

## **The City of Calgary** 2021 Audit service plan

For the year ending December 31, 2021  
Presented to the Audit Committee  
July 22, 2021

July 12, 2021

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

## 2021 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, 2021. 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, 2021
- The Municipal Information Return for the year ending December 31, 2021
- The Funds Held in Trust by The City for the year ending December 31, 2021

(Collectively, the "financial statements").

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 companies 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, 2021 and is not intended for any other purpose. Accordingly, we disclaim any responsibility to any other party who may rely on it.

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

Yours truly,



Chartered Professional Accountants

# Table of contents

Executive summary	1
Significant audit risks, significant events and areas of focus	2
Appendix 1 – Audit approach	8
Appendix 2 – Audit fees	12
Appendix 3 – Related parties and other audits	13
Appendix 4 – Communication requirements	15
Appendix 5 – Audit team	17
Appendix 6 – 2021 Summary audit timeline	18
Appendix 7 – New and revised accounting and auditing standards	19
Appendix 8 – Draft confirmation of changes letter	21

# Executive summary




## 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, 2021. Our audit will be conducted in accordance with Canadian generally accepted auditing standards (“Canadian GAAS”).

The terms and conditions of our engagement are described in the master services agreement (“MSA”) dated July 25, 2018, and the draft confirmation of changes letter included in Appendix 8, and any previous confirmation letters issued pursuant to the MSA and all as may be updated or amended from time to time. Our confirmation of changes letter should be signed on behalf of City Council and Administration.

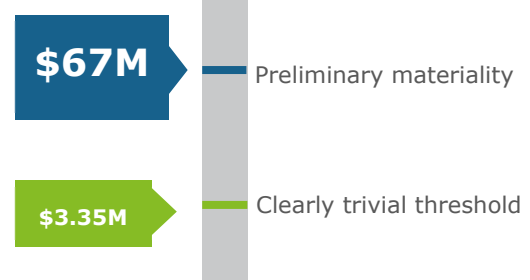
## Significant risks

### Status

1	Administration override of controls	
2	Capital deposits - revenue recognition	
3	Tangible Capital Assets	

 Continued from prior year

## Materiality



Our preliminary estimate of materiality for the year ending December 31, 2021 has been set at \$67,000,000 (2020, \$65,000,000) on the basis of consolidated budgeted operating expenses and other qualitative factors. We will report to you any uncorrected misstatements greater than our current year clearly trivial amount of \$3,350,000 (2020, \$3,250,000).

## 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.


# Significant audit risks, significant events and areas of focus


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.

The following tables set out the significant audit risks that we identified during our preliminary planning activities, including our proposed response to each risk. Our planned audit response is based on our assessment of the likelihood of a risk's occurrence, the significance should a misstatement occur, our determination of materiality and our prior knowledge of The City.

## Significant risk dashboard

### Legend


 Significant level of Administration judgement involved

 Minimal/No Administration judgement involved


**D+I:** Planned testing of the design and implementation of key controls

**OE:** Planned testing of the operating effectiveness of key controls


### Administration override of controls

Fraud Risk	YES	Analysis of risk	Planned audit response
<b>Control Testing Planned</b>	<b>D+I</b>	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>We will assess the design and implementation of relevant controls.</li> <li>We will engage in periodic fraud discussions with certain members of Administration and others, including The City Auditor, City Manager and the Audit Committee.</li> <li>We will consider the potential for bias in judgements and estimates, including performing retrospective analysis of significant accounting estimates.</li> <li>We will evaluate the business rationale for any significant unusual transactions.</li> <li>We will evaluate The City's fraud risk assessment and consider entity-level internal controls and internal controls over the closing and reporting process.</li> <li>We will test manual consolidation entries as well as entries in December 2021 that exhibit characteristics of possible Administration override of controls identified.</li> </ul>
<b>Level of Administration judgement</b>			
<b>Specialist, Expert or Innovation Involvement</b>	Excel Analytics will be used to perform journal entry testing.		

