



**The City of Calgary**  
2022 Audit service plan

For the year ending December 31, 2022  
Presented to the Audit Committee  
July 21, 2022

July 11, 2022

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

## 2022 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, 2022. 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, 2022
- The Municipal Information Return for the year ending December 31, 2022
- The Funds Held in Trust by The City for the year ending December 31, 2022

(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 organizations like The City. At Deloitte, we are committed to helping The City grow and successfully achieve its 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, 2022 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

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# 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, 2022. 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, the draft confirmation of changes letter included in Appendix 8 and any previous confirmation letters issued pursuant to the MSA, 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 City Administration (“Administration”).

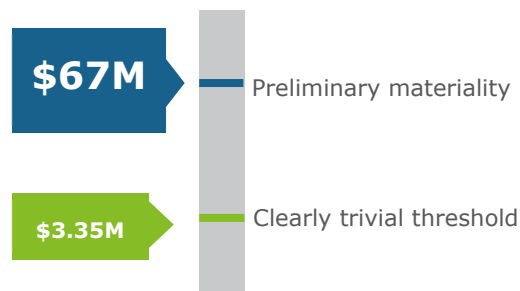
## Significant risks

### Status

<b>1</b>	Administration override of controls	
<b>2</b>	Capital deposits - revenue recognition	
<b>3</b>	Tangible Capital Assets	

 Continued from prior year

## Materiality



Our preliminary estimate of materiality for the year ending December 31, 2022 has been set at \$67,000,000 (2021, \$67,000,000) 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 (2021, \$3,350,000).

## 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 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. We expect that additional significant risks will be identified as result of the impact of the Realignment Program (the “realignment”) on the 2022 year-end financial statements. We will update the Audit Committee on any additional risks once they are determined. Please refer to The City of Calgary Realignment project discussed on pages 7 to 10 below.

## 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
Control Testing Planned	D&I	<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, The 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 2022 that exhibit characteristics of possible Administration override of controls identified.</li> </ul>
Level of Administration judgement			
Specialist, Expert or Innovation Involvement	Excel Analytics will be used to perform journal entry testing.		

**Capital deposits - Revenue recognition**

<b>Fraud Risk</b>	Yes	<b>Analysis of risk</b>	<b>Planned audit response</b>
<b>Control Testing Planned</b>	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>
<b>Level of Administration judgement</b>			
<b>Specialist, Expert or Innovation Involvement</b>	Not applicable.		

**Tangible Capital Assets**

<b>Fraud Risk</b>	Yes	<b>Analysis of risk</b>	<b>Planned audit response</b>
<b>Control Testing Planned</b>	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>
<b>Level of Administration judgement</b>			
<b>Specialist, Expert or Innovation Involvement</b>	Not applicable.		

## Areas of focus

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

Analysis	Planned audit response
<ul style="list-style-type: none"> <li>Completeness and disclosure of the accounting for organizations included in the government reporting entity (related authorities or subsidiaries).</li> </ul>	<ul style="list-style-type: none"> <li>We will review The City’s accounting policies and any changes therein related to its related parties.</li> <li>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.</li> <li>We will audit all material balances relating to the related parties.</li> <li>We will apply audit procedures to entities identified by Administration in 2022 as possibly meeting the criteria for consolidation under PSAS guidance, if any.</li> </ul>

### Litigation accruals and contingencies

Analysis	Planned audit response
<ul style="list-style-type: none"> <li>Completeness and accuracy of claims and litigation matters of The City and its related authorities.</li> </ul>	<ul style="list-style-type: none"> <li>We will enquire with The City’s legal department and The City Solicitor to determine the status of outstanding legal matters.</li> <li>We will review legal correspondence from The City Solicitor and external legal counsel (if applicable) and discuss the status of outstanding legal matters with Administration and others, as necessary.</li> <li>We will assess the appropriateness of any contingent liabilities and financial statement disclosures.</li> </ul>

### 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 testing using data analytics on the property tax revenues for the year ending December 31, 2022.</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>

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### 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>

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### 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 are in accordance with PSAS guidance.</li> </ul>

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### 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 world events as result of the Russia-Ukraine conflict, 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 assess 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 are designed and implemented properly.</li> </ul>

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### Valuation of investments

Analysis	Planned audit response
<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 continuing world events, 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>

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# The City of Calgary realignment project

The City is currently in the deployment stage of the Realignment Program (the “realignment”) where the focus is to transition and operationalize the design of a new organizational design structure. The realignment is expected to impact the organizational structure of The City resulting in a significant impact to the consolidated audit of The City.

More specifically, the changes in underlying roles and responsibilities, processes and infrastructure will impact risk assessment, understanding and evaluation and testing of relevant controls, including IT controls, and design of our substantive audit procedures.

