



Calgary Parking Authority

2013 Audit Service Plan



For the year ending December 31, 2013
Presented to the Audit Committee
December 10, 2013



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December 5, 2013

To the Chairman and Members of the Audit Committee of Calgary Parking Authority

Dear Audit Committee Members:

We are pleased to present our audit service plan for Calgary Parking Authority ("CPA" or the "Authority") for the year ending December 31, 2013. This plan describes the Deloitte LLP ("Deloitte") audit plan. It also describes how our team will seek to create value for your organization.

Our engagement is to perform an audit of CPA's financial statements as at and for the year ending December 31, 2013 prepared in accordance with International Financial Reporting Standards ("IFRS") (the "Financial Statements") and conducted in accordance with Canadian Generally Accepted Auditing Standards ("Canadian GAAS").

Our responsibilities under Canadian GAAS are described in more detail in our audit engagement letter dated December 10, 2013.

We are proud of our relationship with the Authority. Our objective at Deloitte is to set the standard of excellence and our team is committed to providing an efficient, high-quality audit. We recognize and are sensitive to your expectations regarding cost management and quality. We will focus our efforts on higher risk areas and coordinate our activities with management and make every effort to achieve audit efficiencies.

We are providing this audit service plan to the Audit Committee (the "Committee") on a confidential basis. It is intended solely for the use of the Committee and the Board of Directors to assist them in discharging their responsibilities with respect to the Financial Statements 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,

A handwritten signature in blue ink that reads "Deloitte LLP".

Chartered Accountants

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Executive summary

As your auditor, Deloitte will provide you with more than an opinion on your Financial Statements. We will be diligent about our independence and exercise our professional responsibilities in an efficient and effective manner.

The Deloitte audit approach adheres to applicable professional auditing standards and, is risk-based and tailored to address the risks to financial reporting – the audit risks. Our audit approach involves consideration of the following:

Audit service plan – Key elements

Audit scope	The audit planning and the preliminary risk assessment activities we conduct enable us to set the scope of our audit and to design procedures tailored to that scope. The scope of this audit will include a full-scope audit as discussed in our detailed plan.
Materiality	<p>Materiality is the magnitude of misstatements, including omissions, in the Financial Statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the financial statement users. Judgments about materiality are made in the light of surrounding circumstances, and are affected by our perception of the information needs of the financial statement users, and by the size or nature of a misstatement, or a combination of both. We are responsible for providing reasonable assurance that your Financial Statements as a whole are free from material misstatement.</p> <p>Materiality levels are determined on the basis of total revenue. Our preliminary estimate of materiality for the year ending December 31, 2013 is \$2,100,000 (2012 - \$1,800,000).</p> <p>We will report to the Committee all uncorrected misstatements greater than a clearly trivial amount of \$105,000, (2012 - \$90,000) and any misstatements that are, in our judgment, qualitatively material. In accordance with Canadian GAAS, we will request that misstatements, if any, be corrected.</p>
Audit risks	<p>Our audit scope reflects the risks that we have identified at the Authority and our planned audit response to them.</p> <p>The more significant of the risks that we identified as part of our strategic audit planning activities include:</p> <ul style="list-style-type: none">• Revenue recognition and management override of controls• Valuation of property and equipment (significant damage to the Civic Plaza Parkade due to the 2013 flood) including completeness of impairment, capitalization versus expenditure of repairs and appropriate accounting of revenue from the related insurance proceeds• Valuation of long-term investments (relating to the Parking Structure Replacement Reserve and Cash-in-Lieu Deposits) <p>These significant areas of risk, together with our planned audit response, are set out in the body of this report.</p>

Internal control matters	<p>We will obtain an understanding of internal control relevant to the audit. Although most controls relevant to the audit are likely to relate to financial reporting, not all such controls are relevant to the audit. It is a matter of professional judgment whether a control, individually or in combination with others, is relevant to the audit.</p> <p>We will communicate in writing significant deficiencies in internal control identified during the audit to the Committee on a timely basis.</p>
Use of the work of experts	<p>Our audit engagement partners are supported with online resources as well as practice office and National Office experts who assist them with more complex technical, accounting, auditing and reporting issues.</p>
Audit team	<p>The engagement team that will serve CPA provides a balance of continuity among existing members with knowledge of and experience with your organization and new members who will provide fresh perspectives and insights.</p> <p>The key audit team members serving CPA are set out later in this document.</p> <p>Our team also includes high-quality technical specialists and other professionals. We are committed to continuing to serve CPA with quality and distinction.</p>
Engagement letter	<p>The terms and conditions of our engagement are included in the engagement letter, which is to be signed on behalf of Board of Directors and will be forwarded to the Chair of the Committee.</p>
Complete engagement reporting	<p>Upon the satisfactory completion of our audit, we will provide you with an audit report on your Financial Statements.</p> <p>We will also provide reports to the Committee to assist it in fulfilling its responsibilities, as required by applicable auditing standards. Appendix 2 summarizes the required communications between Deloitte and the Committee.</p>
Other matters	
Audit fees	<p>We propose audit fees of \$79,000 (2012 - \$80,000). In addition to the audit fee, we propose an additional amount of \$5,000 (2012 - \$5,000) to perform audit procedures on the adjustments required to reconcile the financial statements of the Authority from IFRS to Public Sector accounting standards (PSAS). An analysis of these fees is included in our detailed audit plan.</p> <p>Additional work related to audit procedures due to 2013 flood-related financial reporting matters will result in additional fees which are to be analyzed and finalized at the completion of the audit. Such additional fee amount is not expected to be greater than \$3,000.</p> <p>Our objective is to conduct an efficient audit in accordance with Canadian GAAS. The time we have estimated for our audit assumes an optimum level of assistance from CPA staff and our commitment to fulfill our professional responsibilities and duties in an efficient manner. We have carefully considered all elements included within our audit plan and confirm that, in our judgment, all such procedures are appropriate and in line with Canadian GAAS.</p>
Independence	<p>We have developed important safeguards and procedures to protect our independence and objectivity.</p> <p>We are independent of CPA and we will reconfirm our independence in our final report to the Committee.</p>
Management representations	<p>We will obtain written and oral representations from management to complement our audit procedures. These representations are intended to confirm the information that is provided to us and reduce the possibility of misunderstanding.</p> <p>We will provide the Committee with a copy of the written representations to be provided by management in our final report.</p>

