

April 12, 2021

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

Status update on assurance procedures

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

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

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

Audit of Off-Site Levy Balances

- We have completed preliminary planning activities and have determined preliminary materiality for each year under audit for each department: Water Resources, Transportation, Community Services and Police Services. As communicated in our audit plan, presented on February 25, 2021, materiality has been determined using our professional judgment and on the basis of ending OSL balances. We will report to you any uncorrected misstatements greater than our clearly trivial threshold as outlined in Appendix A.
- We are in the process of updating our understanding of the process flows and evaluating the design and implementation of relevant controls. We will communicate any significant control deficiencies identified at our next update.
- We have commenced initial testing on collection of levies, allocation of investment income and usage of levies, as communicated in our audit plan presented at the February 25, 2021 meeting. As of the mailing of this document, we have provided Administration with our sample selections for each test of details for the years ended December 31, 2016, 2017, 2018 and 2019, and expect to receive the audit evidence by April 12, 2021. Samples for the year ended December 31, 2020 will be made once the underlying schedules are available to us, which is expected the week of April 19, 2021.
- We are currently in discussions with Administration with respect to availability of information regarding pre-2016 opening balances. We are looking to obtain schedules from Administration that demonstrate how levies collected prior to 2016 were spent and whether material amounts from earlier collection periods remain unspent at the end of 2016.
- We expect to present our final report at the June 24, 2021 Audit Committee meeting.
- Administration has been attentive to our requests and responsive to our audit queries. Throughout this period, we held regular discussions with Administration, and we found Administration to be supportive and transparent.

Specified Auditing Procedures on the PMQA Process

- We have made sample selections for the specified procedures reports for each of the years ended December 31, 2018, 2019 and 2020. Our sample selections were focused on business units in the following three departments: Utilities and Environmental Protection, Transportation and Community Services, all of which have significant OSL funded projects.
- Our specified procedures include a review of compliance with all PMQA standards as established by the CPMF. We will also review the PMQA Action Plan and follow up procedures / plans to determine how exceptions or variances identified were addressed by the business unit.
- We commenced our procedures the week of April 5, 2021 and expect to present our final report at the June 24, 2021 Audit Committee meeting.
- We continue to hold regular discussions with Administration. Administration has been responsive and supportive in the completion of our procedures.

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

Yours truly,

Deloitte LLP

Chartered Professional Accountants

Appendix A Materiality by department by year

Year	2016			
Department	<i>Community Service</i>	<i>Transportation</i>	<i>Water</i>	<i>Police</i>
Materiality	2,200,000	3,300,000	1,200,000	420,000
Performance materiality	1,760,000	2,640,000	960,000	336,000
Clearly trivial threshold	110,000	165,000	60,000	21,000

Year	2017			
Department	<i>Community Service</i>	<i>Transportation</i>	<i>Water</i>	<i>Police</i>
Materiality	2,200,000	2,900,000	930,000	440,000
Performance materiality	1,760,000	2,320,000	744,000	352,000
Clearly trivial threshold	110,000	145,000	46,500	22,000

Year	2018			
Department	<i>Community Service</i>	<i>Transportation</i>	<i>Water</i>	<i>Police</i>
Materiality	2,000,000	1,600,000	1,400,000	440,000
Performance materiality	1,600,000	1,280,000	1,120,000	352,000
Clearly trivial threshold	100,000	80,000	70,000	22,000

Year	2019			
Department	<i>Community Service</i>	<i>Transportation</i>	<i>Water</i>	<i>Police</i>
Materiality	2,100,000	1,400,000	870,000	400,000
Performance materiality	1,680,000	1,120,000	696,000	320,000
Clearly trivial threshold	105,000	70,000	43,500	20,000