



Calgary Municipal Land Corporation

2013 Audit Service Plan



For the year ending December 31, 2013
Presented to the Audit Committee
December 13, 2013



Deloitte LLP
700, 850 - 2 Street SW
Calgary, AB T2P 0R8
Canada

Tel: 403-267-1700
Fax: 403-213-5791

www.deloitte.ca

December 4, 2013

To the Chairman and Members of the Audit Committee of
Calgary Municipal Land Corporation

Dear Audit Committee members:

We are pleased to provide you with our audit service plan for Calgary Municipal Land Corporation ("CMLC" or the Company) for the year ending December 31, 2013. This plan presents the Deloitte LLP ("Deloitte" or "we" or "our") audit approach, our team, our audit scope and our planned communications with you as well as an estimate of audit fees for 2013.

Our engagement will include:

- an audit of CMLC's financial statements as at and for the year ending December 31, 2013 (the "financial statements") prepared in accordance with Public Sector Accounting Standards ("PSAS") 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 13, 2013.

At Deloitte, we are proud of our relationship with CMLC and our team is committed to providing an efficient, high-quality audit. We recognize and are sensitive to your focus on cost management and quality. We will focus our efforts on higher risk areas and co-ordinate our activities with management and make every effort to achieve audit efficiencies.

We have provided this audit service plan to the Audit Committee on a confidential basis. It is intended solely for the use of the Audit 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. We accept no responsibility or obligation to any third party who may rely on this report.

We look forward to discussing this audit service plan with you and answering any questions you may have.

Yours truly,

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

Deloitte LLP
Chartered Accountants

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Executive summary

As your auditors, Deloitte will provide you with more than an opinion on your financial statements. We will also provide business recommendations on challenging issues you face based on our understanding of your organization and industry. In addition, we will be diligent about our independence and exercise our professional responsibilities in an efficient manner.

The Deloitte audit approach adheres to applicable professional auditing standards and, accordingly, is risk-based and tailored to address the significant 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.
Materiality	<p>Materiality is the magnitude of misstatements, including omissions, in the financial statements, individually or in the aggregate, that could reasonably be expected to influence the judgment of 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, 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 consolidated results of operations. Our preliminary estimate of materiality for the year ending December 31, 2013 is \$7,000,000 (2012 - \$6,700,000) which is based on total assets as per the September 30, 2013 draft unaudited financial statements.</p> <p>We will report to the Audit Committee all unadjusted misstatements greater than a trivial amount of \$350,000 (2012 - \$335,000) which is computed as 5% of materiality and any misstatements that are, in our judgment, qualitatively material. In accordance with Canadian GAAS, we request that misstatements be corrected.</p>
Audit risks	<p>Our audit scope reflects the significant risks that we have identified and our audit response to them.</p> <p>The more significant of the risks that we identified as part of our strategic audit planning activities, together with our planned audit response to them, are set out in the body of this report.</p>
Internal control matters	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 controls that relate to financial reporting 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.

Audit service plan – Key elements

Audit team	<p>Our firm's mission is to be the standard of excellence. The engagement team assembled to serve CMLC provides a balance of continuity of existing members with knowledge of and experience with your organization and new members who will bring fresh perspectives and insights. Our team also includes high-quality technical specialists and other professionals. We are committed to continuing to serve CMLC with quality and distinction.</p> <p>The roles of the individuals who lead our audit team are:</p> <p>Trevor Nakka – Lead Client Service Partner Harman Gill - Audit Engagement Partner Leanne Bjalek - Audit Manager</p>
Timetable	<p>Please refer to the 2013 Summary audit timetable further in this report.</p>
Engagement letter	<p>The terms and conditions of our engagement are included in the engagement letter to be signed on behalf of the Board, which will be forwarded separately to the Audit Committee Chair.</p>
Complete engagement reporting and communications	<p>Upon the satisfactory completion of the audit, we will provide you with an audit report on your financial statements.</p> <p>We will also provide reports to the Audit Committee to assist it in fulfilling its responsibilities, as required by applicable auditing standards. Appendix A summarizes required communications between the Audit Committee and Deloitte. We expect to enjoy open and forthright communications with both management and the Audit Committee and would be pleased to respond to questions that are within our competencies as your auditors.</p>
Other matters	
Audit fees	<p>We propose audit fees of \$35,000 (2012, \$34,000).</p> <p>Additional work related to audit procedures due to the 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 that we have estimated, in our audit approach, assumes an optimum level of assistance from CMLC 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 judgement, all such procedures are appropriate and consistent with Canadian GAAS and that our time estimates are reasonable.</p>
Independence	<p>We have developed important safeguards and procedures in order to protect our independence and objectivity.</p> <p>We will reconfirm our independence, in writing, to the Audit Committee for the year ending December 31, 2013 in our year-end report to the Audit Committee.</p>

