



**Calgary Municipal Land
Corporation**
Report to the Audit Committee
on the 2017 audit

April 27, 2018

April 20, 2018

To the Audit Committee of Calgary Municipal Land Corporation

Report on audited annual financial statements

Dear the Audit Committee Members:

We are pleased to submit this report on the status of our audit of Calgary Municipal Land Corporation ("CMLC") for the 2017 fiscal year. This report summarizes the scope of our audit, our findings to date and reviews certain other matters that we believe to be of interest to you. We are continuing to work with management to complete the outstanding matters summarized on page 2 of this report.


As agreed in our engagement letter dated December 12, 2017, we have performed an audit of the financial statements of Calgary Municipal Land Corporation as of and for the year ended December 31, 2017, in accordance with Canadian generally accepted auditing standards ("Canadian GAAS") and expect to issue our audit report thereon dated April 27, 2018.

This report is intended solely for the information and use of the Audit Committee, the Board of Directors, management and others within CMLC and is not intended to be, and should not be, used by anyone other than these specified parties.

We, at Deloitte, work as one team to provide you with relevant business insights to assist you improving your current practices.

We look forward to discussing this report summarizing the outcome of our audit with you and answering any questions you may have.

Yours truly,

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

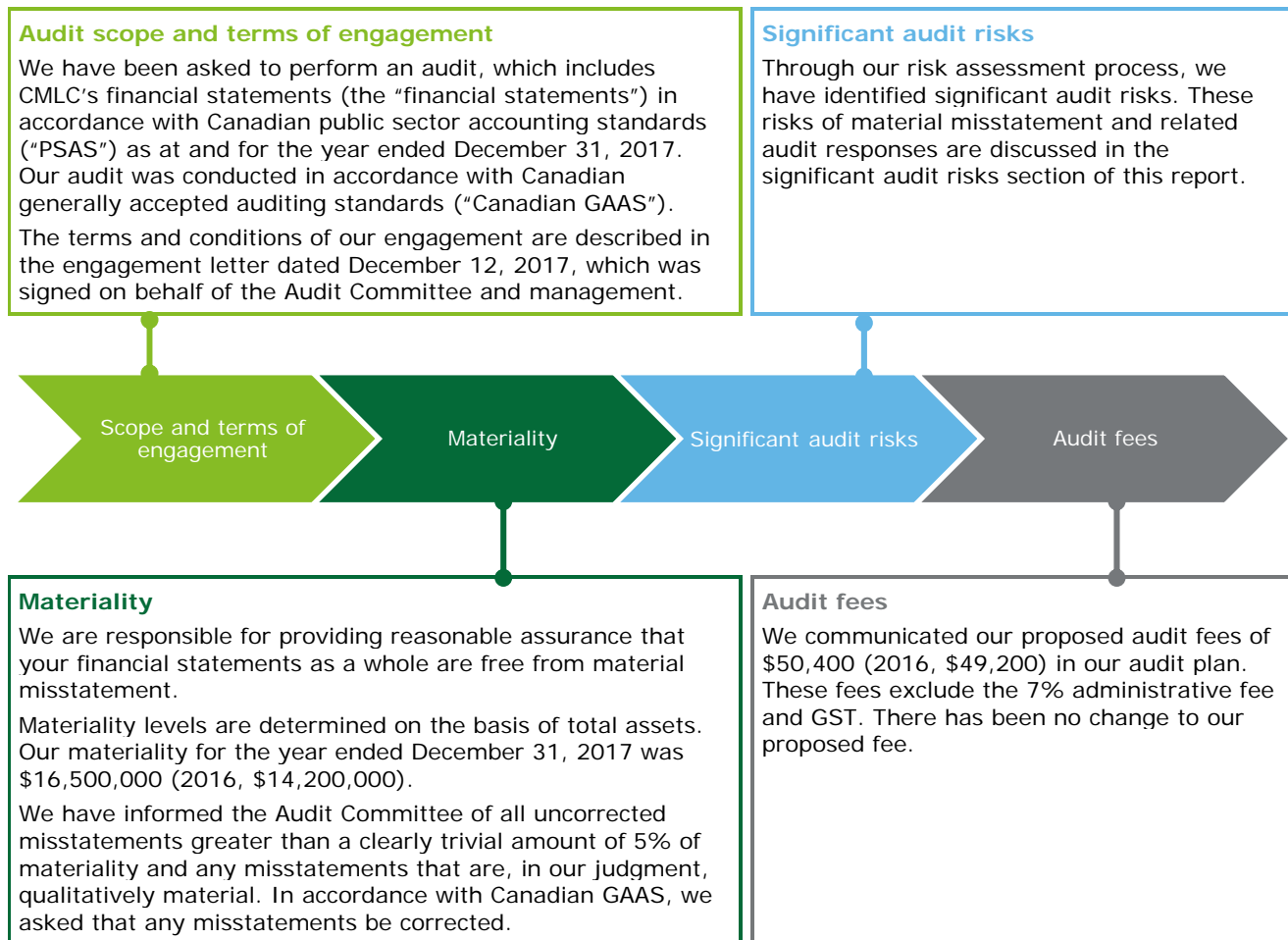
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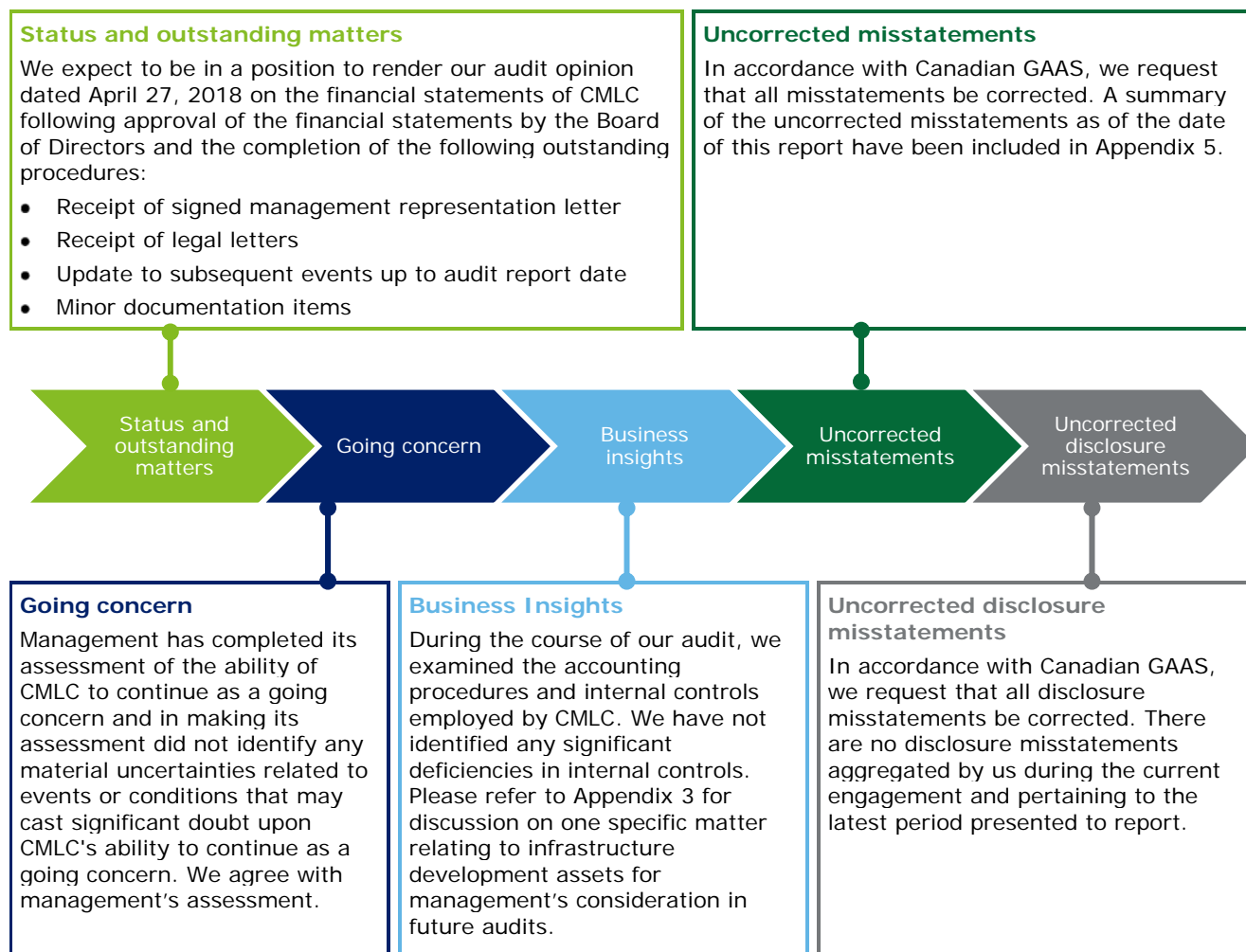
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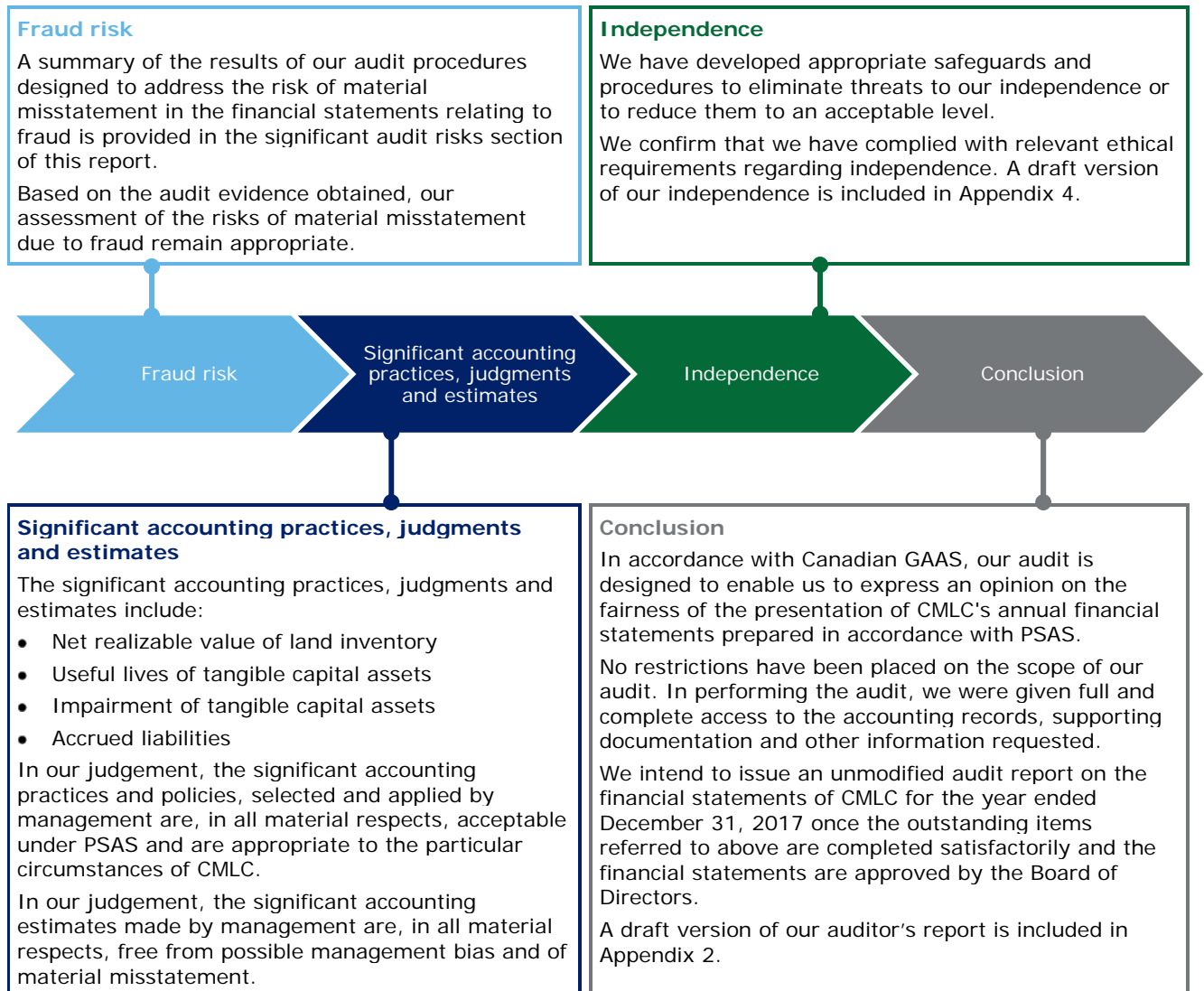
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Our audit explained

