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June 15, 2021

Ms. Carla Male, Chief Financial Officer
The City of Calgary
800 MacLeod Trail SE
Calgary, AB T2P 2M5

Dear Ms. Male:

We have recently completed our audit of the consolidated financial statements of The City of Calgary ("The City") for the year ended December 31, 2020.

We examined the accounting procedures and systems of internal control employed by The City. Our examination would not necessarily disclose all weaknesses in the systems of internal control as these examinations are based on selective tests of the accounting records and related data. Furthermore, this letter does not necessarily include all of those comments of an accounting, internal control or computer systems nature which a more extensive or special examination of these areas might disclose.

During the course of our December 31, 2020 audit, we identified certain matters that may be of interest to Administration which have been summarized in this letter. These matters were not significant or material in nature in the context of the financial statements taken as a whole and did not impact our ability to issue our audit report. The December 31, 2020 observations are included in Appendix A attached to this letter. We have also included an update to matters identified during the fiscal 2017 and 2018 year-end audits, included as Appendix B.

The following summarizes the management letter points included in Appendices A and B:

Year Identified	Appendix	Title of Observation	Status
2020	A	Communication between business units and Corporate Financial Reporting	New
2020	A	Automation of the consolidation process	New
2017 – 2019	B	Review of deferred revenue recognition accounting policies and processes and training at the business unit level	Addressed

The objective of a financial statement audit conducted in accordance with Canadian generally accepted auditing standards ("GAAS") is to express an opinion on the fairness of the presentation, in all material respects, of The City's financial statements for the year ended December 31, 2020 in accordance with Canadian public sector accounting standards ("PSAS") and is not designed to identify all matters that may be of interest to Administration. Accordingly, an audit would not usually identify all such matters. This letter has been prepared to summarize our observations and recommendations regarding business issues, potential efficiencies and internal controls.

We designed our financial statement audit to provide reasonable, but not absolute, assurance of detecting material misstatements whether caused by error or fraud. As part of our examination, we reviewed and evaluated certain aspects of the systems of internal control over financial reporting to the extent we considered necessary in accordance with Canadian GAAS. The main purpose of our review was to assist in determining the nature, extent and timing of our audit tests and to establish the degree of reliance that we could place on selected controls; it was not 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 identification of weaknesses in internal control in an audit is influenced by matters such as our assessment of materiality, our preliminary assessment of the risks of material misstatement, the audit approach used and the nature, timing and extent of the auditing procedures conducted. For example, where we use a substantive approach for a particular financial statement assertion, we do not generally perform tests of controls, and where we do perform tests of controls we may vary the nature, timing and extent of our control testing from year to year. Accordingly, our understanding of The City's controls is limited in nature.

Had we been requested to extend our testing of controls to additional financial statement assertions or to perform additional substantive testing beyond what we have judged to be necessary to obtain sufficient and appropriate evidence to support the content of our auditor's report, other matters of interest to Administration may have come to our attention. Accordingly, our audit should not be relied upon to identify all significant deficiencies. A significant deficiency is defined in the Canadian Auditing Standards Section 265 as a deficiency or combination of deficiencies in internal control that, in the auditor's professional judgment, is of sufficient importance to merit the attention of those charged with governance.

This communication is prepared solely for the information and use of, as applicable, Administration, the Audit Committee, members of Council and others within The City. Further, this communication is not intended to be and should not be used by anyone other than these specified parties or summarized, quoted from or otherwise referenced in another "document" or "public oral statement". We accept no responsibility to a third party who uses this communication.

We wish to express our appreciation for the courtesies and cooperation extended to your representatives during the course of our work. We would be pleased to discuss and/or clarify the matters included herein with you further should you wish to do so.

