



City of Calgary

2024 Audit Service Plan

Presented to the Audit Committee July 25, 2024



Harman Gill
Lead Client Service
and Audit Partner

Dear Audit Committee Members:

We are pleased to provide you with our audit service plan for the audit of the City of Calgary (“The City”) consolidated financial statements (“financial statements”) for the year ending December 31, 2024. We understand our responsibility to you, and we have developed a tailored audit plan that summarizes the key aspects of our audit scope and approach, our planned communications with you, our team and an estimate of our fees.

Our commitment to you is straightforward: we will provide you with outstanding professional services delivered by an experienced and dedicated team of specialists. Our professionals will continue providing you with best practices and insights to face the increasingly complex array of issues and challenges encountered by 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, 2024 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,

Deloitte LLP

Chartered Professional Accountants

01 Executive Summary

02 Significant Audit Risks and Areas of Focus

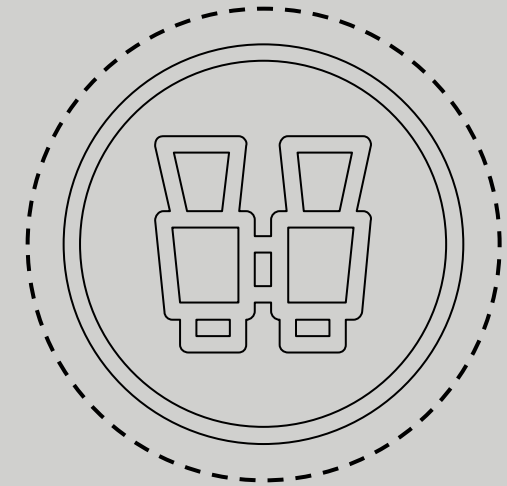
- Significant risks - Administration override of controls
- Significant risks – revenue recognition of capital deposits
- Significant risks – tangible capital assets
- Areas of focus
- Group audit

03 Delivering Audit Quality

04 Appendices

- Appendix 1 – Audit team
- Appendix 2 – Audit fees
- Appendix 3 – Audit timeline
- Appendix 4 – Communication requirements
- Appendix 5 – New and revised accounting standards
- Appendix 6 – Related parties and other audits
- Appendix 7 – Draft Annual Engagement letter

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, 2024. 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 draft annual engagement letter included in Appendix 7. The engagement letter should be signed on behalf of City Council and City Administration (“Administration”).

Significant Risks

Status

1	Administration override of controls	
2	Revenue recognition of capital deposits	
3	Tangible Capital Assets	

Continued from prior year

2024 Audit Matters

New PSAS Standards

Adoption of the following new accounting standards:

- PS 3400 Revenue
- PS 3160 Public Private Partnerships
- Guideline PSG 8 Purchased intangibles

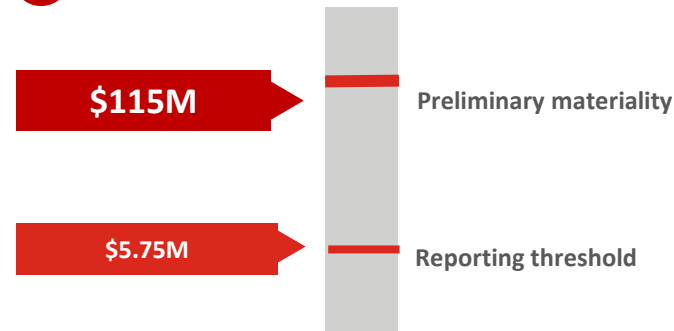
Bond issuance

The City issued 10- year non-callable bonds in the amount of \$180M in March 2024. Additional audit procedures are expected to be required to assess the accounting treatment, and accuracy and completeness of this bond issuance.

Event Center

New agreements signed during 2023 with development starting in 2024. Based on activity in the year, additional audit procedures are expected to assess the Work in Progress against the agreements and capital costs incurred.

Expected Group Materiality



Our preliminary estimate of materiality for the year ending December 31, 2024 has been set at \$115,000,000 (2023, \$91,000,000) on the basis of consolidated 2023 actual expenses. We will report to you any uncorrected misstatements greater than our current year reporting threshold of \$5,750,000 (2023, \$4,550,000). We will revisit materiality throughout the audit process and report any changes to Audit Committee if necessary.

Significant Audit Risks and Areas of Focus



Significant risks

Administration override of controls



Significant risk

Administration override of controls

Assurance standards include the presumption of a **significant risk of fraud** which can be committed through Administration override of controls.