This report summarizes the main findings arising from our audit to date.







Significant audit risks

The significant audit risks identified as part of our risk assessment, together with our planned responses and conclusions, are described below.

Management override of controls

Audit risk	Our audit response	Audit results
<p>Under Canadian Auditing Standards, it is the responsibility of the management, with the oversight of those charged with governance to place a strong emphasis on fraud prevention and detection. Oversight by those charged with governance includes considering the potential for override of controls or other inappropriate influence over the financial reporting process.</p> <p>Management override of controls is present in all entities. It is a risk of material misstatement resulting from fraud and therefore is considered as a significant risk.</p>	<ul style="list-style-type: none"> • We engaged in periodic fraud discussions with certain members of senior management and with the chair of the Audit Committee. • We considered the potential for bias in judgments and estimates, including performing retrospective analysis of significant accounting estimates. • We evaluated the business rationale for any significant unusual transactions. • We evaluated CMLC's fraud risk assessment and considered entity-level internal controls and internal controls over the closing and reporting process. • We tested journal entries that exhibited characteristics of possible management override of controls identified. 	<p>We concluded that the internal controls were designed and implemented appropriately.</p> <p>We obtained sufficient audit evidence to conclude that there were no material misstatements.</p>

Completeness of work in progress amounts relating to the new Central Library assets

Audit risk	Our audit response	Audit results
<p>There may be a risk that not all work in progress amounts relating to new Central Library assets have been recorded or accounted for.</p>	<ul style="list-style-type: none"> • We have tested the work in progress billings of new Central Library assets that are being constructed by CMLC to ensure that the appropriate amounts have been accounted for as at December 31, 2017. • We engaged in interviews with project managers and ensured that all costs related to new Central Library assets have been recorded. 	<p>Based on the audit procedures completed, we conclude that new Central Library assets are fairly stated, appropriately classified and properly disclosed in the context of the financial statements taken as a whole.</p>

Area of focus

Recording, presentation and valuation of land inventory

Audit risk

Land inventory may not be appropriately recorded or valued.