New financial reporting standards

We have included, in Appendix 4, the Deloitte Standard-setting Activities Digest, which summarizes the standards (both finalized and in development) that we believe are particularly relevant to CPA.

Significant new financial reporting standards and other regulatory requirements that are likely to impact CPA's financial reporting for the current and future audits are:

- IFRS 13, *Fair Value Measurement*
- Post-employment Benefits (Amendment to International Accounting Standard (IAS) 19, *Employee Benefits*)

Client service commitment

Deloitte's client service principles are designed to help us exceed the expectations of management and the Committee. These principles are our framework for providing guidance to members of our engagement team and identifying our clients' unique preferences regarding the ways they want to work with us. Our client service commitments to serve CPA have been developed together with management and are presented in the body of this report.

We have also provided management and the Committee with access, through a specially designed portal, to Deloitte's knowledge and other value-added resources. Our resources, designed to provide you with valuable insights and support an efficient audit are presented in Appendix 3.

We are prepared to provide other assistance regarding CPA's needs that may be required, if appropriate given our professional responsibilities.

As part of our client service commitment to you, we have developed a communication timetable that depicts our action plan to deliver outstanding client service. The timetable identifies the meetings required to support both the efficient and effective execution of our audit processes and deliver additional benefits through the audit relationship. The timetable is presented in Appendix 2.

Audit scope

Designed to obtain reasonable assurance and address the risks of material misstatements.

An audit is designed to search for potential misstatements that, individually or collectively, are material. This is done by determining a specific threshold for each engagement and considering other qualitative factors. The threshold amount is also used to evaluate the significance of uncorrected misstatements.

Compliance with IFRS

The audit enables us to express an opinion on whether the Financial Statements are prepared, in all material respects, in accordance with IFRS. The audit also includes evaluating the appropriateness of accounting policies and the reasonableness of accounting estimates made by management, and evaluating the overall presentation of the Financial Statements. Our report on the Financial Statements and communications required by Canadian GAAS will be in accordance with our findings.

Materiality

Our overall materiality level is used in our assessment of significant accounts where audit effort is necessary and is based on the consolidated results of operations for CPA. Our materiality for planning and determining the audit scope for 2013 has been initially set at \$2,100,000 (2012 - \$1,800,000). We will design our work so as to consider material items appropriately and to detect potential adjustments that, individually or in combination with others, would be material to the Financial Statements. In accordance with Canadian GAAS, we will request the correction of any misstatements.

If the amount of uncorrected misstatements detected when conducting our audit exceeds that which we anticipated when we planned the audit, we may need to revise the scope of our audit. Should such a situation arise, we will discuss the matter with management on a timely basis in order to agree upon the appropriate course of action.

Risk assessment

We compile information from a variety of sources, including discussions with management and the Committee, to identify risks to CPA's financial reporting process that may require attention. Our preliminary risk assessment took into account:

- key business developments and transactions (internal and external);
- current business, regulatory and accounting pronouncements and developments;
- key management strategies and business plans;
- prior years' audit results; and
- areas of significant judgment and risk.

Our audit planning activities and our preliminary identification of audit risks enables us to set the scope of our audit and to design audit procedures tailored to the identified risks to financial reporting. The table below sets out the more significant risks to financial reporting that we have identified, with management's support, during our preliminary planning activities. The table also

The results of our audit planning and risk assessment drive the scope and timing of the auditing procedures.

includes 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 CPA.

Significant areas of audit risk	Our proposed audit response
Revenue recognition	<p>Professional auditing standards require us to presume revenue recognition to be a risk of material misstatement due to fraud.</p> <p>There is a risk that revenues are misstated as revenue may be recorded inappropriately.</p> <p>We will make selections and perform tests of detail to ensure revenue was recognized appropriately for each revenue stream.</p> <p>We will also perform analytical procedures to assess the completeness of revenue.</p>
Valuation of property and equipment (with significant damage to the Civic Plaza Parkade due to the 2013 flood) including completeness of impairments, capitalization versus expenditure of repairs and appropriate accounting of revenue recognition from the related insurance proceeds	<p>The 2013 flood significantly impacted the Civic Plaza Parkade. As the assets were damaged, this has resulted in an impairment of their value on the financial statements.</p> <p>Accordingly, we will review the write down of these assets to test that the write downs are complete and appropriate.</p> <p>We will also review a sample of expenditures relating to the repair of assets (if any) to ensure that these costs have been appropriately capitalized or expensed.</p> <p>Finally, we will review the recognition of insurance proceeds revenue based on the terms of the insurance proceed stipulations to test that this revenue has been recorded in the correct period.</p>
Valuation of long-term investments (relating to the Parking Structure Replacement Reserve and Cash-in-Lieu Deposits)	<p>The fair value of long-term investments is based on inputs other than quoted market prices and therefore, may include a number of valuation techniques.</p> <p>We will review and perform procedures to assess the reasonableness and appropriateness of the fair value of long-term investments, including the valuation techniques and inputs used.</p>
Management override of controls	<p>Professional auditing standards also require us to presume management override of controls to be a risk of material misstatement due to fraud. This is considered a low risk at the Authority due to the nature of the entity.</p> <p>To test the risk of management override of controls, we will complete journal entry testing to ensure that fraudulent entries have not been made. In addition, we will complete testing of internal controls relating to various financial line items and assess significant management estimates for reasonableness.</p>