Administration is in a unique position to perpetrate fraud because of its ability to directly or indirectly manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.



Accounting estimates

Review accounting estimates for biases and evaluate whether the circumstances demonstrate bias, if any, or represent a risk of material misstatement due to fraud.



Journal entry analyses

We will test, using data interrogation techniques, journal entries recorded that exhibit characteristics of possible Administration override of controls and material manual consolidation entries at the end of the reporting period.



Periodic fraud discussions

We engage in periodic fraud discussions with certain members of Administration and others, including City Auditor, Chief Administrative Officer, and Audit Committee members.



Risk assessment

We will evaluate The City's fraud risk assessment and consider entity-level internal controls and internal controls over the closing and reporting process.



Significant transactions

Obtain an understanding of the business rationale for significant transactions that are outside the normal course of business or that appear unusual given our understanding of The City and its environment.

Significant risks

Revenue recognition of capital deposits



Significant risk

Revenue recognition of capital deposits

Capital deposit revenue relating to government funding and private contributions is not recognized in the correct period, as expenditures are incurred.



Internal controls

We will assess the design and implementation of relevant controls.



Recognition criteria

We will apply audit procedures to the 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.



Capital deposit contracts

We will obtain capital deposit contracts to ensure that the revenue recorded aligns with the stipulations in the contract.



Completeness of revenue

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.



Off-site levies

We will apply audit procedures to off-site levies, on a sample basis, on the following areas:

- Signed agreements in the year;
- Debt acquired for off-site levy projects;
- Amounts recognized into revenue in the year;
- Deferred revenue recognized into revenue in the year.

Significant risks

Tangible Capital Assets



Significant risk

Tangible Capital Assets

Completeness, existence and valuation of Tangible Capital Assets (“TCA”), work in progress (“WIP”) and fund 40 expenditures.



Internal controls

We will assess the design and implementation of relevant controls.



Work in progress additions

On a sampling basis, we will test TCA WIP additions to ensure these WIP additions were appropriately capitalized and accounted for as WIP.



Work in progress transfers

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.



Fund 40 expenditures

On a sampling basis, we will test fund 40 expenditures to ensure these costs were appropriately expensed or capitalized to TCA.

City of Calgary Audit Plan

Areas of Focus

In addition to the matters discussed previously, we have identified a number of areas of focus that we believe are of importance to our audit.

Related Parties

We will verify that the related parties have been accounted for and disclosed in accordance with The City's accounting policies and PSAS and perform separate audits of significant related parties.

We will audit all material balances relating to the related parties.

We will apply audit procedures to any entities identified by Administration in 2024 as possibly meeting the criteria for consolidation under PSAS guidance, if any.

Litigation Accruals and Contingencies

We will enquire with The City's legal department and The City Solicitor to determine the status of outstanding legal matters.

We will review legal correspondence from The City Solicitor and external legal counsel (if applicable) and discuss the status of outstanding legal matters with Administration and others, as necessary.

We will assess the appropriateness of any contingent liabilities and financial statement disclosures.

Government Grants and Transfers

We will test a sample of funding agreements to determine if the contract required financial statement disclosure.

We will test a sample of federal and provincial transfer payments received during the year to fund specific projects.

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.

We will review deferred revenue for compliance with the applicable PSAS guidance.

We will test expenditures and ensure that the corresponding revenue has been recognized.

Property Tax Revenue

We will perform reasonability tests on property tax revenue balances.

We will review and test the property tax revenue business cycle process controls.

We will complete testing using data analytics on the property tax revenues for the year ending December 31, 2024.

Reserves

We will test expenditures charged to each reserve and agree a sample of expenditures to invoices to verify that the transaction was within the terms and conditions approved by City Council.

We will also test a sample of transfers between reserves, if any, to verify that the transfer was approved by City Council.

We will review the completeness and accuracy of the financial statement disclosures relating to reserves.

Commitments and Contractual Obligations

We will review the completeness and accuracy of the financial statement disclosures relating to The City's commitments and contractual obligations.

We will ensure that these disclosures are in accordance with PSAS guidance.

Valuation of registered defined benefit pension plans

We will review and sample the various inputs and assumptions used in the calculation of the pension obligation and assess their reasonableness.

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.

We will send confirmations to the actuary.

