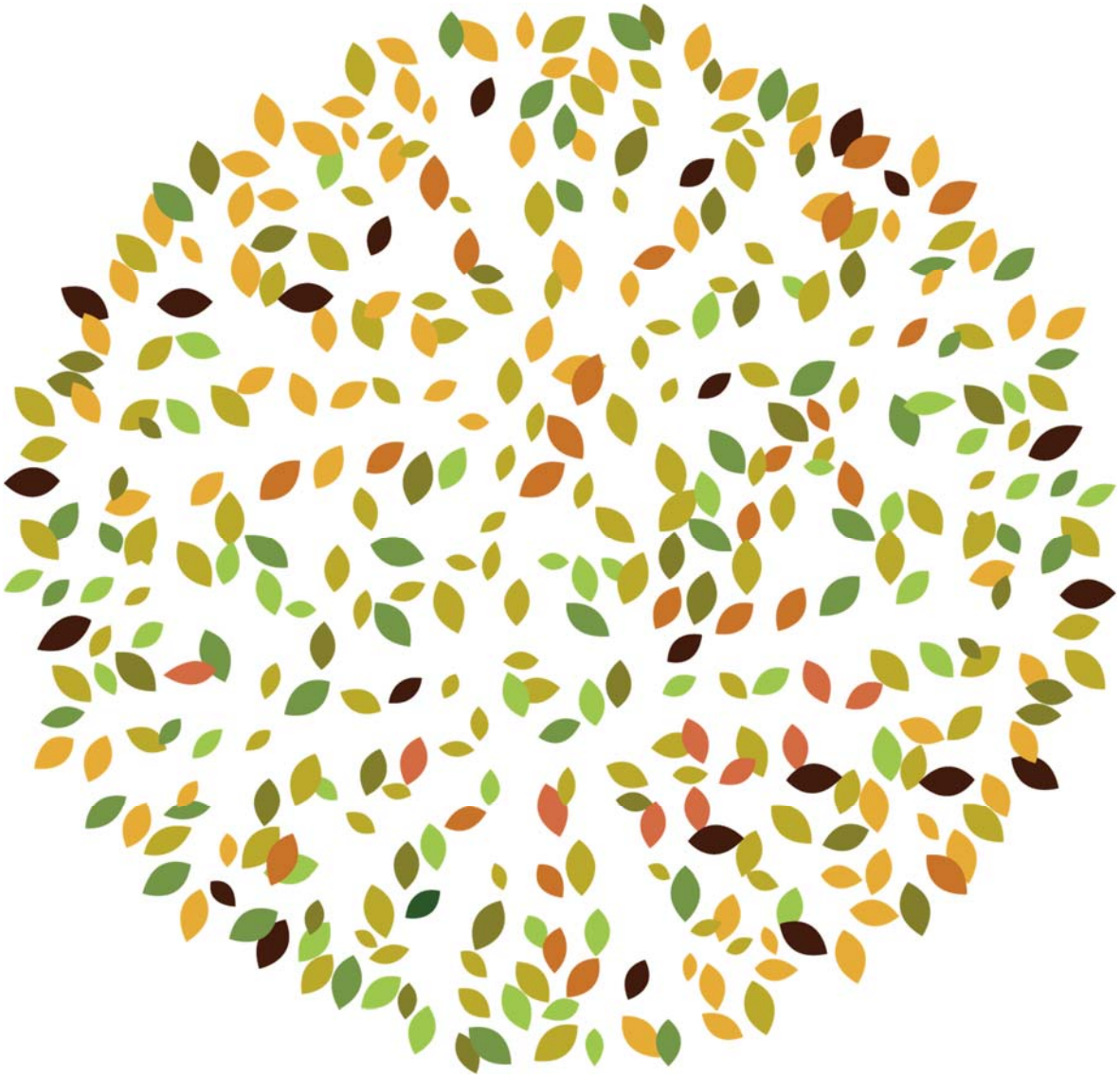
Deloitte.



Calgary Parking Authority

For the year ended December 31, 2017

Report to the Audit Committee

March 20, 2018

Deloitte LLP
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March 13, 2018

Private and confidential

To the Chairman and members of the Audit Committee of Calgary Parking Authority

Report on audited annual financial statements

Dear Audit Committee Members:

We are pleased to submit this report on the status of our audit of the Calgary Parking Authority ("the Authority") for the 2017 fiscal year. This report summarizes the scope of our audit, our findings and reviews certain other matters that we believe to be of interest to you.