**Management's
representations**

We will obtain written and oral representations from management to complement our audit procedures. Such representations are intended to confirm the information that is provided to us and reduce the possibility of misunderstanding.

**Client service
commitment**

Deloitte's client service principles have been designed to help us exceed the expectations of CMLC and its Audit 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 commitment to serve CMLC is presented further in this plan.

As part of our client service commitment to you, we have developed a communication calendar, presented in Appendix A of this plan, which depicts our action plan to deliver outstanding client service. The calendar 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 Deloitte risk-based audit approach

A consistent approach that supports a dynamic environment

The Deloitte strategic audit approach is a systematic methodology that provides an audit scope and plan tailored specifically for the unique issues facing CMLC.

Our risk-based audit approach has the following key attributes:

Partner-led – The audit plan is driven by our partner’s experience and their detailed knowledge of your organization. Significant input is provided by the lead client service partner and audit partner at all stages of the audit engagement.

Focused – We identify and design appropriate audit procedures that focus on risks to the audit engagement and involve significant accounts, assertions and disclosures.

Quality focused – We are committed to providing an uncompromising level of high professional and technical quality. We consistently strive to perform the highest quality audit.

Dynamic – We tailor our audit plan to respond to changing circumstances.

Our systematic approach is comprised of four key phases:

1. Initial planning
2. Assessing and responding to engagement risk
3. Developing and executing the audit plan
4. Reporting and assessing performance

These steps are not necessarily chronological and are not mutually exclusive. For example, once the audit plan has been developed and is being performed, we may become aware of a risk that was not identified during the planning phase. Based on the new information, we will reassess our planning activities and adjust the audit plan accordingly.

Based on the specific needs of your organization and our risk assessment, we will assess our planning activities in consultation with you and tailor our audit plan accordingly.

1. Initial planning

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

- assessing current operating conditions;
- understanding the composition and structure of your organization;
- understanding your accounting processes and internal controls;
- understanding your information technology systems;
- identifying potential engagement risks; and
- planning the scope and timing of internal control and substantive testing which take into account the specific identified engagement risks.

Understanding your business and accounting processes

We are keenly aware that continuity of engagement personnel is key to an efficient audit relationship and we are committed to providing a stable engagement team to the extent possible. The team supporting the lead audit partner, Harman Gill, remains substantially consistent with our 2012 team. Our knowledge of CMLC's business and industry has allowed us to develop a tailored audit plan that appropriately addresses the organizational, internal control, industry, accounting and financial reporting risks of the Company.

Our audit will take into account specific items of particular interest raised by the Audit Committee as well as areas of concern identified by the Audit 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 significant risks that we have identified to date, and will address when conducting the audit, are summarized in the Audit Scope section of this report. As we perform our audit, we will update our risk assessment and keep the Audit Committee and management informed of significant changes to our risk assessment and any additional significant risks that are identified.

Consideration of the risk of fraud

Fraudulent acts include the deliberate failure to record transactions, forgery of records and documents and intentional misrepresentations to our audit engagement team. Fraud may include intentional acts by management or employees acting on behalf of CMLC. 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. We consider whether any misstatement or control deficiency that we identify 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.