### Capital deposits - Revenue recognition

Fraud Risk	YES	Analysis of risk	Planned audit response
Control Testing Planned	D+I	<ul style="list-style-type: none"> <li>Capital revenue relating to government funding and private contributions is not recognized in the correct period, as expenditures are incurred.</li> </ul>	<ul style="list-style-type: none"> <li>We will assess the design and implementation of relevant controls.</li> <li>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.</li> <li>We will obtain capital deposit contracts to ensure that the revenue recorded aligns with the stipulations in the contract.</li> <li>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.</li> <li>We will apply audit procedures to off-site levies, on a sample basis, on the following areas:               <ul style="list-style-type: none"> <li>Signed agreements in the year</li> <li>Debt acquired for off-site levy projects</li> <li>Amounts recognized into revenue in the year</li> <li>Deferred revenue recognized into revenue in the year</li> </ul> </li> </ul>
Level of Administration judgement			
Specialist, Expert or Innovation Involvement	Data Analytics will be performed on property tax revenue.		

### Tangible Capital Assets

Fraud Risk	YES	Analysis of risk	Planned audit response
Control Testing Planned	D+I	<ul style="list-style-type: none"> <li>Completeness, existence and valuation of Tangible Capital Assets ("TCA") work in progress ("WIP") and fund 40 expenditures.</li> </ul>	<ul style="list-style-type: none"> <li>We will assess the design and implementation of relevant controls.</li> <li>On a sampling basis, we will test TCA WIP additions to ensure these WIP additions were appropriately capitalized and accounted for as WIP.</li> <li>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.</li> <li>On a sampling basis, we will test fund 40 expenditures to ensure these costs were appropriately expensed or capitalized to TCA.</li> </ul>
Level of Administration judgement			
Specialist, Expert or Innovation Involvement	Not applicable.		

## Significant events

### COVID-19

#### Impact on our 2021 audit

Due to COVID-19, we have identified certain areas of our 2021 audit that will be directly impacted. These changes will be similar to the impact on the 2020 audit in terms of nature, timing and extent of audit procedures that we will perform. We have outlined below the significant changes identified to date.

- Identify audit risks specific to COVID-19 and plan audit procedures to address these risks.
- Continued increase of communication with 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.
- Continue to 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.
- Continued increase of communication with related authorities/subsidiaries throughout the year to understand COVID-19 impacts and implications.
- In the event that the government continues 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.

## Areas of focus

### Related parties (authorities/subsidiaries/civic partners)

#### Analysis

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

#### Planned 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 2021 as possibly meeting the criteria for consolidation under PSAS guidance, if any.

### Litigation accruals and contingencies

#### Analysis

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

#### Planned 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 discussed 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

Analysis	Planned audit response
<ul style="list-style-type: none"> <li>Completeness and accuracy of the accounting for property tax revenue.</li> </ul>	<ul style="list-style-type: none"> <li>We will perform reasonability tests on property tax revenue balances.</li> <li>We will review and test the property tax revenue business cycle process controls.</li> <li>We will complete data analytical testing on the property tax revenues for the year ending December 31, 2021.</li> </ul>

---

### Government grants and transfers

Analysis	Planned audit response
<ul style="list-style-type: none"> <li>Accounting and disclosure of government grants and transfers.</li> </ul>	<ul style="list-style-type: none"> <li>We will test a sample of funding agreements to determine if the contract required financial statement disclosure.</li> <li>We will test a sample of federal and provincial transfer payments received during the year to fund specific projects.</li> <li>We will review the related funding agreements to ensure funds were used for their intended purpose and that revenue was recognized in the appropriate period, including the deferred revenue.</li> <li>We will review deferred revenue for compliance with the applicable PSAS guidance.</li> <li>We will test expenditures and ensure that the corresponding revenue has been recognized.</li> </ul>

---

### Reserves

Analysis	Planned audit response
<ul style="list-style-type: none"> <li>Completeness and accuracy of the recording and presentation of reserves.</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> <li>We will also test a sample of transfers between reserves, if any, to verify that the transfer was approved by City Council.</li> <li>We will review the completeness and accuracy of the financial statement disclosures relating to reserves.</li> </ul>