We understand that the realignment is a complex process which is being completed over many months. As a result, the plan below outlines our current understanding of the realignment based on discussions with Administration and information provided for our review. To the extent that Administration revises timelines, we will update our work plan accordingly. Due to the complex nature of the realignment, Administration has established critical reorganization milestones. There is a significant risk that any delays in meeting critical milestones could potentially impact the preparation of annual financial statements and the completion of the financial statement audit.

We will monitor our effort and cost throughout the scoping, assessment and implementation stages and provide fee estimates in a phased approach informed by Administration’s implementation plan and status progress. These changes are not only expected to have one-time, significant out of scope fees associated with the audit of initial implementation but are also expected to impact the continuing base audit fees once the changes are fully operational. At this time, we have not determined the impact to the continuing base audit fee and will work with Administration to develop this estimate as further information becomes available.

As of the mailing of this document, we have commenced our scoping procedures with respect to phase 1 below and anticipate out-of-scope fees related to this phase to be in the range of \$75,000 to \$150,000. Please refer to table below for summary of phases and fees:

<b>Phase and Planned Timing</b>	<b>Fees</b>
<b>Phase 1</b> – Understand initial realignment plan and initial scope of procedures (July to September 2022)	\$75,000 to \$150,000
<b>Phase 2</b> – Understand key processes and evaluate controls (October to November 2022)	TBD – fees will be presented at future meetings
<b>Phase 3</b> – Evaluate post-realignment IT controls (December 2022)	TBD – fees will be presented at future meetings
<b>Phase 4</b> – Audit completeness and accuracy of data transferred (November 2022)	TBD – fees will be presented at future meetings
<b>Phase 5</b> – Audit financial statement disclosures and evaluate sufficiency of opening balances, apply audit procedures to 2021 comparative figures (April 2023)	TBD – fees will be presented at future meetings
<b>Phase 6</b> – Audit of additional post-2022 transition impact (May 2023 and beyond)	TBD – fees will be presented at future meetings

## Planned audit procedures

### Phase 1 - Understand the realignment plan including mapping of changes, key areas of impact and vulnerabilities including people, processes and systems

We are currently in discussions with Administration to understand the scope and timing of the realignment. As of the mailing of this document, we have been provided a detailed realignment plan which provides an overview of critical milestones, formal test plan and outstanding activities.

As a part of our understanding of the realignment, we will perform the following:

- Understand changes to underlying processes including people, relevant controls, systems, charts of accounts, trial balances and financial statements by obtaining detailed process flows and descriptions from Administration and performing walk-throughs of key processes relevant to the audit.
- Evaluate Administration's use of third-party experts to the extent they are determined to be relevant to the realignment.
- Involve our audit, risk advisory and assurance professionals in understanding of key changes as result of the realignment to design further audit procedures.

As of the mailing of this document, we have commenced our scoping procedures with respect phase 1 and anticipate fees related to this phase to be in the range of \$75,000 to \$150,000.

### Phase 2 - Assess Administration's realignment plan, perform process walk-throughs of revised processes to identify potential risks of material misstatement and identify new controls to evaluate

- Evaluate design and evaluation of controls with respect to the conversion of data (both manual and system driven, to the extent applicable). Key controls with respect to conversion data are outlined below:
  - Controls that prevent inappropriate changes from being made to financial systems, application systems or programs that contain relevant automated controls (i.e., configurable settings, automated algorithms, automated calculations and automated data extraction) and/or report logic.
  - Controls that ensure data converted from legacy systems or previous versions introduces data errors to mitigate the risk that data transfers incomplete, redundant, obsolete or inaccurate data.
  - Users have access privileges beyond those necessary to perform their assigned duties, which may create improper segregation of duties.
- Evaluate the design and implementation of relevant manual controls pre-realignment and post-realignment in order to perform risk assessment procedures for the purposes of our audit; the evaluation of key controls is required for each material account balance, set of transactions and related disclosures.

The fees for this phase will be determined once phase 1 is complete.

### Phase 3 - Evaluate and assess operating effectiveness of underlying general IT controls ("GITCs") post-transition to ensure GITCs remain effective to preserve the planned audit approach

- Evaluate the design and implementation, and operating effectiveness of key IT controls with respect to IT system, database, operating system and network. Due to changes in department IDs, we anticipate significant changes in change management controls, access controls, user provisioning and modifications to certain system reports.

The fees for this phase will be determined once phases 1 and 2 are complete.