As agreed in our engagement letter dated October 24, 2017, we have performed an audit of the financial statements of the Authority as of and for the year ended December 31, 2017, in accordance with Canadian generally accepted auditing standards ("Canadian GAAS") and expect to issue our audit report thereon dated March 27, 2018.

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

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

Yours truly,

Deloitte LLP

Chartered Professional Accountants

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Our audit explained

This report summarizes the main findings arising from our audit.

Audit scope and terms of engagement

We have been asked to perform an audit of the Authority's financial statements (the "financial statements") in accordance with Canadian public sector accounting standards ("PSAS") as at and for the year ended December 31, 2017. Our audit was conducted in accordance with Canadian generally accepted auditing standards ("Canadian GAAS").

The terms and conditions of our engagement are described in the engagement letter dated October 24, 2017, which was signed on behalf of the Committee and management.

Significant audit risks

Through our risk assessment process, we have identified significant audit risks. These risks of material misstatement and related audit responses are discussed in the significant audit risks section of this report.

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 total revenues. Our materiality for the year ended December 31, 2017 was $2,500,000 (2016, $2,500,000).

We have informed the Committee of all 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 asked that any misstatements be corrected. Refer to Appendix 5.

Audit fees

We communicated our proposed audit fees of:

- $82,000 (2016, $85,075) for the audit
- $2,500 for time incurred on the new retirement benefits obligations (2016, $Nil)
- $18,000 for the audit of the PSAS conversion services (2016, $Nil)

These fees exclude the 7% administrative fee and GST. We have no change to the proposed fees.

Status and outstanding matters

We expect to be in a position to render our audit opinion dated March 27, 2018 on the financial statements of the Authority following approval of the financial statements by the Board of Directors and the completion of the following outstanding procedures:

- Receipt of signed management representation letter
- Receipt of legal letters
- Update to subsequent events up to audit report date
- Minor documentation items

Uncorrected misstatements

In accordance with Canadian GAAS, we request that all misstatements be corrected. A summary of the uncorrected misstatements as of the date of this report have been included in Appendix 5.

Going concern

Management has completed its assessment of the ability of the Authority to continue as a going concern and in making its assessment did not identify any material uncertainties related to events or conditions that may cast significant doubt upon the Authority's ability to continue as a going concern. We agree with management's assessment.

Business Insights

During the course of our audit, we examined the accounting procedures and internal controls employed by the Authority.

While we have not identified any matters that require communication to the Committee, we have discussed with management that with respect to journal entries, given that the City of Calgary is able to post journal entries into the Authority's general ledger, the Authority should complete a reconciliation of journal entries to their trial balance to ensure completeness and accuracy.

Appendix 3 includes an update of matters identified in the prior year.

Uncorrected disclosure misstatements

In accordance with Canadian GAAS, we request that all disclosure misstatements be corrected.

There were no disclosure misstatements identified.

Fraud risk

A summary of the results of our audit procedures designed to address the risk of material misstatement in the financial statements relating to fraud is provided in the significant audit risks section of this report.

Based on the audit evidence obtained, our assessment of the risks of material misstatement due to fraud remain appropriate.

Independence

We have developed appropriate safeguards and procedures to eliminate threats to our independence or to reduce them to an acceptable level.

We confirm that we have complied with relevant ethical requirements regarding independence. A draft version of our independence letter is included in Appendix 4.

Significant accounting practices, judgments and estimates

The significant accounting practices, judgments and estimates include:

- Valuation of tangible capital assets
- Useful lives and related amortization
- Accrued liabilities
- Employee benefit obligations
- Contingent liabilities
- Commitments

In our judgement, the significant accounting practices and policies, selected and applied by management are, in all material respects, acceptable under PSAS and are appropriate to the particular circumstances of the Authority.

In our judgement, the significant accounting estimates made by management are, in all material respects, free from possible management bias and material misstatement.

Conclusion

In accordance with Canadian GAAS, our audit is designed to enable us to express an opinion on the fairness of the presentation of the Authority's annual financial statements prepared in accordance with PSAS.

No restrictions have been placed on the scope of our audit. In performing the audit, we were given full and complete access to the accounting records, supporting documentation and other information requested.

We intend to issue an unmodified audit report on the financial statements of the Authority for the year ended December 31, 2017 once the outstanding items referred to above are completed satisfactorily and the financial statements are approved by the Board of Directors.