As required by professional auditing standards, we also enquire of the Audit Committee regarding:

- (1) their views about the risk of fraud;
- (2) their knowledge of any actual suspected or alleged fraud; and
- (3) the role that they exercise in the oversight of management's antifraud programs.

The above enquiries will be addressed directly with the Chair of the Audit Committee.

Because of the inherent limitations of internal control over financial reporting, 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.

Information technology

A key part of our audit planning process involves gaining an understanding of:

- (1) how the computer environment is important relative to the risks to financial reporting;
- (2) how the environment supports the control procedures we intend to rely on in the conduct of our audit; and
- (3) the computer based information that supports our substantive procedures.

The objective of our review of general computer controls is to identify potential areas of risk and to gain evidence to support our assessment of the integrity, accuracy, validity and completeness of the data produced by the systems. We assess the operating effectiveness of the computer environment and consider whether the processing of financial information that is used to generate the financial statements is reliable. To accomplish this, we update both our 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.

3. Developing and executing the audit plan

The performance of an audit includes evaluating the design and implementation of internal controls relevant to the audit, testing the operational effectiveness of those controls we intend to rely on and the performance of substantive audit procedures.

Audit procedures

We expect to perform substantive tests on most of the significant risks during year end field work.

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 identification of weaknesses in internal control in an audit is influenced by matters such as our assessment of materiality, our preliminary assessment of the risks of material misstatement, the audit approach used and the nature, timing and extent of the auditing procedures conducted. For example, where we use a substantive approach for a particular financial statement assertion, we do not generally perform tests of controls, and where we do perform tests of controls, we may vary the nature, timing and extent of our testing from year to year. Accordingly, our understanding of controls as a result of the audit procedures we conduct in an audit of financial statements is limited.

We will inform the Audit Committee and management of any significant deficiencies that are identified in the course of conducting the audit, regardless of whether they were identified by us or management.

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 control testing and are designed to enable us to obtain reasonable assurance that the financial statements are free from material misstatements. To obtain this assurance, the misstatements we identify while

performing substantive auditing procedures will be considered in relation to the financial statements as a whole. Any misstatements identified, other than very small misstatements (trivial amount has been set at \$80,000), will be reported to management and the Audit Committee. In accordance with Canadian GAAS, we request that misstatements be corrected.

4. Reporting and assessing performance

Perform post-engagement activities

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

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

Material adjustments and control deficiencies

Our audit plan allows for constructive, timely feedback to management regarding matters deserving their attention, including material adjustments to the financial statements and disclosures and/or material weaknesses in internal control noted in the conduct of the audit.

As discussed, our audit procedures focus on significant risks to financial reporting. If there are additional areas of concern or interest to the Audit Committee or management we will plan our audit to also devote attention to those areas.

Obtain management's representations

We will obtain written and oral representations from management to complement our audit procedures. These representations are not a substitute for the application of our audit procedures; instead, they are intended to confirm the information provided to us and reduce the possibility of misunderstanding.

Complete engagement reporting

After satisfactory completion of appropriate audit procedures, an audit report on your financial statements.

We also provide reports to the Audit Committee to assist it in fulfilling its responsibilities as required by applicable auditing standards. Appendix A summarizes the required communications between the Audit Committee and Deloitte.

Deloitte's client service principles include providing management and the Audit 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 Audit Committee for their consideration.

Deloitte enjoys a strong 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 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

Audit scope

Designed to obtain reasonable assurance and address the risks of significant misstatements

An audit is designed to search for potential misstatements that, individually or collectively, are material. To do this, we determine a specific threshold for each engagement and consider other qualitative factors. This amount is also used to assist in evaluating the significance of uncorrected misstatements (“passed” misstatements and reclassifications).