**Phase 4 - Evaluate the completeness and accuracy of the data transferred and the revised groupings in the chart of accounts for financial statement periodically.**

- Design substantive audit procedures to assess the completeness and accuracy of financial data post realignment to ensure the mapping, including 2021 financial statement comparatives, are materially stated. Our understanding is that financial data will be reclassified via manual journal entries for the period from January 1, 2022 to July 31, 2022, based on the anticipated conversion date of August 1, 2022, resulting in a potentially large population of entries to audit. Once we understand the population, we will perform risk assessment procedures to select which journal entries to test.
- Due to the realignment, we will be required to reassess our audit risks, perform design and evaluation assessments of key controls pre and post-realignment and potentially redesign our substantive audit approach and testing depending on the impact of the realignment to underlying segments and business units.
- As a result of the restatement of 2021 comparative figures we will reassess the sufficiency of our 2021 audit scope, including sample sizes determined in the 2021 audit based on restated segments of The City resulting from changes in groupings of underlying business units.

The fees for this phase will be determined once phases 1,2 and 3 are complete.

**Phase 5 - Assess the revised financial statement disclosures for completeness and accuracy, including comparatives, to understand key areas of impact.**

- We anticipate changes to the Consolidated Statement of Operations and Accumulated Surplus and related disclosures for expenses by function and segmented information.
- We will perform substantive audit procedures to ensure that disclosures in the financial statements are complete and accurate and reflect the realignment methodology for the 2022 and 2021 comparative periods.
- We will perform substantive audit procedures to ensure that the budget amounts disclosed in the financial statements for 2022 are materially stated.

The fees for this phase will be determined once phases 1,2, 3 and 4 are complete.

**Phase 6 - Audit of additional post-2022 transition impact**

Our understanding is that the realignment plan prioritizes the transition of certain processes, data and systems. Approximately 90 systems will be transitioned subsequent to the initial August 1, 2022 go-live date. As a result, additional audit procedures will be performed as those systems are transitioned and realignment steps completed.

The fees for this phase will be determined once we are able to assess the plan and phases 1 to 5 above are complete.

**Audit scope uncertainty**

Our proposed audit plan for the realignment and related fees are based on several assumptions. Circumstances may arise during the 2022 audit engagement that could significantly affect the scope, extent and timing of our audit procedures.

These circumstances may include, but are not limited to:

- A post-realignment deterioration in the quality of The City's accounting records or data issues encountered during the current year engagement compared to the prior year engagement.
- The identification of significant deficiencies in The City's internal controls post-realignment that require additional audit procedures not contemplated in the original audit plan.
- The identification, during our audit, of a significant level of proposed audit adjustments.
- The occurrence of significant new issues or changes, such as changes in The City's accounting personnel or their availability.

If any of these or similar such circumstances arise during the course of our audit, we will discuss them on a timely basis with Administration and provide the Audit Committee with a report regarding the impact on our audit at its next scheduled meeting. Matters that we consider to be significant and that may be sensitive from a reporting timing perspective will be communicated immediately to the Chair of the Audit Committee.

# Adoption of new accounting standards

As outlined in Appendix 7 there are five complex accounting standards that The City will be required to adopt effective January 1, 2023, specifically accounting standards related to financial instruments and asset retirement obligations:

- PS 1201, *Financial Statement Presentation*
- PS 2601, *Foreign Currency Translation*
- PS 3041, *Portfolio Investments*
- PS 3450, *Financial Instruments*
- PS 3280, *Asset Retirement Obligations*

Due to the complexity of these standards and impact on opening balances, our audit procedures will commence in 2022 and will continue into the fall of 2023, to align with Administration's timeline. The reason for these procedures being performed in 2022 and 2023 is to ensure that the standards are effectively adopted for January 1, 2023. Timelines below are tentative and will be adjusted based on Administration's implementation plan.

Adoption of the upcoming new accounting standards will lead to significant changes in underlying processes, controls and financial statement recognition, measurement and disclosure. Our audit is designed to assess the risks underpinning these changes and design appropriate audit procedures to satisfy ourselves that the financial statements are materially stated. Due to the complexity of these new standards and two-year implementation timeline, we will monitor our effort and cost throughout the scoping, assessment and implementation stages and provide fee estimates in a phased approach informed by Administration's implementation plan and status progress. These changes are not only expected to have one-time out of scope fees associated with the audit of initial implementation but are also expected to impact the continuing base audit fees once the changes are fully operational. These new standards will require The City to develop new relevant internal controls, including IT controls as required, annual monitoring with respect to adjustments and additional transactions that may arise, annual updates to estimates based on changes to underlying assumptions, continued disclosures and in the case of financial instruments, will also require an additional statement (statement of remeasurement gains and losses) to be presented each year in the consolidated financial statements. As a result, there will be additional procedures that will be performed as part of future audits impacting the audit scope and fees.

As of the mailing of this document, we have commenced our scoping procedures and anticipate fees related to this phase to be in the range of \$50,000 - \$70,000.