A draft version of our auditor's report is included in Appendix 2.

Significant audit risks

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

Revenue recognition – ParkPlus and Parking Control Revenue

Audit risk	Our audit response	Audit results
Assurance standards include the presumption of a significant risk of fraud in revenue recognition. We have pinpointed this risk to revenue relating to the ParkPlus System™ ("ParkPlus") and Parking Control revenue which may be understated or inaccurately recorded. Parking Control revenue could also be misclassified on the financial statements.	• We made enquiries of management regarding relevant internal controls to assist them in ensuring the accuracy and completeness of these revenue streams as well as the classification of Parking Control revenue. • We evaluated the design and implementation of those internal controls including testing of the reconciliations between ParkPlus, Beanstream and PeopleSoft. • We performed substantive audit procedures on these revenue streams by selecting a sample of transactions and vouching to cash or credit card payments.	Based on the audit procedures completed, we conclude that the ParkPlus and Parking Control revenues are not materially misstated in the context of the financial statements taken as a whole.

Valuation of long-term investments (relating to the Parking Structure Replacement Reserve and Cash-in-Lieu Deposits)

Audit risk	Our audit response	Audit results
The valuation of long-term investments is based on inputs other than quoted market prices, as they are pooled with the City investments and therefore, may include a number of valuation techniques.	• Investments are held by the City of Calgary (the "City") Treasury department. We confirmed the balances with the City to assess the reasonableness and appropriateness of the fair value of long-term investments, including the valuation techniques and inputs used.	Based on the audit procedures completed, we conclude with management's assertion that long-term investments are not materially misstated in the context of the financial statements taken as a whole.

First-year of PSAS adoption

Audit risk	Our audit response	Audit results
This will be the first time the Authority presents audited financial statements in accordance with PSAS. The financial statements could be materially misstated through non-compliance with PSAS and the related PSAS disclosure.	• We examined the adjusting journal entries upon transition from IFRS to PSAS, and examined the disclosure of the financial statements for all relevant assertions. • We reviewed the Authority's accounting policies and disclosures relating to the new accounting framework (PSAS). • We requested that management complete a confirmation of exemptions for first-time adoption (PS 2125). • We completed the PSAS compliance checklists to assess the appropriateness and completeness of the financial statements. • Refer to Appendix 6 for further discussion on the adoption of PSAS.	Based on the performance of our audit procedures, the results of our testing with respect to the Authority's adoption of PSAS are satisfactory.

Management override of controls

Audit risk	Our audit response	Audit results
Assurance standards include the presumption of a significant risk of management override of controls. Management may be in a unique position to perpetrate fraud because of management's ability to directly or indirectly manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.	• We engaged in periodic fraud discussions with certain members of senior management and with others within the Authority's Audit Committee. • We considered the potential for bias in judgments and estimates, including performing retrospective analysis of significant accounting estimates. • We evaluated the business rationale for any significant unusual transactions. • We evaluated the Authority's fraud risk assessment and considered entity-level internal controls and internal controls over the closing and reporting process. • We tested journal entries that exhibited characteristics of possible management override of controls identified.	Based on the performance of our audit procedures, we have not identified any instance of management override of controls.

Adjustments to prior period

During the finalization of the 2017 financial statements, the Authority identified prior period adjustments that related to the following areas:

1. Tangible Capital Assets ("TCA")

   As a result of land and structure market value evaluations, it was identified that two parcels of land recorded on the Authority's books were not steward to them by the City of Calgary. Thus, these two parcels of land were incorrectly recorded in the financial statements of the Authority. The misstatement relates to the 2016 fiscal year and prior years.

   The total TCA prior period error is an overstatement of TCA and retained earnings of $4.3M, under IFRS as at January 1, 2016 and December 31, 2016.

2. Investments

   An error in long-term investments was identified during the process of conversion to PSAS. The Authority records their investments at the market value at each reporting period. The unrealized gain/loss on the investments should be recorded on the income statements as the difference between the market value of the investments at the prior fiscal year end and the current fiscal year end. The Authority had been incorrectly recording their unrealized gain/loss on investments based on the difference between the book value of the investments and the market value of the investments at each fiscal year (effectively compounding or double counting the unrealized gains/losses each year).

   This resulted in an overstatement under IFRS of investments and accumulated comprehensive income of $3.2M as of January 1, 2016 and an overstatement of investments, accumulated comprehensive income and other comprehensive income of $4.1M as of December 31, 2016.