---

### Commitments and contractual obligations

Analysis	Planned audit response
<ul style="list-style-type: none"> <li>Disclosure and completeness of commitments and contractual obligations.</li> </ul>	<ul style="list-style-type: none"> <li>We will review the completeness and accuracy of the financial statement disclosures relating to The City's commitments and contractual obligations.</li> <li>We will ensure that these disclosures were in accordance with PSAS guidance.</li> </ul>



### Allowance for property taxes receivable\*

Analysis	Planned audit response
<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>We will review Administration’s methodology and assessment of uncollectible property taxes receivable balances.</li> <li>We will also review the allowance for property taxes receivable which was assessed based on specific properties identified as being uncollectible. We will hold discussions with the appropriate individuals to understand the process for identifying specific properties and the methods used to pursue collection of payment.</li> </ul>

### Valuation of land inventory\*

Analysis	Planned audit response
<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>We will review Administration’s assessment of net realizable value of land inventories.</li> <li>We will test a sample of land inventories to determine if the net realizable value is less than cost and a write-down is required.</li> </ul>

### Valuation of registered defined benefit pension plans’ pension assets and obligation\*

Analysis	Planned audit response
<ul style="list-style-type: none"> <li>The pension assets are based on actual market values as at October 31, projected to December 31, based on expected contributions, benefits payments and return on assets.</li> <li>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).</li> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>We will assess the reasonability of the projected pension assets.</li> <li>We will review the various inputs and assumptions used in the calculation of the pension obligation and assessed their reasonableness.</li> <li>We will perform testing on a sample of the inputs that were provided to the actuary.</li> <li>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 were designed and implemented properly.</li> </ul>

### Allowance for off-site levy receivables\*

Analysis	Planned audit response
<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>We will review Administration’s assessment of uncollectible off-site levy receivable balances.</li> <li>We will test a sample of off-site levy payments received during the year and after year-end to assess collectability.</li> </ul>

---

**Valuation of investments\***

<b>Analysis</b>	<b>Planned audit response</b>
<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>We will assess the design and implementation of relevant controls.</li> <li>We will review The City's assessment of the fair value of investments, including the valuation techniques and inputs used.</li> <li>We will assess if any write-downs were required on the investments.</li> </ul>

---

**Adoption of upcoming accounting standards**

<b>Analysis</b>	<b>Planned audit response</b>
<ul style="list-style-type: none"> <li>There are various new accounting standards as outlined in Appendix 7 that will be effective for 2023 and 2024. Some of these accounting standards are complex and time-consuming to implement. There is a risk that the application of these standards is not consistent with the guidance provided in the accounting standards.</li> </ul>	<ul style="list-style-type: none"> <li>We will continue to engage with Administration on their timeline for the implementation of the upcoming accounting standards.</li> <li>We will review and assess The City's analysis, including the methodology, assumptions and estimates, as the information becomes available to us.</li> </ul>

