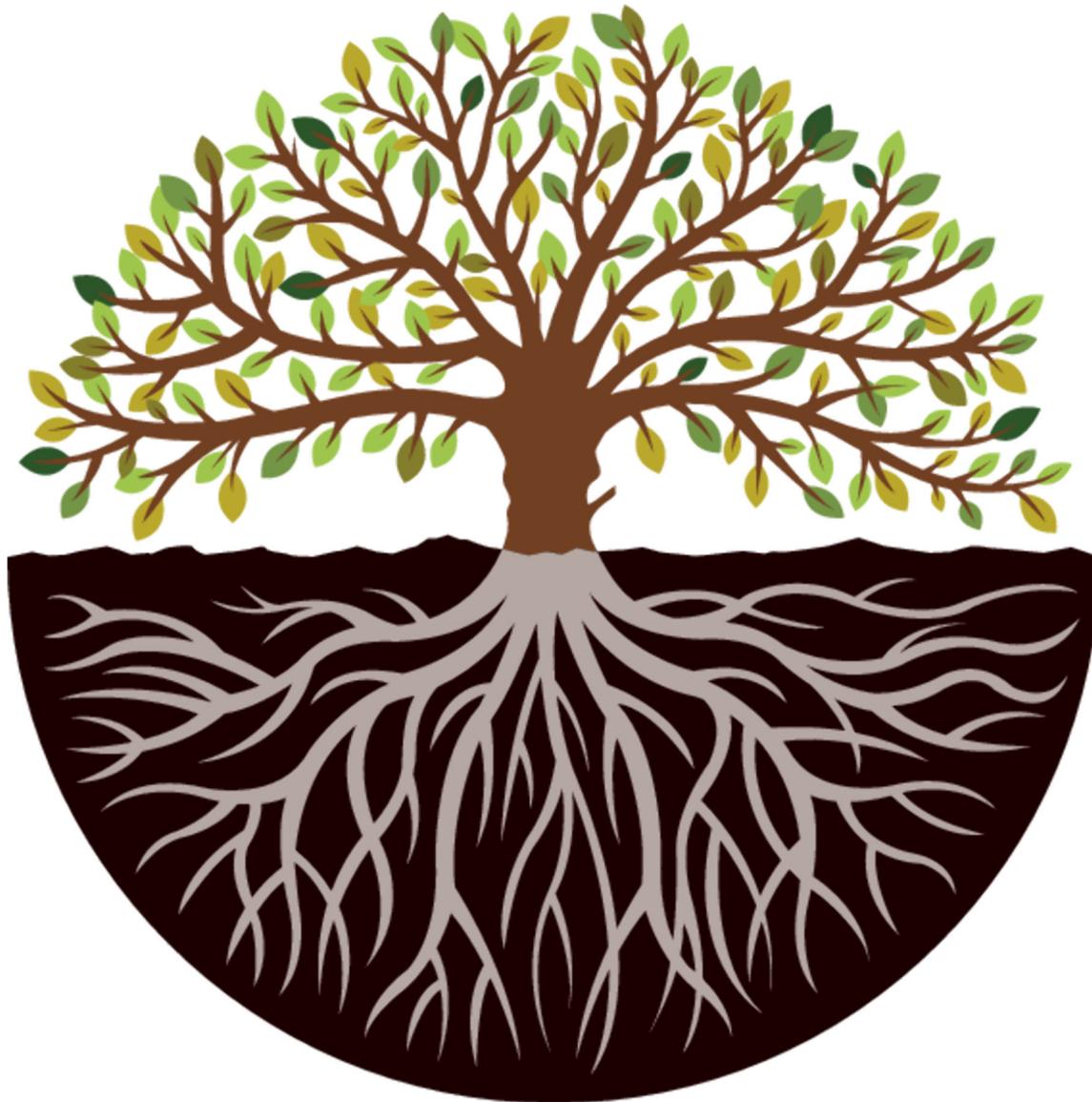


Deloitte.



The City of Calgary
Assurance procedures on off-site levy balances

Presented to the Audit Committee
February 25, 2021

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

Dear Audit Committee members:

We are proud of our relationship with The City of Calgary ("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 the highest levels of managing compliance with relevant ethical requirements regarding independence as well as all relationships, conflicts and other matters between The City, our Firm and network firms that, in our professional judgment, may reasonably be thought to bear on our independence. In that regard, we have employed certain safeguards to eliminate identified threats to independence or reduce them to an acceptable level.

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

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

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

In response to the motion passed at the Audit Committee meeting on January 28, 2021, related to Report PFC2021-0035, we are pleased to present with you a proposal for the following services:

- We will perform an audit of specific elements, accounts or items of a financial statement line item under Canadian Auditing Standards 805 ("CAS 805") of the off-site levy ("OSL") balances for each material levy type for the years ended December 31, 2016 to December 31, 2020, or earliest period practicable due to the limitation related to the retention of available records in accordance with local statutes and laws, to verify that the balances and underlying transactions are accurate and complete in all material respects. This would include procedures to verify that the allocation of investment income related to the OSL balances is accurate.

- We will provide Administration with an opportunity to respond to the control findings as identified by The City Auditor's Office in the Off-site Levy Annual Reporting Audit, AC2019-1241, and to implement a remediation plan in response to those findings. Following an appropriate period over which Administration can demonstrate that the newly implemented controls are operating effectively, we will determine what additional procedures can be performed to assess the operating effectiveness of OSL controls based on further direction from the Audit Committee.
- We will perform specific procedures related to the Capital Project Management Framework ("CPMF") and the application thereof to the projects funded by OSL. We are currently in the process of obtaining additional information from Administration regarding the CPMF scope. We would like to discuss this matter further with the Audit Committee as there are a number of considerations that may impact the CPMF scope. We expect to be in a position to finalize our scope for this phase at the March 18, 2021 Audit Committee meeting, if this scope of work is supported by the Audit Committee.

We have assessed the risks of material misstatement related to recognition and measurement of the OSL balances as significant risks and materiality will be determined on the basis of 1-2% of ending OSL balances for each respective year under audit based on appropriate professional standards.

In discussion with the Audit Committee and Administration, we are proposing the following timeline for completion of the audit of the OSL balances:

- Planning procedures: February and March 2021
- Commencement of audit procedures: March 2021
- Completion of audit procedures: May 21, 2021
- Reporting to the Audit Committee: June 24, 2021
- Reporting to City Council: July 5, 2021

This document is intended solely for the use of the Audit Committee 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 proposal with you and answering any questions you may have.

Yours truly,

Deloitte LLP

Chartered Professional Accountants