These amounts are material to the financial statements as a whole, and thus management decided to restate the 2016 financial statements.

Note 19 to the December 31, 2017 financial statements includes details on the prior period adjustments. As a result of the additional work completed by the Authority on the matters discussed above, the Authority has concluded that the financial statements are not materially misstated as at and for the year ended December 31, 2016, as restated, in the context of the financial statements taken as a whole.

Other reportable matters

The following summarizes the status and findings of key aspects of our audit. In the appendices to this report, we have provided additional information related to certain matters we committed to report to the Committee as part of the audit plan.

	Comment
Changes to the audit plan	The December 31, 2017 audit was conducted in accordance with our audit plan, which was communicated to the Committee on October 24, 2017, with the exception that tangible capital asset balances relating to the restatement were tested at a significant risk level. This was initially assessed at a higher risk but given the misstatements noted in the current year (page 6, Prior Period Adjustments), we re-evaluated the risk assessment and concluded that this account balance related to transition represented a significant risk for the 2017 audit. We completed additional audit procedures on the restated 2016 balances. We confirm that there have been no other significant amendments to the audit scope and approach communicated in the audit plan.
Significant difficulties encountered in performing the audit	During the course of our audit, we did not encounter any significant difficulties.
Related party transactions	We have not identified any related party transactions that were not in the normal course of operations and that involved significant judgments by management concerning measurement or disclosure.
Disagreements with management	During the current audit, we did not encounter any disagreements with management.
Consultation with other accountants	Management has informed us that the Authority has not consulted with other accountants about auditing or accounting matters.
Legal and regulatory compliance	Management is responsible for ensuring that the Authority's operations are conducted in accordance with the laws and regulations applicable to the Authority in the jurisdictions in which it operates. The responsibility for preventing and detecting non-compliance rests with management. The auditor is not and cannot be held responsible for preventing non-compliance with laws and regulations. Our limited procedures did not identify any areas of material non-compliance with laws and regulations by the Authority.
Post-balance sheet events	At the date of finalizing this report, we are not aware of any significant post balance sheet events. We will update subsequent events with management up to the audit report date of March 27, 2018.

Appendix 1 – Communication requirements

Required communication	Reference	Refer to this report or document described below
Audit Service Plan		
1. Our responsibilities under Canadian GAAS, including forming and expressing an opinion on the financial statements	CAS[1] 260.14	Engagement letter
2. An overview of the overall audit strategy, addressing: a. Timing of the audit b. Significant risks, including fraud risks c. Names, locations, and planned responsibilities of other independent public accounting firms or others that perform audit procedures in the audit	CAS 260.15	Audit plan communicated on October 24, 2017.
3. Significant transactions outside of the normal course of business, including related party transactions	CAS 260 App. 2, CAS 550.27	Nothing to report.
Year End Communication		
4. Fraud or possible fraud identified through the audit process	CAS 240.40-.42	We are not aware of any fraudulent events.
5. Significant accounting policies, practices, unusual transactions, and our related conclusions	CAS 260.16 a.	Significant Accounting practices, judgements and estimates
6. Alternative treatments for accounting policies and practices that have been discussed with management during the current audit period	CAS 260.16 a.	Nothing to report.
7. Matters related to going concern	CAS 570.23	We concluded that there was no substantial doubt about the Authority's ability to continue as a going concern.
8. Management judgments and accounting estimates	CAS 260.16 a.	Significant Accounting practices, judgements and estimates
9. Significant difficulties, if any, encountered during the audit	CAS 260.16 b.	No significant difficulties to report.
10. Material written communications between management and us, including management representation letters	CAS 260.16 c.	Management representation letter
11. Other matters that are significant to the oversight of the financial reporting process	CAS 260.16d.	No other matters to report.

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

Required communication	Reference	Refer to this report or document described below
12. Modifications to our opinion(s)	CAS 260.A18	We will issue an unmodified opinion.
13. Our views of significant accounting or auditing matters for which management consulted with other accountants and about which we have concerns	CAS 260.A19	None identified.
14. Significant matters discussed with management	CAS 260.A.19	None identified.
15. Illegal or possibly illegal acts that come to our attention	CAS 250.23	We are not aware of any illegal acts.
16. Significant deficiencies in internal control, if any, identified by us in the conduct of the audit of the financial statements	CAS 265	No deficiencies to report.
17. Uncorrected misstatements and disclosure items	CAS 450.12-13	In accordance with Canadian GAAS, we request that all misstatements be corrected. Uncorrected misstatements were noted. Please refer to Appendix 5 for further details.