City of Calgary Audit Plan

Group Audit

- The audit of the City of Calgary is considered to be a group audit.
- We are the auditors of all related authorities and will issue an audit opinion on the standalone financial statements of each entity.
- 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 for the related authorities is planned for completion prior to the expected issuance date of the final auditor's report for The City.
- Our final auditor's reports are presented to each reporting entity at their respective Audit Committee meetings. We are currently in the pre-planning stage for the 2024 audits of the related authorities.



Delivering Audit Quality



Delivering Audit quality

Our commitment to you

Our commitment to audit quality means more than just “meeting the standard”.

How we will innovate our audit approach

- **Process innovations** – Guided risk assessments to ensure all assertions are covered in our assessment and proactive project management and milestone dates to ensure quality is maintained and deadlines are met
- **Innovation tools** – Leverage the Deloitte OMNIA suite of tools including data processing, Deloitte Connect, Argus and Analytics
- **Continuous improvement** – Apply learnings from prior audits to refine our approach and risk assessments



How we will deliver professional excellence

- **Professional skepticism** – Deloitte has focused a lot on information provided by the entity to ensure it is properly tested, reviewing Administration’s assumptions and judgement’s which is also highlighted through our Guided risk assessment.
- **Independence** – Regular engagement team conversations and constant learning on independence, Deloitte’s acceptance and continuance processes ensures the firm maintains independence through out.
- **Confidential information-** 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.

Where we will focus to deliver insights

- Technology and control environment
- Internal controls over financial reporting

Appendices



Appendix 1 – Engagement team

Team Leadership


 <p>Harman Gill Engagement Partner hgill@deloitte.ca</p>	 <p>Sanjeev Rajani Director srajani@deloitte.ca</p>
---	---

Advisory


 <p>Nicole Torgrimson Advisory Partner ntorgrimson@deloitte.ca</p>

Specialists

Assurance


 <p>Quintin Weitz Quality Assurance Partner qweitz@deloitte.ca</p>
--

IT

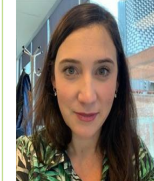
 <p>Neeraj Kumar Risk Advisory (IT) Director neekumar@deloitte.ca</p>

Engagement Managers

Consolidated Audit

 <p>Simona Milojevik Audit Manager smilojevik@deloitte.ca</p>

Consolidated Audit

 <p>Gabiella Greensill Audit Manager ggreensill@deloitte.ca</p>

Appendix 2 – Audit fee

Plan and approval of services

Audit fees	2024 ¹	2023 ¹
The City of Calgary consolidated financial statement audit ²	\$429,685	\$429,685
Municipal Information Return	\$5,018	\$5,018
Funds held in trust audit	\$1,952	\$1,952
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)	\$50,000	\$50,000
Total fees	\$486,655	\$486,655

¹ These fees are subject to a 7% administrative charge and applicable GST.

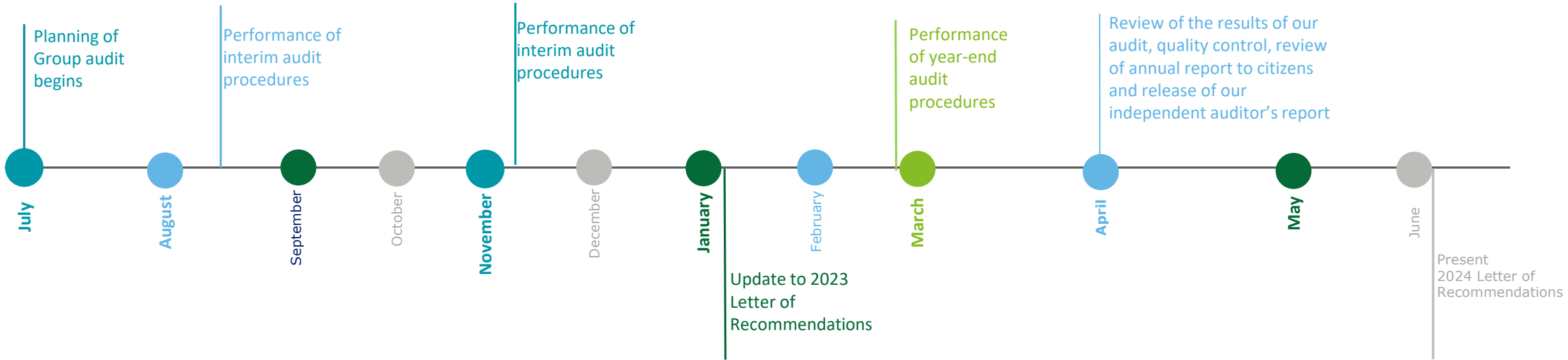
² We are currently in discussions with Administration to determine the full scope of additional audit effort required with respect to auditing the implementation and adoption of the new accounting standards, accounting treatment of bond issuance and the accounting treatment for Event Centre development costs.

