

The City of Calgary **2018 Audit service plan**

For the year ending December 31, 2018
Presented to the Audit Committee
July 25, 2018

July 13, 2018

To the Members of the Audit Committee of
The City Council of The City of Calgary

2018 Audit service plan

Dear Audit Committee Members:

We are pleased to provide you with our audit service plan for The City of Calgary ("The City") for the year ending December 31, 2018. This document describes the key features of our plan including our audit scope and approach, our planned communications with you, our team and an estimate of our fees.

We are proud of our relationship with The City. Our objective at Deloitte is to set the standard of excellence and our team is committed to providing an efficient, high-quality audit. 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 The City.

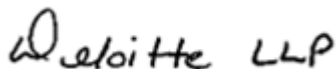
Our engagement will include an audit of:

- The City's consolidated financial statements (the "Financial Statements") as at and for the year ending December 31, 2018 prepared in accordance with Canadian public sector accounting standards ("PSAS") and conducted in accordance with Canadian generally accepted auditing standards ("GAAS");
- The Municipal Information Return for the year ending December 31, 2018;
- The Funds Held in Trust by The City for the year ending December 31, 2018; and
- The City newspaper insert for the year ending December 31, 2018 (summarization of The City's 2018 financial information).

We are providing this audit service plan to the Audit Committee (the "Committee") on a confidential basis. It is intended solely for the use of the Committee to assist in discharging its responsibilities with respect to the Financial Statements for the year ending December 31, 2018 prepared in accordance with PSAS 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,



Chartered Professional Accountants

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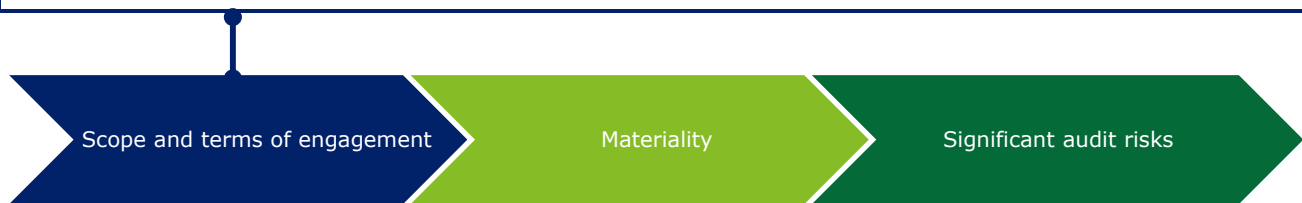
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Our audit explained

Audit scope and terms of engagement

We have been asked to perform an audit of The City's consolidated financial statements (the "financial statements") in accordance with Canadian public sector accounting standards ("PSAS") as at and for the year ending December 31, 2018. 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 master services agreement, which is included in Appendix 9. Our master services agreement should be signed on behalf of City Council and Administration.



Materiality

We are responsible for providing reasonable assurance that your financial statements as a whole are free from material misstatement.

Materiality levels are determined on the basis of consolidated budgeted operating expenses and other qualitative factors. Our preliminary estimate of materiality for the year ending December 31, 2018 has been set at \$60,000,000 (2017, \$57,000,000).

We will inform the Committee of all corrected and uncorrected misstatements greater than a clearly trivial amount of 5% of materiality and any misstatements that are, in our judgment, qualitatively material. In accordance with Canadian GAAS, we will ask that any misstatements be corrected.

Significant audit risks

Through our preliminary risk assessment process, we have identified the significant audit risks. These risks of material misstatement and related audit responses are discussed in the Significant audit risks section of this report (pages 3 to 8).

Fraud risk

We will develop our audit strategy to address the assessed risks of material misstatement due to fraud. Determining this strategy will involve:

1. Asking people involved in the financial reporting process about inappropriate or unusual activity.
2. Testing a sample of journal entries throughout the period as well as adjustments made at the end of the reporting period.
3. Identifying and obtaining an understanding of the business rationale for significant or unusual transactions that are outside the normal course of business.
4. Evaluating whether your accounting policies may be indicative of fraudulent financial reporting resulting from Administration's effort to manage financial results.
5. Evaluating whether the judgements and decisions related to Administration estimates indicate a possible bias.
6. Incorporating an element of unpredictability in selecting our audit procedures.

We will also ask the Committee for their views about the risk of fraud, whether they know of any actual or suspected fraud affecting The City and their role in the oversight of Administration's antifraud programs.

If we suspect fraud involving Administration, we will immediately inform the Committee of our suspicions and discuss the nature, timing, and extent of audit procedures necessary to complete the audit.

Complete engagement reporting

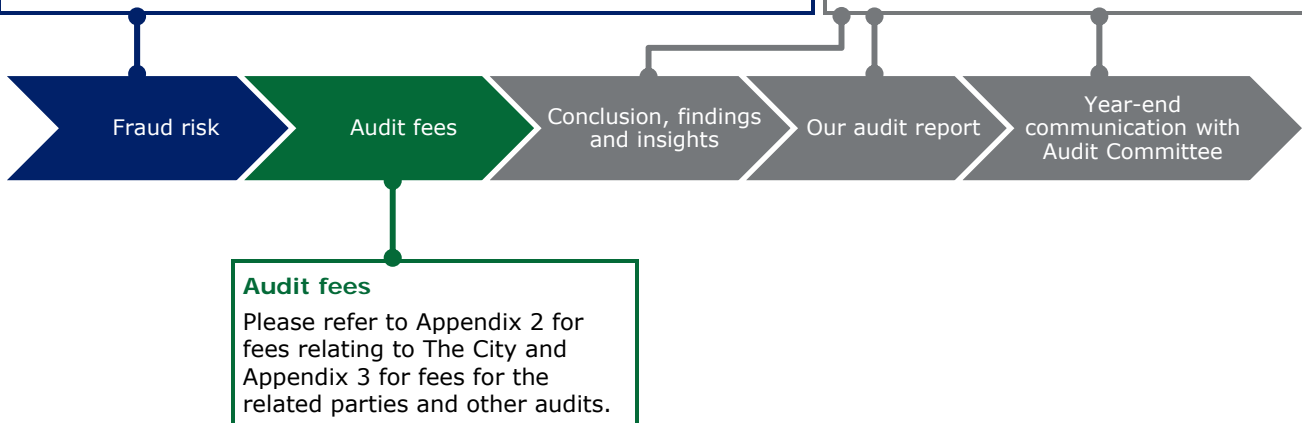
Audit reporting

Under Canadian GAAS, we are required to communicate certain matters to the Committee. The primary reports and formal communications through which we will address these matters are:

- This Audit Service Plan
- Year-end Audit Report, and
- Our Auditor's Report on the financial statements.

Management Recommendations Letter

We will provide you with insights into the condition of your operations, controls and offer meaningful suggestions for improvement following the completion of the fiscal 2018 audit.



Significant audit risks

During our risk assessment, we identified some significant audit risks that will require special audit consideration. These risks, together with our planned responses, are described below.

Tangible Capital Assets

Audit risk

Completeness and valuation of Tangible Capital Assets ("TCA").

Our proposed audit response

- We will audit The City's TCA additions, disposals and amortization along with related disclosures. Our testing will include, on a sample basis, reviewing amounts included in the current year transactions to ensure only amounts that meet the definition of capital are included and are appropriately valued.
- We will also test a sample of items recorded as repairs and maintenance to ensure these amounts are appropriately expensed.
- We will review Administration's assessment of impairment indicators of TCA and perform audit procedures on any amounts written down in the year.
- We will test TCA work in progress ("WIP") additions to ensure these WIP additions were appropriately accounted for as WIP. We will also test the aging of TCA projects to ensure appropriate accounting treatment of those projects in the year-end financial statements.
- Given the nature of the TCA held by The City, there is a risk for misclassification of the respective TCA. As a result, we will perform increased substantive testing of the financial statement disclosures.

Administration override of controls

Audit risk

Assurance standards include the presumption of Administration override of controls as a significant risk. Administration may be in a unique position to perpetrate fraud because of Administration's ability to directly or indirectly manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Our proposed audit response

- We will engage in periodic fraud discussions with certain members of senior Administration and others, including The City Auditor, City Manager and the Committee.
- We will consider the potential for bias in judgments and estimates, including performing retrospective analysis of significant accounting estimates. We will evaluate the business rationale for any significant unusual transactions.
- We will evaluate The City's fraud risk assessment and consider entity-level internal controls and internal controls over the closing and reporting process.
- We will test journal entries that exhibit characteristics of possible Administration override of controls identified.

New Accounting Standards

Audit risk

The following accounting standards are required to be adopted for the year ending December 31, 2018:

- *Related Party Disclosures*, Section PS 2200
- *Assets*, Section PS 3210
- *Contingent Assets*, Section PS 3320
- *Contractual Rights*, Section PS 3380
- *Inter-entity Transactions*, Section PS 3420

There is a risk that the application of these standards is not consistent or compliant with the guidance provided within the standards.

