

**Audit Resource Management Report to  
Audit Committee  
2018 April 17**

**ISC: UNRESTRICTED  
AC2018-0270  
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**2017 EXTERNAL AUDITOR'S YEAR-END REPORT**

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**EXECUTIVE SUMMARY**

This is the External Auditor, Deloitte LLP's annual year-end report to Audit Committee on the 2017 independent external audit of the consolidated financial statements of The City of Calgary. Audit Committee approval of additional fees with respect to the prior period adjustments relating to Tangible Capital Asset (TCA) balances is also sought.

**RECOMMENDATIONS:**

That the Audit Committee:

1. Conduct a Closed Meeting discussion with the External Auditor and keep that discussion confidential pursuant to Sections 24 and 25 of the *Freedom of Information and Protection of Privacy Act*;
2. Receive this Report and Attachment for information and consider them in conjunction with Report AC2018-0473, The City of Calgary 2017 Annual Report;
3. Approve the External Auditor's additional fees in the amount of \$30,000 plus a 7% administrative fee and 5% GST with respect to the prior period adjustments relating to Tangible Capital Asset balances;
4. Direct that this Report and Attachment be forwarded to the 2018 April 23 Regular Meeting of Council as an item of Urgent Business;
5. Recommend that Council receives Report AC2018-0270, 2017 External Auditor's Year-End Report, and the Attachment, for information; and
6. Keep the Closed Meeting discussions with the External Auditor confidential pursuant to Sections 24 and 25 of the *Freedom of Information and Protection of Privacy Act*.

**RECOMMENDATION OF THE AUDIT COMMITTEE, DATED 2018 APRIL 17:**

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That Council receives Report AC2018-0270, 2017 External Auditor's Year-End Report, and the Attachment, for information.

**PREVIOUS COUNCIL DIRECTION / POLICY**

The Audit Committee approved Report AC2017-0450, External Auditor 2017 Audit Service Plan and Fees Report at their 2017 July 27 Meeting, which was received for information by Council at their 2017 September 11 Combined Meeting.

At their 2017 December 14 Meeting, the Audit Committee approved Report AC2017-1246, External Auditor – Provision of Additional Services. This report concerned Deloitte LLP's acquisition of

Corrie Smillie, Executive Assistant to the Audit Committee  
City Clerk's: D. Williams

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Integration New Media, Inc. who were performing services to The City of Calgary at the time of their acquisition.

The Audit Committee Bylaw 48M2012, states that Audit Committee:

“pre-approves all audit and non-audit services performed by the External Auditor. However, the Audit Committee Chair can pre-approve additional audit or non-audit services, performed by the External Auditor, up to \$25,000 total annually. Any approvals by the Chair will be reported to the Audit Committee as part of the Audit Committee Quarterly Status Report;”

Schedule “B”, Section 1(a)

“in conjunction with Administration’s presentation of the annual financial statements, receive and review the External Auditor’s annual audit report. This report is to be forwarded to Council for information.”

Schedule “B”, Section 1(e)

**BACKGROUND**

In accordance with the approved External Auditor’s 2017 Audit Service Plan, Deloitte LLP has completed their independent audit of the financial statements of The City of Calgary for the year ended 2017 December 31.

**INVESTIGATION: ALTERNATIVES AND ANALYSIS**

This is an independent audit of the consolidated financial statements of The City of Calgary for the year ended 2017 December 31.

In 2018 March, the External Auditor notified the Chair of Audit that Administration had identified prior period adjustments relating to Tangible Capital Asset (TCA) balances that Deloitte LLP were required to apply auditing procedures to. Although the External Auditor’s 2017 Audit Service Plan indicated that TCA prior period adjustments were to be determined if applicable, no associated fee could be included at the time the plan was approved.

The estimated fee for this additional work on TCA is \$30,000 plus a 7% administrative fee and 5% GST. The timing of the audit meetings (no meeting in 2018 March) did not allow the external auditor an opportunity to report this additional fee to the Audit Committee in advance of their year-end report. Notification by the External Auditor was provided to the Audit Chair in the interim.

This Report should be forwarded as an Item of Urgent Business to Council at their 2018 April 23 Regular Meeting. This enables The City to meet the requirements of Section 276(3) of the *Municipal Government Act*, with respect to the deadline of May 1<sup>st</sup> for making the financial statements and auditor’s report of the financial statements available to the public.

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**Stakeholder Engagement, Research and Communication**

The External Auditor, Deloitte LLP, conducted an independent audit of the City of Calgary's consolidated financial statements.

**Strategic Alignment**

This report supports Council's priority of a well-run City.

**Social, Environmental, Economic (External)**

Not applicable.

**Financial Capacity**

**Current and Future Operating Budget:**

There is a line item in the Audit Committee budget for the service fees for the External Auditor.

**Current and Future Capital Budget:**

There are no capital budget implications for this Report.

**Risk Assessment**

Should Council not receive the 2017 External Auditor's Year-End Report at their 2018 April 23 Regular Meeting there is a risk of missing the May 1<sup>st</sup> deadline established by Section 276(3) of the *Municipal Government Act* to provide the financial statements to the public.

**REASON FOR RECOMMENDATION:**

The 2017 External Auditor's Year-End Report is to be received and reviewed by Audit Committee, in conjunction with Administration's presentation of the annual financial statements (The City of Calgary 2017 Annual Report, AC2018-0473).

Approval of additional professional fees from the External Auditor is required by Audit Committee.

This Report and Attachment is to be forwarded as Urgent Business to the 2018 April 23 Regular Meeting of Council for information.

**ATTACHMENT**

Deloitte, 2017 Year-end Audit Report, The City of Calgary,  
Report to the Audit Committee on the 2017 audit