

Calgary Parking Authority 2021 Audit service plan

For the year ending December 31, 2021
Presented to the Audit Committee
December 16, 2021

December 6, 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 Calgary Parking Authority (the "Authority") 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 and an estimate of our fees.

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 Authority. At Deloitte, we are committed to helping the Authority grow and successfully achieve its business objectives in today's ever-changing economy.

We, at Deloitte, work as one team to provide you with relevant business insights to assist you improving your current practices.

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

Yours truly,



Chartered Professional Accountants

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Executive summary



Audit scope and terms of engagement


We have been asked to perform an audit of the Authority’s financial statements (the “financial statements”) prepared in accordance with Canadian public sector accounting standards (“PSAS”) as at and for the year ending December 31, 202. 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 dated December 14, 2018, and the draft confirmation of changes letter, which is included in Appendix 4. Our confirmation of changes letter should be signed on behalf of the Audit Committee and management.

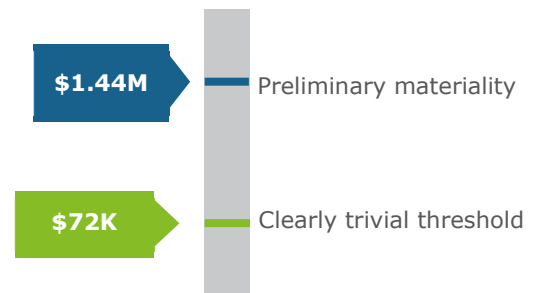
Significant risks

Status

1	Management override of controls	
2	Revenue recognition	

 Continued from prior year

Materiality



Our preliminary estimate of materiality for the year ending December 31, 2021 has been set at \$1,440,000 (2020, \$1,550,000) on the basis of total forecasted revenues. We will report to you any uncorrected misstatements greater than our current year clearly trivial amount of \$72,000 (2020, \$77,500). As part of our year-end audit procedures, we will revise materiality based on actual total revenues.

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 a sample of journal entries throughout the period as well as adjustments made 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 management’s effort to manage earnings.
5. Evaluating whether the judgements and decisions related to management 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 Authority and their role in the oversight of management’s antifraud programs.

If we suspect fraud involving management, 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.



Audit fees

Audit fees	2021	2020
Audit	\$86,550	\$85,700
Procedures with respect to cash in lieu sustainment reserve fund	\$4,000	-
Local Authorities Pension Plan Audit	-	\$13,000
Total fees	\$90,550	\$98,700

* Based on discussions with the Authority the full impact of COVID-19 on the Authority’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 any additional time incurred.

Areas of audit focus

 **Focus areas**

Long Term Investments

The fair value of long-term investments is based on an allocation of the fair value rate of return based on The City of Calgary’s pooled investments.

The activity of investments (sales, purchases) is not directly tracked by the Authority, as this information is tracked by The City of Calgary, leading to potential misclassifications in related gains and losses.

Cash in lieu sustainment reserve fund

There is a risk that claims made against the Sustainment Reserve fund in 2021 relating to 2019, 2020 and 2021 are not accounted for properly and that related revenues are not recognized in the correct period.

 **Why do these factors create complexity?**

There is a risk that long term investments are not appropriately recorded at fair value as the investments are pooled and may be based on inputs other than quoted market prices.

There is a risk of inappropriate recognition and classification of unrealized and realized gains and losses on long term investments.

There is a risk that the expenditures charged to the reserve may be incorrect and inaccurately presented.

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

Significant audit risks

During our risk assessment, we identified some significant audit risks that will require special audit consideration. These risks, together with our planned responses, are described below. In performing our risk assessment, we have considered the risks identified by management in performing their risk assessment.

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 Authority.