Phase	Fees
Phase 1 a) – Understand the scope and review Administration position papers (July - August 2022) Phase 1 b) Understand methodology and key assumptions (August - November 2022)	\$50,000 - \$70,000
Phase 2 – Evaluate design and implementation of key controls and perform substantive procedures on adjustments (May - June 2023)	TBD – fees will be presented at future meetings
Phase 3 – Evaluate system changes (July - September 2023)	TBD – fees will be presented at future meetings
Phase 4 – Perform substantive audit procedures on adjustments and related disclosures (March - April 2024)	TBD – fees will be presented at future meetings

## Planned audit procedures

### Phase 1 - Understand the scope of each standard, assess impact to financial statements, evaluate completeness of analysis and understand underlying assumptions.

#### a. Understand the scope of the standards effective for January 1, 2023

- We will continue to engage with Administration on their timeline for the implementation of the upcoming accounting standards.
- We will review and assess The City's analysis, including the methodology, assumptions and estimates, as the information becomes available to us.

#### b. Understand and evaluate the methodology applied by Administration and evaluate key assumptions

- As part of our understanding of The City, we will develop procedures to understand and evaluate Administration's process to adopt the new accounting standard, including key decisions and the results of the activities performed by Administration including, but not limited to, understanding and evaluating the following:
  - Administration's process to assess the impact of the new accounting standard by evaluating relevant contracts or transactions, performing a risk assessment and designing a plan to implement the new accounting standard (e.g., determining how to implement the new accounting standard, identifying information requirements, identifying new or modifying existing information systems, processes and internal controls used to gather and archive contracts or transactions data).
  - The City's project management plan that includes all relevant stakeholders (e.g., technical accounting, financial reporting, information technology and those charged with governance) and how Administration communicates with and updates relevant stakeholders throughout the implementation process.
  - How Administration identified underlying transactions, contracts, populations of contracts, remediation sites and financial instruments for assessment under the new accounting standard and evaluating whether a complete population was identified.
  - Whether The City has the appropriate technical expertise in the new standard (e.g., either internally or through use of outsourced service providers).
  - Administration's selection and application of the accounting principles of the new standard, including related disclosures. Administration is required to have a detailed understanding of its business including its key products and services, key provisions of contractual arrangements (and whether they can be oral or implied) and the extent to which contractual terms are standardized across the entity in order to determine how to apply the new accounting standard to its transactions.

- Significant management judgments and estimates required to apply the new accounting standard and the information used to develop new estimates.
- Changes to The City's policies, processes and internal controls, including accounting records and supporting information used to initiate, authorize, process and record transactions.
- Changes made to existing or development of new information technology systems used to capture and archive events, conditions, contracts and transaction data; develop new estimates and support new financial statement disclosures.
- Specific industry considerations.
- The elected method of transition (e.g., full retrospective versus modified retrospective, or prospective).
- Estimated impact to the financial statements and related disclosures.
- The City's process to monitor the results of the implementation by testing changes to the information system, testing the operating effectiveness of internal controls (if applicable) and addressing any issues identified during implementation.

As of the mailing of this document, we have commenced our scoping procedures with respect to phase 1 and anticipate fees related to this phase to be in the range of \$50,000 - \$70,000.

### **Phase 2 - Evaluate design and implementation of key controls.**

- We will design audit procedures to understand how controls affect the preparation of The City's financial statements, including understanding the design and implementation of relevant controls, which is critical to our risk assessment as ultimately the information obtained through these procedures provides audit evidence necessary to facilitate an appropriate identification and assessment of the risks of material misstatement ("RoMMs"), and design of further audit procedures responsive to the RoMMs. This understanding includes processes and relevant controls over both the determination of the accounting under the new accounting standard as well as the transition disclosures and adjustments.
- We will design audit procedures to understand how changes to The City's processes for the implementation of a new accounting standard affects one or more components of internal control (i.e., control environment, risk assessment, control activities, information and communication, monitoring activities).

The fees for this phase will be determined once phase 1 is complete.

### **Phase 3 - Evaluate changes to information systems and supporting infrastructure.**

- As part of our understanding of internal control, we will obtain an understanding of the information systems impacted by the adoption of a new accounting standard. Information systems will often play an important role in capturing information used to initiate, authorize, process and record transactions, as well as in generating information used to develop estimates and in new required disclosures. Further, during the transition period of adopting a new accounting standard, an entity may use spreadsheets or other temporary manual processes until automated processes and controls are implemented. These short-term manual processes may present different or greater RoMMs than automated processes subject to effective general information technology controls.

The fees for this phase will be determined once phases 1 and 2 are complete.