Yours truly,

Deloitte LLP

Chartered Professional Accountants

cc: The Audit Committee of The City of Calgary

Appendix A - December 31, 2020 year-end observations

1. Communication between business units and Corporate Financial Reporting

Year Identified - 2020

Observation:
The City's financial reporting processes require significant effort, coordination and communication between the business units and Corporate Financial Reporting ("CFR"). We observed some isolated instances where communication within the business units, as well as between the business units and CFR was lacking in detailed instructions and/or did not occur on a timely basis. As a result, while these resulted in no material misstatements, there is an increased risk that transactions are not recorded consistently across the organization, which could result in potential misstatements in the consolidated financial statements.

This was evidenced by the following matters identified during our 2020 audit procedures:

a. The City received significant government funding to use for incremental costs and to compensate forgone or reduced revenues resulting from the COVID-19 pandemic. Each business unit was directed by the Corporate Budget Office ("CBO") to calculate its incremental costs and forgone or reduced revenues resulting from the COVID-19 pandemic and submit the calculations to determine the total amount eligible to be recorded in 2020. Instructions with respect to the calculation method for determining the forgone or reduced revenues were not clearly communicated to the business units, which resulted in inconsistent calculations across business units. Additionally, the calculations that were submitted by the business units were not appropriately reviewed by the business unit compiling the calculations. While the amount calculated was determined to be within the appropriate range, there was potential for incorrect calculations to lead to errors in amounts recognized as revenues and deferred as capital deposits.

b. The City opened three bank accounts and issued thirteen promissory notes in 2020 with significant balances as of December 31, 2020. These amounts were reflected in the financial statements appropriately, but the communication to Deloitte for the audit confirmation process was delayed. This resulted in significant delays in completion of these procedures due to processing times required by the banks to provide a response to the audit confirmation letters.

c. The City identified certain immaterial aged amounts in Capital Deposits. As a result, CFR instructed the business unit to investigate the aged deposits and to determine whether it was appropriate to retain these deposits as liabilities. In some instances, the business units within Transportation concluded that no liability exists related to these deposits and associated amounts were recognized into revenues in 2020. However, Deloitte noted that the evaluation criteria used by each business unit in Transportation was unclear resulting in some instances where there was a lack of evidence to support the extinguishment of the liability and recognition of the revenues.

Recommendation:
We understand that The City currently has processes in place to ensure new, unique or material transactions are communicated to CFR by the business units on a periodic basis and are appropriately accounted for in the consolidated financial statements. Based on our observations from the 2020 year-end audit, some of those processes were not operating effectively during the year. As a result, we recommend the following:

a. CFR should perform an annual review of its existing processes to identify potential gaps that could be strengthened and improved. We recommend that on a sampling basis, the business units perform steps to verify that information compiled by the business units is complete and accurate. By strengthening its existing processes, and building in more robust reviews, Administration should ensure appropriate and thorough reviews are taking place at the business unit level and can encourage appropriate and timely communication between all business units, CFR and other relevant stakeholders.

b. For new, unique or material transactions that affect multiple business units, CFR should hold informational sessions with the Finance Leads and Finance Service Leads and provide clear guidance and instructions to ensure consistency of application of policies across all business units, and to ensure timely resolution of items that may impact the consolidated financial statements. With the upcoming implementation of new accounting standards, clear communication within the business units, as well as between the business units and CFR, will be essential to accurate preparation of the consolidated financial statements.

Administration’s response:
It is important to note that there were no misstatements in the financial statements as a result of the above observations and Administration feels that adequate controls were in place to mitigate the observations noted above and the risk of misstatement, from Administrations perspective, as a result is low. CFR and the business units will continue to collaborate on an on-going basis to ensure information is shared on a timely basis and accurately assessed.