Areas of audit risk	Our proposed audit response
Determination of fair value of investment properties	<p>In accordance with IFRS, the fair value of investment properties is required to be disclosed in the financial statements. As such, management is required to determine the fair value of investment properties at each reporting period, which is a subjective measure.</p> <p>We will make enquires of management regarding relevant internal controls to test that accurate and complete information is used in the fair value assessments, and we will agree the information used in the assessments to the accounting records of the Authority.</p> <p>Our planned substantive procedures will include assessing the reasonability of the fair value assessments made by management by examining management's analysis of the impairment indicators and where appropriate, the reasonableness and appropriateness of the valuation assumptions used and the valuation techniques on a sample basis.</p>

Audit scope uncertainty

Our audit service plan is based on several assumptions. Circumstances may arise during the engagement that could significantly affect the scope and the extent and timing of our audit procedures. These circumstances may include, but are not limited to, the following:

- the quality of CPA's accounting records deteriorates during the current year engagement compared to the prior-year engagement
- significant deficiencies are identified in CPA's internal control that result in the expansion of our audit procedures
- a significant level of proposed audit adjustments is identified during our audit
- significant new issues or changes arise, such as:
 - new accounting issues
 - changes in accounting policies or practices from those used in prior years
 - events or transactions not contemplated in our budgets
 - changes in CPA's financial reporting process or IT systems
 - changes in CPA's accounting personnel, their responsibilities, or their availability
 - changes in auditing standards
 - changes in CPA's use of experts or the specialists and / or their work product does not meet the qualifications that Canadian GAAS require for us to be able to use their work
- changes in the audit scope caused by events that are beyond our control

If any of these or similar such circumstances arise during the course of our audit, we will discuss them on a timely basis with management and provide the 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 Committee.

Fees for the 2013 engagement

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 management. Furthermore, our current audit plan builds upon the successes achieved in 2012.

We have challenged our professionals to identify engagement efficiencies and considered their suggestions when developing our audit plan.

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 Committee's pre-approval before commencing the additional procedures arising from these unexpected changes.

The 2013 estimated fees are as follows:	Current year	Previous year
Audit fees		
• Audit of the financial statements	\$79,000	\$80,000
• Audit of adjustments from IFRS to PSAS reporting	5,000	5,000
• Additional work related to audit procedures due to 2013 flood-related financial reporting matters	3,000	-
Total	\$87,000	\$85,000

**This is the estimated maximum amount of additional fees required. The final fee will be analyzed and finalized at the completion of the audit.*

Future considerations

We actively monitor new and evolving guidance that may affect our scope and fees, and we will inform you and management as soon as sufficient information is available to quantify such matters.

The Deloitte Client Service Commitment

Seamless and effective delivery focused on your specific needs

CPA is important to Deloitte. Your organization is unique and it deserves a customized approach to the services we provide. Our service plan is built on a tailored set of service commitments that guide the delivery of every aspect of our audit services. Our client service assessment, which is central to our philosophy, emphasizes the importance of listening to your expectations, reassessing your needs based on the feedback you provide to us in the assessment process, and responding with actions and results. We strive to continually raise the bar by improving processes and adding value while delivering an effective and efficient audit.

Our approach to client service excellence

At Deloitte, our objective is to execute our audit in a way that meets our professional standards and also creates a positive client experience.

Our client service principles provide the framework for guiding and coaching members of our engagement team, and identifying our clients' unique preferences regarding the ways they want to work with us. These principles enable our engagement teams to focus on client service excellence.

Our client service principles

We will:

make and meet our commitments to you by...

- working with you to clearly define your expectations
- delivering what is agreed upon
- being easily accessible to you
- providing valuable responses to all your inquiries
- ensuring timeliness and accuracy in our billings

understand your business and what is important to you by...

- anticipating your needs
- understanding the unique characteristics of your business industry and operating circumstances

- **provide** value and build trust through technical competence and consistent results by...
 - instilling confidence and trust in the quality of our work
 - providing you with up-to-date professional expertise
 - providing value to your enterprise
 - providing insights into the condition of the business and meaningful suggestions for improvement
- **demonstrate** professionalism through effective interaction and communications by...
 - keeping you informed of project status
 - performing as a well organized team
 - working collaboratively with you
- provide a **no surprises** experience by...
 - proactively addressing issues
 - providing timely communication of changes to fees
 - effectively managing changes to the service team

At the conclusion of our audit, or at any time during the engagement, we invite you to assess our performance against these principles through our client feedback process.

Highly-talented team

The roles and responsibilities of the individuals who lead our audit team are:

Nicole Torgrimson

Lead Client Service Partner (LCSP)
(403) 267-1767
ntorgrimson@deloitte.ca

Nicole is responsible for managing the engagement and for the quality of all of our services to the Calgary Parking Authority. She has served a number of Deloitte's most prestigious clients and is committed to leading a team dedicated to Deloitte's client service culture. Nicole has served the Calgary Parking Authority for several years.

Harman Gill

Engagement Partner (EP)
(403) 267-1850
hgill@deloitte.ca

Harman is responsible for assisting Nicole in leading the engagement and for the quality of our services to the Calgary Parking Authority. Harman has served as a valuable team member of the Calgary Parking Authority engagement for several years.