**Phase 4 – Perform substantive audit testing of adjustments and related disclosures.**

- After obtaining an understanding of how The City applied the new accounting standard, we may identify and evaluate differences in the accounting of The City's transactions between the legacy and new accounting standards to identify and assess RoMMs related to the implementation of the new accounting standard. New accounting standards, such as the new financial instrument and asset retirement obligation standard, may require a new model of accounting, thus risk assessment procedures are dependent upon understanding the new accounting model. Understanding the differences in accounting for the entity's transactions as a result of adopting a new accounting standard may assist in tailoring the RoMMs and designing further audit procedures.
- We will design substantive audit procedures to audit the adjustments and related disclosures for the purposes of the January 1, 2023 opening amounts and disclosures in the financial statements.

The fees for this phase will be determined once phases 1, 2 and 3 are complete.

# Appendix 1 – Audit approach

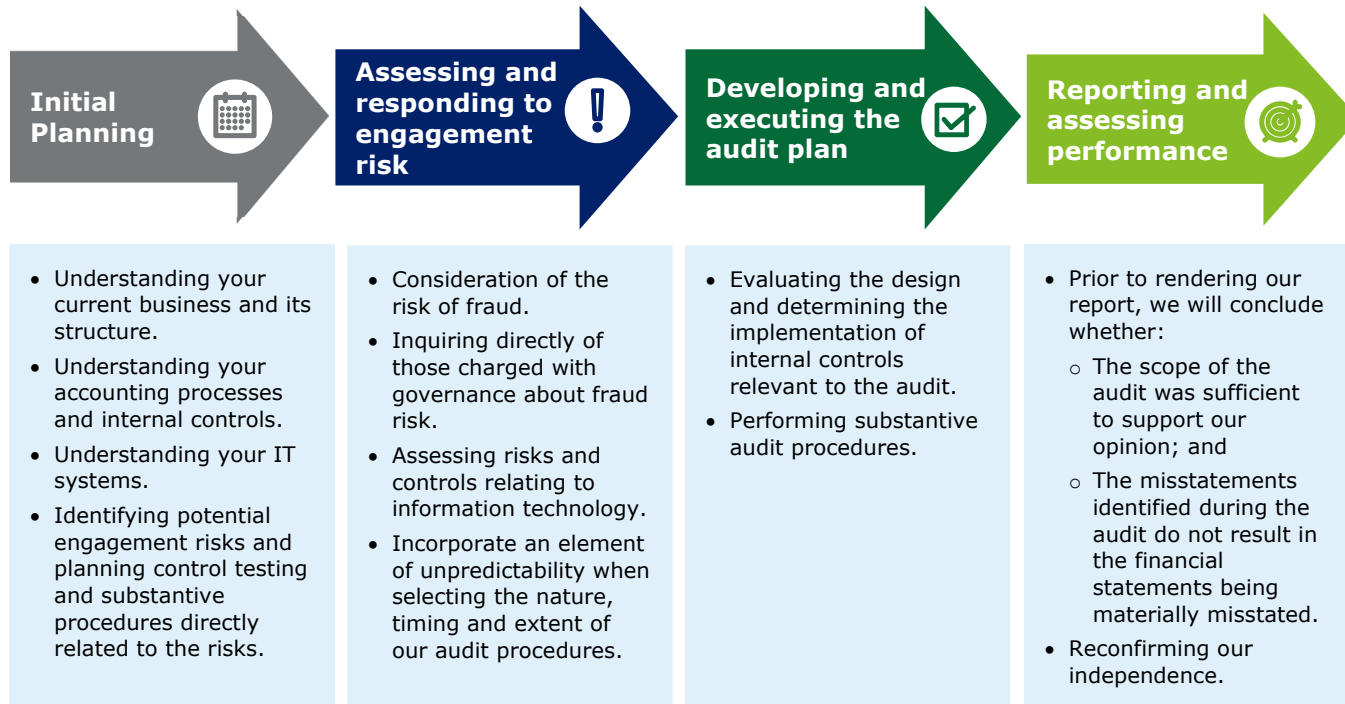
Deloitte’s audit approach is a systematic methodology that enables us to tailor our audit scope and plan to address the unique issues facing The City.



## 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 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.

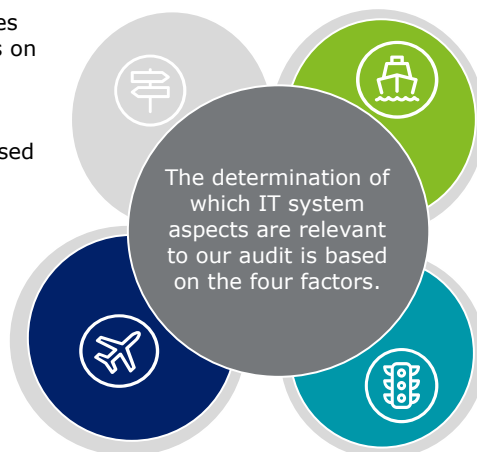
**Factor #2 Automated Controls**


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>
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### Focus area

