Audit scope and terms of engagement

We have been asked to perform an audit of The City's financial statements prepared in accordance with Canadian public sector accounting standards ("PSAS") as at and for the year ending December 31, 2020. 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, signed by the Audit Committee and Administration, and the draft confirmation of changes letter included in Appendix 9. Our confirmation of changes letter 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, 2020 has been set at \$65,000,000 (2019, \$65,000,000).

In discussion with Administration, as the full impact of COVID-19 on the financial results of The City cannot be determined as at the audit plan stage (specifically budgeted and/or actual operating expense), we have set preliminary materiality at the same level as the prior year. As part of our year-end audit procedures, we will revise materiality, if required.

We will inform the 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 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 material consolidation entries and adjustments 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 earnings.
5. Evaluating whether the judgements 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 Audit 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 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 Audit Committee. The primary reports and formal communications through which we will address these matters are:

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

Business Insights

We will provide you with insights into the condition of your operations and controls, and offer meaningful suggestions for improvement following the completion of the fiscal 2020 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.

Administration override of controls

Audit risk

Under Canadian Auditing Standards, it is the responsibility of Administration, with the oversight of those charged with governance to place a strong emphasis on fraud prevention and detection. Oversight by those charged with governance includes considering the potential for override of controls or other inappropriate influence over the financial reporting process.

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

This represents a fraud risk for the 2020 audit.

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 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 City's fraud risk assessment and consider entity-level internal controls and internal controls over the closing and reporting process.
- We will test manual, consolidation 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 assess the design and implementation of relevant controls.
- 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 obtain 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 the carry-forward forms for financing deficits as at December 31 to determine if grant funding has been applied in the appropriate period.
- We will apply audit procedures to off-site levies, on a sample basis, on the following areas:
 - Signed agreements in the year
 - Debt acquired for off-site levy projects
 - Amounts recognized into revenue in the year
 - Deferred revenue recognized into revenue in the year

Tangible Capital Assets

Audit risk

Completeness, existence and valuation of Tangible Capital Assets ("TCA") work in progress ("WIP") and fund 40 expenditures.

Our proposed audit response

- We will assess the design and implementation of relevant controls.
- On a sampling basis, we will test TCA WIP additions to ensure these WIP additions were appropriately capitalized and accounted for as WIP.
- On a sampling basis, we will test TCA WIP transfers to ensure these WIP projects were appropriately transferred out of WIP and into the correct asset class at project completion.
- On a sampling basis, we will test fund 40 expenditures to ensure these costs were appropriately expensed or capitalized to TCA.

The above noted significant risks have been identified as of the date of issuance of this report. 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.

Other key areas for 2020

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.
- We will apply audit procedures to entities identified by Administration in 2020 as possibly meeting the criteria for consolidation under PSAS guidance, if any.

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 The 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 assess the appropriateness of any contingent liabilities and financial statement disclosures.

Property tax revenue

Audit risk

Completeness and accuracy of the accounting for property tax revenue.

Our proposed audit response

- We will perform reasonability tests on property tax revenue balances.
- We will review and test the property tax revenue business cycle process controls.
- We will complete data analytical testing on the property tax revenues for the year ending December 31, 2020.

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.

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 test a sample of transfers between reserves, if any, to verify that the transfer was approved by City Council.
- We will also review the completeness and accuracy of the financial statement disclosures relating to reserves.

Commitments and contractual obligations**Audit risk**

Disclosure and completeness of commitments and contractual obligations.

Our proposed audit response

- We will review the completeness and accuracy of the financial statement disclosures relating to The City's commitments and contractual obligations.
- We will ensure that these disclosures are in accordance with PSAS guidance.

Allowance for property taxes receivable***Audit risk**

The allowance for property taxes receivable is a significant estimate determined by Administration. Due to expected significant impacts of COVID-19, there is a risk that the allowance has not been appropriately adjusted for the impacts of COVID-19.

Our proposed audit response

- We will review Administration's methodology and assessment of uncollectible property taxes receivable balances.
- We will also test a sample of property tax payments received during the year and after year end to assess collectability.

Valuation of registered defined benefit pension plans' pension assets and obligation***Audit risk**

The pension asset is based on actual market values as at October 31, projected to December 31, based on expected contributions, benefits payments and return on assets.

The pension obligation is determined based on various inputs and assumptions (including discount rates, inflation rates, mortality rates, termination rates, retirement rates, salary increases, etc).