Alida Vanderstam

Audit Manager
(403) 267-1701
avanderstam@deloitte.ca

Alida is responsible for helping the EP coordinate our audit of the Calgary Parking Authority. She has served The City of Calgary for over five years. This is her first year in managing the Calgary Parking Authority engagement.

Deloitte Portal

We strive to exceed your expectations and to leverage Deloitte resources to help you achieve your objectives.

The Deloitte Portal provides our clients and others with fast, direct access to Deloitte knowledge, tools, specialized sites, e-newsletters, webcasts and other external resources in four main areas:

- financial information;
- corporate governance;
- learning resources; and
- periodicals.

Each section also includes links to comparable sources of U.S. information.

It has been our experience that CPA's management proactively communicates with us concerning critical issues related to the audit and other matters. We have noted that management takes its financial reporting responsibilities seriously. Our audit plan takes into account management's role in effectively monitoring changes in the business, changes in accounting and financial statement requirements, and other needs as they arise, such as the need for increased attention to International Financial Reporting Standards.

Access to the tools available through the Deloitte Portal, such as the financial reporting disclosure checklists and the accounting standards setting activities digests, facilitate the efficient and accurate preparation of financial statements. This helps avoid the need for costly, disruptive corrections resulting from audit findings and enables our audit professionals to focus on the required testing. Through the Deloitte Portal, you will also receive timely communication of needed information and quick access to a wide variety of resources to help your organization accomplish a variety of other tasks in addition to those related to your financial reporting.

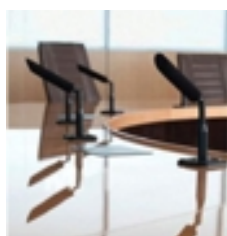
Information that we believe will be of value to management and the directors of CPA is included in Appendix 3. The top sites visited include those shown below:



Deloitte Learning Academy helps you keep up to date with the financial reporting knowledge and tools you need.



Deloitte Updates are informative, interactive webcasts conducted by Deloitte professionals to provide executives with new information and discussions about financial reporting and regulatory developments.



Deloitte's **Directors' Series** events are live satellite broadcasts to locations across the country to help Canadian corporate directors keep up with their learning requirements in a time of frequent change and new demands.



Centre for Corporate Governance is a web site specifically designed to help directors with their responsibilities.

Access to the Deloitte Portal is literally "a click away" using the following link www.deloitte.com/ca/portal.

Appendix 1 – The Deloitte risk-based audit approach

A consistent approach that supports a dynamic environment

Deloitte's audit approach is a systematic methodology that enables us to tailor our audit scope and plan to address the unique issues facing CPA. Our risk-based audit approach is:

Partner-led	driven by our partners' experience and their detailed knowledge of your organization, with significant partner input at all stages of the audit
Focused	by identifying and designing appropriate audit procedures that focus on risks to the audit process for significant accounts, transactions and disclosures as well as material misstatements to the financial statements
Quality focused	with a commitment to providing an uncompromisingly high level of professional and technical quality
Dynamic	tailored to respond to changing circumstances

There are four key phases within our systematic approach:

1	initial planning
2	assessing and responding to risk of material misstatement
3	developing and executing the audit plan
4	reporting and assessing performance

These steps are not necessarily sequential nor are they mutually exclusive. For example, once we've developed our audit plan and the audit is being performed, we may become aware of a risk that was not identified during the planning phase. Based on that new information, we would reassess our planning activities and adjust the audit plan accordingly.

1. Initial planning

The Deloitte audit approach begins with an extensive planning process that includes:

- assessing your current business and operating conditions;
- understanding the composition and structure of your business and organization;
- understanding your accounting processes and internal controls;
- understanding your information technology systems;

The Deloitte audit difference

Heightened attention to the effectiveness of our procedures yields improved efficiency of the overall audit.

A better audit planning process features increased partner and manager involvement in risk assessment and the pinpointed identification of the underlying risk of material misstatement for significant account balances and disclosures.

Improved design of control and substantive tests provides:

Tailored procedures

Better linkage between identified risks of material misstatement, controls that respond to the risks, and substantive testing.

Focus on risks and the elimination of testing that offers little additional audit assurance.

Development of a sampling methodology that is risk-based and easy to implement enables us to perform appropriate, but not excessive, audit procedures.

Increased on-the-job training enhances our professionals' understanding of the objectives of specific audit tests and their ability to make well-reasoned professional judgments.

- identifying potential engagement risks;
- planning the scope and timing of internal control and substantive testing that take into account the specific identified engagement risks;
- coordinating our activities with Internal audit; and
- coordinating our activities with external parties and experts.

Understanding your business and accounting processes

Our audit will take into account specific items of particular interest raised by the Committee as well as areas of concern identified by the Committee or management.

2. Assessing and responding to engagement risk

Our audit approach combines an ongoing identification of risks with the flexibility to adjust our approach when additional risks are identified. Since these risks may impact our audit objectives, we consider materiality in our planning to focus on those risks that could be significant to your financial reporting.

Risk assessment

The risks that we have identified to date, and which will be addressed when conducting the audit, are summarized in the Audit Scope section below. As we perform our audit, we will update our risk assessment and will inform the Committee and management of any significant changes to our risk assessment and any additional risks that are identified.

Consideration of the risk of fraud

Fraudulent acts include the deliberate failure to record transactions, the forgery of records and documents, and intentional misrepresentations made to our audit engagement team. Fraud may include intentional acts by management or employees acting on behalf of CPA, as well as employee fraud if management or employees are involved in actions that defraud CPA. Deloitte does not assume that management is dishonest nor do we assume unquestioned honesty. Rather, in accordance with Canadian GAAS, we exercise professional scepticism and recognize that the conditions we observe and evidential matter we obtain, including that obtained from prior audit engagements, need to be objectively evaluated to determine whether the Financial Statements are presented fairly in all material respects.