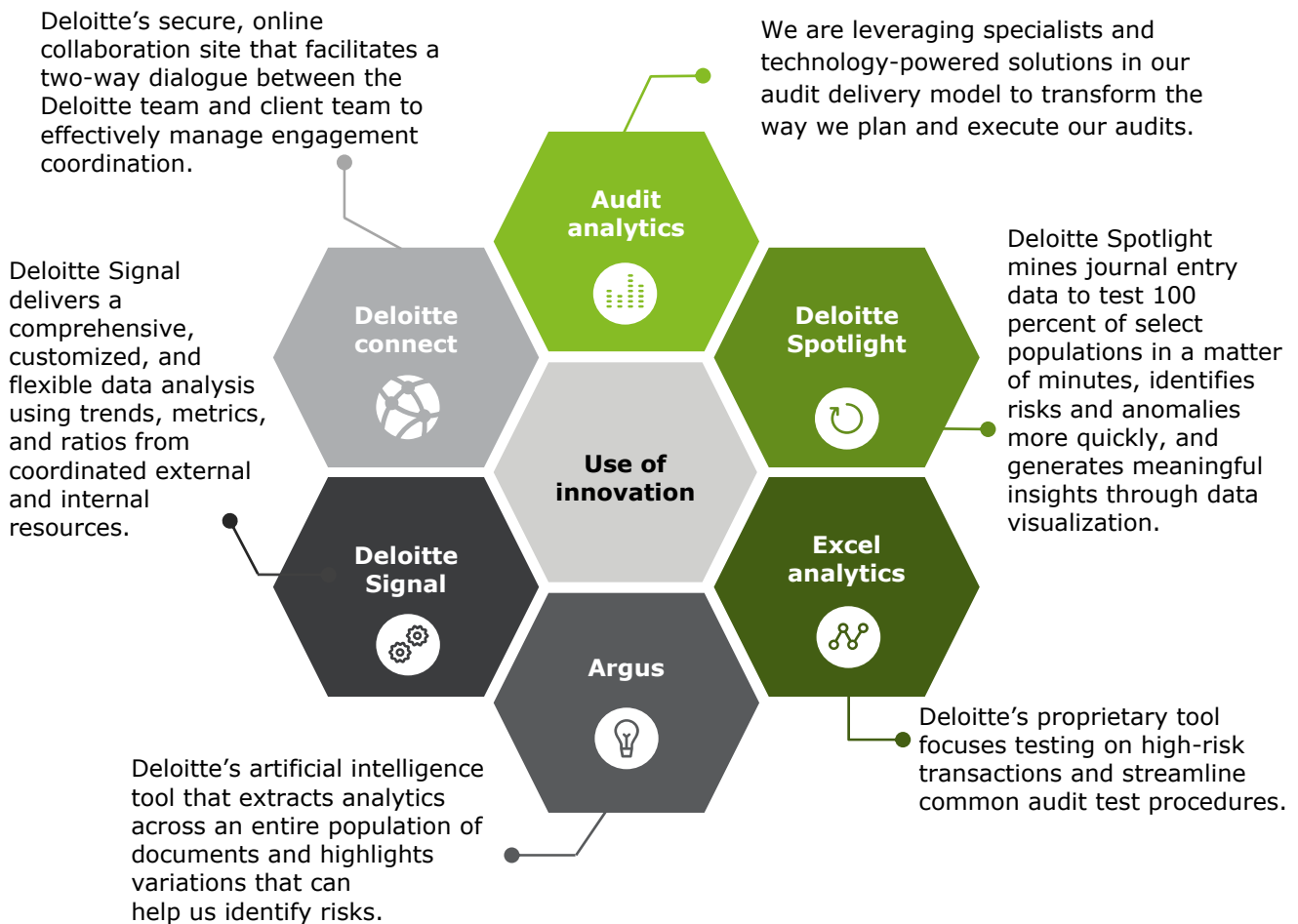
<b>Processes</b>	<ul style="list-style-type: none"> <li>• <b>Optimizing interim</b> - Proactively shift work forward from peak periods to our interim visits, including audit planning, assessing the design and implementation of internal controls and substantive testing of expenditures, payroll, TCA additions 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 FY2022 audit.</li> </ul>

Deloitte is transforming the audit by leveraging new technologies, using data analytics and improving the audit delivery process in response to the needs of our clients and the ever-changing environment. We are boldly shaping a long-term transformative path and redefining the audit service delivery model.

Deloitte has a variety of automated, proprietary tools that we can utilize in our audit. We would like to work with Administration to increase the use of these tools to achieve a more analytic driven, automated audit process.

Deloitte Spotlight is an integrated analytics application that leverages analytical data techniques to effectively test large volumes of journal entry data, in order to uncover unusual trends, patterns or anomalies in The City journal entries.