Appendix 2 – Draft version of our auditor's report

Independent Auditor's Report

To the Members of the Audit Committee and the Board of Directors of Calgary Parking Authority

We have audited the accompanying financial statements of Calgary Parking Authority, which comprise the statement of financial position as at December 31, 2017, and the statements of operations, remeasurement gains and losses, change in net financial assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

(To be signed Deloitte LLP)

Chartered Professional Accountants
March 27, 2018
Calgary, Canada

Appendix 3 – Letter of recommendations and business insights

Deloitte LLP
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March 20, 2018

Dear Audit Committee members,

We have recently completed our audit of the financial statements of Calgary Parking Authority ("the Authority") for the year ended December 31, 2017.

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

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

Deloitte LLP

Chartered Professional Accountants

Update – December 31, 2016 Management Letter Points

Matter carried forward from December 2016 year end

a. ParkPlus System Expansion

Observation:
We understand from discussions with management that the Authority is currently pursuing opportunities for the use of the ParkPlus System within countries outside of Canada.

Implication:
Conducting business internationally may carry many risks that domestic business does not. These include, but are not limited, to the following:

Compliance with local laws and regulations, including labour laws if hiring locally. It is important for the Authority and its lawyers to understand the major legal, regulator and labour law differences between Canada and international countries in which business is being conducted. This will be important in drafting business agreements.

Health and Safety Risk – the Authority's employees who travel for business should be fully aware of the specific country's health and safety risks and should ensure they are current on recommended travel vaccinations. There should be in-country medical care if needed as well as 24-hour emergency access to health care. Travel medical insurance is also recommended. Employees should also be aware of emergency evacuation procedures, if required.

Political Risk – International business may pose different types of political risk. For example, Local authorities may fail to enforce agreements and political unrest can disrupt business transactions. It is important for the Authority to fully research and understand any political risks and mitigate appropriately.

Corruption Risk – international business culture may be different with regards to areas such as bribery and fraud in comparison to domestic culture which encourages ethical leadership.

Recommendation:
It is recommended that the Authority take into consideration the impact of conducting business in foreign countries which includes a strong and robust risk assessment for each country to mitigate and implement appropriate risk strategies.

Management Response:
Management concurs with the recommendation.

Through the direction of City Council and the Authority Board, Authority management is pursuing opportunities for the use of the ParkPlus System within countries outside of Canada. The Authority Board is kept apprised through on-going management reporting of any developments or updates with respect to this directive. While the expansion into international markets brings profit potential, the Authority is aware that conducting business internationally carries different risks than domestic business that must be carefully considered and planned for.

Prior to conducting business in any foreign country the Authority will consider the associated risks and conduct a risk assessment to ensure appropriate risk mitigation strategies are implemented at the onset of any business arrangement. This will include but is not necessarily limited to, seeking outside legal counsel expertise in the area of international law as it relates to labour laws, appropriate permits or approvals, and drafting of contracts. Outside legal counsel expertise in the area of international law would continue to be sought out as necessary after the business arrangement has been initially established as an on-going risk mitigation measure.

The Authority's existing Employee Code of Conduct Policy will guide Authority staff's day to day actions while working in a foreign country to ensure ethical business practices are followed. The Authority's existing Occupational Health and Safety Policy will guide employee actions while working internationally. As it relates to specific health and safety risks associated with international travel and work outside of Canada, the Authority will review its existing policy at that time to ensure adequate support is available to employees given the operational change. The policy would be updated to reflect this operational change at that point in time.

Auditor's Update (based on 2017 year-end audit procedures):
Deloitte continues to advise management to assess these risks with regards to ParkPlus expansion, however as this is a long term project, Deloitte will remove this recommendation going forward.

Update – December 31, 2015 Management Letter Points

Matter carried forward from December 2015 year end

1. **Onboarding of new personnel**

Observation:
During fiscal 2015, the Authority has hired a significant number of employees (approximately 146); with a large proportion relating to the Commissionaires office that were previously contract employees.

Implication:
As a comprehensive approach to hiring new employees should go beyond the regular orientation process, the significant increase in headcount may require the Authority's management to assess the impact from a number of perspectives.