Our proposed audit response

- We will review The City's methodology and process for application and adoption of each standard, which will include a review of position papers prepared by Administration.
- We will audit a sample of the accounting transactions recorded under these standards, if applicable.
- We will also review the disclosure in the year-end financial statements to ensure compliance with the applicable accounting standards.

As we perform our audit procedures, we will inform you of any significant changes to the significant risks discussed above and the reasons for those changes.

Areas of focus for 2018

Public Private Partnership ("P3") Agreements

Audit risk

During fiscal 2015 and 2016, The City signed the following P3 agreements:

Stoney Transit Facility effective September 13, 2016 and the Composting Facility Project effective June 25, 2015.

P3 agreements can include a number of complex underlying accounting treatments which require an in-depth, detailed analysis to ensure all accounting and financial reporting matters impacting the consolidated financial statements are taken into consideration. As there is currently no specific accounting standard under PSAS which provides accounting and financial reporting guidance, an entity is required to complete its own analysis specific to the agreement entered into in conjunction with existing accounting standards.

As the Composting Facility Project was completed in fiscal 2017, The City commenced accounting for this facility in the 2017 year-end financial statements as TCA.

The Stoney Transit Facility is expected to be completed in 2019.

Due to the highly complex nature of P3 agreements and the related accounting implications there is a risk the accounting for these transactions is not complete or accurate. There is also a risk that the financial statement presentation and disclosure is not complete.

Our proposed audit response

- We will apply audit procedures on the accounting transactions for the P3 agreements to ensure that these transactions have been accurately and completely recorded in the year-end financial statements in accordance with Administration's proposed accounting treatment and applicable accounting standards.
- We will also review the disclosure in the year-end financial statements to ensure this is in compliance with applicable accounting standards.

PS 3260, Liability for contaminated sites

Audit risk

Completeness and accuracy of the liability for contaminated sites.

Our proposed audit response

- We will review The City's methodology for application of this standard on City owned land and property. We will audit the assumptions and the calculation of the liability associated with the potential remediation costs. We will also review The City's assessment of all sites identified as having a high risk of contamination.
- We will review financial statement disclosure to ensure consistent with accounting guidance.

PS 3270, Solid waste landfill closure and post-closure liability

Audit risk

Valuation of environmental liabilities and asset retirement obligations, relating to the accrual of post closure landfill liabilities.

Our proposed audit response

- We will review The City's estimates of post closure landfill liabilities.
- We will review City Council minutes and legal confirmations, hold discussions with Administration and rely on our knowledge of business to ensure completeness of the liability.
- We will review Administration's estimates and assumptions for reasonability and perform tests of details on the transactions during the year.
- We will require representations to be signed by Administration that all environmental liabilities and clean-up costs are complete and appropriately disclosed.

Funding contracts

Audit risk

Disclosure and completeness of liabilities and commitments under funding contracts provided by The City.

Our proposed audit response

- We will review Administration's assessment of liabilities and commitments required to be recorded or disclosed under agreements entered into during the year.
- We will test a sample of funding contracts entered into during the year to assess Administration's treatment and appropriate recording of these transactions.
- We will also assess the completeness of the balances via a review of City Council minutes and performing a search for unrecorded liabilities as well as a review of prior year estimates.

Capital deposits and deferred revenue

Audit risk

Completeness and valuation of capital deposits and recognition of deferred revenue.

Our proposed audit response

- We will select a sample of capital projects in progress over the year and ensure costs and related revenues are recorded in the correct period.

Related parties (authorities / subsidiaries / civic partners)

Audit risk

Completeness and disclosure of the accounting for organizations included in the government reporting entity (related authorities or subsidiaries).

Our proposed audit response

- We will review The City's accounting policies and any changes therein related to its 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.

Litigation accruals and contingencies

Audit risk

Completeness and accuracy of claims and litigation matters of The City and its related authorities.

Our proposed audit response

- We will enquire with The City's legal department and 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 then work with Administration to assess the appropriateness of any contingent liabilities and financial statement disclosures.

Government grants and transfers

Audit risk

Accounting and disclosure of government grants and transfers.

Our proposed audit response

- We will test a sample of funding agreements to determine if the contract requires 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 are used for their intended purpose and that revenue is 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.

Tax revenue

Audit risk

Completeness and accuracy of the accounting for tax revenue.

Our proposed audit response

- We will perform reasonability tests on tax revenue balances.
- We will review and test the tax revenue business cycle process controls.
- We will complete data analytical testing on the property tax revenues for the year ended December 31, 2018.

Reserves

Audit risk

Completeness and accuracy of the recording and presentation of reserves.

Our proposed audit response

- We will test expenditures charged to each reserve and vouch a sample of expenditures to invoices to verify that the transaction was within the terms and conditions approved by City Council.
- We will also review the completeness and accuracy of the financial statement disclosures relating to reserves.

Long-term debt, pension liability, contractual and other long term obligations

Audit risk

Disclosure and completeness of long-term debt, pension liability, contractual and other long term obligations.

Our proposed audit response

- We will review the completeness and accuracy of the financial statement disclosures relating to The City's long-term debt, pension liability, and contractual and other long term obligations.
- We will ensure that these disclosures are in accordance with PSAS guidance.

Non-standard transactions

Audit risk

Completeness and accuracy of non-standard transactions.

Our proposed audit response

- Non-standard transactions are inherently riskier as there is no precedence for which to account for these items. Examples of non-standard transactions may include but are not limited to; transfer of lands to/from the Province, transfer of corporate properties between business units and the purchase and sale of properties.
- We will review large transactions that have occurred during the year to ensure that these transactions have been accurately and completely recorded in the year-end financial statements.

Implementation of new TCA policies and procedures

Audit risk

There is a risk that the adoption of new TCA policies and procedures are not implemented in a consistent manner across all business units. The City will be implementing new policies and procedures for the Vehicles asset class during the current year.

Our proposed audit response

- We will review the policies and procedures implemented to test that they have been designed and implemented effectively and in accordance with PSAS.
- We will test a sample of new additions to vehicles to ensure that these additions have been accounted for based on the new policies and procedures.

As we perform our audit procedures, we will inform you of any significant changes to the areas of focus, discussed above and the reasons for those changes.

Appendix 1 – Audit approach

Deloitte's audit approach is a systematic methodology that enables us to tailor our audit scope and plan to address the unique issues facing The City.

The following steps are not necessarily sequential nor are they mutually exclusive. For example, once we have developed our audit plan and the audit is being performed, we may become aware of a risk that was not identified during the planning phase. Based on that new information, we would reassess our planning activities and adjust the audit plan accordingly.

1. Initial planning

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

- Assessing your current business and operating conditions
- Understanding the composition and structure of your business and organization
- Understanding your accounting processes and internal controls
- Understanding your information technology systems
- Identifying potential engagement risks
- Planning the scope and timing of internal control and substantive testing that take into account the specific identified engagement risks

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.

Consideration of the risk of fraud

When we identify a misstatement or control deficiency, we consider whether it 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 Administration representations.

In determining our audit strategy to address the assessed risks of material misstatement due to fraud, we will:

- Assign and supervise personnel, taking into account the knowledge, skill and ability of individuals with significant engagement responsibilities and our assessment of the risks of material misstatement due to fraud for the engagement.
- Evaluate whether The City's selection and application of accounting policies, particularly those related to subjective measurements and complex transactions, may be indicative of fraudulent financial reporting resulting from Administration's effort to manage earnings.
- Incorporate an element of unpredictability when selecting the nature, timing and extent of our audit procedures.

We will inquire directly of the Committee regarding:

- Its views about the risk of fraud
- Whether it has knowledge of any actual or suspected fraud affecting The City, and

- The role it exercises in the oversight of fraud risk assessment and the establishment of mitigating controls.

We will also inquire if the Committee is aware of tips or complaints regarding The City's financial reporting (including those received through The City's internal whistleblower program), and, if so, the Committee's responses to such tips and complaints and whether it is aware of matters relevant to the audit, including, but not limited to, violations or possible violations of laws or regulations.

If we suspect fraud involving Administration, we will communicate these suspicions to the Committee and discuss the nature, timing, and extent of audit procedures necessary to complete the audit.

Information technology

An important part of our audit planning process involves gaining an understanding of:

1. The importance of the computer environment relative to the risks to financial reporting
2. The way in which that environment supports the control procedures we intend to rely on when conducting our audit, and
3. The computer-based information that supports our substantive procedures.

The objective of our review of computer controls is to identify potential areas of risk and assess the relevance, reliability, accuracy and completeness of the data produced by the systems. We also assess the operating effectiveness of the computer environment and determine the reliability of the financial information used to generate the financial statements. To accomplish this, we gain an up-to-date 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.