Materiality

Our overall materiality level is used in our assessment of significant accounts and balances where audit effort is necessary and is based on budgeted operating expenses for CMLC. Our materiality for planning and determining the audit scope for 2013 has been initially set at \$7,000,000 (2012 - \$6,700,000). 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 that misstatements be corrected.

If the amount of uncorrected misstatements detected when conducting our audit exceeds that which we anticipated when planning the audit, we may need to revise the scope of the 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. Of course, we will report to management and the Audit Committee any errors or irregularities above an amount we consider trivial \$350,000 (2012 - \$335,000) that we become aware of while conducting our audit.

Risk assessment

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

- key organization developments and transactions;
- current organization, 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 enable us to set the scope of our audit and to design audit procedures tailored to the identified risks to financial reporting. The following table sets out the more significant risks to financial reporting identified during our preliminary planning activities. The table also includes our proposed response to each of these risks. Our planned audit response is based on our assessment of the likelihood of each risk’s occurrence and the significance should a misstatement occur. Our planned audit response to each risk takes into account our determination of materiality, as well as our prior knowledge of CMLC.

Significant areas of audit risk	Detail of risk and our proposed audit response
<p>Management override of controls</p>	<p>Professional auditing standards require us to presume management override of controls to be risks of material misstatement due to fraud.</p> <p>To test the risk of management override of controls, we will test journal entries made by the entity against certain fraud indicators and we will test a sample of journal entries for proper authorization. We will test management estimates as well as any unusual or significant transactions. In addition, we will gain an understanding of internal controls relating to various financial statement line items.</p>
<p>2013 Flood</p> <p>Tangible capital asset (“TCA”) impairments, capitalization versus expenditure of repairs</p> <p>Recognition of revenue - insurance proceeds and government funding</p>	<p>The 2013 flood impacted the TCA of CMLC. There was significant damage to various CMLC owned assets, which has resulted in an impairment of their value on the financial statements.</p> <p>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 to verify whether these expenditures have been appropriately capitalized or expensed.</p> <p>Finally, we will review the revenue recognition of insurance proceeds and government funding to verify that revenue has been recorded in the correct period.</p>
Areas of focus	Detail of risk and our proposed audit response
<p>Completeness of accounts payable and accrued liabilities</p>	<p>We will review and test a sample of transactions recorded subsequent to year end to identify any unrecorded liabilities.</p> <p>We will also review unpaid invoices, Audit Committee minutes, and legal confirmations, hold discussions with management and rely on our knowledge of CMLC to identify any unrecorded liabilities.</p>
<p>Completeness, accuracy and presentation of the infrastructure development assets balance</p>	<p>We will review and test a sample of transactions recorded in this balance to determine the accuracy and presentation.</p> <p>We will perform analytical procedures to assess the completeness of the infrastructure development assets.</p>
<p>Recording, presentation and valuation of land inventory</p>	<p>We will review and test a sample of transactions to purchase agreements and supporting documentation to verify proper recording and presentation of this account.</p>
<p>Related party transactions</p>	<p>We will have discussions with management to identify all related parties and any transactions therewith. We will audit management’s disclosure of those related party transactions to verify that all transactions are appropriately accounted for and disclosed.</p>

2013 Summary audit timeline

This calendar indicates our various procedures and meetings as planned throughout the year:

Procedures	September/ October	November	December	January	February	March	April
Audit planning including scope, risks of fraud, and fees			•	•			
Audit procedures performed on areas of risks, areas of focus and significant and complex transactions						•	
Interim audit procedures related to the financial statements				•			
Final audit procedures related to the financial statements						•	
Meetings with the Audit Committee to:							
• Discuss audit planning, scope, risks of fraud and fees			•				
• Communicate the status of our audit against our plan and any major difficulties encountered						•	
• Review the results of our audit and provide audit reports						•	
Release of audit report						•	

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 regarding cost management. Therefore, to maximize the efficiency of our audit, we focus on higher risk areas and coordinate our activities with management. Furthermore, our current audit plan builds upon the successes achieved in 2012 and thus the 2013 fee estimate takes into consideration any reduction in audit effort required for the 2012 audit.