To strengthen overall communications throughout The City, the following actions will be considered:

a. CFR will work with CBO to provide clear guidance and instructions to Finance personnel when requiring business units to compile financial information in accordance with funding criteria. CFR will work with CBO on review standards when compiling data for the consolidated financial statements.

b. Administration recognizes and agrees that regular communication is important to ensure that Administration is aware of financial reporting changes and impacts. As a result, the CFR team will continue to facilitate communication between business units and corporate functions including timely communication with Deloitte:

   - The CFR team will continue to meet with business units and corporate functions in May, September and December 2021 to discuss operational and financial changes as required.
   - The CFR team will continue to provide information sessions and updates on a regular basis to business units throughout the year to ensure that business units are aware of how accounting policies and standards should be consistently applied by all business units.

c. CFR will meet throughout 2021 to discuss the investigation of the aged Capital Deposits and the evaluation criteria being used by each business unit. In these meetings, CFR will review and advise on the evaluation criteria used by each business unit and make recommendations to help business units understand how to consistently apply and support their determination criteria.

2. Automation of the consolidation process

Year Identified - 2020

Observation:

As noted in a previous recommendation letter for the 2015 year-end audit, The City's consolidation process continues to be a manual exercise. The consolidated financial statements include figures from All Funds Statements ("AFS") and consolidation and elimination entries relating to four funds (operating, capital, tangible capital asset and reserve funds) and the related authorities.

Over the last number of years, the transactions between The City and the related authorities have become increasingly more complex, resulting in additional consolidation and elimination entries. The complexity of transactions will continue to increase in the coming years with the implementation of new accounting standards by The City and the related authorities.

Administration uses excel spreadsheets to prepare The City's consolidated financial statements, which include the AFS's from the ten related authorities and approximately one hundred elimination and consolidation entries, resulting in a complex consolidation exercise. The use of spreadsheets for a complex consolidation is not a best practice as the use of spreadsheets inherently increases the risk of errors relating to incorrect formulas, calculations or simple human error (unintentional deletion or incorrect data entry) and data integrity issues that may go undetected by the preparer or reviewer. Further, reflecting changes from updates to the AFS reports prepared by the related authorities is a manual process that is prone to potential errors and integrity issues.

Additionally, The City undergoes internal reorganizations from time to time. These internal reorganizations may require changes to the disclosures in the consolidated financial statements, including comparative information. To the extent that the consolidation can become more automated, there is a likelihood that generation of supplementary notes and schedules such as segmented disclosures could be done on a timelier basis while freeing up resourcing for Administration to focus on tasks that require manual involvement.

Recommendation:

We recommend that Administration implement an automated process relating to the preparation of the consolidated financial statements. For example, a dedicated consolidation information technology software should be utilized (i.e. SAP, Hyperion, PeopleSoft) to minimize errors, integrity issues, generate useful reports, and to increase efficiency and timeliness of the financial reporting process.

Administration response:

Administration agrees with this recommendation. Currently, there are appropriate internal controls in place to prepare an accurate and complete consolidation; however, CFR will review the current consolidation process in 2021 for additional improvements and consider the available options for the implementation of an automated process for the future. CFR recognizes that given the nature and size of The City, including its related authorities, an automated process for the consolidation would result in the generation of useful reports, increased efficiencies and timeliness of the financial reporting process, and reduce the risk profile of the current manual process. Implementation of a consolidation system is a multi-million dollar commitment by The City and would require capital prioritization in competition with many other high-priority initiatives with benefits primarily qualitative in nature. CFR will prepare a business case by the end of fiscal 2021 and engage with internal IT resources for scope and cost considerations. Dependent on these findings, CFR may submit an application for funding in the next four year budget cycle.

Appendix B – Update to December 31, 2018 and 2017 year-end observations

1. Review of deferred revenue recognition accounting policies and processes and training at the business unit level

Year Identified – 2018 (and 2017 carried forward)

Observation:

The City's accounting and financial reporting processes require significant effort, coordination and communication between Portfolio Finance and CFR. It is important that there is timely performance of internal controls and processes that ensure complete and accurate accounting at the business unit level for the preparation of accurate annual consolidated financial statements. Due to the decentralized organizational structure of The City, each Portfolio Finance Team is responsible for material complex accounting transactions that have a significant impact on The City's annual consolidated financial statements. Thus, it is important that internal controls are operating effectively at the business unit level. Furthermore, it is important that business unit finance personnel have the appropriate level of in-depth knowledge and technical expertise of financial accounting and reporting matters to ensure timely and accurate financial reporting.