Recommendation:
We would recommend that the Authority's management give consideration to the following:

1. Understanding by the new employees of the corporate culture and of the code of conduct;

2. Understanding of internal control processes and the Authority's policies (for example travel or employee expenses reports);

3. Understanding/providing adequate training of additional staff to ensure they are aware of and understand their work and expectations from Supervisors/management;

4. Ensuring that the support services (including Payroll, HR, IT and Administrative) have the resource levels to manage additional staff ;

5. Consideration of whether existing internal control processes remain fit for the intended purpose given the significant increase in personnel in the year; and

6. Ensuring roles and responsibilities are clearly defined and organizational structure is appropriate to appropriately manage the increased scale of the departments impacted.

Management's Response:

Management concurs with all the recommendations and on several points, processes have already been implemented.

1. Corporate culture and code of conduct: All new employees are required to review the CPA Code of Conduct and submit an acknowledgement form to Human Resources that indicates they have read and understood the related policies.

2. Understanding of internal control processes and policies (I.e. travel & employee expense reports). This is the responsibility of the Supervisors to provide information and training to their employees. For example, how to obtain bus passes. There is no formal process but the Payroll Coordinator is available for all new staff that has queries. Most of the new hires (Enforcement) won't have these types of expenses so formal training would not be a good use of resources.

3. Understanding work expectations/providing adequate training. Utilization of a revised performance management system whereby corporate, departmental, and individual goals and objectives are communication to new staff by their supervisors. This sets out clear expectations and desired outcomes.

4. Resource levels. With the huge incremental increase to number of FTEs, Financial Services will discuss with the GM to advance the growth position earlier from 2017 to mid-way 2016 to provide support for payroll and create depth in Financial Services. Additional resources may be required in Human Resources, Information Technology and other support departments – this will be assessed in 2016.

5. Internal controls. We will review all internal controls relating to new personnel and see if any adjusted or new ones need to be added. For example, submission of proper hours worked (does Supervisors need formal training?). CPA Payroll Coordinator will be implementing a new spreadsheet whereby information is taken from PeopleSoft Master List of employees and populating a spreadsheet for tracking month-by-month basis. We recognize review of the payroll register will be difficult due to the number of new employees and this tracking will assist in ensuring the accuracy of the review. Timesheet tracking on absences for Exempt employees will require a Leave of Absence form, in light of the revised Sickness & Accident Policy (90% paid for 119 days) so that employees are paid correctly. The spreadsheet of time submission with hard-coded employees has the control whereby review by the Payroll Coordinator determines if an employee does not have any time submitted for that week. Just a comment – these are all examples of payroll-specific internal controls. Management agrees with Deloitte's comment that controls across all employee-related functions need to be reviewed.

6. Roles and responsibilities and organization structure. As part of the transition of contracted services to in-house employees, a review was conducted of all new positions being added. A joint job evaluation process was developed for unionized positions, which ensured all new union positions were effectively described. In 2016, a comprehensive Exempt position review will be completed to ensure all exempt positions are reviewed, appropriately described and assigned a salary level.

The Enforcement group has been split into two Departments (Enforcement and Enforcement Support) with the appropriate leadership to manage the increased volume of staff. Budgets and coding are currently being adjusted at source to accommodate analysis of variances and control of expenditures.

Auditor's Update (based on October 2016 audit procedures):
Based on our audit procedures performed during our interim fieldwork, we note the following:

1. New employees are required to sign an Acknowledgement Form of the Codes of Conduct (and related policies). We randomly selected 15 new hires and requested the signed Acknowledgement Form. Of the 15 new hires selected, we noted only 4 new hires had signed the Acknowledgement Form and returned the completed Form to human resources.

2. There is no formal process for employees to understand internal control processes and the Authority's policies; however, the Payroll Coordinator is available for all new staff who may have questions. We discussed this with the Payroll Coordinator, and based on this discussion, we understand that employees frequently call or email the Payroll Coordinator with questions on the Authority's policies.

3. The Authority implemented a revised performance management system in FY 2016 ("2016 Performance and Learning Plan"). This revised performance management system more clearly outlines the expectations of the employees.

4. The Authority has assessed the resource levels for the various support staff. This was completed by the Manager of each Department with Human Resources and the General Manager. We noted that a part time employee was hired in Payroll as well as Procurement.