Our audit response

- We have reviewed and tested a sample of transactions of purchase agreements and supporting documentation to verify that land inventory is recorded at the appropriate amount.
- We reviewed the market value of land inventory in relation to book value to verify the balance is accurately valued.
- In addition, we reviewed the disposition/transfer of land inventory if applicable to ensure that it has been appropriately accounted for in light of PSAS guidance.

Audit results

Based on the audit procedures completed, we conclude that land inventory is fairly stated, appropriately classified and properly disclosed in the context of the financial statements taken as a whole.

Other reportable matters

The following summarizes the status and findings of key aspects of our audit.

	Comment
Changes to the audit plan	The audit was conducted in accordance with our audit service plan, which was communicated to the Audit Committee on December 12, 2017, except we applied additional audit procedures on the Infrastructure Development Assets that had received Final Acceptance Certificate to assess the appropriate accounting treatment. There were no other significant changes to the audit plan.
Significant difficulties encountered in performing the audit	During the course of our audit, we did not encounter any significant difficulties.
Concerns regarding management competence and integrity	We do not have any concerns regarding management's competency and integrity.
Related party transactions	Related party transactions are disclosed in the notes to the financial statements. We have not identified any related party transactions that were not in the normal course of operations and that involved significant judgments made by management concerning measurement or disclosure.
Disagreements with management	During the current audit, we did not have any disagreement with management.
Legal and regulatory compliance	Management is responsible for ensuring that CMLC's operations are conducted in accordance with the laws and regulations applicable to CMLC in the jurisdictions in which it operates. The responsibility for preventing and detecting non-compliance rests with management. The auditor is not and cannot be held responsible for preventing non-compliance with laws and regulations. Our limited procedures did not identify any areas of material non-compliance with laws and regulations by CMLC.
Post-balance sheet events	At the date of finalizing this report, we are not aware of any significant post balance sheet events. We will update subsequent events with management up to the audit report date of April 27, 2018.

Appendix 1 – Communication requirements

The table below summarizes our communication requirements under Canadian GAAS and other communications that we believe would help us achieve an effective audit.

Required communication	Refer to this report or document described below
Audit Service Plan	
1. Our responsibilities under Canadian GAAS, including forming and expressing an opinion on the financial statements	Engagement letter
2. An overview of the overall audit strategy, addressing: <ul style="list-style-type: none"> a. Timing of the audit b. Significant risks, including fraud risks 	Audit plan communicated on December 12, 2017
3. Significant transactions outside of the normal course of business, including related party transactions	Nothing to report.
Year End Communication	
4. Fraud or possible fraud identified through the audit process	We are not aware of any fraudulent events.
5. Significant accounting policies, practices, unusual transactions, and our related conclusions	Significant Accounting practices, judgements and estimates
6. Alternative treatments for accounting policies and practices that have been discussed with management during the current audit period	Nothing to report.
7. Matters related to going concern	We concluded that there was no substantial doubt about CMLC's ability to continue as a going concern.
8. Management judgments and accounting estimates	Significant Accounting practices, judgements and estimates
9. Significant difficulties, if any, encountered during the audit	No significant difficulties to report.
10. Material written communications between management and us, including management representation letters	Management representation letter
11. Other matters that are significant to the oversight of the financial reporting process	No other matters to report.
12. Modifications to our opinion(s)	We will issue an unmodified opinion.
13. Our views of significant accounting or auditing matters for which management consulted with other accountants and about which we have concerns	None identified.

Required communication	Refer to this report or document described below
14. Significant matters discussed with management	None identified.
15. Illegal or possibly illegal acts that come to our attention	We are not aware of any illegal acts.
16. Significant deficiencies in internal control, if any, identified by us in the conduct of the audit of the financial statements	No deficiencies to report.
17. Uncorrected misstatements and disclosure items	In accordance with Canadian GAAS, we request that all misstatements be corrected. Uncorrected misstatements were noted. Please refer to Appendix 5 for further details.

Appendix 2 – Draft version of our auditor's report

Our report on the financial statements is expected to be in the following form. However, the final form may need to be adjusted to reflect the final results of our audit.