Due to the significant impact of COVID-19, there is a risk that the valuation of the defined benefit pension plan's pension asset and obligation are inaccurate as they have not been appropriately updated for significant changes in the underlying inputs and assumptions.

Our proposed audit response

- We will assess the reasonability of the projected pension asset.
- We will review the various inputs and assumptions used in the calculation of the pension obligation and assess their reasonableness.
- We may consult internal Deloitte experts on the input and assumptions utilized by The City if the changes are significant.
- We will review and test the pension asset and obligation business cycle process controls to ensure the controls surrounding the review of the inputs and assumptions are designed and implemented properly.

Valuation of land inventory***Audit risk**

Land inventories are measured at the lower of cost and net realizable value. There is a risk that certain land inventories may be carried at a cost that is higher than net realizable value due to poor market conditions resulting from COVID-19.

Our proposed audit response

- We will review Administration's assessment of net realizable value of land inventories.
- We will also test a sample of land inventories to determine if the net realizable value is less than cost and a write-down is required.

Allowance for off-site levy receivables ***Audit risk**

Due to the significant impact of COVID-19, there is a risk of off-site levy receivable balances being uncollectible due to entities being unable to pay.

Our proposed audit response

- We will review Administration's assessment of uncollectible off-site levy receivable balances.
- We will also test a sample of off-site levy payments received during the year and after year end to assess collectability.

Valuation of investments***Audit risk**

Investments are measured at the lower of cost and fair value. Fair values have fluctuated significantly due to COVID-19, and therefore, there is a risk that the fair value of investments is less than the cost and write-offs are required.

Our proposed audit response

- We will assess the design and implementation of relevant controls.
- We will review The City's assessment of the fair value of investments, including the valuation techniques and inputs used.
- We will assess if any write-downs are required on the investments.

*During our risk assessment, we identified these audit risks due to the expected impact of COVID-19 on the financial results of The City.

The above noted other key areas have been identified as of the date of issuance of this report. As we perform our audit procedures, we will inform you of any significant changes to the other key areas discussed above and the reasons for those changes.

COVID-19 impact on the 2020 audit

Due to COVID-19, we have identified certain areas of our 2020 audit that will be directly impacted in comparison to previous years. These changes will have an impact to our audit in terms of nature, timing and extent of audit procedures that we will be required to perform. We have outlined below the significant changes identified to date; however, as the full impact of COVID-19 on the operations and financial results of The City cannot be determined as at July 23, 2020, this list is not all inclusive and will continue to evolve as we progress through the 2020 audit.

- Identify audit risks specific to COVID-19 and plan audit procedures to address these risks.
- Increase communication with City Administration throughout the year to understand COVID-19 impacts and implications.
- Understand and apply audit procedures to any changes in processes and controls at The City.
- Consider alternative methods to obtain audit evidence (scanned copies, electronic versions, video calls to walk through controls, analyses and questions) due to remote work arrangements.
- Increase communication with related authorities/subsidiaries throughout the year to understand COVID-19 impacts and implications.
- In the event that the governments continue to require social distancing, consider and plan to perform audit testing remotely, as required.

Throughout the year, we will work with Administration and continue to monitor for emerging risks as they occur and incorporate newly identified risks into our risk assessment process, if required. We will also monitor audit scope and timelines and adjust accordingly to ensure we meet reporting deadlines. We will inform the Audit Committee of any significant changes to our risk assessment.

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 Audit Committee regarding:

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

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

- 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
 - Changes in the audit scope caused by events that are beyond our control
 - Additional COVID-19 impact on operations and/or financial results

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 Audit 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 Audit 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 2019 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 Audit Committee's pre-approval before commencing the additional procedures arising from these unexpected changes.

The 2020 estimated audit fees are as follows:		2020*	2019*
The City of Calgary consolidated financial statement audit		\$293,400**	\$290,500**
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
PS 3260, <i>Liability for contaminated sites</i> ***		-	\$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
Additional audits as requested by Administration and the Audit Committee up to approval limit		\$25,000	\$25,000
Adoption of new accounting standard for December 31, 2019		-	\$7,500
Additional audit procedures due to the impact of COVID-19****		\$TBD	-
Total		\$324,800	\$339,400

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

** The category previously listed as "audit procedures on related authorities for consolidation purposes" has been re-grouped into the category "The City of Calgary consolidated financial statement audit".