Audit scope uncertainty

Our fees do not include changes that may have a significant impact on audit scope and arise as a result of the following:

- Introduction of new accounting standards or changes in auditing standards
- Changes in accounting policies or practices from those used in prior years
- Major events or transactions, such as new acquisitions, significant divestitures or restructuring
- Changes in The City’s financial reporting process or IT systems
- Significant changes in internal controls
- The timely and accurate completion of the client participation schedules and financial statements
- A minimal level of audit adjustments (recorded or unrecorded)

Appendix 3 – Audit timeline



Appendix 4 – Required communications with Those Charged with Governance

Canadian GAAS require that we communicate to Those Charged with Governance (TCWG, Audit Committee) on the following matters:

Required communication	Reference/comments
How TCWG 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.	Required inquiry of the Audit Committee
Whether TCWG have any knowledge of any actual, suspected or alleged fraud affecting the entity, and whether they are aware of any violations or possible violations of laws or regulations and whether they have any information that is important to our identification and assessment of risks of material misstatement.	Required inquiry of the Audit Committee
Enquire with TCWG about their understanding of The City's relationships and transactions with related parties that are significant to The City and whether they have any concerns regarding relationships or transactions with related parties and, if so, the substance of those concerns.	Required inquiry of the Audit Committee
<ul style="list-style-type: none"> • Objectives of the audit engagement and our responsibilities under the audit, as well as Administration's responsibilities. • Form, timing and expected general content of communications, including a reference to the expected form and content of the auditor's report. • The identity and role of the engagement partner. 	Annual Engagement Letter
<p>An overview of the overall audit strategy, addressing:</p> <ol style="list-style-type: none"> a. Scope and timing of the audit b. Significant risks, including fraud risks c. Nature and extent of specialized skill or knowledge needed to perform the planned audit procedures or evaluate the audit results related to significant risks (includes the use of experts/specialists) d. Extent to which we plan to use the work of The City personnel, City Auditor and third parties (such as actuaries) working under the direction of Administration or the audit committee when performing the financial statement audit e. Extent to which we plan to use the work of others when performing the financial statement audit f. Names, locations, and planned responsibilities of other independent public accounting firms or others that perform audit procedures in the audit (including firms that perform audit procedures in the current-period audit, regardless of whether they otherwise have any relationship with us or other persons, who are not employed by us, that perform audit procedures in the current-period audit) 	Audit Service Plan

Appendix 4 – Required communications with Those Charged with Governance (cont'd)

Required communication	Reference/comments
<p>Additional Group Audit Matters:</p> <ul style="list-style-type: none">a. An overview of the type of work to be performed on the financial information of the components (related authorities)b. An overview of the nature of the group engagement team's planned involvement in the work to be performed by the component auditors on the financial information of significant components	Audit Service Plan
<p>All relationships between The City and us that, in our professional judgment, may reasonably be thought to bear on our independence and related safeguards that have been applied to eliminate identified threats to independence or reduce them to an acceptable level.</p> <p>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.</p> <p>Any breaches to our independence.</p>	Independence letter

Appendix 5 – New and Revised Accounting Standards

The following is a summary of certain new standards, amendments and proposals that will become effective in 2024 and beyond.

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

Public Sector Accounting Standards

Title	Description	Effective Date for City of Calgary
Section PS 3400 - Revenue	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.	December 31, 2024.
Section PS 3160 - Public Private Partnerships	This Section establishes standards on how to account for public private partnership arrangements.	December 31, 2024.
Guideline PSG 8 Purchased intangibles	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.	December 31, 2024.
Section PS 1000 Financial statement concepts	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 the December 31, 2024 fiscal year end. with earlier application permitted. Retroactive or prospective application is allowed. The Conceptual Framework applies to the December 31, 2027 year end. Earlier adoption is permitted.
The Conceptual Framework for Financial Reporting in the Public Sector	The PSAB’s Conceptual Framework for Financial Reporting in the Public Sector replaces the conceptual aspects of Section PS 1000, Financial Statement Concepts, and Section PS 1100, Financial Statement Objectives	The Conceptual Framework applies to the December 31, 2027 year end. Earlier adoption is permitted. This Conceptual Framework is to be applied prospectively.
Section PS 1100 - Financial statement objectives	This Section identifies and describes objectives of government financial statements that are generally acceptable to the users and preparers of the statements.	This Section applies to federal, provincial, and territorial governments for fiscal years beginning on or after April 1, 2005. Earlier adoption is encouraged. The Conceptual Framework applies to fiscal years beginning on or after April 1, 2026. Earlier adoption is permitted.

