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Calgary Parking Authority Annual Report & Risk Management Processes

2014 May 15

Agenda

- CPA Audit Committee terms of reference
- 2014 work plan
- Internal control environment
- Integrated risk management
- External audit findings
- Financial highlights
- Governance practice enhancement status
- Summary



Attachments to Report

- Terms of Reference for CPA Audit Committee and CPA Governance Committee
- 2014 Work Plan for CPA Audit Committee
- Internal control environment and risk management processes
- Deloitte LLP 2013 Service Audit Plan
- Deloitte LLP 2013 Audit Results & Communications
- 2013 Financial Statements



CPA Audit Committee



Terms of Reference



- Reports to the CPA Board
- Comprised of three CPA Board Members
 - The City's Chief Financial Officer or designate is the chairman of the CPA Audit Committee
- Meets at least quarterly
- Election to Audit Committee conducted annually
- Functions:
 - Oversee external auditor's services
 - Oversee the integrity of CPA's financial statements



Audit Committee members' bio



Eric Sawyer

- Chief Financial Officer at The City of Calgary
- Finance functions includes multi-year planning, budgeting, reporting, treasury, taxation, regulatory affairs, long-term financial strategy, supply chain management and long-term financial strategy, policy and advisory support to the entire organization
- Serves on numerous boards and committees within The City
- Member of the Government Financial Officer's Association International Executive Board
- Bachelor of Commerce degree, MBA in finance from the University of Toronto



Audit Committee members' bio



David Yung

- Senior Manager, Audit at KPMG in Canada
- Manages a portfolio of clients including publicly-listed and private, mainly in the oil and gas industry
- IFRS conversion projects
- Planning and execution of audit engagements
- Chartered accountant, Masters of Art, Economics from the University of Toronto



Audit Committee members' bio



Ginny MacDonald

- Vice President Corporate, Bow City Power Ltd, developing power generation in Alberta & President, MMCI Ltd., a business consultancy firm.
- Current boards - Bow City Power Ltd. & on CPA as the Chair of the Governance & Chair of the IP/ParkPlus Committees & sits on Audit, Strategic Assets & Long Term Strategy Committees.
- Core competencies; Corporate Governance & Effective Risk Management, Strategic Thinking & Business Planning, Market Identification - Penetration & Development, Senior Level Organizational Mentoring & Leadership
- Member of the Institute of Corporate Directors
- BSC, MBA, ICD.D



2014 Work Plan



1st Quarter:

- Review Audit Committee terms of reference
- Review work plan
- Review 2013 audited financial statements
- Provide results of annual audit and report to CPA Board
- Evaluate performance of external auditor

2nd Quarter:

- Assessment of internal control environment of CPA
- Annual Governance Status report to the City's Audit Committee



2014 Work Plan (cont'd)



3rd Quarter:

- Recommend appointment/re-appointment of external auditor for 2014 audit
- Assess risk management at CPA
- Review any outstanding management letter points

4th Quarter:

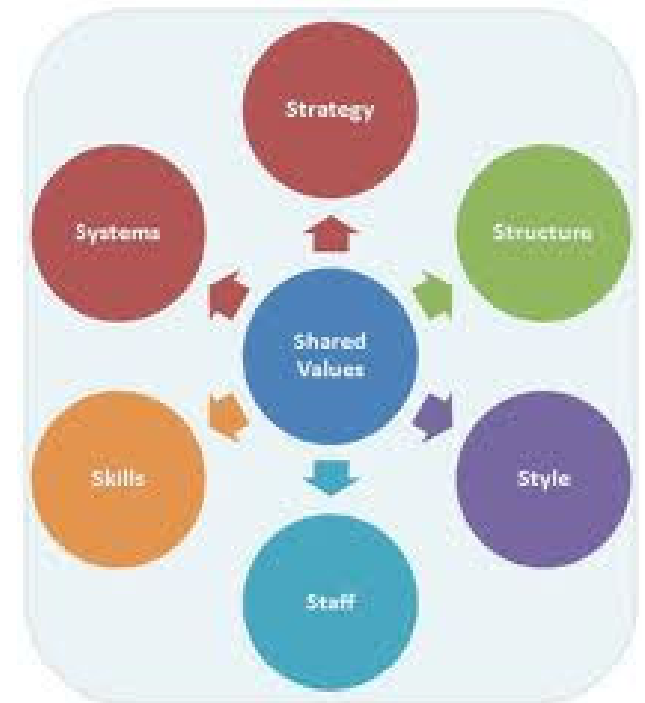
- Review and approve 2014 audit scope, plan and issue appointment letter
- Identify areas requiring special attention



Internal Control Environment

Control Environment

- CPA's governance structure
- CPA Audit Committee Terms of Reference
- Culture and operating practices
- Code of Conduct
- Policies promote values and behavioral standards
- Regular assessments
- Review of financial policies
- Processes ensure adherence to procedures



Internal Control Environment

Control Environment

- COSO (Committee of Sponsoring Organization) updated framework
- Five components of internal control still applicable
 - ✓ Control environment, risk assessment, control activities, information & communication, monitoring activities
- 17 principles, areas of focus



Integrated Risk Management

- Key component of internal control at CPA
- Oversee the identification, assessment, and management of risk
- Assess existing risk management practices
- Formalized risk policy, a risk tolerance statement and risk parameters
- Ensure CPA Administration continuously improves management of risk