Maintaining an attitude of professional scepticism means that we carefully consider the reasonableness of the responses we receive to our inquiries from those charged with governance, and evaluate other information obtained from them in light of the evidence we obtain during the audit. When we identify a misstatement or control deficiency, we consider whether it may be indicative of fraud and what the implications of fraud and significant error are in relation to other aspects of the audit, particularly the reliability of management representations.

Because of the inherent limitations of internal controls over Financial Reporting (ICFR), including the possibility of collusion or improper management override of controls, it is possible that material misstatements due to error or fraud may not be prevented or detected on a timely basis. Accordingly, the assurance an auditor provides concerning the lack of misstatements arising from fraud is necessarily lower than the assurance provided concerning those arising from an error.

Benefits of pinpointing risk

Professional standards and our policies require an audit response for each significant account and relevant assertion. Performing our risk identification at this level helps us pinpoint risk and develop a well-tailored, integrated response for both significant and normal risk areas.

Client service

Helps us identify opportunities to refine our assessment of risks and controls.

Enables value-added feedback on industry insights, business issues, and risks that could have an impact on your business.

Quality

Focuses our use of the right specialists to address audit areas of specific risk.

Drives an approach that covers both controls and substantive responses.

Facilitates the identification of more effective methods of auditing.

Efficiency

Creates a targeted response for significant risk areas and normal risk areas, aligning audit effort with the risk.

Facilitates the identification of more efficient methods of auditing, including opportunities to integrate testing procedures.

In determining our audit strategy to address the assessed risks of material misstatement due to fraud, we will:

1. Assign and supervise personnel, taking into account the knowledge, skill and ability of individuals with significant engagement responsibilities and our assessment of the risks of material misstatement due to fraud for the engagement.
2. Evaluate whether the selection and application of accounting policies by your organization, particularly those related to subjective measurements and complex transactions, may be indicative of fraudulent financial reporting resulting from management's effort to manage earnings.
3. Incorporate an element of unpredictability in the selection of the nature, timing and extent of our audit procedures.

We will inquire directly of the Committee regarding its views about the risk of fraud, whether it has knowledge of any actual or suspected fraud affecting CPA and the role it exercises in the oversight of management's antifraud programs.

If we suspect fraud involving management, we will communicate these suspicions to the Committee and discuss the nature, timing, and extent of audit procedures necessary to complete the audit.

Information technology

An important part of our audit planning process involves gaining an understanding of:

1. the importance of the computer environment relative to the risks to financial reporting;
2. the way in which that environment supports the control procedures we intend to rely on when conducting our audit; and
3. the computer-based information that supports our substantive procedures.

The objective of our review of computer controls is to identify potential areas of risk and assess the relevance, reliability, accuracy and completeness of the data produced by the systems. We also assess the operating effectiveness of the computer environment and determine the reliability of the financial information used to generate the Financial Statements. To accomplish this, we gain an up-to-date understanding of your organization's computer processing environment and our understanding of the relevant general computer controls. We then conduct tests to support our conclusion on the operating effectiveness of controls considered relevant to the audit.

We will assess the design and effectiveness of general computer controls in the following areas:

1. data centre and network operations;
2. system software acquisition, change and maintenance;
3. program change;
4. access security; and
5. application system acquisition, development, and maintenance.

3. Developing and executing the audit plan

The performance of an audit includes 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, and performing substantive audit procedures.

Audit procedures

The timing of our audit procedures is dependent upon a number of factors including the need to coordinate with management for the provision of supporting analysis and other documentation. Generally, we perform our audit procedures to allow sufficient time to identify significant issues early, thereby allowing more time for analysis and resolution.

For example, we anticipate performing audit procedures on account balances and disclosures involving significant and complex transactions, such as acquisitions, divestitures, or adoption of new accounting pronouncements, as they occur.

Tests of controls

As part of our audit, we will review and evaluate certain aspects of the systems of internal control over Financial Reporting to the extent we consider necessary in accordance with Canadian GAAS. The main objective of our review is to enable us to determine the nature, extent and timing of our audit tests and establish the degree of reliance that we can place on selected controls. An audit of the financial statements is not designed to determine whether internal controls were adequate for management's purposes or to provide assurance on the design or operational effectiveness of internal control over financial reporting.

The extent to which deficiencies in internal control may be identified through an audit of financial statements is influenced by a variety of factors including our assessment of materiality, our preliminary assessment of the risks of material misstatement, our audit approach, and the nature, timing and extent of the auditing procedures that we conduct. Accordingly, we gain only a limited understanding of controls as a result of the procedures that we conduct during an audit of financial statements.

We will inform the Committee and management of any significant deficiencies that are identified in the course of conducting the audit.

Substantive audit procedures

Our substantive audit procedures consist of a tailored combination of analytical procedures and detailed tests of transactions and balances. These procedures take into account the results of our controls testing and are designed to enable us to obtain reasonable assurance that the Financial Statements are free from material misstatements. To obtain this assurance, misstatements that we identify while performing substantive auditing procedures will be considered in relation to the Financial Statements as a whole. Any misstatements that we identify, other than those that are clearly trivial (the threshold has been set at \$105,000), will be reported to management and the Committee. In accordance with Canadian GAAS, we will request that misstatements be corrected.

Use of work of experts

Our audit engagement team is supported with online resources as well as practice office and national office experts who will assist the team in dealing with more complex technical, accounting, auditing and reporting issues.