We will assess the design and effectiveness of general computer controls in the following areas:

- Data centre and network operations;
- System software acquisition, change and maintenance;
- Program change;
- Access security; and
- Application system acquisition, development and maintenance.

3. Developing and executing the audit plan

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

Audit procedures

The timing of our audit procedures is dependent upon a number of factors including the need to coordinate with Administration for the provision of supporting analysis and other documentation. Generally, we perform our audit procedures to allow us sufficient time to identify significant issues early, thereby allowing more time for analysis and resolution.

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 Administration's purposes or to provide assurance on the design or operational effectiveness of internal control over financial reporting.

The extent to which deficiencies in internal control may be identified through an audit of financial statements is influenced by a variety of factors including our assessment of materiality, our preliminary assessment of the risks of material misstatement, our audit approach, and the nature, timing and extent of the auditing procedures that we conduct. Accordingly, we gain only a limited understanding of controls as a result of the procedures that we conduct during an audit of financial statements.

We will inform the Committee and Administration of any significant deficiencies that are identified in the course of conducting the audit.

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 controls tests and are designed to enable us to obtain reasonable assurance that the financial statements are free from material misstatements. To obtain this assurance, misstatements that we identify while performing substantive auditing procedures will be considered in relation to the financial statements as a whole. Any misstatements that we identify, other than those that are clearly trivial (the clearly trivial threshold has been set at 5% of materiality), will be reported to Administration and the Committee. In accordance with Canadian GAAS, we will request that misstatements be corrected.

4. Reporting and assessing performance

Perform post-engagement activities

We will analyze the results of the audit procedures performed throughout the year and, prior to rendering our report, we will 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.

Independence

We have developed important safeguards and procedures to protect our independence and objectivity. If, during the year, we identify a breach of independence, we will communicate it to you in writing. Our communication will describe the significance of the breach, including its nature and duration, the action taken or proposed to be taken, and our conclusion as to whether or not the action will satisfactorily address the consequences of the breach and have any impact on our ability to serve as independent auditor to The City.

We are independent of The City and we will reconfirm our independence in our final report to the Committee.

5. Leveraging technology

Our audit approach utilizes fully automated, paperless audit software where information and supporting schedules are prepared and exchanged electronically. Our audit software facilitates leveraging what The City already prepares as part of account analysis and financial closings and allows us to share files and work papers with our engagement team members. We use other web-based connectivity tools and file interrogation software to quickly and comprehensively analyze data.

Our audit software supports the full lifecycle of an audit engagement. The proprietary software we use is globally connected and allows for real-time tracking, ultimately providing better status reporting to our clients. Our software leverages industry guidance and knowledge so that we tailor our approach in a meaningful way to reflect the nuances of our clients' businesses. Our ability to customize our software to each client's specific situation enables us to have more engaging business conversations. In addition, our software allows us to track findings and observations noted throughout the course of our audit, enabling us to provide our clients with more meaningful insights and discuss any issues as they arise with fewer surprises.

The tools described in the following table help us determine our audit scope, prepare consistent audit work papers and files, conduct analytical procedures, select data for testing, accumulate audit results and monitor progress to provide for the timely completion of tasks. In addition, we intend to make full use of The City's own technologies to gain further efficiencies.

Technology	Description	Benefits
DeloitteAudit System	Deloitte's audit software, incorporating audit-specific templates, reference materials, support documents and Administration insights.	<ul style="list-style-type: none"> • Rapid and effective electronic transfer of information among the audit team members.
Deloitte Spotlight	An integrated analytics application that leverages analytical data techniques to more effectively test large volumes of journal entry data, in order to uncover unusual trends, patterns, or anomalies in The City's journal entries.	<ul style="list-style-type: none"> • Enables easy extraction from your systems and other applications in a consistent and repeatable format that requires minimal effort from you. • Allows for the customization of characteristics of fraudulent journal entries, which are specific to particular circumstances. • Analyzes the entire journal entry data set and returns results in a matter of minutes. • This tool further enhances the data analytics & visualization tools above for testing of journal entries.
Data Analytics & Visualization	The City will get an enhanced access to leading practices in data mining and insightful analytics reports. Our Data Visualization Toolset can also help more clearly, and effectively, interpret and understand complex data sets.	<ul style="list-style-type: none"> • Pinpoints risks more effectively, allowing us to focus on outliers and reduces efforts spent on tedious detail testing that provides less insight. • Allows for the visualization of the group audit scope and strategy to very quickly assess the sufficiency of coverage. • This tool is currently utilized on The City audit engagement through testing of property and business tax revenue.

Technology	Description	Benefits
Deloitte Technical Library	A comprehensive online compilation of accounting and financial disclosure literature that allows Deloitte to research specific accounting issues and functions through access to authoritative literature from pertinent regulatory bodies, as well as our own interpretations and guidance.	<ul style="list-style-type: none"> The extensive accounting and reporting guidance helps support the quick and efficient research of complex accounting matters.

6. Audit scope uncertainty

Our audit service plan is based on several assumptions. Circumstances may arise during the engagement that could significantly affect the scope, extent and timing of our audit procedures. These circumstances may include, but are not limited to:

- A deterioration in the quality of The City's accounting records during the current year engagement compared to the prior year engagement;
- The identification of significant deficiencies in The City's internal control that result in the expansion of our audit procedures;
- The identification, during our audit, of a significant level of proposed audit adjustments; and
- The occurrence of significant new issues or changes, such as:
 - New accounting issues;
 - Changes in accounting policies or practices from those used in prior years;
 - Events or transactions not contemplated in our budget;
 - Changes in The City's financial reporting process or IT systems;
 - Changes in The City's accounting personnel, their responsibilities, or their availability;
 - Changes in auditing standards;
 - Significant adjustments to TCA accounts and balances;
 - Changes in The City's use of experts or specialists and/or their work product does not meet the qualifications that Canadian GAAS require for us to be able to use their work; and
 - Changes in the audit scope caused by events that are beyond our control.

If any of these or similar such circumstances arise during the course of our audit we will discuss them on a timely basis with Administration and provide the Committee with a report regarding the impact on our audit at its next scheduled meeting. Matters that we consider to be significant and that may be sensitive from a reporting timing perspective will be communicated immediately to the Chair of the Committee.

Appendix 2 – Audit fees

We focus our activities and make every effort to optimize the efficiency of our audit.

We recognize and are sensitive to your concerns about managing costs. Therefore, we will maximize the efficiency of our audit by focusing on risk areas and coordinating our activities with Administration. Furthermore, our current audit plan builds upon the successes achieved in the 2017 year-end audit.

The following fee estimate is preliminary and may be adjusted based on the final scope of our audit and our final determination of the audit procedures that we consider 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. We will seek the Committee's pre-approval before commencing the additional procedures arising from these unexpected changes.

The 2018 estimated audit fees are as follows:		2018 *	2017 *
The City of Calgary consolidated financial statement audit		\$270,000	\$265,000
Municipal Information Return		\$4,600	\$4,500
Funds Held in Trust Audit		\$1,800	\$1,740
Newspaper insert (summarization of The City's financial information)	Included in the City of Calgary Audit fee		Included in the City of Calgary Audit fee
PS 3260, <i>Liability for contaminated sites</i>		\$5,000	\$5,000
Review of implementation of TCA Vehicles (2017 – Land and Land Improvements) policies and procedures on a prospective basis		\$4,500	\$17,500
Audit procedures on accounting transactions and related financial statement disclosure of P3 Agreement – Stoney Transit Facility dated September 13, 2016		\$5,000	\$5,000
Audit procedures on accounting transactions and related financial statement disclosure of P3 Agreement – Composting Facility Project dated June 25, 2015		-	\$7,500
Audit procedures on related authorities for consolidation purposes		\$16,500	\$16,500
TCA prior period adjustments (if applicable)		TBD	\$30,000
Testing of the implementation and internal controls relating to the TCA Costing Module		-	\$18,000
Additional audits as requested by Administration and the Committee up to approval limit		\$25,000	\$25,000
Adoption of new accounting standards for December 31, 2018		\$28,000	-
Total		\$360,400	\$395,740

* These fees exclude the 7% administrative charge and GST.

Appendix 3 – Related parties and other audits

Summary of engagement timing and estimated fees for the year ended December 31, 2018. These fees include the base audit fee for each entity.