The City restated the 2017 financial statements as a result of a material misstatement identified by Administration for the accounting of revenue relating to capital deposits. Administration advised that the restatement was the result of a delay in review of capital projects financing deficits. Through discussions with business unit personnel, CFR and performance of audit procedures, we understand that there were internal controls that existed around capital project financing deficits; however, they were either not designed appropriately or did not work as intended. Following the restatement, we do note that Administration has developed and implemented new controls and procedures to prevent and detect future misstatements relating to capital deposits (these will be subject to audit testing during the fiscal 2019 audit).

Recommendation:

While the restatement was related to certain business units, our recommendations below apply to all business units which are responsible for material, complex deferred revenue transactions:

Review of revenue recognition policies and processes

1. As the restatement related to accounting for capital deposits, reserves and revenue, we recommend Administration perform a review of revenue recognition policies and procedures to ensure internal controls designed to prevent and detect misstatements are operating effectively and there is compliance with internal policies and related accounting guidance.

2. As The City formally prepares consolidated financial statements on an annual basis, operational activity during the last three months of the fiscal year is high. We recommend that Administration perform a review of the annual processes that impact revenue recognition to ensure these are being completed in a timely manner and any gaps in internal controls are rectified.

Training at the business unit level

3. We understand that due to the organizational structure of finance personnel roles, several individuals could be responsible for performing part of the accounting of a full transaction. As such, we recommend the following:

   - All individuals responsible for the accounting of a full transaction for capital deposits or reserves are included in the training sessions to understand the full accounting cycle and implication on the financial statements.
   - Training continues to be held on a regular basis (versus one time) during the year to ensure accounting processes and procedures are fully understood at the business unit level.
   - Training be conducted on a timely basis for individuals new to the role due to staffing changes.

Recommendations carried forward from fiscal 2017, MLP #1:

The December 31, 2017 management letter included recommendations relating to capital deposits and Administration's response in January 2019 was as follows: "During 2018, Administration reviewed current processes and procedures, to ensure consistent application and has developed a work plan for 2019 using a risk-based approach to ensure there is consistency and full compliance with the accounting guidance". The recommendations from 2017 have been carried forward as part of the 2018 recommendation given that both our 2017 and 2018 recommendations relate to capital deposits:

4. The business unit conducts a review of the policy and processes relating to contributions with the objective to ensure consistency in the processes and policies utilized to account for contributions and compliance with the accounting guidance (PS 3100, *Restricted Assets and Revenues*, paragraphs 7 to 11).
5. All contributions have written agreements.
6. All contributions are used in accordance with the stipulations as per the original agreements.

Administration's response:

Administration agrees with the recommendations. To strengthen financial reporting throughout The City a work plan will be developed in 2019 and the following actions will be considered:

1. Administration will perform a review of revenue recognition accounting policies and processes to ensure internal controls are designed to prevent and detect misstatements and they are operating effectively and in compliance with internal policies and related accounting guidance.
2. Administration will perform a review of the annual processes that impact revenue recognition to ensure these are being completed in a timely manner.
3. Administration will work to develop training programs for new and existing staff to ensure the appropriate level of knowledge and technical expertise of financial accounting and reporting matters to ensure timely and accurate financial reporting.
4. Addressed through action #1.
5. Administration will ensure that processes are in place for having written agreements for all contributions.
6. Addressed through action #1 as this is part of revenue recognition standards.