4. Reporting and assessing performance

Perform post-engagement activities

We will analyze the results of the audit procedures performed throughout the year and, prior to rendering our report, we will conclude whether:

- the scope of the audit was sufficient to support our opinion
- the misstatements identified during the audit do not result in financial statements being materially misstated

Complete engagement reporting

After the satisfactory completion of appropriate audit procedures, we will provide an audit report on your Financial Statements.

We also provide reports to the Committee to assist it in fulfilling its responsibilities as required by applicable auditing

Deloitte enjoys a solid reputation for our **commitment to quality**. Key factors supporting that reputation include:

- A strong tone at the top
- A comprehensive ethics and compliance program
- An uncompromising approach to quality in client service
- Communication of and adherence to professional standards and client service principles
- A mature client feedback program
- A multifaceted approach to monitoring independence
- A robust technical consultation approach
- National office consultation regarding areas of high risk or areas that require significant judgment
- Technical training for our professionals
- An annual internal inspection process for audit engagements
- Continuous improvement based on lessons learned and client feedback

standards. Appendix 2 summarizes the required communications between Deloitte and the Committee.

Deloitte's client service principles include providing management and the Committee with insights into the condition of the business and offering meaningful suggestions for improvement. We will report these insights and suggestions to the appropriate members of management and/or the Committee for their consideration.

To enable us to determine how well we have achieved our client service objectives, including an assessment of the quality of our audit engagement, we actively solicit feedback from our clients. This feedback will be obtained either through meetings with members of the Committee and management or their completion of questionnaires.

Your feedback enhances our understanding of your expectations of us through your evaluation of our performance. The information you provide helps us to refine our client service objectives to ensure that we remain focused, responsive, and proactive in meeting your needs while fulfilling our professional responsibilities.

Appendix 2 – Communication requirements

Required communication	Timing of communication	
	Each period the event occurs	Annually
1. Our responsibilities under Canadian GAAS		●
2. Matters related to going concern	●	
3. Our audit strategy and scope, including our approach to auditing financial information of components of the group audit and our planned involvement in work performed by component auditors		●
4. Management judgments and accounting estimates		●
5. Financial statement adjustments		●
6. Audit adjustments		●
7. Uncorrected misstatements and disclosure items		●
8. Significant accounting policies	●	●
9. Critical accounting policies and practices		●
10. Alternative treatments for accounting policies and practices that have been discussed with management during the current audit period		●
11. Our views about significant qualitative aspects of CPA's accounting practices, including accounting policies, accounting estimates and financial statement disclosures		●
12. Our responsibility for other information in documents containing audited Financial Statements (e.g., MD&A), any procedures performed, and the results		●
13. Disagreements with management	●	●
14. Our views about significant matters that were the subject of consultation with other accountants	●	
15. Major issues discussed with management prior to our retention	●	
16. Significant difficulties, if any, encountered dealing with management related to the performance of the audit		●
17. Significant deficiencies in internal control, if any, identified by us in the conduct of the audit of the financial statements		●
18. Material written communications between management and Deloitte		●

Required communication	Timing of communication	
	Each period the event occurs	Annually
19. All relationships between CPA and us that, in our professional judgment, may reasonably be thought to bear on independence		●
20. A statement that, in our judgment, the engagement team and others in our firm and, when applicable, network firms have complied with relevant ethical requirements regarding independence		●
21. Illegal or possibly illegal acts	●	
22. Fraud or possible fraud identified through the audit process	●	
23. Significant transactions inconsistent with ordinary business, including related party transactions	●	
24. Non-compliance with laws and regulations that come to our attention	●	
25. Communication in writing to the Board of Directors regarding any areas we became aware of where the oversight of CPA's external financial reporting and internal control over financial reporting by CPA's Committee may be ineffective	●	
26. Limitations placed on our scope		●
27. Written representations we are requesting		●
28. Modifications to our opinion(s)		●

Appendix 3 – Deloitte resources a click away

At Deloitte we are devoted to excellence in the provision of professional services and advice and to focusing on client service. To this end, we have developed numerous resources, which contain relevant and timely information accessible by our clients. Provided below is an overview of these resources, which are available through the Deloitte Portal.

Canadian resources	Audience	Description and frequency
Centre for Corporate Governance www.corpgov.deloitte.ca	<ul style="list-style-type: none"> • Audit Committee members • Board members • CEO/CFO • Internal auditors • Legal counsel 	<ul style="list-style-type: none"> • Web site specifically designed to help board members with their responsibilities.
DeloitteLINK www.deloitte.com/ca/DeloitteLINK	<ul style="list-style-type: none"> • CFO • V-P Finance • Controller • Financial reporting team 	<ul style="list-style-type: none"> • Weekly e-newsletter that helps the finance team to stay on top of standard-setting initiatives.
Deloitte Update www.deloitte.com/ca/update	<ul style="list-style-type: none"> • CFO • V-P Finance • Controller • Financial reporting team 	<ul style="list-style-type: none"> • Learning webcasts offered throughout the year featuring Deloitte professionals discussing critical issues that affect your business.
Directors' Series www.deloitte.com/ca/DirectorsSeries	<ul style="list-style-type: none"> • Audit Committee members • Board members • CEO/CFO • Internal auditors • Legal counsel 	<ul style="list-style-type: none"> • A program that enables Canadian corporate directors to keep up with their learning requirements in a time of frequent change and new demands. • Directors are provided with ready-to-use information and tools to help them discharge their responsibilities.
On the Agenda	<ul style="list-style-type: none"> • Audit Committee members • CEO/CFO • Internal auditors • Legal counsel 	<ul style="list-style-type: none"> • Bi-monthly e-newsletter for directors that focuses on recent developments affecting their responsibilities, including the points of view of Deloitte professionals.
Standard-Setting Activities Digest www.deloitte.com/ca/standards	<ul style="list-style-type: none"> • CFO • V-P Finance • Controller • Financial reporting team 	<ul style="list-style-type: none"> • Monthly online updates on recent developments in standard-setting from a comprehensive list of standard-setting organizations.