Significant risk dashboard

Legend


 Significant level of management judgment involved

 Minimal/No management judgment involved


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

OE: Planned testing of the operating effectiveness of key controls

Management override of controls

Fraud Risk	YES	Analysis of risk	Planned audit response
Control Testing Planned	D+I	<ul style="list-style-type: none"> Under Canadian Auditing Standards, it is the responsibility of management, 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. 	<ul style="list-style-type: none"> We will discuss fraud with management. We will ask the Audit Committee for their views about the risk of fraud, whether they know of any actual or suspected fraud affecting the Authority and their role in the oversight of management’s antifraud programs.
Level of management judgement		<ul style="list-style-type: none"> Management 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. 	<ul style="list-style-type: none"> We will test a sample of journal entries made throughout the period and adjustments made at the end of the reporting period. We will evaluate the business rationale for any significant unusual transactions.
Specialist, Expert or Innovation Involvement	Excel Analytics		<ul style="list-style-type: none"> We will determine whether the judgements and decisions related to management estimates indicate a possible bias, which included performing retrospective analysis of significant accounting estimates.

Revenue recognition

Fraud Risk	YES	Analysis of risk	Planned audit response
Control Testing Planned	D+I	<ul style="list-style-type: none"> Assurance standards include the presumption of a significant risk of fraud in revenue recognition. We have pinpointed this risk to revenue relating to the ParkPlus System™ ("ParkPlus") and Parking Control revenue, which may be understated or inaccurately recorded. Parking Control revenue could also be misclassified on the financial statements. 	<ul style="list-style-type: none"> We will make enquiries of management regarding relevant internal controls to assist them in ensuring the accuracy and completeness of these revenue streams and the classification of Parking Control revenue. We will evaluate the design and implementation of those internal controls including testing of the reconciliations between ParkPlus, Beanstream and Peoplesoft. We will perform substantive audit procedures on these revenue streams.
Level of management judgement			
Specialist, Expert or Innovation Involvement	Not applicable		

COVID-19 impact on the 2021 audit

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

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

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

Appendix 1 – Audit approach

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



Delivering professional excellence

Focus area

Risk based audit	<ul style="list-style-type: none"> • Deliver a customized risk assessment, focusing our attention and resources on the audit areas that are most relevant to the Authority, including those identified above, in the significant audit risks and areas of focus sections.
Confidential Information	<ul style="list-style-type: none"> • 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. • 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.
Professional skepticism	<ul style="list-style-type: none"> • Obtain a thorough understanding of the relevant facts and information available concerning new significant transactions or events, analyze reasonable alternatives, apply a questioning mindset and challenge management’s assumptions. • Perform a more rigorous review of potential contradictory evidence concerning new significant transactions or events.
Consultations	<ul style="list-style-type: none"> • Consult with technical resources concerning new significant transactions or events, as necessary.



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| <ul style="list-style-type: none"> • Understanding your current business and its structure. • Understanding your accounting processes and internal controls. • Understanding your IT systems. • Identifying potential engagement risks and planning control testing and substantive procedures directly related to the risks. | <ul style="list-style-type: none"> • Consideration of the risk of fraud. • Inquiring directly of the Audit Committee about fraud risk. • Assessing risks and controls relating to information technology. • Incorporate an element of unpredictability when selecting the nature, timing and extent of our audit procedures. | <ul style="list-style-type: none"> • Evaluating the design and determining the implementation of internal controls relevant to the audit. • Testing the operational effectiveness of the controls we intend to rely on. • Performing substantive audit procedures. | <ul style="list-style-type: none"> • Prior to rendering our report, we will conclude whether: <ul style="list-style-type: none"> ○ The scope of the audit was sufficient to support our opinion; and ○ The misstatements identified during the audit do not result in the financial statements being materially misstated. • Reconfirming our independence. |
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Focus area

<p>Audit technology</p>	<ul style="list-style-type: none"> • Deloitte Connect – Use Deloitte’s secure, online collaboration site to facilitate a two-way dialogue between the Deloitte team and the Authority team to effectively manage engagement coordination and provide greater transparency allowing both management and auditor visibility over client request status. • 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.
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Focus area

<p>Processes</p>	<ul style="list-style-type: none"> • Optimizing interim - Proactively shift work forward from peak periods to our interim visit. • Project management - Enhance project management oversight and effective communications between the audit team and management.
<p>Audit Committee reporting</p>	<ul style="list-style-type: none"> • Audit Committee communications – Harman Gill and Ivana Cvitanusic will meet with the Audit Committee to present the Audit Service Plan and the results of the audit.