Auditor's update January 2020 (based on 2019 interim audit procedures):
We held discussions with Administration and reviewed the work plan implemented by Administration in fiscal 2019. We note that during fiscal 2019, Administration has implemented processes to address this recommendation as indicated in Administration's response below. Through these discussions and review of the work plan, we understand that the work plan was partially implemented in fiscal 2019, in accordance with the implementation plan, and will continue to be implemented through fiscal 2020. During our year-end fieldwork, we will apply audit procedures as applicable (relating both to internal controls and detailed testing as well as new processes implemented in 2019) and will report any deficiencies or further recommendations to Administration and the Audit Committee upon completion of the 2019 year-end audit. As Administration's work plan will be implemented through fiscal 2020, we will continue to work with Administration in addressing this recommendation in the next fiscal year.

During fiscal 2019, we have also expanded our testing on the offsite levy balance, which is part of the capital deposits balances. We will complete our testing in March 2020 and report back to Administration and the Audit Committee.

Administration's response January 2020 (based on November 2019 interim audit procedures):
Administration continues to agree with these recommendations. During 2019, CFR developed a work plan to address the recommendations and started work to mitigate the risk of revenue recognition misstatements going forward. Actions taken during 2019 include:

a. Leveraged the Hyperion tool to import monthly PeopleSoft actual expenditures and financing entries and refresh the carry-forward balances from all approved capital budgets. Business unit Finance provides a copy of the carry-forward form three times per year indicating that analysis has been performed and financing entries, where appropriate, have been recorded. This ensures that funding for capital projects are recognized in the correct period. This detective control improvement partially addresses recommendations #1, 2 and 4.

b. Using a risk-based approach, business units were analyzed and prioritized based on two factors: their relative deferred revenue balance and prior year restatement amounts. CFR worked with Portfolio Finance and Portfolio and Strategy in 2019 to understand historical processes and procedures, identified gaps in process and procedures and developed new controls to address these gaps. This work will continue in 2020 to ensure that all business units' processes and procedures are reviewed to mitigate the risk of revenue recognition misstatement going forward. This work partially addresses recommendations #1, 2, 5 and 6.

c. CFR held sessions in May, September and December, which included information about the new detective control for financing deficits. This provided Portfolio Finance with an understanding of the new control, its purpose and how it can detect issues pertaining to the recognition of funding. This work partially addresses recommendation #3.

d. During 2019, Operations developed new processes and requirements to ensure that Development Agreements are signed on a timely basis. Starting in 2020, a Developer can only receive a Development Agreement if they have agreed to the "Terms and Conditions" (also known as the Master Development Agreement) between The City and the Developer. The Master Agreement discusses the administrative duties, offsite levy rates, application for certificates, maintenance periods and general provisions. The Master Agreement also details the obligations that The City requires of all land developers to follow. This work addresses recommendation #5.

e. CFR, Portfolio Finance and Portfolio and Strategy have been limited by resource constraints in 2019 but are committed to the review of processes and procedures including internal controls to ensure that revenue recognition is occurring in a timely manner.

Auditor's update June 2020 (based on 2019 year-end audit procedures):
During fiscal 2019, Administration made significant progress with respect to the recommendations relating to revenue recognition of capital deposits identified during the 2018 and 2017 audits based on their work plan.

Administration began reviewing revenue recognition policies and processes and implementing new controls across priority business units (as identified by Administration) in 2019. The most significant of these new controls is the carry-forward form control for financing deficits. We performed an evaluation of the design and implementation of the new carry-forward form control for financing deficits on a test basis, noting appropriate steps are being taken to ensure this new control is designed and implemented effectively. Based on Administration's work plan, in 2020, Administration plans to review the remaining business units' revenue recognition policies and procedures and implement new controls.

Administration also held multiple training sessions in 2019 regarding revenue recognition of capital deposits. As part of our audit procedures, we noted that the training session materials and topics included additional information relating to capital deposits, such as the new carry-forward form control for financing deficits.

New processes and requirements regarding Master Development Agreements will begin in 2020. Based on our 2019 year-end audit procedures performed, we noted that all agreements we selected for testing had a corresponding written agreement.

During the fiscal 2019 audit, we also expanded our testing on the offsite levy balance, which forms part of the capital deposits balance. We performed additional internal control walkthroughs to better understand Administration's processes and we designed more robust substantive procedures to ensure offsite levies which formed part of our audit selections were recognized appropriately. Based on our testing performed, no misstatements were identified.