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

# Appendix 1 – Audit approach

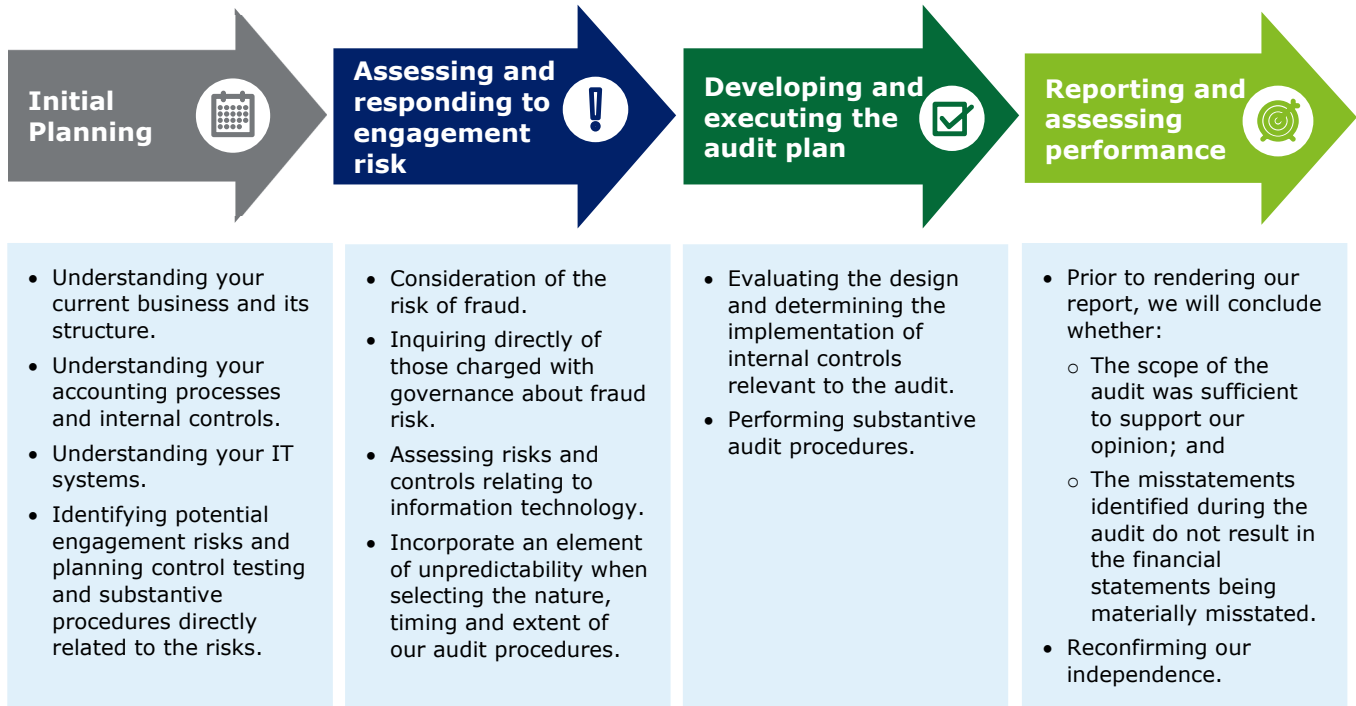
Deloitte’s audit approach is a systematic methodology that enables us to tailor our audit scope and plan to address the unique issues facing The City.



## Delivering professional excellence

### Focus area

<b>Risk based audit</b>	<ul style="list-style-type: none"> <li>Deliver a customized risk assessment, focusing our attention and resources on the audit areas that are most relevant to The City, including those identified above in the Significant audit risks, significant events and areas of focus section.</li> </ul>
<b>Confidential Information</b>	<ul style="list-style-type: none"> <li>Protecting the privacy and confidentiality of our clients and the firm is a cornerstone of the professional standards every Deloitte partner and practitioner commits to upholding every day.</li> <li>Deloitte employs technical, physical, and procedural safeguards, including our Confidential Information Program, to appropriately safeguard your data before, during, and after the course of the engagement.</li> </ul>
<b>Professional skepticism</b>	<ul style="list-style-type: none"> <li>Obtain a thorough understanding of the relevant facts and information available during our audit testing, analyze reasonable alternatives, apply a questioning mindset and challenge Administration’s assumptions.</li> <li>Perform a rigorous review of potential contradictory evidence.</li> </ul>
<b>Consultations</b>	<ul style="list-style-type: none"> <li>Involve additional resources or consult with technical resources where required.</li> </ul>



**When general IT controls (GITCs) may be relevant?**

**Factor #1 Data**

For example:  
 A billing system that performs many functions (such as processing orders, generating invoices, and tracking financial balances) and it processes and houses data. The entity relies on the functionality and the data processed by the system. Additionally, the volume and complexity of transactions processed by system is considered high. Therefore the billing system is relevant to the audit.

**Factor #3 System Generated Reports**

For example, a system-generated A/R aging report from the financial reporting application is used to determine the allowance for doubtful accounts.

**Factor #2 Automated Controls**

For example:

- 3-way match of the purchase order, goods receipt and invoice prior to payment
- The calculation of depreciation expense
- Access is restricted to update inventory quantity

**Factor #4 Analytics**

For example, data from the property tax system (PTWeb) can be compared to the expected property tax revenue based on the current property tax levy and assessed property values. This can provide insight if any discrepancies are identified in the property tax levy applied. Therefore, the PTWeb system is relevant for the audit.