Appendix 2 – Communication requirements

The table below summarizes our communication requirements under Canadian GAAS.

Required communication
Audit Service Plan
<ol style="list-style-type: none"> 1. Our responsibilities under Canadian GAAS, including forming and expressing an opinion on the financial statements. 2. An overview of the overall audit strategy, addressing: <ol style="list-style-type: none"> a. Timing of the audit; and b. Significant risks, including fraud risks. 3. Significant transactions outside of the normal course of business, including related party transactions.
Enquiries of those charged with governance
<ol style="list-style-type: none"> 4. How those charged with governance exercise oversight over management’s process for identifying and responding to the risk of fraud and the internal control that management has established to mitigate these risks. 5. Any known suspected or alleged fraud affecting the Authority. 6. Whether the Authority is in compliance with laws and regulations.
Year-end communication
<ol style="list-style-type: none"> 7. Modification to our audit plan and strategy. 8. Fraud or possible fraud identified through the audit process. 9. Significant accounting policies, practices, unusual transactions and our related conclusions. 10. Alternative treatments for accounting policies and practices that have been discussed with management during the current audit period. 11. Matters related to going concern. 12. Management judgments and accounting estimates. 13. Significant difficulties, if any, encountered during the audit. 14. Material written communications between management and us, including management representation letters. 15. Circumstances that affect the form and the content of the auditor’s report. 16. Modifications to our opinion. 17. Our views of significant accounting or auditing matters for which management consulted with other accountants and about which we have concerns.

18. Significant matters discussed with management.
19. Matters involving noncompliance 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 Authority's related parties.

Appendix 3 – 2021 Summary audit timeline

This estimated timeline indicates our various procedures and release of our communications as planned throughout the year:

	Estimated to begin	Targeted for completion
Audit performance		
Planning and interim audit procedures	October 18, 2021	October 22, 2021
Final audit procedures	January 31, 2022	February 11, 2022
Auditor’s communications		
Discuss audit planning, scope, risks of fraud and fees		December 16, 2021
Review the results of our audit and provide audit report		March 2022
Review of business insights with management		March 2022

Appendix 4 – Draft confirmation of changes letter

December 16, 2021

Private and confidential

Mr. Richard Pootmans, Chair
The Audit Committee of The City of Calgary
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

Mr. Chris Blaschuk, Acting General Manager
Calgary Parking Authority
620 – 9 Avenue SW
Calgary, AB T2P 1L5

Re: Confirmation of Services and Fees

Dear Sirs/Mesdames:

This letter is issued to you further to the master services agreement (“MSA”) between Calgary Parking Authority (the “Authority”) and Deloitte LLP (“Deloitte”) dated December 14, 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 services to be provided to you under the MSA and fees.

Services and 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.

Calgary Parking Authority	Fee
<i>Year ending December 31, 2021</i>	
Financial Statement Audit	\$90,550
Total	\$90,550

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 Council 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

The services and terms set forth in and incorporated into this letter are accepted and agreed to by Calgary Parking Authority management:

Signature

Title

Appendix 5 – New and revised accounting and auditing standards

The following is a summary of certain new standards, amendments and proposals that 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 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.
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 January 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
<p><i>CAS 315, Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment</i></p>	<p>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.</p>	<p>Effective for audits of financial statements for periods ending on or after December 15, 2013. The revisions to CSA 315 are effective for audits of financial statements for periods ending on or after December 15, 2021. Earlier application is permitted.</p>