Entity	Reporting entity relationship	Estimated audit completion	Estimated 2018 audit fee**	2017 audit fee
The City of Calgary consolidated	City of Calgary Audit Committee	April 2019	\$270,000	\$265,000
Calgary Municipal Land Corporation	Calgary Municipal Land Corporation Audit Committee	April 2019	\$51,700	\$50,400
Calgary Parking Authority	Calgary Parking Authority Audit Committee	March 2019	\$89,300	\$87,000
Calgary Public Library	Calgary Public Library Finance and Audit Committee	March 2019	\$39,700	\$38,800
Calhome Properties Ltd.	Calhome Properties Ltd. Audit Committee	March 2019	\$78,400	\$76,500
Calgary Police Service	Calgary Police Commission	May 2019*	\$49,600	\$48,400
TELUS Convention Centre	TELUS Convention Centre Audit Committee	May 2019*	\$42,000	\$40,900
ENMAX Corporation	ENMAX Audit Committee	March 2019	\$315,500	\$398,000
Elected Officials Pension Plan	Pension Governance Committee	May 2019	\$7,300	\$7,100
Supplementary Pension Plan	Pension Governance Committee	May 2019	\$13,900	\$13,600
Municipal Employees Benefits Association of Calgary	Executive Committee of Municipal Employees Benefits Association of Calgary	April 2019	\$25,400	\$24,800
Family & Community Support Services	City of Calgary Administration	April 2019	\$19,900	\$19,400
Municipal Information Return	City of Calgary Administration	April 2019	\$4,600	\$4,500
Funds Held in Trust	City of Calgary Administration	April 2019	\$1,800	\$1,740
Core Benefit Plan	Audit to be completed every four years – next audit will be fiscal 2021	-	-	15,070
Total			\$1,009,100	\$1,091,210

*Fieldwork will be completed by March 2019.

**The fee estimate is per the agreed upon rates in the 2018 Request for Proposal. The fees exclude the 7% Administrative charge and GST.

Consolidation

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 is planned for completion prior to the anticipated final auditor's report for The City. Our final auditor's reports are presented to each reporting entity at their respective Audit Committee meetings.

Appendix 4 – Communication requirements

Required communication	Reference
Audit Service Plan	
1. Our responsibilities under Canadian GAAS, including forming and expressing an opinion on the financial statements	CAS ¹ 260.14
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 c. Nature and extent of specialized skill or knowledge needed to perform the planned audit procedures related to significant risk 	CAS 260.15
3. Significant transactions outside of the normal course of business, including related party transactions	CAS 260 App. 2, CAS 550.27
Enquiries of those charged with governance	
4. How those charged with governance 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	CAS 240.20
5. Any known suspected or alleged fraud affecting The City	CAS 240.21
6. Whether The City is in compliance with laws and regulations	CAS 250.14
Year-end communication	
7. Fraud or possible fraud identified through the audit process	CAS 240.40-.42
8. Significant accounting policies, practices, unusual transactions, and our related conclusions	CAS 260.16 a.
9. Alternative treatments for accounting policies and practices that have been discussed with Administration during the current audit period	CAS 260.16 a.
10. Matters related to going concern	CAS 570.23
11. Administration judgments and accounting estimates	CAS 260.16 a.
12. Significant difficulties, if any, encountered during the audit	CAS 260.16 b.
13. Material written communications between Administration and us, including Administration representation letters	CAS 260.16 c.
14. Other matters that are significant to the oversight of the financial reporting process	CAS 260.16 d.
15. Modifications to our opinion(s)	CAS 260.A18

¹ CAS: Canadian Auditing Standards – CAS are issued by the Auditing and Assurance Standards Board of CPA Canada

Required communication	Reference
Year-end communication	
16. Our views of significant accounting or auditing matters for which Administration consulted with other accountants and about which we have concerns	CAS 260.A19
17. Significant matters discussed with Administration	CAS 260.A.19
18. Matters involving non-compliance with laws and regulations that come to our attention	CAS 250.23
19. Significant deficiencies in internal control, if any, identified by us in the conduct of the audit of the financial statements	CAS 265
20. Uncorrected misstatements and disclosure items	CAS 450.12-13
21. Any significant matters arising during the audit in connection with The City's related parties	CAS 550.27

Appendix 5 – Audit team

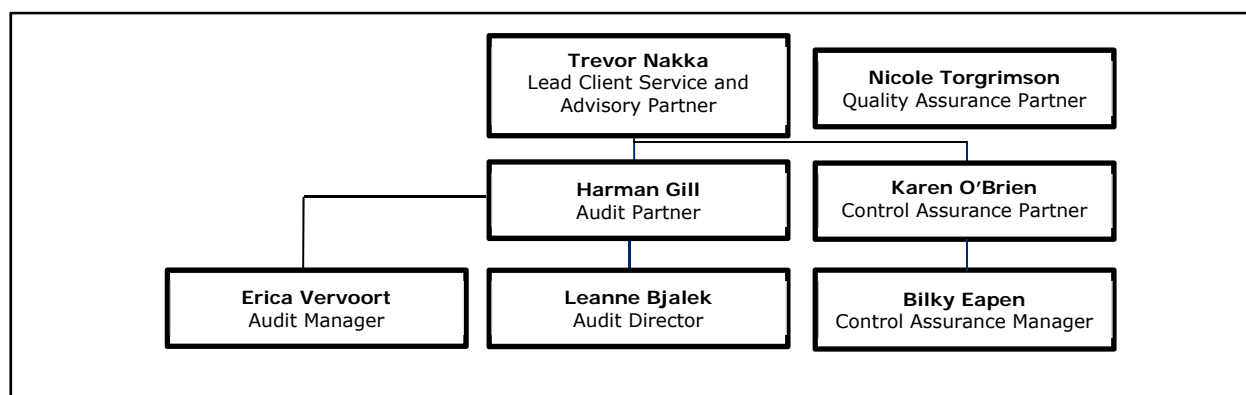
We are led by Trevor Nakka, lead client service and advisory partner. As a team we are committed to delivering on Deloitte's client service principles to:

- **Make** and meet our commitments to our clients
- **Understand** our clients' business and what is important to them
- **Provide** value and build The City through technical competence and consistent results
- **Demonstrate** professionalism through effective interaction and communications, and
- Provide a **no surprises** experience.

Our audit team members have been chosen for their experience and expertise. Trevor Nakka and/or Harman Gill will attend all Audit Committee meetings and will be accompanied by one or more additional engagement team members, depending on the meeting agenda.

The key members of the core audit engagement of The City and related parties are listed below:

The City of Calgary



Related Authorities



Appendix 6 – 2018 Summary audit timeline

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

	July	August	September	October	November	December	January	February	March	April	May	June
Procedures:												
Audit planning including scope, risks of fraud, and fees	•	•										
Audit procedures performed on areas of risks, areas of focus and significant and complex transactions		•			•				•			
August 2018: First interim visit. We will perform the following procedure during our first interim: <ul style="list-style-type: none"> • Audit planning • Design, implementation and operating effectiveness testing of internal controls • Assessment of new PSAS accounting standards 		•										
November 2018: Second interim visit. We will perform the following procedures during our second interim: <ul style="list-style-type: none"> • Substantive testing of expenditures, payroll and TCA additions • Review of new TCA policies implemented for Vehicles • Assessment of new PSAS accounting standards 					•							
Final audit procedures related to the financial statements									•	•		
Communicate the status of our audit against our plan and any major difficulties encountered										•		
Review the results of our audit and provide audit report										•		
Review of the annual report to citizens										•		
Release of audit report										•		
Present 2018 Management Recommendations Letter												•

Appendix 7 – Audit committee terms of reference

As the external auditors of The City we have the privilege of assisting the Committee in the fulfillment of the Committee's terms of reference. The following table outlines our involvement in the fulfillment of specific terms of reference and any reports that we will issue following the completion of the 2018 audit.

Bylaw 48M2012	Description	Related Deloitte Involvement
Schedule B, 1(b)	Pre-approves all audit and non-audit services performed by the External Auditor.	All audit and non-audit services are presented to the Committee for pre-approval prior to the commencement of such work. Independence letter summarizing the fees for all services performed to be presented to the Committee at the April 2019 meeting.
Schedule B, 1(c)	Requires the External Auditor, as an expert in accounting and financial reporting, to express independent judgment about the appropriateness and acceptability of The City's financial statements, in accordance with professional standards.	Communicated in the Year-end Audit Report to be presented by Deloitte to the Committee at the April 2019 meeting.
Schedule B, 1(d)	Prior to the commencement of the annual external financial audit, review the financial audit plan with the External Auditor.	2018 Audit Service Plan presented by Deloitte on July 25, 2018.
Schedule B, 1(e)	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.	Report of the Independent Auditor on the consolidated Financial Statements and Year-end Audit Report to be presented by Deloitte to the Committee at the April 2019 meeting.
Schedule B, 1(f)	Receives and reviews the External Auditor's Administration letter(s), together with any administrative responses, and forward, either in full or in summary, to Council for information.	Management recommendations letter to be presented by Deloitte at the June 2019 meeting.
Schedule B, 1(g)	The Audit Committee meets with the External Auditor, in the absence of the Administration, at least quarterly.	In-camera sessions held with Deloitte at Committee meetings throughout 2018 and 2019.
Schedule C, 1(g)	Ensures that the combined work of the City Auditor and the External Auditor provides an appropriate level of audit coverage and is effectively coordinated.	2018 Audit Service Plan and audit work completed will be discussed in the Year-end Audit Report to be presented by Deloitte to the Committee at the April 2019 meeting.