IFRS resources	Audience	Description and frequency
www.DeloitteIFRS.ca	<ul style="list-style-type: none"> • Audit committee members • Board members • CEO/CFO • Internal auditors • Legal counsel 	<ul style="list-style-type: none"> • Deloitte web site with information devoted to IFRS.
IAS Plus web site www.iasplus.com	<ul style="list-style-type: none"> • CFO • Controller • Financial reporting team • Other accounting professionals 	<ul style="list-style-type: none"> • Web site designed by Deloitte Touche Tohmatsu Limited that provides comprehensive information about international financial reporting.
IFRS in Focus	<ul style="list-style-type: none"> • CFO • Controller • Financial reporting team • Other accounting professionals 	<ul style="list-style-type: none"> • E-newsletter that reviews the activities of the IASB, the IFRIC, and the IASC Foundation Trustees, including summaries of recent Standards and Interpretations and proposals.
Private enterprise resources	Audience	Description and frequency
Privately Speaking	<ul style="list-style-type: none"> • CFO • Controller • Financial reporting team • Other accounting professionals 	<ul style="list-style-type: none"> • Important news and relevant commentary for owners and managers of privately owned companies.
Not-for-profit organization resources	Audience	Description and frequency
A state of change	<ul style="list-style-type: none"> • CFO • Controller • Financial reporting team • Other accounting professionals 	<ul style="list-style-type: none"> • Bi-monthly newsletter that helps readers understand the impact of changes in accounting standards, rules and regulations on their organizations.
Government resources	Audience	Description and frequency
Public Sector Financial Management Series	<ul style="list-style-type: none"> • CFO • Controller • Financial reporting team • Other accounting professionals 	<ul style="list-style-type: none"> • Seminar series to share thoughts and experiences that you and your finance team can use to navigate the current financial environment.
U.S. resources	Audience	Description and frequency
Accounting Roundup www.deloitte.com/us/accountingroundup	<ul style="list-style-type: none"> • CFO • V-P Finance • Controller • Financial reporting team 	<ul style="list-style-type: none"> • Monthly newsletter that focuses on the activities of the accounting standard-setters and regulators, including the FASB, EITF, IASB, and SEC.
Audit Committee Brief www.deloitte.com/us/acbrief	<ul style="list-style-type: none"> • Audit committee members • CEO • CFO 	<ul style="list-style-type: none"> • Quarterly e-newsletter of key U.S. regulatory, technical and professional developments in corporate governance and accounting.

Technical Library (DART) <i>Note: Subscribing to this service requires Audit Committee's preapproval</i>	<ul style="list-style-type: none"> • CFO • V-P Finance • Controller • Financial reporting team 	<ul style="list-style-type: none"> • Comprehensive online library of accounting and financial disclosure literature. Subscription-based service.
Heads Up www.deloitte.com/us/headsup	<ul style="list-style-type: none"> • CFO • V-P Finance • Controller • Financial reporting team 	<ul style="list-style-type: none"> • Periodic newsletter that discusses the latest accounting and regulatory developments.
EITF Snapshot www.deloitte.com/us/eitfsnapshot	<ul style="list-style-type: none"> • CFO • V-P Finance • Controller • Financial reporting team 	<ul style="list-style-type: none"> • Quarterly newsletter highlighting key points from Emerging Issues Task Force discussions.

Appendix 4 – Standard-setting update as of September 30, 2013

Final Standard	Effective Date
<p>Amendments to IAS 19, Post-employment Benefits</p> <p>On June 16, 2011, the International Accounting Standards Board (IASB) issued amendments to IAS 19, <i>Employee Benefits</i>, in order to improve the accounting for pensions and other post-employment benefits. The amendments make important improvements by (i) eliminating the option to defer the recognition of gains and losses, known as the 'corridor method' or the "deferral and amortization approach"; (ii) streamlining the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring re-measurements to be presented in Other Comprehensive Income (OCI), thereby separating those changes from changes that many perceive to be the result of an entity's day-to-day operations; and (iii) enhancing the disclosure requirements for defined benefit plans, providing better information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans.</p>	January 1, 2013
<p>IFRS 9, Financial Instruments</p> <p>This new standard replaces the requirements in IAS 39, <i>Financial Instruments: Recognition and Measurement</i> for classifying and measuring financial assets and liabilities.</p> <p>At their meeting on December 13-15, 2011, the IASB approved the deferral by two years of the effective date of IFRS 9, <i>Financial Instruments</i>, from January 1, 2013 to January 1, 2015. The amendments approved by the IASB in December 2011 also provide relief from the requirement to restate comparative financial statements for the effect of applying IFRS 9. This relief was originally only available to companies that chose to apply IFRS 9 prior to 2012. Instead, additional transition disclosures will be required to help investors understand the effect that the initial application of IFRS 9 has on the classification and measurement of financial instruments.</p>	<p>January 1, 2015</p> <p>Earlier adoption continues to be permitted</p>
<p>IFRS 13, Fair Value Measurement</p> <p>IFRS 13 is a new standard that defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 does not determine when an asset, a liability or an entity's own equity instrument is measured at fair value. Rather, the measurement and disclosure requirements of IFRS 13 apply when another IFRS requires or permits the item to be measured at fair value (with limited exceptions). This project was carried out jointly with the Financial Accounting Standards Board (FASB). As a result of concurrent changes approved by the FASB to Topic 820, US GAAP has a nearly identical definition and meaning of fair value and the same disclosure requirements about fair value measurements.</p> <p>On December 21, 2012, the IASB issued the first chapter of educational material to accompany IFRS 13. The chapter covers the application of the principles in IFRS 13 when measuring the fair value of unquoted equity instruments within the scope of IFRS 9, <i>Financial Instruments</i>.</p>	January 1, 2013