5. The Authority has assessed the existing employee-related internal controls given the significant increase in personnel in fiscal 2015. Two new controls have been implemented in fiscal 2016:

    a. A Pay Register Summary is being prepared on a monthly basis by the Payroll Coordinator. This summary compares each employee's pay for the current month with the previous months (all previous months of the fiscal year). Any significant variances are investigated.

    b. A formal Leave Absence Form is required for all employees for the following types of leaves: vacation, sick days, extended leave, union leave, in lieu time, maternity leave, etc. The form is required to be submitted to Payroll and signed off by the employee as well as the employee's supervisor.

6. The Authority has performed the following regarding an assessment of employee roles and responsibilities:

    a. Comprehensive Exempt Position Review – The Authority performed job re-structuring in fiscal 2016 which involved the review of the existing roles in various departments and determining if these roles were in the correct departments. A job evaluation is required by all exempt employees by November 1, 2016. Human Resources is expected to review the job evaluations and determine potential changes in roles in Q2 2017. As a final step, the salaries of all exempt employees will be assessed in Q2 2017.

    b. Enforcement Department – Effective fiscal 2016, the Enforcement department is split into two Departments: Enforcement and Enforcement Support.

Parts 2, 3, 4, 5, and 6b of the recommendation have been satisfactorily addressed and Parts 1 and 6a are in progress. We will provide an update on Parts 1 and 6a during fiscal 2017.

Auditor's Update (based on 2016 year-end audit procedures)

1. New employees are required to sign an Acknowledgement Form of the Codes of Conduct (and related policies). We randomly selected an additional 10 new hires during our year end procedures and requested the signed Acknowledgement Form. Of the 10 new hires selected, we noted only 4 new hires had signed the Acknowledgement Form and returned the completed form to human resources.

This part of the recommendation has not been satisfactorily addressed. We will carry this forward to fiscal 2017.

6a. As part of assessments, the HR Advisors reviewed the Job Specs, identified any issues or concerns related to organization structure or job design and met with departmental managers to discuss and provide recommendations. Some organizational changes were made as a result (e.g. Communications and Customer Service combined 2 jobs into 1 role with multiple incumbents). Job Evaluation Questionnaires (JEQ's, detailed descriptions with specific examples of work performed) were then completed by exempt employees and their supervisors, for all exempt positions at CPA. These JEQs were reviewed and rated by a Job Evaluation Committee of six exempt employees. The rating process was facilitated by an HR Advisor. HR is now reviewing market data (survey data from Wynford and Mercer) to identify comparable positions with the aim to develop a salary structure. Once the structure is complete, all exempt positions which have now been rated and for which a hierarchy has been created, will be placed into that structure.

We will provide an update on the above matter during fiscal 2017.

Auditor's Update (based on 2017 year-end audit procedures):

1. New employees are required to sign an Acknowledgement Form of the Codes of Conduct (and related policies). We randomly selected 25 new hires during our 2017 year end procedures and requested the signed Acknowledgement Form. Of the 25 new hires selected, we noted only 14 new hires had signed the Acknowledgement Form and returned the completed form to human resources. However, starting in 2018 all employees will be required to complete two e-learning modules which include a focus on the codes of conduct. Human resources will have the ability to track completion and follow up with the employees who have not completed the course.

   This part of the recommendation is still in progress and an update willbe provided in fiscal year 2018.

6a. It was noted that the market data assessment mentioned above was completed. From this assessment, all exempt jobs were moved into their respective salary bands. Human resources performed a review of the market at the end of fiscal 2017 to determine whether the bands should be adjusted. Based on this assessment, no adjustments to the salary bands were made.

   This part of the recommendation has been satisfactorily addressed.

Appendix 4 – Draft independence

March 27, 2018

The Members of the Audit Committee and Board of Directors of Calgary Parking Authority

Dear Members:

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

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

We are not aware of any relationships between the Deloitte Entities and the Company and its affiliates, or persons in financial reporting oversight roles at the Company and its affiliates, that under the Rules of Professional Conduct of the Chartered Professional Accountants of Alberta may reasonably be thought to bear on independence, that have occurred from March 31, 2017 to March 27, 2018.

The total fees charged to the Authority for audit services were $87,740 (2016, $91,030 for the audit and $5,350 for audit procedures applied the IFRS to PSAS adjustments) for the financial statement audit and $2,675(2016, $Nil) for additional time incurred to audit the new retirement benefits obligations accounts. In addition, fees charged to the Authority for the PSAS conversion services were $19,260 (2016, $Nil) for the first time adoption of PSAS. These fees mentioned above include the 7% administration charge but not GST.