Independent Auditor's Report

To the Shareholder of
Calgary Municipal Land Corporation

We have audited the accompanying financial statements of Calgary Municipal Land Corporation, which comprise the statement of financial position as at December 31, 2017, and the statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Calgary Municipal Land Corporation as at December 31, 2017, and the results of its operations, changes in net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants
April 27, 2018

Appendix 3 – Letter of recommendations and business insights

April 27, 2018

Dear Audit Committee members,

We have recently completed our audit of the financial statements of Calgary Municipal Land Corporation ("CMLC") for the year ended December 31, 2017.

Our audit was designed to provide a cost-effective basis for formulating an opinion on your financial statements. As part of our examination, we reviewed and evaluated relevant aspects of the systems of internal controls and the accounting systems to the extent we considered necessary to make an evaluation of such systems and procedures in accordance with Canadian GAAS.

While the audit did not include an in-depth evaluation of all controls and should not be relied upon to identify all significant internal control deficiencies, or all errors, irregularities or inefficiencies that might occur, we undertake to report such matters to you when they come to our attention. Our comments relating to these and other matters are attached.

Yours truly,

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants

December 31, 2017 year end audit

1. Infrastructure development assets final acceptance certificate listing

Observation:

During the course of the prior years' audits, and throughout the interim and year-end audit for fiscal 2017, we held discussions with management regarding the status of the infrastructure development assets ("IDA"). Based on our knowledge of the business, many of these assets would be close to the Construction Completion Certificate ("CCC") and Final Acceptance Certificate ("FAC") stage. The intent of these discussions during the past and current year's audits was to ensure the appropriate and timely accounting treatment of these assets within the financial statements.

We note that management maintains an excel spreadsheet which includes all IDA assets by phase and date of CCC and FAC.

Recommendation:

It is expected that many assets would be nearing the FAC stage during fiscal 2018. We recommend management ensure any accounting impact of those IDA assets having completed the FAC stage is considered on a timely basis in fiscal 2018 and future financial statements.

Managements Response:

Management agrees with the recommendation.

Appendix 4 – Independence matters

April 27, 2018

The Audit Committee and Board of Directors of Calgary Municipal Land Corporation

Dear Members:

We have been engaged to perform an audit of the financial statements of Calgary Municipal Land Corporation ("CMLC") as of and for the year ended December 31, 2017 in accordance with Canadian generally accepted auditing standards.

You have requested that we communicate in writing with you regarding our compliance with relevant ethical requirements regarding independence as well as all relationships and other matters between CMLC, our Firm and network firms that, in our professional judgment, may reasonably be thought to bear on our independence. You have also requested us to communicate the related safeguards that have been applied to eliminate identified threats to independence or reduce them to an acceptable level.

In determining which relationships to report, we have considered relevant rules and related interpretations prescribed by the appropriate provincial regulator/ordre and applicable legislation, covering such matters as:

- a) Holding a financial interest, either directly or indirectly, in a client.
- b) Holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client.
- c) Personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client.
- d) Economic dependence on a client.
- e) Provision of services in addition to the audit engagement.

We confirm to you that the engagement team and others in the firm as appropriate, the firm and, when applicable, network firms have complied with relevant ethical requirements regarding independence.

We have prepared the following comments to facilitate our discussion with you regarding independence matters arising since April 28, 2017, the date of our last letter.

We are not aware of any relationships between the Deloitte Entities and CMLC and its affiliates, or persons in financial reporting oversight roles at CMLC and its affiliates, that, in our professional judgment, may reasonably be thought to bear on independence, that have occurred from April 29, 2017 to April 27, 2018.

The total fees charged to CMLC for audit services were \$53,928 (2016, \$49,200) during the period covered by the financial statements. These fees include the 7% administration charge but not GST.

We hereby confirm that we are independent with respect to CMLC in accordance with the Rules of Professional Conduct of the Chartered Professional Accountants of Alberta as of April 27, 2018.

This letter is intended solely for the the information and use of the Audit Committee, the Board of Directors, management and others within CMLC and is not intended to be and should not be used for any other purposes.

Yours truly,

Chartered Professional Accountants

Appendix 5 – Draft management representation letter

[CMLC Letterhead]

April 27, 2018

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

Dear Sirs:

Subject: Financial statements of Calgary Municipal Land Corporation for the year ended December 31, 2017

This representation letter is provided in connection with the audit by Deloitte LLP ("Deloitte" or "you") of the financial statements of Calgary Municipal Land Corporation ("CMLC" or "we" or "us") for the year ended December 31, 2017, and a summary of significant accounting policies and other explanatory information (the "Financial Statements"), for the purpose of expressing an opinion as to whether the Financial Statements present fairly, in all material respects, the financial position, results of operations and cash flows of CMLC in accordance with Canadian public sector accounting standards ("PSAS").