*** The review of all high risk sites in PS 3260 was substantially completed in 2019. The P3 Agreement was substantially completed in 2019.

**** Based on discussions with Administration and as discussed on page 8 of our report, the full impact of COVID-19 on The City's operations and financial results cannot be determined as at the date of issuance of this report. As such, once we have determined the full extent of the impact of COVID-19 on the 2020 audit, we will provide a fee estimate for the additional time incurred.

Appendix 3 – Related parties and other audits

Summary of engagement timing and estimated fees for the year ending December 31, 2020. These fees include only the base audit fee for each entity. As the 2020 audit planning for related party and other audits will be completed at later date, these fees are subject to change based on the impact of COVID-19 and any other operational changes at each entity.

Entity	Reporting entity relationship	Estimated audit completion	Estimated 2020 base audit fee**	2019 base audit fee
The City of Calgary consolidated	City of Calgary Audit Committee	April 2021	\$293,400	\$290,500
Calgary Municipal Land Corporation	Calgary Municipal Land Corporation Audit Committee	April 2021	\$52,700	\$52,200
Calgary Parking Authority	Calgary Parking Authority Audit Committee	March 2021	\$91,100	\$90,200
Calgary Public Library	Calgary Public Library Finance and Audit Committee	March 2021	\$40,500	\$40,100
Calhome Properties Ltd.	Calhome Properties Ltd. Audit Committee	March 2021	\$80,000	\$79,200
Calgary Police Service	Calgary Police Commission	May 2021*	\$50,600	\$50,100
TELUS Convention Centre	TELUS Convention Centre Audit Committee	May 2021*	\$42,800	\$42,400
ENMAX Corporation	ENMAX Audit Committee	March 2021	\$324,700	\$321,500
Elected Officials Pension Plan	Pension Governance Committee	April 2021	\$7,500	\$7,400
Supplementary Pension Plan	Pension Governance Committee	April 2021	\$14,100	\$14,000
Municipal Employees Benefits Association of Calgary	Executive Committee of Municipal Employees Benefits Association of Calgary	April 2021	\$25,900	\$25,700
Family & Community Support Services	City of Calgary Administration	April 2021	\$20,300	\$20,100
Municipal Information Return	City of Calgary Administration	April 2021	\$4,600	\$4,600
Funds Held in Trust	City of Calgary Administration	April 2021	\$1,800	\$1,800
Core Benefit Plan	Audit to be completed every four years - the next audit will be fiscal 2021	-	-	-
Total			\$1,050,000	\$1,039,800

*Fieldwork will be completed by March 2021.

**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. This is a preliminary estimate and these fees are subject to review for changes in accounting and/or auditing standards, operational changes and impact of COVID 19 on financial results which may impact the audit effort and 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.

Group audit

The audit of The City is considered to be a group audit and therefore, we are also required to determine the scope of work required for each related authority. We are auditors of all related authorities and issue an audit opinion on the standalone financial statements of each entity, with the exception of Attainable Homes Calgary Corporation, Calgary Economic Development Ltd. and Calgary Arts Development Authority Ltd. For the three entities not audited by Deloitte LLP, we apply audit procedures based on The City's consolidated materiality.

Appendix 4 – Communication requirements

The table below summarizes our communication requirements under Canadian GAAS.

Required communication
Audit Service Plan
1. Our responsibilities under Canadian GAAS, including forming and expressing an opinion on the financial statements
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
3. Significant transactions outside of the normal course of business, including related party transactions
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
5. Any known suspected or alleged fraud affecting The City
6. Whether The City is in compliance with laws and regulations
Year-end communication
7. Modification to our audit plan and strategy
8. Fraud or possible fraud identified through the audit process
9. Significant accounting policies, practices, unusual transactions, and our related conclusions
10. Alternative treatments for accounting policies and practices that have been discussed with Administration during the current audit period
11. Matters related to going concern
12. Administration judgments and accounting estimates
13. Significant difficulties, if any, encountered during the audit
14. Material written communications between Administration and us, including Administration representation letters
15. Circumstances that affect the form and the content of the auditor's report
16. Modifications to our opinion(s)
17. Our views of significant accounting or auditing matters for which Administration consulted with other accountants and about which we have concerns
18. Significant matters discussed with Administration
19. Matters involving non-compliance with laws and regulations that come to our attention, unless prohibited by law or regulation, including Illegal or possibly illegal acts that come to our attention