We have challenged all of our professionals to identify engagement efficiencies and have considered the suggestions they have made to date in the development of the audit plan.

The following fee estimate is preliminary and may be adjusted based on the final audit scope and our final determination of the audit procedures that we consider are 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.

The 2013 audit fees are, \$35,000 (2012 - \$34,000) for the audit, plus up to a maximum of \$3,000 in additional fees related 2013 flood-related financial reporting matters.

All of the above mentioned fee estimates exclude out-of-pocket expenses, administrative charges and taxes.

The Deloitte client service commitment

Seamless and effective delivery focused on your specific needs

CMLC is important to Deloitte. Your organization is unique and you deserve a customized approach to the services we provide. As a foundation for our service plan, we have developed a tailored set of service commitments to guide the delivery of every aspect of our audit services. Our client service assessment, which is central to our philosophy, emphasizes the importance of our 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 are pleased to have the opportunity 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 are our framework for providing guidance, for coaching members of our engagement team, and for identifying our clients' unique preferences regarding the ways they want to work with us. They enable us to operationalize and focus our engagement teams 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 organization and what is important to you by...
 - anticipating your needs
 - understanding your business
-

-
- ✓ **provide** value and build trust through technical competence and consistent results by...
- instilling confidence and trust in the quality of our work
 - offering up-to-date professional skills
 - 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
-

Appendix A – Communication requirements

Summary of required communications

The table below summarizes our communications plan. The communications plan includes all communications required by Canadian GAAS and other communications that we anticipate would facilitate the achievement of an effective audit.

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

Required communication	Timing of communication	
16. All relationships between CMLC and Deloitte that, in our professional judgment, may reasonably be thought to bear on independence		●
17. 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		●
18. Illegal or possibly illegal acts	●	
19. Fraud or possible fraud identified through the audit process	●	
20. Significant transactions inconsistent with ordinary business, including related party transactions	●	
21. Non-compliance with laws and regulations that come to our attention	●	
22. Limitations placed on our scope		●
23. Written representations we are requesting		●
24. A discussion of CMLC's annual audited financial statements with the Audit Committee		●

Summary of planned communications by meeting

Audit Committee meeting	Planned communications
December 13, 2013	<ul style="list-style-type: none"> • 2013 audit plan and fees • Other required interim communications, as necessary
April 2014	<ul style="list-style-type: none"> • Results of 2013 audit • Written confirmation of independence • Other required annual communications, as necessary

Appendix B – Financial reporting developments

Public sector accounting standards

Final Standards	Effective Date
<p>Amendments to the Transition Provisions of Section PS 2601, Foreign Currency Translation, and Section PS 3450, Financial Instruments</p> <p>At its meeting on March 21-23, 2012, the PSAB approved amendments to the transition provisions of Section PS 2601, <i>Foreign Currency Translation</i>, and Section PS 3450, <i>Financial Instruments</i>. In addition to approving the proposed amendments of the ED, which were supported by commentators, an additional amendment was made by the PSAB to clarify that the measurement provisions of the new Sections are to be applied prospectively.</p> <p>On October 3, 2012, the PSAB issued a Basis of Conclusions document with respect to these amendments.</p>	<p>Fiscal years beginning on or after April 1, 2012 for government organizations, and April 1, 2015 for governments</p>
<p>Consequential Amendments Resulting from the Issue of Section PS 3450, Financial Instruments, including a new Section PS 3041, Portfolio Investments</p> <p>At its meeting on December 15-16, 2011, the PSAB approved these amendments to the PSA Handbook, including a new Section PS 3041, <i>Portfolio Investments</i>, and the withdrawal of Section PS 3030, <i>Temporary Investments</i>, and Section PS 3040, <i>Portfolio Investments</i>. In response to respondents' feedback, some clarifications to the amendments were made in finalizing the changes.</p> <p>On April 3, 2012, the PSAB issued a Background Information and Basis for Conclusions document in respect of the new Section PS 3041.</p>	<p>Fiscal years beginning on or after April 1, 2012 for government organizations, and April 1, 2015 for governments</p>
<p>Financial Instruments: Income on Externally Restricted Assets</p> <p>At its meeting on December 13-14, 2012, the PSAB approved these amendments to Section PS 3450, <i>Financial Instruments</i>. In doing so, PSAB revised certain wording in the ED, but did not consider it necessary to re-expose the revisions as they did not represent significant changes.</p> <p>The amendments align the reporting of income on externally restricted assets that are financial instruments in Section PS 3450 with the requirements in Section PS 3100, <i>Restricted Assets and Revenues</i>, and address transitional issues that can arise when Section PS 3450 is adopted. Responses to the ED supported the proposed changes.</p>	<p>Fiscal years beginning on or after March 1, 2013. Earlier adoption is permitted as of the beginning of the fiscal year in which this Section is first applied</p>