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial statements

1. We have fulfilled our responsibilities as set out in the terms of the engagement letter between CMLC and Deloitte dated December 13, 2017 for the preparation of the Financial Statements in accordance with PSAS. In particular, the Financial Statements are fairly presented, in all material respects, and present the financial position of CMLC as at December 31, 2017 and the results of its operations and cash flows for the year then ended in accordance with PSAS.
2. Significant assumptions used in making estimates, including those measured at fair value, are reasonable.

In preparing the Financial Statements in accordance with PSAS, management makes judgments and assumptions about the future and uses estimates. The completeness and appropriateness of the disclosures related to estimates are in accordance with PSAS. CMLC has appropriately disclosed in the Financial Statements the nature of measurement uncertainties that are material, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the Financial Statements.

The measurement methods, including the related assumptions and models, used in determining the estimates, including fair value, were appropriate, reasonable and consistently applied in accordance with PSAS and appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the entity. No events have occurred subsequent to December 31, 2017 that require adjustment to the estimates and disclosures included in the Financial Statements.

There are no changes in management's method of determining significant estimates in the current year.

3. All related party relationships and transactions have been appropriately accounted for and disclosed in the Financial Statements in accordance with the requirements of PSAS.
4. We have determined that the Financial Statements are complete as of the date of this letter, as this is the date when there are no changes to the Financial Statements (including disclosures) planned or expected and the Financial Statements have been approved in accordance with our process to finalize financial statements.
5. We have completed our review of events after December 31, 2017 and up to the date of this letter. All events subsequent to the date of the Financial Statements and for which PSAS requires adjustment or disclosure have been adjusted or disclosed. Accounting estimates and disclosures included in the Financial Statements that are impacted by subsequent events have been appropriately adjusted.
6. The Financial Statements are free of material errors and omissions.

We believe that the effects of any uncorrected Financial Statement misstatements pertaining to the current period presented are immaterial, both individually and in the aggregate, to the Financial Statements taken as a whole. A list of the uncorrected misstatements aggregated by you is attached in Appendix A.

Information provided

7. We have provided you with:
 - a. Access to all information of which we are aware that is relevant to the preparation of the Financial Statements, such as records, documentation and other matters.
 - b. All relevant information as well as additional information that you have requested from us for the purpose of the audit; and
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
8. Except as listed in Appendix A, all transactions have been properly recorded in the accounting records and are reflected in the Financial Statements.
9. We have disclosed to you the results of our assessment of the risk that the Financial Statements may be materially misstated as a result of fraud.
10. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - a. Management;
 - b. Employees who have significant roles in internal control; or
 - c. Others where the fraud could have a material effect on the Financial Statements.

11. We have disclosed to you all information in relation to allegations of actual, suspected or alleged fraud, or illegal or suspected illegal acts affecting CMLC.
12. We have disclosed to you all communications from regulatory agencies concerning non-compliance with or deficiencies in financial reporting practices and all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the Financial Statements.
13. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware, including guarantees, non-monetary transactions and transactions for no consideration.
14. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
15. We have disclosed to you all known, actual or possible litigation and claims, whether or not they have been discussed with our lawyers, whose effects should be considered when preparing the Financial Statements. As appropriate, these items have been disclosed and accounted for in the Financial Statements in accordance with PSAS.

Independence matters

For purposes of the following paragraphs, "Deloitte" shall mean Deloitte LLP and Deloitte Touche Tohmatsu Limited, including related member firms and affiliates.

16. Prior to CMLC having any substantive employment conversations with a former or current Deloitte engagement team member, CMLC has held discussions with Deloitte and obtained approval from the Audit Committee.
17. We have ensured that all services performed by Deloitte with respect to this engagement have been pre-approved by the Audit Committee and the Audit Committee of our Parent Corporation in accordance with its established approval policies and procedures.

Other matters

18. CMLC has satisfactory title to and control over all assets, and there are no liens or encumbrances on such assets. We have disclosed to you and in the Financial Statements all assets that have been pledged as collateral.
19. We have disclosed to you all liabilities, provisions, contingent liabilities and contingent assets, including those associated with guarantees, whether written or oral, and they are appropriately reflected in the Financial Statements.
20. We have disclosed to you, and CMLC has complied with all aspects of contractual agreements that could have a material effect on the Financial Statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
21. We have disclosed to you all the documents that we expect to issue that may comprise other information, in the context of CAS 720, *The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements*.

Accounting Policy

22. The accounting policies selected and the application of those policies are appropriate.
23. CMLC's accounting policies and their method of application have been applied on a basis consistent with that of the audited Financial Statements as of and for the year ended December 31, 2016.

Fair Value

24. With regard to the fair value measurements and disclosures of certain assets and liabilities, such as financial instruments, we believe that:
- a. The completeness and adequacy of the disclosures related to fair values are in accordance with PSAS;
 - b. No events have occurred subsequent to December 31, 2017 that require adjustment to the fair value measurements and disclosures included in the Financial Statements; and
 - c. They appropriately reflect management's intent and ability to carry out specific courses of action on behalf of CMLC when relevant to the use of fair value measurements or disclosures.