Deloitte Argus is a web-based application that leverages artificial intelligence to extract and visualize key information from electronic documents. The documents are then stored and used to sharpen the focus of future selections and testing. The adaptive capabilities of Deloitte Argus significantly streamline the review of legal and regulatory documents and other standard contracts.



# 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 2021 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:	2022 <sup>1</sup>	2021 <sup>1</sup>
The City of Calgary consolidated financial statement audit <sup>2</sup>	\$361,080	\$291,610
Municipal Information Return	\$4,690	\$4,640
Funds Held in Trust Audit	\$1,825	\$1,810
Procedures with respect to The City realignment <sup>3</sup>	<u>TBD</u>	-
Procedures with respect to adoption of new accounting standards <sup>4</sup>	<u>TBD</u>	-
Additional audit or non-audit services as requested by the Audit Committee up to \$50,000 annually (paragraph 5(f)(i) of Audit Committee by-law 33M2020) <sup>2</sup>	\$50,000	\$50,000
<b>Total</b>	<b>\$417,595</b>	<b>\$348,060</b>

<sup>1</sup> These fees are subject to a 7% administrative charge and applicable GST and reflect a 1% contractual annual increase.

<sup>2</sup> The base audit fees have been adjusted to reflect a change in operations whereby the Calgary Parking Authority ("CPA") is included within the consolidated results of The City. Certain procedures, namely related to the preparation of separate financial statements with respect to the CPA are no longer required resulting in \$66,550 of the previously agreed upon base fee for CPA's standalone audit being reallocated to The City consolidated financial statement audit fee.

<sup>3</sup> The City is currently undergoing a comprehensive realignment exercise that is anticipated to have a significant impact on the consolidated financial statement audit. As of the mailing of this document, we are in the processes of determining the scope of additional effort required and will provide an update once we receive the information that we require to complete our assessment. The realignment will also result in a change to the base audit fee on a continuing basis. Please refer to The City of Calgary realignment project section on pages 7 to 10 of this report for more information.

<sup>4</sup> The City is in the process of adopting a number of new accounting standards, as outlined in Appendix 7 of this document, which are expected to have a significant impact on recognition, measurement and disclosure of specific amounts and transactions in the consolidated financial statements. We are currently in the process of determining the scope of additional effort required with respect to auditing the implementation and adoption of these standards. Please refer to the Adoption of new accounting standards section on page 11 of this report for more information.

# Appendix 3 – Related parties and other audits

Summary of engagement timing and estimated fees for the year ending December 31, 2022. 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 2022 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 2022 base audit fee**	2021 base audit fee**
The City of Calgary consolidated	City of Calgary Audit Committee	April 2023	\$294,530	\$291,610
Calgary Municipal Land Corporation	Calgary Municipal Land Corporation Audit Committee	April 2023	\$77,520	\$76,760
Calgary Parking Authority***	Calgary Parking Authority Audit Committee	March 2023	\$66,550	\$86,550
Calgary Public Library	Calgary Public Library Finance and Audit Committee	March 2023	\$41,310	\$40,900
Calhome Properties Ltd.	Calhome Properties Ltd. Audit Committee	March 2023	\$85,800	\$84,950
Calgary Police Service	Calgary Police Commission	May 2023*	\$51,510	\$51,000
TELUS Convention Centre	TELUS Convention Centre Audit Committee	May 2023*	\$43,180	\$42,750
ENMAX Corporation	ENMAX Audit Committee	March 2023	\$373,870	\$370,165
Elected Officials Pension Plan	Pension Governance Committee	May 2023	\$7,650	\$7,575
Supplementary Pension Plan	Pension Governance Committee	May 2023	\$14,380	\$14,240
Municipal Employees Benefits Association of Calgary	Executive Committee of Municipal Employees Benefits Association of Calgary	May 2023	\$28,580	\$28,300
Family & Community Support Services	City of Calgary Administration	April 2023	\$20,700	\$20,500
Municipal Information Return	City of Calgary Administration	April 2023	\$4,690	\$4,640
Funds Held in Trust	City of Calgary Administration	April 2023	\$1,825	\$1,810
Core Benefit Plan	City of Calgary Administration	2023	\$-	\$-
<b>Total</b>			<b>\$1,112,095</b>	<b>\$1,121,750</b>

\*Fieldwork will be completed by March 2023.

\*\*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 and operational changes which may impact the audit effort and final fees. The fees are subject to 7% Administrative charge and GST.

\*\*\* Effective January 1, 2022, the Calgary Parking Authority ("CPA") is no longer a related authority, and its operations are reflected in the consolidated results of The City. As such, a separate audit is not required. As a result of this, \$66,550 of the previously agreed upon fee applicable to the CPA's standalone audit has been included in The City base audit fee reflecting procedures which will be completed at the consolidated level. We except the effort and the associated fee with respect to the CPA to reduce once the transition activities are complete and the CPA is fully integrated into the Mobility business unit.