Bylaw 48M2012	Description	Related Deloitte Involvement
2(a)	Oversees the integrity of, and reviews the annual Financial Statements and recommends their approval to Council.	Report of the Independent Auditor on the consolidated Financial Statements and Year-end Audit report to be presented by Deloitte to the Committee at the April 2019 meeting.
2(b)	Reviews and discusses the City's compliance with financial reporting procedures with Administration, the City Auditor and the External Auditor.	Report of the Independent Auditor on the consolidated Financial Statements and Year-end Audit Report to be presented by Deloitte to the Committee at the April 2019 meeting. Letter of recommendations to be presented by Deloitte at the June 2019 meeting.
2(c)	Engages Administration, the City Auditor and the External Auditor in candid discussions regarding issues that may alter judgment or affect the quality of the reporting process and search for insight into the results.	Participation and attendance by Deloitte at Committee meetings throughout the year.
2(d)	Reviews and discusses areas where changes in accounting standards could have a material impact on financial results, and may request a detailed analysis, prepared by Administration in consultation with the External Auditor, of the implications of those changes.	Appendix 8 of 2018 Audit Service Plan presented by Deloitte on July 25, 2018.
2(e)	Maintains open lines of communication with the External Auditor, City Auditor and Administration.	Participation and attendance by Deloitte at Committee meetings throughout the year.
6(b)(i)	Review reports from Administration and from the City Auditor as to the adequacy and effectiveness of corporate policies such as legal matters, regulations, ethical principles, code of conduct and conflict of interest.	Year-end Audit Report to be presented by Deloitte to the Committee at the April 2019 meeting includes our notification of whether any violations of this nature have come to our attention.

Appendix 8 – Upcoming financial reporting standards

Significant upcoming financial reporting standards and other regulatory requirements that are likely to impact The City's financial reporting for the current and future audits are listed below. These are consistent with information we presented in the 2017 Audit Plan.

Standards	Effective Date
<i>Related Party Disclosures</i> , Section PS 2200	Fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.
<i>Assets</i> , Section PS 3210	Fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.
<i>Contingent Assets</i> , Section PS 3320	Fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.
<i>Contractual Rights</i> , Section PS 3380	Fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.
<i>Inter-entity Transactions</i> , Section PS 3420	Fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.
<i>Restructuring Transactions</i> , Section PS 3430	Fiscal years beginning on or after April 1, 2018. Earlier adoption is permitted.
<i>Foreign Currency Translation</i> , Section PS 2601	Fiscal years beginning on or after April 1, 2021 except for government organizations that applied the CPA Canada Handbook – Accounting prior to adopting the CPA Canada Public Sector Accounting Handbook. Earlier adoption is permitted when adopting Sections PS 1201 and PS 3450.
<i>Financial Instruments</i> , Section PS 3450	Fiscal years beginning on or after April 1, 2021 except for government organizations that applied the CPA Canada Handbook – Accounting prior to adopting the CPA Canada Public Sector Accounting Handbook. Earlier adoption is permitted when adopting Sections PS 1201 and PS 2601.
<i>Financial Statement Presentation</i> , Section PS 1201	When Sections PS 2601 and PS 3450 are adopted.
<i>Portfolio Investments</i> , Section PS 3041	When Sections PS 1201, PS 2601 and PS 3450 are adopted.
<i>Asset Retirement Obligations</i> , Section PS 3280	Fiscal years beginning on or after April 1, 2021. Earlier adoption is permitted.

Appendix 9 – Draft master services agreement



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Canada

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Fax: 403-213-5791
www.deloitte.ca

July 25, 2018

Private and confidential

The Audit Committee of The City of Calgary
Councillor Evan Woolley, Audit Committee Chair
The City of Calgary
PO Box 2100, Station M
Calgary AB T2P 2M5

Mr. Eric Sawyer, Chief Financial Officer
The City of Calgary
PO Box 2100, Station M
Calgary AB T2P 2M5

Re: Master Services Agreement for Professional Services

Dear Sirs:

Deloitte LLP ("Deloitte") is privileged to be your professional services provider. The purpose of this letter is to serve as a master services agreement or MSA to describe (a) the services that we will provide to The City of Calgary ("The City" or "you"), including a description of the scope of our services, and (b) the general business terms related to such services.

Services and fees

Appendices A and B to this MSA contain a description of the following services:

- Appendix A – Financial statement audit ("Audit")
- Appendix B – Audit of summary financial statements ("Audit – CAS 810")

Should we during the term of this MSA, provide any of the services referenced in Appendices A and B, the scope, including assumptions, qualifications and limitations, as set out in Appendices A and B will apply.

As of the date of this MSA, the chart below sets out the entity and the services we will provide. The chart also sets out an estimate of our professional fees. In addition to the professional fees, you will reimburse us for reasonable expenses and pay an administrative charge of 7% of professional fees, and applicable taxes.

Scope of services chart

Entity name	Year end	Scope	Fees
The City of Calgary	December 31, 2018	Consolidated Financial Statement Audit	\$270,000
The City of Calgary	December 31, 2018	Municipal Information Return	\$4,600
The City of Calgary	December 31, 2018	Newspaper Insert	Included in the Consolidated Financial Statement Audit fee
The City of Calgary	December 31, 2018	Funds Held in Trust	\$1,800
<i>Plus the following fees as described:</i>			
		PS 3260, Liability for contaminated sites	\$5,000
		Implementation of new processes and policies relating to Tangible Capital Assets – Vehicles	\$4,500
		Review of accounting transactions of P3 agreement – Stoney Transit Facility Project dated September 13, 2016	\$5,000
		Audit procedures on the related parties for consolidation purposes	\$16,500
		Adoption of new accounting standards	\$28,000
		Additional audits as requested by Administration and Audit Committee up to approval limit	\$25,000
		Tangible Capital Asset prior period adjustments (if applicable)	TBD
Total			\$360,400

For purposes of this MSA and the appendices, “Financial Statements” shall refer to the statements issued by The City in the context of the services outlined above.

Mr. Trevor Nakka and Ms. Harman Gill will be responsible for the services that we perform.

Should the nature of our services change in the future from what is set out in the chart above or if there are changes to the scope of services we provide, we will provide you with a letter confirming the changes. The description of our services as set out in Appendices A and B in this MSA will continue to apply to any changes set out in a confirmation letter. Also, we may from time to time provide you with updates (including by way of a letter delivered to you in hard copy or electronically via e-mail, by way of a link to our website or otherwise) to the description of the services set out in Appendices A and B based on changes in applicable professional standards and changes in our practices. Any updates to Appendices A and B in this MSA provided to you shall form part of this MSA and shall be binding on you. Any changes in fees for subsequent years will be confirmed separately.

Also, we would be pleased to provide you with other services, such as consulting and financial advisory services, subject to our professional rules. The scope and fees for such services would be contained in a

separate letter and, unless otherwise agreed, the general business terms that are contained in this MSA will apply.

Term

Our mutual intention is that this MSA applies to all services Deloitte provides to you over time, including for the year ends referred to above and all other work in the future. In accordance with section 2 of the general business terms, this MSA can be terminated on 30 days' written notice.

Our responsibilities

Our responsibilities will depend on the services we provide. Specific conditions may apply and if this is the case, we will bring them to your attention in the attached appendices. We are committed to client service. Here are our client service standards:

- Making and meeting our commitments to you;
- Working with you to understand your business and what is important to you;
- Providing value and building trust through technical competence and consistent results;
- Demonstrating professionalism through effective interaction and communication; and
- Providing a no surprises experience.

Your responsibilities

Our expectations of you can simply be summarized as follows:

- Cooperation and honesty from you and those who work for you;
- Your clear articulation of your expectations of us and your clarification when needed, so we can be sure that you receive the professional services you need;
- If we are providing audit, review or notice to reader services, we want you to know that these are not forensic audits or special services that would more likely identify a fraud or wrongdoing. We are relying on your controls, your honesty and good faith and that of Administration and the people who work for you;
- You will make all management decisions; and
- Prompt payment of our invoices.

Also, our work product is prepared for you. Our services will not be planned or conducted in contemplation of reliance by third parties. Our agreement is with you and no one else.

General business terms

The general business terms attached to this letter apply to the services we provide to you from time to time.

We know how busy you are and we promise to keep our correspondence to you as direct and simple as we can. But if at any time you have questions, please do not hesitate to ask.