Management's responsibilities

25. All transactions and events have been carried out in accordance with law, regulation or other authority.

Accounts Receivable

26. CMLC is responsible for determining the appropriate carrying amount of accounts receivable, as well as estimates used to determine such amounts. Management believes that the carrying amounts recorded and disclosed are appropriate.

Government transfers

27. We have disclosed to you all correspondence relating to government transfers that CMLC has had with the funding body.
28. We have assessed the eligibility criteria and determined that CMLC is an eligible recipient for the government transfers received.
29. We have assessed the stipulations attached with the funding and have recognized the revenue in accordance with meeting the stipulations required.
30. All government transfers that have been recorded as deferred revenue give rise to an obligation that meets the definition of a liability. Those liabilities have been properly recorded and presented in the Financial Statements.

Tangible capital assets

31. Tangible capital assets have been recorded properly and consistently according to the standards in Section PS 3150, *Tangible Capital Assets*.
32. We have assessed the useful lives of tangible capital assets and have determined all tangible capital assets contribute to CMLC's ability to provide goods and services and therefore do not require a write down.

Communicating a threshold

33. We understand that the threshold used for accumulating misstatements identified during the year was \$825,000 for purposes of Appendix A. Misstatements below this amount have been considered clearly trivial.

Land Inventory

34. CMLC is responsible for determining the appropriate carrying amount of inventories held for resale. All inventories are the property of CMLC and do not include any items consigned to it, any items billed to customers or any items for which the liability has not been recorded.
35. Several parcels of land inventory were identified for potential impairment as their book value was in excess of their market value. Management asserts that certain properties are designated as Heritage properties by the City of Calgary and the value will be recovered through long-term tenant agreements with or direct sales to third parties. For those parcels not sold to third parties, the land inventory will be transferred to the City of Calgary at cost. Therefore, management believes that no impairment of land inventory exists at December 31, 2017.
36. Management have declared the true intent for items classified as land inventory and have appropriately classified items as land inventory versus tangible capital assets.
37. We have evaluated all of our tangible capital assets that we have direct responsibility for or accept responsibility for, and have not identified any sites in which contamination exceeds an environmental standard.
38. We have reviewed all outstanding construction invoices at year-end, and have determined that year-end accrual regarding construction invoices is complete.

Infrastructure development assets – long term plans

39. All costs incurred to date relating to Victoria Park, 9th Avenue Parkade, Olympic Plaza, Arts Commons, David D Oughton, Fifth Street Underpass, Fort Calgary, Public Library, West Village, East Village, Riverwalk and 4th Street Underpass sites are appropriately capitalized as infrastructure development assets in the year-end financial statements as based on CMLC's 2017 to 2019 Business Plan, these sites are part of the long term development plan of CMLC.
40. We have disclosed to you all Infrastructure development assets that received Final Acceptance Certificates during the year.

Yours truly,
Calgary Municipal Land Corporation

Michael Brown, President and CEO

Kondwani Bwanali, Director, Finance and Corporate Services

Appendix A

Calgary Municipal Land Corporation

Summary of uncorrected financial statement misstatements
Year ended December 31, 2017

December 31, 2016 uncorrected misstatement

	Assets Dr (Cr)	Liabilities Dr (Cr)	Accumulated Surplus Dr (Cr)	Income Statement Dr (Cr)
Environmental costs related to land sales made in previous years were not written off but should have been. CMLC corrected this in fiscal 2017; however, this was a misstatement impacting fiscal 2016 and prior periods as these amounts should have been written off/expensed at the time the land was sold.	(2,618,508)	-	1,466,329	1,152,179

December 31, 2017 uncorrected misstatement

	Assets Dr (Cr)	Liabilities Dr (Cr)	Equity Dr (Cr)	Income Statement Dr (Cr)
Environmental costs related to land sales made in previous years were not written off but should have been. CMLC corrected this in fiscal 2017; however, this was a misstatement impacting fiscal 2016 and prior periods as these amounts should have been written off/expensed at the time the land was sold. The ending December 31, 2017 balance is; however, correct.	2,618,508	-	-	(2,618,508)

Appendix B

Calgary Municipal Land Corporation

Summary of disclosure items passed
Year ended December 31, 2017

None identified.

Appendix 6 – New and revised Auditor Reporting Standards

On April 11, 2017, the Canadian Auditing and Assurance Standards Board (AASB) approved new and revised Canadian Auditing Standards (CASs) on auditor reporting which will be effective for audits of financial statements for periods ending on or after December 15, 2018 with earlier application permitted.