The following summarizes our update to the prior years' recommendations:

Recommendation #	Status	Update and Completion Timeline
1, 2, 4, 5 and 6	In progress	Consistent with Administration's work plan, these recommendations are still in progress, as the recommendations were not applied across all business units in 2019. In 2020, Administration plans to review the remaining business units' revenue recognition policies and procedures and implement new controls. For recommendation #5, the new process for Master Development Agreements will also commence in 2020. We will evaluate the design and implementation of the new policies and procedures during our 2020 year-end audit procedures and will report any deficiencies or further recommendations to Administration and the Audit Committee.
3	Addressed	Recommendation satisfactorily completed in 2019.

Administration's response:

Administration continues to agree with these recommendations. During 2020, CFR will continue the work plan developed in 2019 to address the recommendations to mitigate the risk of revenue recognition misstatements going forward. Actions taken include:

a. As discussed in the January update above, CFR and the Corporate Budget Office ("CBO") successfully leveraged the Hyperion tool to import monthly PeopleSoft actual expenditures and financing entries and refresh the carry-forward balances from all approved capital budgets. Portfolio Finance provides a copy of the carry-forward working paper three times per year indicating that analysis has been performed and financing entries, where appropriate have been recorded. This detective control improvement ensures that funding for capital projects are recognized in the correct period and continues to partially address recommendations #1, 2 and 4.

b. Using a risk-based approach, business units were analyzed and prioritized based on two factors: their relative deferred revenue balance and previously restatement amounts. In 2020, CFR will continue to work with Portfolio Finance to understand historical processes and procedures, identify gaps in processes and procedures and develop new controls to address these gaps. This work will ensure that all business units' processes and procedures are reviewed to mitigate the risk of revenue recognition misstatement going forward. This work partially addresses recommendations #1, 2, 4, 5 and 6.

c. During 2019, Operations developed new processes and requirements to ensure that Development Agreements are signed on a timely basis. Starting in 2020, a Developer can only receive a Development Agreement if they have agreed to the "Terms and Conditions" (also known as the Master Development Agreement) between The City and the Developer. The Master Agreement discusses the administrative duties, offsite levy rates, application for certificates, maintenance periods and general provisions. The Master Agreement also details the obligations that The City requires all land developers to follow. The 2020 Development Agreement negotiations were finalized in early 2020, and the new process of signing and sealing the development agreements, including terms and conditions and special clauses, are now part of the formal process. This work addresses recommendation #5.

d. CFR and Portfolio Finance continue to be limited by resource constraints. In 2020, further constraints have arisen as a result of the COVID-19 pandemic and could cause delays in execution of the work plan. We remain committed to the review of processes and procedures including internal controls to ensure that revenue recognition is occurring in a timely manner. An assessment of progress against the work plan will be performed in September 2020. We will prioritize this work as much as possible in the current environment and if required, a revised work plan will be presented to Audit Committee on October 22, 2020.

Auditor's update January 2021 (based on November 2020 interim audit procedures):

New processes and requirements regarding Development Agreements became effective in early 2020. A developer can only receive a Development Agreement if they have agreed to the "Terms and Conditions" (also known as the Master Development Agreement). This ensures that the agreements are signed and agreed upon in a timely manner. We performed an evaluation of the design and implementation of the new controls around ensuring all development agreements are signed, including acceptance of the Master Development Agreement, noting appropriate steps are being taken to ensure this new control is designed and implemented effectively. Based on our evaluation of the design and implementation of the new controls in this process, recommendation #5 has been satisfactorily addressed.

Based on discussions with Administration, Administration continues to review the remaining business units' revenue recognition policies and procedures and implement new controls to address recommendations 1, 2, 4 and 6. These remaining recommendations are expected to be addressed in fiscal 2020.