If this MSA, including the appendices and the general business terms, are acceptable and the services described are in accordance with your understanding, please sign the copy of this MSA in the space provided below and return it to us to indicate your agreement.

Yours truly,

Chartered Professional Accountants

Enclosure

The services and terms set forth in and incorporated into this letter are acknowledged and approved by the Audit Committee of The City of Calgary:

Signature

Title

Date

The services and terms set forth in and incorporated into this letter are accepted and agreed to by The City of Calgary Administration:

Signature

Title

Date

General business terms

The City of Calgary
July 25, 2018

The following general business terms (the “GBTs”) apply to all services that are performed under this MSA and any separate confirmation letters (the “Confirmation Letters”) that further amend or describe services issued under this MSA (the “Services”) between Deloitte LLP, a limited liability partnership organized under the laws of Ontario (“Deloitte”) and you, the company or other entity that is a party to this MSA (the “Client”). The GBTs, the MSA, (including the appendices to the MSA), as such MSA and appendices may be updated and amended from time to time, and the Confirmation Letters are together the “Agreement”.

1. **Timely performance** – Deloitte will not be liable for failures or delays in performance that arise from causes beyond Deloitte’s control, including the untimely performance by the Client of its obligations.
2. **Termination** – This Agreement and any Services may be terminated by either party at any time, with or without cause, by giving prior written notice to the other party 30 days before the effective date of termination, provided that in the event of a termination for cause, the breaching party shall have the right to cure the breach within such 30 day period. Deloitte may terminate this Agreement with immediate effect upon written notice to Client if Deloitte determines that its performance of any part of the Agreement would be illegal or in conflict with independence or professional rules. The Client will pay for time and expenses incurred by Deloitte up to the termination date together with reasonable time and expenses incurred to bring the Services to a close in a prompt and orderly manner.
3. **Fees** – In the event that Deloitte has provided any fee estimate, the estimate takes into account the agreed-upon level of preparation and assistance from the Client and Client personnel. Deloitte will advise the Client on a timely basis should this preparation and assistance not be provided or should any other circumstances arise which cause actual time to exceed that estimate.
4. **Billing** – All invoices shall be due and payable when rendered. Interest shall be calculated at a simple daily rate of 0.0493% (equivalent to 18% per annum). Interest shall be charged and payable at this rate on any part of an invoice which remains unpaid from 30 days after the invoice date to the date on which the outstanding invoice is paid. To the extent that as part of the Services to be performed by Deloitte as described in the Agreement, Deloitte personnel are required to perform the Services in the United States of America (“U.S. Business”), the Client and Deloitte agree to assign performance of the U.S. Business to Deloitte Canada LLP, an affiliate of Deloitte. All Services performed by Deloitte Canada LLP shall be performed under the direction of Deloitte which shall remain responsible to the Client for such Services. Deloitte Canada LLP shall invoice the Client with respect to the U.S. Business and Deloitte will invoice for Services performed in Canada (“Canadian Business”). Payment for U.S. Business and/or Canadian Business can be settled with one payment to Deloitte.
5. **Governing law** – The Agreement will be governed by the laws of the Province where Deloitte’s principal office performing the Services is located and all disputes related to the Agreement and Services shall be subject to the exclusive jurisdiction of the courts of such Province.
6. **Working papers** – All working papers, files and other internal materials created or produced by Deloitte related to the Services are the property of Deloitte. In the event that Deloitte is requested by the Client or required by legal or regulatory process to produce its files related to the Services in proceedings to which Deloitte is not a party, the Client will reimburse Deloitte for its professional time and expenses, including legal fees, incurred in dealing with such matters.

7. **Third parties** – Deloitte’s Services are not planned or conducted in contemplation of, or for the purpose of, reliance by any third party (other than the Client and any party to whom Deloitte’s report is addressed) or with respect to any specific transaction. Therefore, items of possible interest to a third party will not be addressed and matters may exist that would be assessed differently by a third party, possibly in connection with a specific transaction. The Client shall use the advice, opinions, reports or other work product of Deloitte solely for the purposes specified in this Agreement and, in particular, shall not, without the prior written consent of Deloitte, use any advice, opinion, report or other work product of Deloitte in connection with business decisions of any third party or for advertisement purposes. All Services are only intended for the benefit of the Client and any party to whom Deloitte’s report is addressed. The mere receipt of any advice, opinions, reports or other work product by any other persons is not intended to create any duty of care, professional relationship or any present or future liability between those persons and Deloitte. As a consequence, if copies of any advice, opinions, reports or other work product (or any information derived therefrom) are provided to others under the above exclusions, it is on the basis that Deloitte owes no duty of care or liability to them, or any other persons who subsequently receive the same. Nothing in this section shall be construed as limiting or restricting disclosure of the tax treatment or tax structure of the transaction as described in Rule 3501(c)(i) of PCAOB Release 2005-014 or Internal Revenue Code sections 6011 and 6111 and related Internal Revenue Service guidance.
8. **Privacy** Deloitte and the Client agree that, in connection with the engagement, Deloitte may collect, use, disclose and otherwise process personal information about identifiable individuals (“Personal Information”). Deloitte’s Services are provided on the basis that the Client has obtained any required consents under applicable privacy legislation for collection, use, disclosure and processing to Deloitte of Personal Information.
9. **Confidentiality** – To the extent that Deloitte collects or is provided with Personal Information or any proprietary or confidential information of the Client (collectively, “Confidential Information”), Deloitte will not disclose such information to any third party without the Client’s consent, except as may be required or permitted by law, regulation, legal authority or professional obligations, or as otherwise permitted by this Agreement. Confidential Information may be disclosed by Deloitte to its affiliates and to member firms of Deloitte Touche Tohmatsu Limited and their respective subsidiaries and affiliates (“Deloitte Entities”), component auditors and third parties that provide services to Deloitte. Confidential Information collected by or provided to Deloitte in connection with the Services may be used, processed, disclosed and stored outside Canada by Deloitte, Deloitte Entities, component auditors or third party service providers to Deloitte. Deloitte is responsible to the Client for causing any such Deloitte Entities, component auditors and third party service providers to comply with the obligations of confidentiality set out in this section of the Agreement. Confidential Information may be subject to disclosure in accordance with laws applicable in the jurisdiction in which the information is used, processed or stored. The Client also agrees that Deloitte and such third party service providers to Deloitte may aggregate Confidential Information and use and disclose that information as part of research and advice, including, benchmarking services, provided that all such information will be rendered anonymous and not subject to association with the Client.

Except as instructed otherwise in writing, each party consents to the transmission by fax, email and voicemail, both confidential and other types of documents, correspondence and any other information relating to the execution of this Agreement. It is recognized that the parties will use the internet and that the internet may be insecure. Each party will be responsible for protecting its own systems and interests and, to the fullest extent permitted by law, will not be responsible to the other on any basis (contract, tort or otherwise) for any loss, damage or omission in any way arising from the use of the internet by either party or its personnel, including any Deloitte Entity and subcontractor personnel, to access the networks, applications, electronic data or other systems of the other party.
10. **Limitation on liability** – The Client and Deloitte agree to the following with respect to Deloitte’s liability to the Client:

- a. The Client agrees that Deloitte shall not be liable to the Client for any claims, liabilities, or expenses relating to this Agreement and any Services for an aggregate amount in excess of three times the fees paid by the Client to Deloitte in the twelve months preceding the incident giving rise to the claim.
- b. In no event shall Deloitte be liable for consequential, special, indirect, incidental, punitive or exemplary loss, damage, or expense relating to this Agreement or any Services for any loss of revenue or profit, loss of opportunity, loss of data, or any other commercial or economic loss or failure to realize expected savings.
- c. In any action, claim, loss or damage arising out of this Agreement and any Services, the Client agrees that Deloitte's liability will be several and not joint and several and the Client may only claim payment from Deloitte of Deloitte's proportionate share of the total liability based on the degree of fault of Deloitte.

The provisions of this section shall apply to the fullest extent of the law, whether in contract, statute, tort (such as negligence), or otherwise. This section shall survive termination or expiry of the Agreement. The provisions of this section and any other limitations of liability contained in this Agreement shall not apply to any liability which by the governing law of the Agreement is unlawful to limit or exclude. In furtherance of the foregoing, from time to time, Deloitte may have individual partners and employees performing the Services within the Province of Quebec who are members of the Ordre des comptables professionnels agréés du Québec. The limitations outlined in this section as well as any limitations of liability contained in this Agreement shall not apply to limit the personal civil liability of members of the Ordre des comptables professionnels agréés du Québec performing professional Services hereunder (and with respect to such members, such limitations shall be deemed not to be included in this Agreement). For purposes of this section, "Deloitte" shall mean Deloitte LLP and its directors, officers, partners, professional corporations, employees, subsidiaries and affiliates and to the extent providing Services, any Deloitte Entities and all of their partners, principals, members, owners, directors, staff and agents; and in all cases any successor or assignee. The Client agrees that any claims that may arise out of this Agreement or any Services will be brought solely against Deloitte as the contracting party and not against any other Deloitte Entities.