<p>Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)</p> <p>On May 29, 2013, the IASB issued <i>Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)</i>. These narrow-scope amendments to IAS 36, <i>Impairment of Assets</i>, address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.</p>	<p>Annual periods beginning on or after January 1, 2014. Earlier application is permitted</p>
<p>Proposed standards</p>	<p>Comment period ends</p>
<p>Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation</p> <p>On December 4, 2012, the IASB published for public comment an ED of proposed narrow-scope amendments to IAS 16, <i>Property, Plant and Equipment</i>, and IAS 38, <i>Intangible Assets</i>. On December 20, 2012, the AcSB issued an ED that corresponds to the IASB's ED.</p> <p>IAS 16 and IAS 38 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The objective of the proposed amendments is to ensure that preparers do not use revenue-based methods to calculate charges for the depreciation or amortisation of items of property, plant and equipment or intangible assets. This is because a revenue-based method reflects a pattern of economic benefits being generated from the asset, rather than the expected pattern of consumption of the future economic benefits embodied in the asset.</p> <p>At its meeting in July 2013, the IFRIC was presented with and discussed a summary and analysis of the 98 comment letters received on the ED. Most recently at its meeting in September 2013, the IFRIC discussed the staff recommendations to finalise the amendment to IAS 16 and IAS 38. A majority of the members of the IFRIC thought that the IASB should proceed to finalise the proposed amendments; however some of the members expressed some concerns about the proposed amendments. The staff will communicate these concerns to the IASB and will present the IFRIC's recommendations to the IASB at a future meeting.</p> <p>The IASB currently expects to finalize these amendments in Q4/2013.</p>	<p>April 2, 2013</p>
<p>Amendments to IAS 19, Defined Benefit Plans: Employee Contributions</p> <p>On March 25, 2013, the IASB issued for public comment an ED of a proposed narrow-scope amendment to IAS 19 to specify that contributions from employees or third parties set out in the formal terms of a defined benefit plan are recognized as a reduction in the service cost in the same period in which they are paid, if the contributions are linked solely to the employee's service rendered in that period. An example would be if the contributions are a fixed percentage of salary and that percentage of salary does not change regardless of the number of years of service or any other factors. On April 16, 2013, the AcSB issued an ED that corresponds to the IASB's ED.</p> <p>At its meeting in September 2013, the IASB reviewed the 63 comment letters received on the ED (as well as the IFRIC's recommendations in this regard) and decided that it should proceed with the proposed amendments, subject to some changes to the proposed wording. In addition, the IASB decided that re-exposure is not necessary and that the effective date for the changes should be July 1, 2014, with earlier application permitted. Staff will prepare the final amendments based on these decisions and begin the balloting process. The IASB expects to finalize the amendments to IAS 19 in November 2013.</p>	<p>July 25, 2013</p>

<p>Amendments to IFRS 9, Financial Instruments: Classification and Measurement</p> <p>On November 29, 2012, the IASB published for public comment an ED of proposed limited amendments to IFRS 9, <i>Financial Instruments: Classification and Measurement</i>. On February 11, 2013, the AcSB issued an ED that corresponds to the IASB's ED.</p> <p>With these proposals, the IASB aims to: (i) reduce the differences between IFRS and US GAAP in the accounting for financial instruments; (ii) consider the interaction with accounting for insurance contracts; and (iii) clarify the existing classification and measurement requirements for financial assets. The ED also includes a proposal to introduce a fair value through other comprehensive income (FVOCI) measurement category for debt instruments that would be based on an entity's business model.</p> <p>On May 7, 2013, the IASB launched a survey to financial statement users for comments on its proposals re the third category for the classification of financial assets, namely the Fair Value through Other Comprehensive Income (FVOCI) category.</p> <p>Most recently, at their meeting in September 2013, the IASB and the FASB discussed clarifications and improvements to the "solely principal and interest" (P&I) condition in the Boards' recent EDs.</p> <p>The amendments to IFRS 9 are expected to be approved in the first half of 2014.</p>	<p>IASB ED: March 28, 2013</p> <p>IASB Survey: May 31, 2013</p>
<p>Projects</p>	<p>Last updated</p>
<p>Amendment to IAS 19, Employee Benefits: Actuarial Assumption – Discount Rate</p> <p>This is a narrow-scope project to clarify the determination of the discount rate used when applying IAS 19, particularly around the requirement to use market yields on high quality corporate bonds or government bonds.</p> <p>Most recently, the IFRIC discussed this project at its meeting on May 14-15, 2013.</p>	<p>September 2013</p>
<p>Amendment to IFRS 13, Fair Value Measurement: Unit of Account</p> <p>This is a narrow-scope project to consider the unit of account for financial assets that are investments in subsidiaries, joint ventures and associates measured at fair value, in particular, whether the fair value of such investments should reflect the measurement of the investment as a whole or of the individual financial instruments included within that investment.</p> <p>Most recently, at its May 2013 meeting, the IASB continued to discuss this issue. In addition, the IASB decided that the project should also address any required clarifications relating to the interaction between the use of Level 1 inputs and the portfolio exception in IFRS 13, Fair Value Measurement.</p> <p>An ED is expected to be issued in Q1/2014.</p>	<p>June 2013</p>

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