<p>Section PS 1201, Financial Statement Presentation</p> <p>This new Section PS 1201 replaces existing Section PS 1200, <i>Financial Statement Presentation</i>, and includes a new statement of remeasurement gains and losses. The new statement will report: (i) unrealized gains and losses associated with financial instruments in the fair value category; (ii) exchange gains and losses associated with monetary assets and monetary liabilities denominated in a foreign currency that have not been settled; (iii) amounts reclassified to the statement of operations upon derecognition or settlement; and (iv) other comprehensive income reported when a public sector entity includes the results of its government business enterprises and government business partnerships in the summary financial statements.</p>	<p>Fiscal years beginning on or after April 1, 2012 for government organizations, and April 1, 2015 for governments</p>
<p>Section PS 2601, Foreign Currency Translation</p> <p>This new Section PS 2601 replaces existing Section PS 2600, Foreign Currency Translation. Major changes from Section PS 2600 include: (i) elimination of deferral and amortization of unrealized gains and losses arising from foreign currency translation before settlement; (ii) withdrawal of hedge accounting as it is unnecessary under the new treatment of unrealized gains and losses; and (iii) separating realized and unrealized foreign exchange gains and losses and reporting them in different statements.</p> <p>At its meeting on June 12-13, 2013, the PSAB approved amendments to the transitional provisions in this Section and agreed that exposure of the changes is not required given the change is simply clarification of an implementation intent.</p>	<p>Fiscal years beginning on or after April 1, 2012 for government organizations, and April 1, 2015 for governments</p>
<p>Section PS 3260, Liability for Contaminated Sites</p> <p>This new Section PS 3260 establishes recognition, measurement and disclosure standards for liabilities relating to contaminated sites of governments and those organizations applying the PSA Handbook.</p>	<p>Fiscal years beginning on or after April 1, 2014</p>
<p>Section PS 3410 (Revised), Government Transfers</p> <p>In December 2010, the PSAB approved a final standard to replace existing Section PS 3410, which establishes standards on how governments should account for and report government transfers to individuals, organizations and other governments from both a transferring government and a recipient government perspective.</p>	<p>Fiscal years beginning on or after April 1, 2012</p>
<p>Section PS 3450, Financial Instruments</p> <p>This new accounting standard Section PS 3450 provides comprehensive guidance on the recognition, measurement, presentation and disclosure of financial instruments, including derivatives.</p> <p>At its meeting on June 12-13, 2013, the PSAB approved amendments to the transitional provisions in this Section and agreed that exposure of the changes is not required given the change is simply clarification of an implementation intent.</p>	<p>Fiscal years beginning on or after April 1, 2012 for government organizations, and April 1, 2015 for governments</p>
<p>Section PS 3510, Tax Revenue</p> <p>This new Section PS 3510 establishes recognition, measurement, presentation and disclosure standards relating to tax revenue reported in financial statements.</p>	<p>Fiscal years beginning on or after April 1, 2012</p>

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