Required communication

-
20. Significant deficiencies in internal control, if any, identified by us in the conduct of the audit of the financial statements
-
21. Uncorrected misstatements and disclosure items
-
22. Any significant matters arising during the audit in connection with The City's related parties
-
23. Key Audit Matters
-
24. Other Information
-

Appendix 5 – Audit team

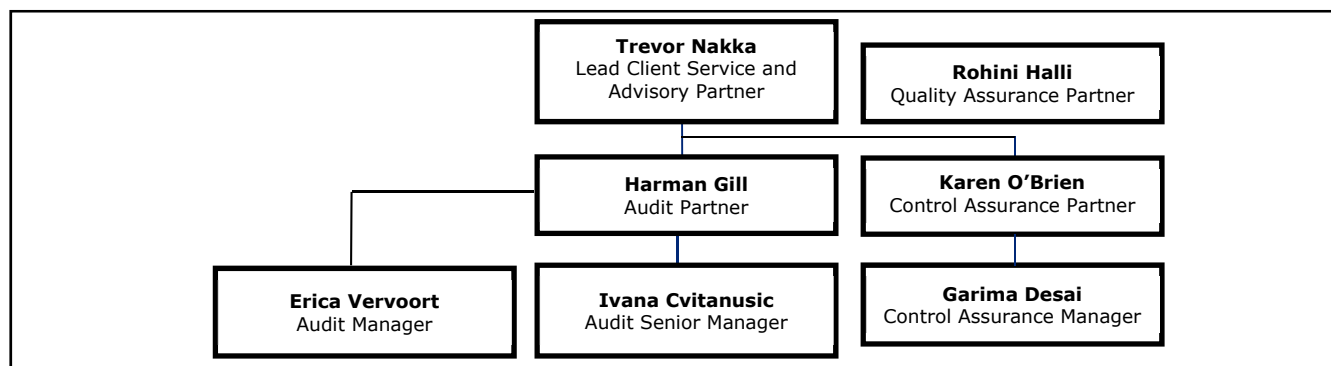
We are led by Trevor Nakka, lead client service partner. As a team we are committed to delivering on Deloitte's client service principles to:

- **make** and meet our commitments to our clients.
- **understand** our clients' business and what is important to them.
- **provide** value and build The City through technical competence and consistent results.
- **demonstrate** professionalism through effective interaction and communications.
- provide a **no surprises** experience.

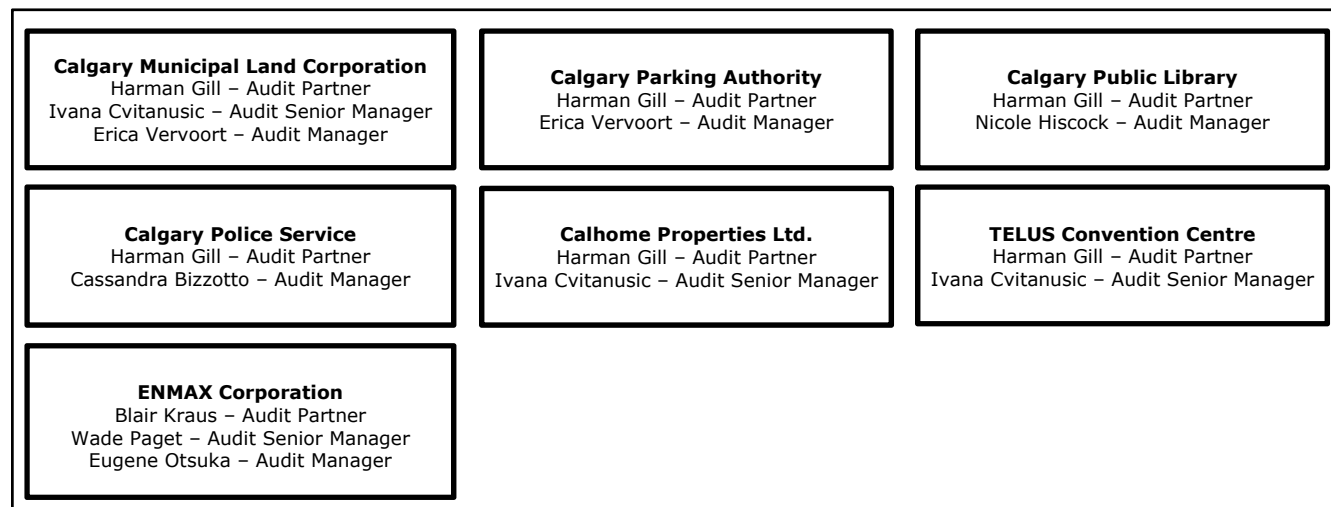
Our audit team members have been chosen for their experience and expertise. Trevor Nakka and/or Harman Gill will attend all Audit Committee meetings and will be accompanied by one or more additional engagement team member, depending on the meeting agenda.