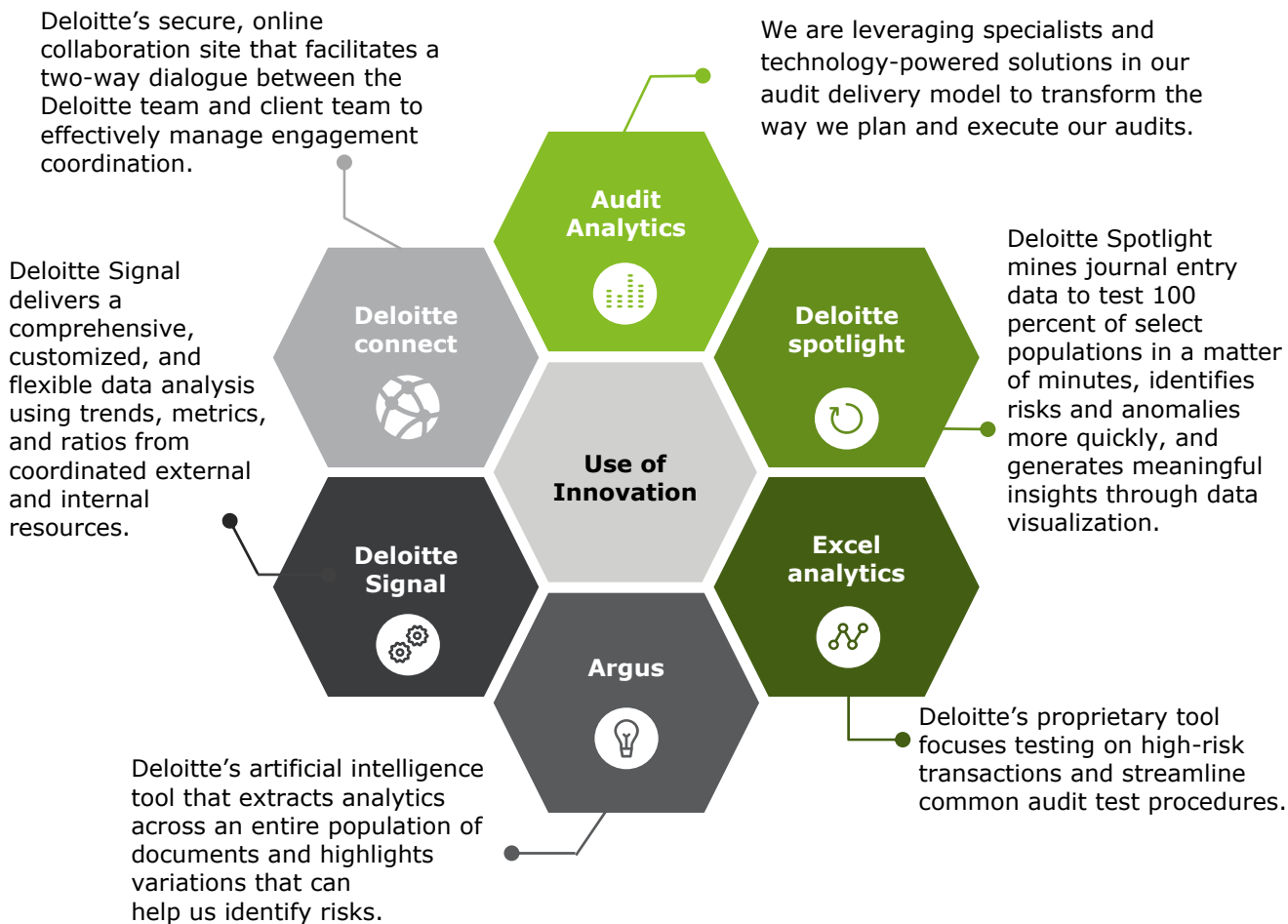
## Innovating our audit approach

### Focus area

<b>Audit technology</b>	<ul style="list-style-type: none"> <li>• Deloitte Connect – Use Deloitte’s secure, online collaboration site to facilitate a two-way dialogue between the Deloitte team and The City team to effectively manage engagement coordination and provide greater transparency allowing both Administration and auditor visibility over client request status.</li> <li>• Excel Analytics - Use this proprietary tool to analyze data and test journal entries, identify risks and anomalies more quickly and hone in on items of interest.</li> </ul>
-------------------------	--