11. **Assignment** – Except as provided herein, no party may assign, transfer, or delegate any of its rights or obligations relating to the Agreement without the prior written consent of the other party. Deloitte may assign its rights and obligations under this Agreement to any affiliate or successor in interest to all or substantially all the assets or business of the relevant Deloitte practice.
12. **Deloitte Entities and subcontractors** – Deloitte may use the services of any Deloitte Entities, component auditors, or other subcontractors (including those operating outside Canada) to assist Deloitte. Deloitte remains responsible to the Client for Services performed by Deloitte Entities and subcontractors.
13. **Software Tools** – In connection with the Services, Deloitte may use data analytics technology which may require Deloitte to install and use one or more data extraction tools ("Extractors") on the Client's computing systems. The Client hereby consents to such access and the installation and use of such Extractors, and where applicable, Deloitte hereby grants the Client a limited, revocable, non-exclusive, non-assignable, non-sublicensable right to install and use those Extractors solely in connection with Deloitte's performance of the Services. Deloitte recommends that the Client perform adequate security and other appropriate testing on the Extractors before installation. All Extractors are protected by copyright and other laws of various countries, and Deloitte and its licensors reserve all rights not expressly granted in the Agreement. The Client is not allowed to reverse engineer, disassemble, decompile, or otherwise attempt to derive the Extractors' source code, nor assist, directly or indirectly, in any efforts to do so, nor adapt, modify or create derivative works based on the Extractors. The license granted above will terminate upon completion or termination of the Services. When the license terminates, the Client must, where applicable, stop using the Extractors and delete any and all installed Extractors from the Client's computing systems, unless Deloitte and the Client have entered

into a subsequent agreement that allows for the Client's continued use. Although Deloitte takes commercially reasonable steps to make the Extractors useful and secure, Deloitte does not have any obligation to ensure they are so, or to maintain, update, upgrade or otherwise modify or support the Extractors. The Extractors are provided "as is" and "as available", without warranty of any kind, and Deloitte expressly disclaims all implied warranties, including that the Extractors will be secure and error-free, or will meet any other criteria of performance or quality.

14. **Survival** – Any clause that is meant to continue to apply after termination of the Agreement will do so.
15. **Entire Agreement** – The Agreement forms the entire agreement between the parties in relation to the Services and supersedes all other oral and written representations, understandings or agreements related to the Services.
16. **Severability** – If a court or regulator with proper jurisdiction determines that a provision of this Agreement is invalid, then that provision will be interpreted in a way that is valid under applicable law or regulation. If any provision is invalid, the rest of the Agreement will remain in effect.
17. **Qualifications** – Notwithstanding anything herein to the contrary, Deloitte may use the name of the Client, refer to this Agreement and the performance of Services in marketing, publicity materials and other material, as an indication of its experience, and in internal data systems.
18. **Tax services and review by tax authorities** – The Client shall cooperate with Deloitte in the performance by Deloitte of tax related Services, including, without limitation, providing Deloitte with reasonable facilities and timely access to data, information and personnel of the Client. Client shall be responsible for the performance of its personnel and agents, for the timeliness, accuracy and completeness of all data and information (including all financial information and statements) provided to Deloitte by or on behalf of the Client and for the implementation of any advice, opinions, reports or other work product in any form provided as part of the Services. Deloitte may use and rely on information and data furnished by the Client or others without verification. Deloitte's performance shall be dependent upon the timely performance of the Client's responsibilities hereunder and timely decisions and approvals of the Client in connection with the Services. Deloitte shall be entitled to rely on all decisions and approvals of the Client. To the extent the Client requests tax related Services, Deloitte will use professional judgment in resolving questions affecting the Client relating to the tax Services to be provided by Deloitte. Where there are alternative filing positions or tax transactions, Deloitte will undertake to describe the benefits and risks of each so that the Client can make an informed decision. All returns are subject to examination by taxation authorities and the Client's returns may be audited and challenged by Canadian and other tax authorities. The Client understands that Deloitte's tax advice or opinions are not binding on tax authorities or the courts and should never be considered a representation, warranty, or guarantee that the tax authorities or the courts will concur with Deloitte's advice or opinion. Any tax assistance provided by Deloitte will be based upon the law, regulations, cases, rulings, and other tax authority in effect at the time the specific tax assistance is provided. Deloitte may provide the Client with draft copies of returns or tax advice. Where any drafts are finalized and provided to the Client in final form, such previous drafts should not be relied upon. Nothing in this Agreement shall be construed as limiting or restricting disclosure of the tax treatment or tax structure of any transaction as described in the rules of any taxation authority, including Canada Revenue Agency and the Internal Revenue Service.
19. **Electronic messaging** – In accordance with Canadian anti-spam legislation, the Client consents to Deloitte contacting the Client and its personnel through electronic messages relating to Deloitte's Services, products and other matters of interest to the Client after the completion of this Agreement. The Client may withdraw any such consent by contacting Deloitte at unsubscribe@deloitte.ca.
20. **Language** – The parties have requested that this Agreement and all communications and documents relating hereto be expressed in the English language. Les parties ont exigé que la présente convention ainsi que tous les documents s'y rattachant soient rédigés dans la langue anglaise.

Appendix A

Financial statement audit

The City of Calgary
July 25, 2018

Our audit services and audit scope

The consolidated financial statements

We have been requested to audit the consolidated financial statements of The City. These financial statements are comprised of the consolidated statement of financial position as at the fiscal year end of The City ("Fiscal Year"), and the consolidated statement of operations and accumulated surplus and statement of cash flows for the Fiscal Year, and a summary of significant accounting policies and other explanatory information.

The consolidated financial statements (the "Financial Statements"), subject to audit are those of The City, prepared by Administration, with oversight from those charged with governance (the "Audit Committee"). The objective of our audit is to express an opinion on whether the Financial Statements are fairly presented, in all material respects, in accordance with Canadian public sector accounting standards ("PSAS"). We plan and perform the audit to obtain reasonable assurance that the Financial Statements as a whole are free from material misstatement, whether due to fraud or error.

Our audit report

We will provide a draft form of the audit report we expect to issue on completion of our audit procedures..

Our responsibilities

Performance of the audit

We will conduct our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Administration, as well as evaluating the overall presentation of the financial statements.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Canadian GAAS.

Information on internal controls

We do not consider internal controls in order to express any opinion to you on their effectiveness. We consider internal controls relevant to The City's preparation and fair presentation of the Financial Statements in making our risk assessments and in order to design appropriate audit procedures. We will, however, communicate to you in writing concerning any significant deficiencies in internal control relevant to the audit of the Financial Statements that come to our attention during the course of our engagement.

Reporting considerations:

Going concern

If, based on the audit evidence obtained, we conclude that a material uncertainty exists related to events or conditions that may cast significant doubt on The City's ability to continue as a going concern, we are required to

draw attention in our audit report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions will be based on the audit evidence obtained up to the date of our audit report.

Other information

Where The City issues other information, we are required to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We will report on the results of our procedures appropriately based on the revised CAS 720, *The Auditor's Responsibilities Relating to Other Information*.

Communication with the Audit Committee

The Audit Committee is responsible for the oversight of the financial reporting process and our work as auditors. We are required to communicate with the Audit Committee about certain matters that may arise during our audit and that may be significant to their role. These matters may include, but are not limited, to:

- The planned scope and timing of the audit;
- Our views about significant qualitative aspects of The City's accounting practices, including accounting policies, accounting estimates and financial statement disclosures;
- Any significant matters arising from the audit in connection with The City's related parties;
- Any events or conditions identified that may cast significant doubt on The City's ability to continue as a going concern, including whether the events or conditions constitute a material uncertainty;
- Any significant difficulties encountered during the audit;
- Any significant matters that were discussed or subject to correspondence with Administration;
- Written representations we are requesting;
- Where CAS 720 applies, any uncorrected material inconsistencies between the other information and the Financial Statements or our knowledge obtained in the audit, and any uncorrected material misstatements of the other information we identify from reading the financial and non-financial information included in The City's annual report containing or accompanying the Financial Statements and our audit report; and
- Any other matters that in our professional judgment are significant to the oversight of the financial reporting process.

Fraud and illegal acts

An audit designed and executed in accordance with Canadian GAAS may not detect fraud or illegal acts. However, it is possible that actual and potential fraud or illegal acts may be discovered during the course of our audit. We will communicate actual or potential fraud or illegal acts identified during the audit to, in our sole judgement, the appropriate level of Administration and/or the Audit Committee depending on the type and significance of the issue.