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 – 2020 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 2020: 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 2020: 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 • Design, implementation and operating effectiveness testing of internal controls 					•							
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 External Auditor 2019 Management Letter							•					
Present External Auditor 2020 Management Letter												•

Appendix 7 – 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
Section PS 2601, <i>Foreign Currency Translation</i>	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.
Section PS 3450, <i>Financial Instruments</i>	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.
Section PS 1201, <i>Financial Statement Presentation</i>	When Sections PS 2601 and PS 3450 are adopted.
Section PS 3041, <i>Portfolio Investments</i>	When Sections PS 1201, PS 2601 and PS 3450 are adopted.
Section PS 3280, <i>Asset Retirement Obligations</i>	Fiscal years beginning on or after April 1, 2021. Earlier adoption is permitted.
Section PS 3400, <i>Revenue</i>	Fiscal years beginning on or after April 1, 2022. Earlier adoption is permitted.

These future accounting standards are required to be adopted by The City in the near future. 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.

As part of our audit procedures, 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.

We will also assess the progress to date of the workplan and if the timelines outlined by Administration are being met.

Appendix 8 – Revised CAS 540, *Auditing Accounting Estimates and Related Disclosures*

Drivers for the Revised Standard

- Changes in financial reporting frameworks and standards include a greater focus on complex accounting estimates, which highlights the importance of fostering professional skepticism.
- Need to improve communication and transparency between auditors and those charged with governance on complex accounting estimates.



What can you expect from your auditor?

Administration

- Greater focus in assessing how Administration understands the nature, extent, risks, and controls associated with accounting estimates.
- Varying audit procedures to drive work efforts based on assessed risk levels including consideration to adopt a control reliance approach to auditing accounting estimates.
- More interaction with Administration's experts.
- Specific written Administration representations.

Communication with the Audit Committee

- The Audit Committee can expect to have enhanced dialogue on accounting estimates. This may include the auditor's views and assessment of:
 - Significant qualitative aspects of the entity's accounting practices relating to accounting estimates and related disclosures
 - Indicators of Administration bias
 - Appropriateness of Administration's methods, assumptions and data used
 - Significant deficiencies in internal controls around accounting estimates

Appendix 9 – Draft confirmation of changes letter

July 23, 2020

Private and confidential

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

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

Re: Confirmation of Changes to Fees and Updates to the General Business Terms

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, any previous confirmation letters issued pursuant to 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 fees and updates to the general business terms.

Changes to fees

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.

The City of Calgary	Fee
<i>Year ending December 31, 2020</i>	
Consolidated Financial Statement Audit	\$293,400
Funds Held in Trust	\$1,800
Municipal Information Return	\$4,600
Newspaper Insert	Included in the consolidated financial statement audit fee
Additional audits as requested by Administration and the Audit Committee up to approval limit	\$25,000
Additional audit procedures due to the impacts of COVID-19	\$TBD
Total	\$324,400

Update of General Business Terms

The City and Deloitte agree to the following new or modified general business terms being added to the general business terms of the Agreement.

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.

When Deloitte is performing audit, review or attest/assurance services that are subject to the US Public Company Accounting Oversight Board ("PCAOB") and/or US Securities and Exchange Commission ("SEC") rules or professional standards, any clauses that result in a limitation of Deloitte's liability do not apply.

21. **Force Majeure** – No party shall be deemed to be in breach of the engagement as a result of any delays or non-performance directly or indirectly resulting from circumstances or causes beyond its reasonable control, including, without limitation, fire, epidemic or other casualty, act of God, strike or labor dispute, war or other violence, any law, order or requirement of any governmental agency or authority, or pandemics (including, without limitation, COVID-19 and any such restrictions or conditions on working practices in response to such a threat).

For greater certainty, Deloitte shall have no liability for any failure or delay to perform its obligations related to the Services, to the extent caused and/or contributed to by the spread of COVID-19 and its associated impacts.

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 fiscal year 2020.

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

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