### Focus area

<b>Processes</b>	<ul style="list-style-type: none"> <li>• <b>Optimizing interim</b> - Proactively shift work forward from peak periods to our interim visits, including audit planning, assessing the design and implementation of internal controls and substantive testing of expenditures, payroll, TCA additions and capital deposits.</li> <li>• <b>Project management</b> - Enhance project management oversight and effective communications between the audit team and Administration.</li> </ul>
<b>the Audit Committee reporting</b>	<ul style="list-style-type: none"> <li>• <b>the Audit Committee communications</b> – Harman Gill and Ivana Cvitanusic to meet with Administration and those charged with governance at the completion of the FY2021 audit.</li> </ul>



# 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 2020 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. Fees outlined below are for base audit fees only and do not include any one-time requests or additional services that The City may seek from time to time.

The 2021 estimated audit fees are as follows:	2021*	2020*
The City of Calgary consolidated financial statement audit	\$291,610	\$293,400
Municipal Information Return	\$4,640	\$4,600
Funds Held in Trust Audit	\$1,810	\$1,800
Newspaper insert (summarization of The City’s financial information)**	-	Included in The City of Calgary Audit fee
Audit of off-site levy interest income allocation misstatement	-	\$30,000
Additional audit procedures related to the Event Centre	-	\$10,000
Additional audits as requested by Administration and the Audit Committee up to approval limit***	\$50,000	\$50,000
Additional audit procedures due to the impact of COVID-19****	\$TBD	\$25,000
<b>Total</b>	<b>\$348,060</b>	<b>\$414,800</b>

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

\*\* The newspaper insert is to be discontinued in 2021 and therefore has been removed from the audit fee.

\*\*\* The approval limit changed from \$25,000 to \$50,000 as part of Bylaw 33M2020 which came into effect in fiscal 2020.

\*\*\*\* Based on discussions with Administration and as discussed on page 4 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 2021 audit, we will provide a fee estimate for the additional time incurred, if any.

# Appendix 3 – Related parties and other audits

Summary of engagement timing and estimated fees for the year ending December 31, 2021. These fees include only the base audit fee for each entity. To the extent other non-audit or audit-related services are provided to the entities below, these would follow appropriate approval policies and would be communicated to the Audit Committee in accordance with The City's policies. As the 2021 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 2021 base audit fee**	2020 base audit fee**
The City of Calgary consolidated	City of Calgary Audit Committee	April 2022	\$291,610	\$293,400
Calgary Municipal Land Corporation	Calgary Municipal Land Corporation Audit Committee	April 2022	\$76,760	\$76,000
Calgary Parking Authority	Calgary Parking Authority Audit Committee	March 2022	\$86,550	\$85,700
Calgary Public Library	Calgary Public Library Finance and Audit Committee	March 2022	\$40,900	\$40,500
Calhome Properties Ltd.	Calhome Properties Ltd. Audit Committee	March 2022	\$84,950	\$84,150
Calgary Police Service	Calgary Police Commission	May 2022*	\$51,000	\$50,500
TELUS Convention Centre	TELUS Convention Centre Audit Committee	May 2022*	\$42,750	\$42,320
ENMAX Corporation	ENMAX Audit Committee	March 2022	\$370,165	\$366,500
Elected Officials Pension Plan	Pension Governance Committee	April 2022	\$7,575	\$7,500
Supplementary Pension Plan	Pension Governance Committee	April 2022	\$14,240	\$14,100
Municipal Employees Benefits Association of Calgary	Executive Committee of Municipal Employees Benefits Association of Calgary	April 2022	\$28,300	\$28,040
Family & Community Support Services	City of Calgary Administration	April 2022	\$20,500	\$20,300
Municipal Information Return	City of Calgary Administration	April 2022	\$4,640	\$4,600



Entity	Reporting entity relationship	Estimated audit completion	Estimated 2021 base audit fee**	2020 base audit fee**
Funds Held in Trust	City of Calgary Administration	April 2022	\$1,810	\$1,800
Core Benefit Plan		2023	-	-
<b>Total</b>			<b>\$1,121,750</b>	<b>\$1,115,410</b>

\*Fieldwork will be completed by March 2022.

