

CALGARY PARKING AUTHORITY ENGAGEMENT OF DELOITTE LLP

EXECUTIVE SUMMARY

At the request of the Board of the Calgary Parking Authority (CPA), CPA Administration engaged Deloitte LLP to conduct a business process review of the first third party sale of the ParkPlus System. As Deloitte is the external auditor of CPA, the engagement was pre-approved by CPA's Audit Committee to ensure that the assignment does not affect the independence of Deloitte. It has now been identified that there is a requirement to obtain pre-approval from The City's Audit Committee as well.

ADMINISTRATION RECOMMENDATION(S)

That the Audit Committee:

Approve the endorsement of the position of the Calgary Parking Authority, and concurrently Deloitte LLP, that undertaking this work does not adversely affect the independence of The City's External Auditor.

PREVIOUS COUNCIL DIRECTION / POLICY

On 2012 November 05, Council approved Audit Committee Bylaw 48M2012, including Schedule "A" Audit Committee Terms of Reference. This report has been brought forward to ensure that the Audit Committee is receiving the information it requires regarding services of the external auditor to ensure their independence and to fully meet the intent of the Audit Committee's Terms of Reference, consistent with best practices.

BACKGROUND

From 2013 to 2015, the ParkPlus System was piloted in the City of Edmonton. Based on the pilot, the City of Edmonton decided to enter into a "software as a service" agreement with CPA for the continued use of the ParkPlus System.

As this is the first third party sale of the ParkPlus System, the ParkPlus Committee of the CPA Board requested that, prior to year end 2015, CPA Administration arrange for an independent comprehensive business process review to be conducted for both the pilot and ultimate sourcing of the ParkPlus System. This review has been completed.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

Given:

1. The tight timeline set by the ParkPlus Committee for completion of the business process review;
2. Deloitte LLP's ability to provide business process review services; and
3. Deloitte LLP's familiarity with CPA;

The ParkPlus Committee recommended that CPA Administration engage Deloitte LLP.

To ensure no issue of independence or conflict of interest, the Audit Committee of the CPA Board met with Deloitte LLP on 2015 November 10 to determine Deloitte LLP's suitability to conduct the review.

CPA's Audit Committee provided Deloitte LLP with clear parameters regarding the business process review and confirmed that the review would not include any type of financial audit or

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impact any future financial audit. CPA's Audit Committee was advised by Deloitte LLP that services would be provided through Deloitte LLP's "Business Advisory Group" which is separate and independent from its financial audit group and that no conflict of interest exists. Paragraph 2 of the Calgary Parking Authority Audit Committee Terms of Reference (2015 March 10) states that:

The CPA Audit Committee will:

- b. Approve all audit and non-audit services performed by the External Auditor for the Authority;

The CPA Audit Committee Terms of Reference are received for information by The City's Audit Committee on an annual basis as part of the CPA's Annual Report.

At the time the item was heard by the CPA Audit Committee, the Chair of the CPA Audit Committee (and City Chief Financial Officer Sawyer) believed that the endorsement of the CPA Audit Committee was sufficient approval to proceed with the engagement of Deloitte LLP in an advisory capacity.

Stakeholder Engagement, Research and Communication

None

Strategic Alignment

The objective of the business process review is to identify best practices, lessons learned and areas for improvement that can be incorporated into CPA's business processes for any future sales of the ParkPlus System. Ensuring that Deloitte remains independent in this process is consistent with Council's priority of a well-run city.

Social, Environmental, Economic (External)

No implications are identified.

Financial Capacity

Current and Future Operating Budget:

Deloitte LLP's estimated fee for conducting the review is \$25,000 to \$32,000, funded by CPA.

Current and Future Capital Budget:

None.

Risk Assessment

Failure to seek expert advice, while ensuring the independence of those providing it, may result in increased cost and risk to The City. Appropriate steps have been taken to ensure that, in Administration's view, this engagement will not adversely affect the independence of Deloitte.

REASON(S) FOR RECOMMENDATION(S):

This report is presented to Audit Committee for endorsement to engage Deloitte to provide business advisory services in accordance with the Calgary Parking Authority Audit Committee Terms of Reference.

**Chief Financial Officer's Report to
Audit Committee
2016 January 21**

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ATTACHMENT(S)

None.