Your responsibilities

Financial statements and internal control

The audit of the Financial Statements does not relieve Administration or the Audit Committee of their responsibilities.

You are responsible for the preparation and fair presentation of the Financial Statements in accordance with PSAS.

You are also responsible for establishing internal control necessary for the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error. You must determine what internal control is required, including how it is designed, implemented and maintained. You will advise us of any deficiencies identified and any changes in internal control over financial reporting.

Access to information and personnel

You are responsible for providing us with access to all information that is relevant to your preparation of the Financial Statements and any additional information that we may request for the purpose of the audit. You will also provide unrestricted access to persons in The City or others from whom we determine we need to obtain evidence for our audit.

Prevention of fraud and error

You are responsible for designing and implementing programs and controls to prevent and detect fraud, illegal acts and error. You will inform us about all known or suspected fraud, illegal acts or errors affecting The City. You will further inform us of any allegations of fraud, illegal acts or potential errors received in communications (written or oral) from employees, former employees or any other parties external to The City.

Compliance with laws and regulations

You are responsible for identifying and ensuring that The City complies with the laws and regulations applicable to its activities. You will inform us of any known or possible violations of these laws or regulations.

Related parties

You will identify The City's related parties and whether The City entered into any transactions with these related parties in the time period under audit.

Subsequent events

You will advise us of whether any events have occurred between the date of the balance sheet and the date our audit report is released, that may affect the Financial Statements.

Correction of material errors

You are responsible for adjusting the Financial Statements to correct material misstatements identified during the course of our audit engagement.

Representation letter

As part of our engagement procedures, you will provide written confirmation of representations made to us in connection with the audit.

Disclosure of report

We are engaged solely by The City to perform an audit engagement the purpose of which is to provide an opinion as to whether the Financial Statements are free from material misstatement.

You will not, without obtaining our prior written consent:

- Publish or reproduce our report in any document that contains the Financial Statements;
- Make reference to our firm in a document which contains other information in addition to the Financial Statements; or
- Place our report on an electronic site.

In order for us to consider granting such written consent, you must provide adequate notice of your request as well as provide any draft document which is proposed to contain/refer to our report. If written consent is provided by us, you are solely responsible for the accurate and complete reproduction of our report and the financial statements on which we reported.

Other information

You acknowledge your responsibility for the other information, as applicable, and to provide us with the other information prior to the date of our audit report where possible. To the extent the other information is expected to be available after the date of our audit report, you agree to provide us with such other information when available, and prior to being issued by The City, so that we are able to fulfill our responsibilities under CAS 720.

Independence

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

Independence matters as a result of restrictions on providing certain services

In connection with our engagement, Deloitte, Administration, and the Audit Committee will assume certain roles and responsibilities in an effort to assist Deloitte in maintaining independence and ensuring compliance with applicable independence rules. It is your responsibility to have policies and procedures in place to confirm that The City (together with its subsidiaries and other related entities) does not engage us or accept services from us that may impair our independence under applicable professional rules. All potential services are to be discussed with Mr. Trevor Nakka and/or Ms. Harman Gill.

In connection with the foregoing, The City agrees to furnish to Deloitte and keep Deloitte updated with respect to a corporate tree that identifies the legal names of The City’s affiliates (e.g., parents, subsidiaries, investors or investees, variable interest entities or special purpose entities (as applicable)), together with the ownership relationship among such entities. Deloitte intends to capture this information in systems that may be accessed and used by its affiliates in order to assist Deloitte in meeting its independence obligations. Deloitte will not be requesting nor accepting any personal information for this purpose. Deloitte agrees to discuss any concerns raised regarding privacy or confidentiality with The City.

Independence matters relating to hiring

In order to assist us in maintaining independence, you will also notify us of any substantive employment conversations that have occurred with current or former Deloitte personnel.

Audit Committee’s responsibilities

The Audit Committee is responsible for the oversight of the financial reporting process, including Administration’s preparation of the Financial Statements and monitoring of The City’s internal controls related to financial reporting and oversight of our work.

Appendix B

Audit of summary financial statements

The City of Calgary
July 25, 2018

Our audit services and audit scope

We have been requested to audit the summary financial statements of The City Municipal Information Return and Newspaper Insert (the "Summary Financial Statements") prepared in accordance with Section 277 of the Municipal Government Act and PSAS, respectively (collectively, the "criteria"). The Summary Financial Statements for The City Municipal Information Return are comprised of the schedules as prescribed by Section 277 of the Municipal Government Act, which are derived from the complete set of audited annual consolidated financial statements of The City for the Fiscal Year (the "Audited Annual Consolidated Financial Statements"). The Summary Financial Statements for The City Newspaper Insert are comprised of the summary consolidated statement of financial position as at the fiscal year end of The City ("Fiscal Year"), and the summary consolidated statement of operations and accumulated surplus for the Fiscal Year, which are derived from the complete set of audited annual consolidated financial statements of The City for the Fiscal Year (the "Audited Annual Consolidated Financial Statements").

The Summary Financial Statements subject to audit are those of The City, prepared by management, with oversight from those charged with governance (the "Audit Committee"). Under Canadian Auditing Standard 810, *Engagements to Report on Summary Financial Statements*, ("CAS 810"), an audit of the Summary Financial Statements must be performed in conjunction with an engagement to audit the annual consolidated financial statements. We therefore plan and perform the audit to obtain reasonable assurance that the Summary Financial Statements are consistent, in all material respects, with the Audited Annual Consolidated Financial Statements, in accordance with the criteria.

Our audit report

We will provide a draft form of the audit report we expect to issue on completion of our audit procedures.

Responsibilities contained in Appendix A of the MSA

As stated above, an audit of the Summary Financial Statements must be performed in conjunction with an engagement to audit the annual consolidated financial statements. Accordingly, the responsibilities outlined in Appendix A attached to this MSA that apply to the audit of the annual financial statements (the "Audit Appendix") apply to this Summary Financial Statement audit engagement as well. Any additional responsibilities specific to this engagement are set out below.

Our additional responsibilities

Performance of the Summary Financial Statement audit

We will conduct our audit in accordance with Canadian generally accepted auditing standards, specifically, CAS 810. The audit procedures we perform will be selected based on our judgment, including the assessment of the risks of material misstatement of the Summary Financial Statements.

Your additional responsibilities:

Financial Statements and the financial reporting framework

For the audit of the Summary Financial Statements, you agree to:

- Prepare the Summary Financial Statements in accordance with the criteria;

- Make the Audited Annual Financial Statements available to the intended users of the Summary Financial Statements without undue difficulty, unless law or regulation state otherwise and establishes the criteria for the preparation of the Summary Financial Statements, in which case, you agree to describe that law or regulation in the Summary Financial Statements; and
- Include the audit report on the Summary Financial Statements in any document that contains the Summary Financial Statements and that indicates that the auditor has reported on them.

Appendix 10 – Deloitte resources a click away

At Deloitte, we are devoted to excellence in the provision of professional services and advice, always focused on client service. We have developed a series of resources, which contain relevant and timely information.

<input type="checkbox"/> Canada's Best Managed Companies (www.bestmanagedcompanies.ca)	<ul style="list-style-type: none"> • Directors • CEO/CFO 	The Canada's Best Managed Companies designation symbolizes Canadian corporate success: companies focused on their core vision, creating stakeholder value and excelling in the global economy.
<input type="checkbox"/> Centre for financial reporting (www.cfr.deloitte.ca)	<ul style="list-style-type: none"> • Directors • CEO/CFO • Controller • Financial reporting team 	Web site designed by Deloitte to provide the most comprehensive information on the web about financial reporting frameworks used in Canada.
<input type="checkbox"/> Financial Reporting Insights (www.iasplus.com/fri)	<ul style="list-style-type: none"> • CFO • Controller • Financial reporting team 	Monthly electronic communications that helps you to stay on top of standard-setting initiatives impacting financial reporting in Canada.
<input type="checkbox"/> On the board's agenda	<ul style="list-style-type: none"> • Directors • CEO/CFO 	Bi-monthly publication examining a key topic in detail, including the perspectives of a Deloitte professional with deep expertise in the subject matter as well as the views of an experienced external director.
<input type="checkbox"/> State of change (www.iasplus.com/StateOfChange)	<ul style="list-style-type: none"> • CFO • VP Finance • Controller • Financial reporting team 	Bi-monthly newsletter providing insights into key trends, developments, issues and challenges facing the not-for-profit sector in Canada, with a Deloitte point of view.
<input type="checkbox"/> Deloitte Financial Reporting Update (www.deloitte.com/ca/update)	<ul style="list-style-type: none"> • CFO • VP Finance • Controller • Financial reporting team 	Learning webcasts offered throughout the year featuring our professionals discussing critical issues that affect your business.



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