\*\*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
<b>Audit Service Plan</b>
<ol style="list-style-type: none"> <li>1. Our responsibilities under Canadian GAAS, including forming and expressing an opinion on the financial statements</li> <li>2. An overview of the overall audit strategy, addressing:               <ol style="list-style-type: none"> <li>a. Timing of the audit</li> <li>b. Significant risks, including fraud risks</li> </ol> </li> <li>3. Significant transactions outside of the normal course of business, including related party transactions</li> </ol>
<b>Enquiries of those charged with governance</b>
<ol style="list-style-type: none"> <li>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</li> <li>5. Any known suspected or alleged fraud affecting The City</li> <li>6. Whether The City is in compliance with laws and regulations</li> </ol>
<b>Year-end communication</b>
<ol style="list-style-type: none"> <li>7. Modification to our audit plan and strategy</li> <li>8. Fraud or possible fraud identified through the audit process</li> <li>9. Significant accounting policies, practices, unusual transactions, and our related conclusions</li> <li>10. Alternative treatments for accounting policies and practices that have been discussed with Administration during the current audit period</li> <li>11. Matters related to going concern</li> <li>12. Administration judgements and accounting estimates</li> <li>13. Significant difficulties, if any, encountered during the audit</li> <li>14. Material written communications between Administration and us, including Administration representation letters</li> <li>15. Circumstances that affect the form and the content of the auditor’s report</li> <li>16. Modifications to our opinion(s)</li> <li>17. Our views of significant accounting or auditing matters for which Administration consulted with other accountants and about which we have concerns</li> <li>18. Significant matters discussed with Administration</li> </ol>

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
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

# Appendix 5 – Audit team

## Main Engagement Team

<b>Lead Client Service Partner</b>	<b>Harman Gill</b> <a href="mailto:hgill@deloitte.ca">hgill@deloitte.ca</a> +1-403-267-1850	<b>Audit Partner</b>	<b>Ivana Cvitanusic</b> <a href="mailto:icvitanusic@deloitte.ca">icvitanusic@deloitte.ca</a> +1-403-648-3242
<b>Audit Senior Manager</b>	<b>Erica Vervoort</b> <a href="mailto:evervoort@deloitte.ca">evervoort@deloitte.ca</a> +1-416-643-6984	<b>Audit Manager</b>	<b>Daksha Mulay</b> <a href="mailto:damulay@deloitte.ca">damulay@deloitte.ca</a> +1-587-293-3251

## Advisory

<b>Advisory Partner</b>	<b>Trevor Nakka</b> <a href="mailto:tnakka@deloitte.ca">tnakka@deloitte.ca</a> +1-416-775-8835
-------------------------	--

## Specialists

<b>Quality Assurance Partner</b>	<b>Rohini Halli</b> <a href="mailto:rhalli@deloitte.ca">rhalli@deloitte.ca</a> +1-204-944-3544	<b>Control Assurance Partner</b>	<b>Karen O'Brien</b> <a href="mailto:kaobrien@deloitte.ca">kaobrien@deloitte.ca</a> +1-306-565-5208
<b>Control Assurance Manager</b>	<b>Berenice Rosales Amezcua</b> <a href="mailto:berosales@deloitte.ca">berosales@deloitte.ca</a> +1-416-643-6925		

# Appendix 6 – 2021 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
<b>Procedures:</b>												
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 2021: First interim visit. We will perform the following procedure during our first interim: <ul style="list-style-type: none"> <li>Audit planning</li> <li>Design and implementation testing of internal controls</li> </ul>		•										
November 2021: Second interim visit. We will perform the following procedures during our second interim: <ul style="list-style-type: none"> <li>Substantive testing of expenditures, payroll, TCA additions and capital deposits</li> <li>Design and implementation testing of internal controls</li> </ul>					•							
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 2020 Management Letter							•					
Present External Auditor 2021 Management Letter												•

# Appendix 7 – New and revised accounting and auditing standards

The following is a summary of certain new standards and amendments that are likely to impact The City’s financial reporting and audit, which will become effective in 2021 and beyond.