Appendix 6 – Related parties and other audits

The following table is a summary of estimated audit fees for the year ending December 31, 2024 for the related authorities and ancillary audits. These fees include only the estimated base 2024 audit fee and are based on information available to Deloitte at the mailout date of this audit plan. As the 2024 audit planning for the related authorities and other audits will be completed at a later date, these fees are subject to change based on the full scoping of and progression of work on the audits for each of the entities.

Entity	Deloitte's reporting entity relationship	Estimated 2024 base audit fee	2023 base audit fee
The City of Calgary consolidated	City of Calgary Audit Committee	\$429,685	\$429,685
Calgary Municipal Land Corporation	Calgary Municipal Land Corporation Audit Committee	\$83,000	\$82,950
Calgary Public Library	Calgary Public Library Finance and Audit Committee	\$44,000	\$44,200
Calhome Properties Ltd.	Calhome Properties Ltd. Audit Committee	\$94,000	\$94,000
Calgary Police Service	Calgary Police Commission	\$55,000	\$55,120
TELUS Convention Centre	TELUS Convention Centre Audit Committee	\$46,000	\$46,200
ENMAX Corporation	ENMAX Audit Committee	\$445,120	\$445,120
Elected Officials Pension Plan	Pension Governance Committee	\$8,200	\$8,220
Supplementary Pension Plan	Pension Governance Committee	\$15,300	\$15,340

Appendix 6 – Related parties and other audits (continued)

Entity	Reporting entity relationship	Estimated 2024 base audit fee	2023 base audit fee
Municipal Employees Benefits Association of Calgary	Executive Committee of Municipal Employees Benefits Association of Calgary	\$30,500	\$30,580
Family & Community Support Services	City of Calgary Administration	\$22,100	\$22,150
Municipal Information Return	City of Calgary Administration	\$5,018	\$5,018
Funds Held in Trust	City of Calgary Administration	\$1,952	\$1,952
Calgary Economic Development Ltd	Calgary Economic Development Ltd. Audit Committee	\$36,000	N/A ¹
Calgary Film Centre Ltd.	Calgary Film Centre Ltd. Audit Committee	\$21,000	N/A ¹
Opportunity Calgary Investment Fund Ltd.	Opportunity Calgary Investment Fund Ltd. Audit Committee	\$11,000	N/A ¹
Calgary Arts Development Authority Ltd.	Calgary Arts Development Authority Ltd. Audit Committee	\$36,000	N/A ¹
cSPACE Projects	cSPACE Projects Audit Committee	\$21,000	N/A ¹
Attainable Homes Calgary Corporation	Attainable Homes Calgary Corporation Audit Committee	\$39,000	N/A ¹
Total		\$1,443,875	\$1,280,535

¹ Deloitte was not the appointed auditor for this entity during fiscal 2023

Appendix 7 – Draft Annual Engagement Letter

Please refer to the accompanying draft annual engagement letter.

About Deloitte

Deloitte provides audit and assurance, consulting, financial advisory, risk advisory, tax, and related services to public and private clients spanning multiple industries. Deloitte serves four out of five Fortune Global 500® companies through a globally connected network of member firms in more than 150 countries and territories bringing world-class capabilities, insights, and service to address clients' most complex business challenges. Deloitte LLP, an Ontario limited liability partnership, is the Canadian member firm of Deloitte Touche Tohmatsu Limited. Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

Our global Purpose is making an impact that matters. At Deloitte Canada, that translates into building a better future by accelerating and expanding access to knowledge. We believe we can achieve this Purpose by living our shared values to lead the way, serve with integrity, take care of each other, foster inclusion, and collaborate for measurable impact.

To learn more about how Deloitte's approximately 312,000 professionals, over 12,000 of whom are part of the Canadian firm, please connect with us on [LinkedIn](#), [Twitter](#), [Instagram](#), or [Facebook](#).