Calgary Parking Authority Risk Register	Risk Rating (Impact - Likelihood)	Required Action
<ul style="list-style-type: none"> Disruption of computer services and network Loss of land holdings through integration or expropriation 	H-M	Must manage and monitor risks
<ul style="list-style-type: none"> IP ParkPlus marketing On-street pricing policy Property and business tax variance 	M-H	Management effort required
<ul style="list-style-type: none"> Vendor paymachines software and hardware issues Catastrophic infrastructure damage Structural failure in parkade – lifecycle not maintained Cost escalation of new facility at the Impound Lot PCI standards compliance Security breach of personal information Loss or violation of electronic data Parking demand reduction 	H-L	Contingency – back up plan required
<ul style="list-style-type: none"> IP ParkPlus patent monetization Knowledge transfer for key positions Vendor supply over dependency Loss revenues from special permits and exemptions 	M-M	Management effort worthwhile
<ul style="list-style-type: none"> No formal disaster recovery for the Impound Lot and Enforcement systems No firm CPA governance model Impound Lot auction and disposal process Revenue control system technology risk Collective bargaining Downloading of fees from the Province 	M-L	Risks may be worth accepting with monitoring
<ul style="list-style-type: none"> Lack of long-term strategic plan 	L-M	Accept, but monitor risks
<ul style="list-style-type: none"> Surface lots and on-street with net revenue loss 	L-L	Accept risks



External Audit Findings

- Deloitte & Touche issued CPA an unqualified audit report for 2013
- No significant weaknesses in internal controls were identified



Financial Statements

- Income statement
- Balance sheet
- Cash flow statement



Financial Highlights – Income Statement

(in \$000's)	<u>2013</u> <u>(IFRS)</u>	<u>2012</u> <u>(IFRS)</u>
Revenue	\$83,269	\$79,680
Expenditure	(55,922)	(51,977)
	<hr/>	
Net income/ (loss)	27,347	27,703



Financial Highlights – Balance Sheet

(in \$000's)	<u>2013</u> <u>(IFRS)</u>	<u>2012</u> <u>(IFRS)</u>
Current Assets	\$ 58,475	\$ 48,374
Long-term Assets	510,768	511,928
Total Assets	569,243	560,302
Current Liabilities	(11,211)	(7,745)
Long-term Liabilities	(10,116)	(10,706)
Total Liabilities	(21,327)	(18,451)
Retained Earnings	547,916	541,851
Unrealized Gain/(Loss)	2,128	1,589



Financial Highlights – Cash Flow Statement

(in \$000's)	<u>2013</u> <u>(IFRS)</u>	<u>2012</u> <u>(IFRS)</u>
Net Income	\$ 27,347	\$ 27,703
Add back: non-cash items	19,428	17,035
Subtotal	46,775	44,738
Cash Disbursements:		
- Distribution to The City of Calgary	(21,821)	(24,088)
- Capital Expenditures	(10,641)	(2,220)
- Investments	(3,368)	(3,950)
- Debt repayment	(1,101)	(1,050)
- Proceeds from disposals & provisions	71	62
Subtotal	(36,860)	(31,246)
Net increase in cash	9,915	13,492
Cash, beginning of year	46,202	32,710
Cash, end of year	56,117	46,202



Governance Practice Enhancement Status

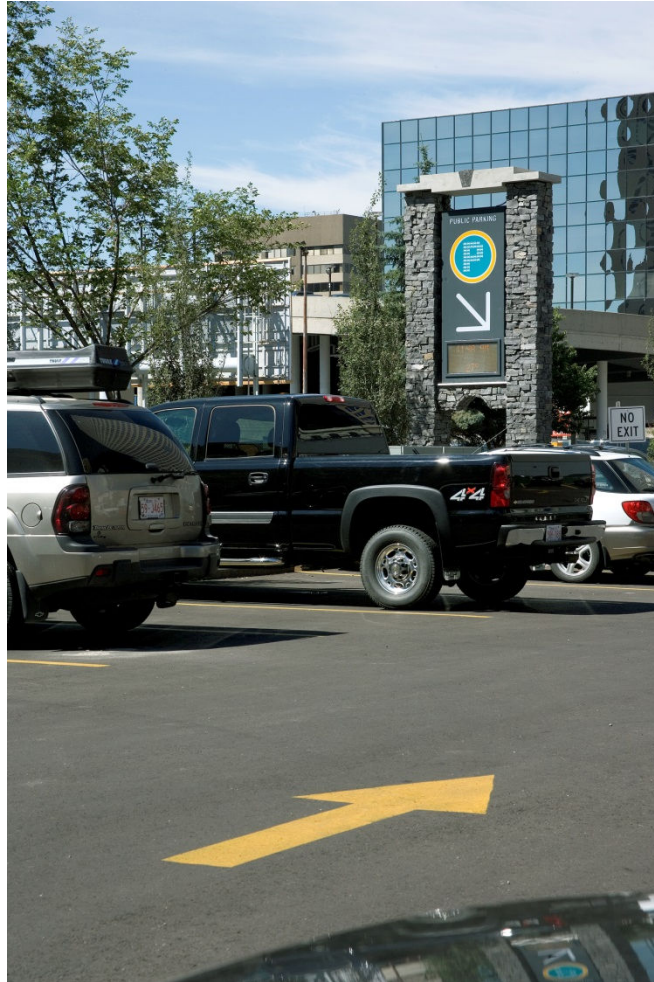
- External consultant study on governance of CPA
- Continuous improvement
- Governance Committee
- Strategic Asset Advisory Committee (SAAC)
- IP ParkPlus Committee
- PCI compliance
- Customer service metrics



Summary

- Integrated risk management
- Tracking performance measures
- Staff training
- Ongoing monitoring
- Communication with auditors
- 2013 audit report
- Deliver effective customer service





Thank You!