During our year-end fieldwork, we will evaluate the design and implementation of these new policies and procedures and will report any deficiencies or further recommendations to Administration and the Audit Committee upon completion of the 2020 year-end audit.

Administration's response January 2021 (based on November 2020 interim audit procedures):

Administration continues to agree with these recommendations. During 2020, CFR continued the work plan developed in 2019 to address the recommendations to mitigate the risk of revenue recognition misstatements going forward. Actions taken include:

a. As discussed in the June update above, CFR and the CBO continued to successfully leverage the Hyperion tool to import monthly PeopleSoft actual expenditures and financing entries and refresh the carry-forward balances from all approved capital budgets. Portfolio Finance provides a copy of the carry-forward working paper three times per year indicating that analysis has been performed and financing entries, where appropriate have been recorded. This detective control continued in 2020 fiscal year and ensured that funding for capital projects are recognized in the correct period. In addition, CFR and CBO finalized a combined process memo outlining the individual controls implemented by both teams at a corporate level to review and detect any unusual financial carry-forward balances. This memo is provided to Deloitte in December 2020, along with the current management letter response and this work partially address recommendations #1, 2 and 4.

b. Using a risk-based approach, business units were analyzed and prioritized based on two factors: their relative deferred revenue balance and previously restatement amounts. In August 2020, CFR held two comprehensive engagement sessions with Portfolio Finance and successfully presented the work plan designed to address the management letter recommendations. Business units were debriefed and required to prepare detailed process documents by November 30, 2020, including historical processes and procedures, identifying gaps in processes and procedures and outlining controls to address these gaps. In continuance of this workplan, through-out the months of September and October 2020, CFR held follow-up engagement sessions and provided the necessary guidance to the business units. The ongoing collaboration was to assist business units with their queries and comments regarding the process memos. Post November 30th deadline, Financial Reporting reviewed the memos and followed up where additional clarifications were required. These process documents are provided to Deloitte in December 2020 and January 2021 along with the current management letter response. Administration feels that this work along with point a. completely addressed the recommendations #1, 2, 4 and 6.

c. Administration agrees that the recommendation #5 has been satisfactorily addressed.

Auditor's update June 2021 (based on 2020 year-end audit procedures):

During fiscal 2020, Administration continued to make significant progress with respect to the recommendations relating to revenue recognition of capital deposits identified during the 2018 and 2017 audits based on their work plan. The work plan outlined that CFR and all business units conduct a review of the capital deposit revenue recognition policies and procedures with the objective to ensure consistency in the policies and procedures in place to account for contributions and compliance with the accounting guidance.

In December 2020 and January 2021, CFR provided to Deloitte the capital deposit revenue recognition process memos for all business units that included the historical processes and procedures, identified gaps in the historical processes and procedures, and new controls implemented to address those gaps. CFR also provided a process memo outlining the individual controls implemented by the CFR and CBO teams at a corporate level to review and detect any unusual financial carry-forward balances in relation to capital deposits. Deloitte assessed the design and implementation of newly identified relevant controls and we determined that the controls were designed and implemented effectively. Based on discussions held with Administration and through our evaluation of the design and implementation of the relevant controls and substantive procedures performed, recommendations #1, 2 and 4 have been satisfactorily addressed.

Recommendation #6 noted that all contributions are to be used in accordance with the stipulations as per the original agreements. Deloitte assessed the design and implementation of relevant controls and concluded that the controls were designed and implemented effectively. Further, Deloitte selected twenty-four samples of contributions being recognized into revenue as part of our substantive audit procedures. Based on our testing performed, each contribution was appropriately recognized in accordance with the stipulations of the original agreement, and no misstatements were identified from these samples. This recommendation has been satisfactorily addressed.

Based on our work performed prior to and during the 2020 year-end audit, all 6 recommendations have been satisfactorily addressed.

Administration’s response June 2021 (based on 2020 year-end audit procedures):
Administration agrees that all 6 recommendations have been satisfactorily addressed.