To review all recent amendments that will impact your organization in the foreseeable future, we invite you to review our revamped [Standard section of iasplus.com](#).

## Public Sector Accounting Standards

Title	Description	Effective Date
Section PS 1201, <i>Financial Statement Presentation</i>	This Section establishes general reporting principles and standards for the disclosure of information in government financial statements.	Effective in the period that Section PS 2601, <i>Foreign Currency Translation</i> , and Section PS 3450, <i>Financial Instruments</i> are adopted.
Section PS 2601, <i>Foreign Currency Translation</i>	This Section establishes standards on how to account for and report transactions that are denominated in a foreign currency in government financial statements.	Effective for (i) Government organizations – April 1, 2012; and (ii) Governments – April 1, 2022. Earlier adoption is permitted.
Section PS 3041, <i>Portfolio investments</i>	This Section establishes standards on how to account for and report portfolio investments in government financial statements.	Effective in the period that Section PS 2601, <i>Foreign Currency Translation</i> , and Section PS 3450, <i>Financial Instruments</i> , are adopted.
Section PS 3280, <i>Asset retirement obligations</i>	This Section establishes standards on how to account for and report a liability for asset retirement obligations.	Effective for fiscal years beginning on or after April 1, 2022. Earlier adoption is permitted.
Section PS 3400, <i>Revenue</i>	This Section establishes standards on how to account for and report on revenue. Specifically, it differentiates between revenue arising from transactions that include performance obligations and transactions that do not have performance obligations.	Effective for fiscal years beginning on or after April 1, 2023. Earlier adoption is permitted. The Section may be applied retroactively or prospectively.
Section PS 3450, <i>Financial Instruments</i>	This Section establishes standards on how to account for and report all types of financial instruments including derivatives.	This section is effective for: (i) Government organizations - April 1, 2012 (ii) Governments – April 1, 2022. Earlier adoption is permitted.

Title	Description	Effective Date
Guideline PSG 8, <i>Purchased intangibles</i>	This Guideline explains the scope of the intangibles now allowed to be recognized in financial statements given the removal of the recognition prohibition relating to purchased intangibles in Section PS 1000.	Effective for fiscal years beginning on or after April 1, 2023. Earlier adoption is permitted.
Section PS 1000, <i>Financial statement concepts</i>	This Section describes the concepts underlying the development and use of accounting principles in government financial statements. Such financial statements are designed to meet the common information needs of external users of financial information about a government.	Effective April 1, 2005. The amendments are effective for fiscal years beginning on or after April 1, 2023, with earlier application permitted. Retroactive or prospective application is allowed.

**Assurance**

Title	Description	Effective Date
CAS 315, <i>Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment</i>	CAS 315 deals with the auditor's responsibility to identify and assess the risks of material misstatement in the financial statements, through understanding the entity and its environment, including the entity's internal control.	Effective for audits of financial statements for periods ending on or after December 15, 2013. The revisions to CAS 315 are effective for audits of financial statements for periods ending on or after December 15, 2021. Earlier application is permitted.

# Appendix 8 – Draft confirmation of changes letter

July 22, 2021

## **Private and confidential**

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

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

## **Re: Confirmation of Changes to Fees**

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 and 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 fees.

### **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.



<b>The City of Calgary</b>	<b>Fee</b>
<i>Year ending December 31, 2021</i>	
Consolidated financial statement audit	\$291,610
Funds Held in Trust	\$1,810
Municipal Information Return	\$4,640
Additional audits as requested by Administration and the Audit Committee up to approval limit	\$50,000
Additional audit procedures due to the impact of COVID-19	\$TBD
<b>Total</b>	<b>\$348,060</b>

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 2021.

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