### **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.

<b>Required communication</b>
<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</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 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 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>Lead 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>Sanjeev Rajani</b> <a href="mailto:srajani@deloitte.ca">srajani@deloitte.ca</a> +1 (780) 421-3724	<b>Audit Manager</b>	<b>Simona Milojevik</b> <a href="mailto:smilojevik@deloitte.ca">smilojevik@deloitte.ca</a> +1 (780) 401-3924

## Advisory

<b>Advisory Partner</b>	<b>Nicole Torgrimson</b> <a href="mailto:ntogrimson@deloitte.ca">ntogrimson@deloitte.ca</a> +1 (403) 267-1767
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## 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>Risk Advisory (IT) Director</b>	<b>Neeraj Kumar</b> <a href="mailto:neekumar@deloitte.ca">neekumar@deloitte.ca</a> +1 (403) 219-4639
<b>Risk Advisory (IT) Manager</b>	<b>Berenice Rosales Amezcua</b> <a href="mailto:berosales@deloitte.ca">berosales@deloitte.ca</a> +1 (416) 643-6925		

# Appendix 6 – 2022 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 2022: 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 2022: 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 2021 Management Letter							•					
Present External Auditor 2022 Management Letter												•

# Appendix 7 – New and revised accounting standards

The following is a summary of certain new standards, amendments and proposals that will become effective in 2022 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.	It is effective for (i) government organizations for fiscal years beginning on or after April 1, 2012; and (ii) governments for fiscal years beginning on or after April 1, 2019. Earlier adoption is permitted. The amendments to the effective date for governments are for fiscal years beginning on or after April 1, 2022. The amendments regarding purchased intangibles are for fiscal years beginning on or after April 1, 2023. Earlier application permitted. The amendments are effective for fiscal years beginning on or after April 1, 2022, with earlier application permitted. Transitional provisions have also been introduced in Section PS 2601.
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 (i) Government organizations – April 1, 2012; and (ii) Governments – April 1, 2021. The amendments are effective for fiscal years beginning on or after April 1, 2022, earlier adoption is permitted. The amendments are effective for fiscal years beginning on or after April 1, 2022, with earlier application permitted. Transitional provisions have also been introduced in Section PS 2601.

Title	Description	Effective Date
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, Foreign Currency Translation, and Section PS 3450, Financial Instruments, are adopted. The transitional provisions have been amended to extend the effective date for governments by two years to fiscal years beginning on or after April 1, 2021. Earlier adoption is permitted. The amendments are effective for fiscal years beginning on or after April 1, 2022, earlier adoption is permitted.
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 April 1, 2022, earlier application 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 April 1, 2023, earlier application is permitted.
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.	Effective (i) Government organizations – April 1, 2012; and (ii) Governments – April 1, 2021. The amendments are effective for fiscal years beginning on or after April 1, 2022, earlier adoption is permitted. The amendments are effective for fiscal years beginning on or after April 1, 2022, with earlier application permitted. Transitional provisions have also been introduced in Section PS 2601.
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.

Title	Description	Effective Date
Section PS 1150, <i>Generally accepted accounting principles</i>	This Section establishes standards for financial reporting in accordance with generally accepted accounting principles, describes what constitutes generally accepted accounting principles, and their sources and provides guidance on sources to consult when selecting accounting policies and determining appropriate disclosures, when a matter is not dealt with explicitly in the primary sources of generally accepted accounting principles.	Effective April 1, 2005. The amendments are effective for fiscal years beginning on or after April 1, 2022.
Section PS 3160, <i>Public Private Partnerships</i>	This Section establishes standards on how to account for public private partnership arrangements.	This Section applies to fiscal years beginning on or after April 1, 2023. Early adoption is encouraged.

# Appendix 8 – Draft confirmation of changes letter

July 21, 2022

## **Private and confidential**

The Audit Committee of The City of Calgary  
Councillor Richard Pootmans, 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, 2022</i>	
Consolidated financial statement audit	\$294,530
Municipal Information Return	\$4,690
Funds Held in Trust audit	\$1,825
Procedures with respect to The City realignment*	TBD
Procedures with respect to adoption of new accounting standards*	TBD
Additional audit and non-audit services as requested by the Audit Committee up to approval limit of \$50,000 annually	\$50,000
<b>Total</b>	<b>\$351,045</b>

\*The fees for these services will be determined based on level of effort required as our understanding of the impact to the financial statements is refined. We expect that these fees will be communicated to Administration and the Audit Committee in a phased approach which aligns with Administration’s implementation timeline.

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 2022.

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:

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Signature

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Title