While a number of CASs were impacted, the most significant changes made relate to the following four standards:

- Revised CAS 700, Forming an Opinion and Reporting on Financial Statements
- New CAS 701, Communicating Key Audit Matters in the Independent Auditor's Report
- Revised CAS 720, The Auditor's Responsibilities Relating to Other Information
- Revised CAS 570, Going Concern

These CASs are based on the International Auditing and Assurance Standards Board's (IAASB) new and revised International Standards on Auditing (ISAs) that were effective for periods ending on or after December 15, 2016 however there are two significant differences:

1. Deferral of the effective date for application by one year, and
2. Amending the scope of reporting Key Audit Matters so that such matters are communicated in the auditor's report only when required by law or regulation or the auditor decides to do so.

The following sets out the enhancements made to the new Independent Auditor's Report

Changes to the Auditor's Report and new reporting requirements

For all audits	
Auditor's opinion	<ul style="list-style-type: none"> • auditor's opinion moved from the end of the auditor's report to the very beginning
Auditor's independence and ethics	<ul style="list-style-type: none"> • an explicit statement of the auditor's independence in accordance with relevant ethical requirements and the auditor's fulfillment of other ethical responsibilities
Going concern	<ul style="list-style-type: none"> • a separate section under the heading "Material Uncertainty Related to Going Concern", when a material uncertainty exists related to an entity's ability to continue as a going concern and is adequately disclosed in the financial statements
Other information	<ul style="list-style-type: none"> • a separate section under the heading "Other Information", when an entity prepares other information (e.g., an annual report) containing or accompanying the entity's financial statements and auditor's report thereon, to explain management's and the auditor's responsibilities for the other information and the auditor's conclusion from reading and considering the other information
Roles and Responsibilities	<ul style="list-style-type: none"> • an enhanced description of management's responsibilities for assessing the entity's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate • identification of those charged with governance (when applicable) and their responsibility for the oversight of the financial reporting process

-
- an enhanced description of the auditor's responsibilities to conclude on the appropriateness of management's use of the going concern basis of accounting
 - an enhanced description of the auditor's responsibilities in an audit of group financial statements
-

For audits of entities where the auditor decides or law or regulation requires reporting of key audit matters

- Key audit matters**
- a separate section under the heading "Key Audit Matters", when law or regulation requires the auditor, or the auditor decides, to communicate key audit matters in the auditor's report to those charged with governance that, in the auditor's judgment, were of most significance to the audit
-

We will work to provide Calgary Municipal Land Corporation and the Audit Committee with guidance on the implications of the new and revised auditor reporting standards.

Benefits

- **Transparency** into the audit and discussions between the auditor, those charged with governance, and management
- **More robust** discussions between auditors and those charged with governance
- **Enhanced** communications between all stakeholders including regulators
- **Relevant** auditor's reports and insights into the complexities of the entity
- **Comparability** across industries and audit firms
- **Improved** audit and financial reporting quality]

Highlights of Changes to Performance Requirements with respect to Going Concern

Auditors are now required to evaluate the adequacy of management's disclosure in the financial statements for "close calls" related to going concern (i.e., when events or conditions were identified that may cast significant doubt of an entity's ability to continue as a going concern but due to management's plans, the auditor concluded that no material uncertainty exists).

The following are some considerations for those charged with governance to start discussing with their auditor.

Implementation considerations for those charged with governance

- **KAMs:** If applicable, this commentary in the audit report will have a significant impact on the timing of:
 - Meetings between the auditor and the Audit Committee to discuss risks, which will form the basis of KAMs
 - Meetings with the auditor to identify, discuss and challenge KAMs as early as possible, and
 - Review of the auditor's report as the process will likely be more rigorous.
- **Going Concern:** Increased auditor focus may heighten your scrutiny of management's process for assessing the entity's ability to continue as a going concern and the relevance and completeness of related disclosures in the financial statements, particularly for "close calls".
- **Other information:** Discuss with the auditor which documents will be within the scope of "other information", evaluate timeframes for drafting and finalizing these documents, and assess documents for consistency with financial statements to ensure factually correct and reasonable.

Resources

The AASB is currently working with CPA Canada and other groups to drive the effective implementation of the new standards through a broad range of communications, tools and guidance materials for stakeholders. CPA Canada has issued a number of [Audit and Assurance alerts](#) in June 2017 discussing key features of the changes and will be releasing a web portal devoted exclusively to the topic of implementing auditor reporting. Webinars and other publications will be issued throughout the remainder of the year, including an update expected in December incorporating the changes to the new auditor's report into a revised reporting guide, "[Reporting Implications of New Auditing and Accounting Standards](#)."

- Keep abreast of the Canadian project at www.cfr.deloitte.ca.
- Information relating to the new and revised CASs and conforming amendments to other CASs can be found on the [AASB website](#).

We encourage you to engage your engagement partner or any other member of the Deloitte Team with any questions or enquiries related to the new and revised auditor reporting standards.