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

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

Yours truly,

Chartered Professional Accountants

Appendix 5 – Draft management representation letter

[Organization letterhead]

March 27, 2018

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

Dear Sirs:

Subject: Financial statements of Calgary Parking Authority prepared for the first time in accordance with Public Sector Accounting Standards for the year ended December 31, 2017

This representation letter is provided in connection with the audit by Deloitte LLP ("Deloitte" or "you") of the financial statements prepared for the first time in accordance with Public Sector Accounting Standards ("PSAS") of Calgary Parking Authority (the "Authority" or "we" or "us") for the year ended December 31, 2017 and a summary of significant accounting policies and other explanatory information (the "Financial Statements") for the purpose of expressing an opinion as to whether the Financial Statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the Authority in accordance with PSAS.

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

Financial statements

1. We have fulfilled our responsibilities as set out in the terms of the engagement letter between the Authority and Deloitte dated October 24, 2017 for the preparation of the Financial Statements in accordance with PSAS. In particular, the Financial Statements are fairly presented, in all material respects, and present the financial position of the Authority as at December 31, 2017 and December 31, 2016, including the opening PSAS statement of financial position as at January 1, 2016, and the results of its operations and cash flows for the year then ended in accordance with PSAS.

   The comparative information in the Financial Statements, including the financial position as at December 31, 2016, and the results of operations and cash flows for the year ended December 31, 2016 and related disclosures, has been properly restated to correct a misstatement in the comparative period financial information reported under International Financial Reporting Standards ("IFRS"), the Authority's previous framework.

2. Significant assumptions used in making estimates, including those measured at fair value, are reasonable.

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

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

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

3. We have determined that the Financial Statements are complete as of the date of this letter, as this is the date when there are no changes to the Financial Statements (including disclosures) planned or expected, all final adjusting journal entries have been reflected in the Financial Statements and the Financial Statements have been approved in accordance with our process to finalize financial statements.

4. We have completed our review of events after December 31, 2017 and up to the date of this letter. All events subsequent to the date of the Financial Statements and for which PSAS requires adjustment or disclosure have been adjusted or disclosed. Accounting estimates and disclosures included in the Financial Statements that are impacted by subsequent events have been appropriately adjusted.

5. The Financial Statements are free of material errors and omissions.

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

6. The Authority, through the City of Calgary, has satisfactory title to and control over all assets, and there are no liens or encumbrances on such assets. We have disclosed to you and in the Financial Statements all assets that have been pledged as collateral.

Information provided

7. We have provided you with:

   a. Access to all information of which we are aware that is relevant to the preparation of the Financial Statements, such as records, documentation and other matters. All financial statements and other financial information provided to you accurately reflect the activities and expenses of the Authority and do not reflect any activities or expenses of any other person or entity;

   b. All relevant information as well as additional information that you have requested from us for the purpose of the audit; and

   c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

8. Except as listed in Appendix A, all transactions have been properly recorded in the accounting records and are reflected in the Financial Statements.

9. We have disclosed to you the results of our assessment of the risk that the Financial Statements may be materially misstated as a result of fraud.

10. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
    a. Management;
    b. Employees who have significant roles in internal control; or
    c. Others where the fraud could have a material effect on the Financial Statements.

11. We have disclosed to you all information in relation to allegations of actual, suspected or alleged fraud, or illegal or suspected illegal acts affecting the Authority.

12. We have disclosed to you all communications from regulatory agencies concerning non-compliance with or deficiencies in financial reporting practices and all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the Financial Statements.

13. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware, including guarantees, non-monetary transactions and transactions for no consideration and participation in a defined benefit plan that shares risks between group entities.

14. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

15. We have disclosed to you all known, actual or possible litigation and claims, whether or not they have been discussed with our lawyers, whose effects should be considered when preparing the Financial Statements. As appropriate, these items have been disclosed and accounted for in the Financial Statements in accordance with PSAS.

Independence matters

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

16. Prior to the Authority having any substantive employment conversations with a former or current Deloitte engagement team member, the Authority has held discussions with Deloitte and obtained approval from the Audit Committee.

17. We have ensured that all services performed by Deloitte with respect to this engagement have been pre-approved by the Audit Committee in accordance with its established approval policies and procedures.

Liabilities for contaminated sites

18. We have evaluated all of our tangible capital assets that we have direct responsibility for or accept responsibility for, and have not identified any sites in which contamination exceeds an environmental standard.

Adoption of new or amended accounting standards

19. The Authority has adopted CPA Canada Public Sector Accounting Handbook Sections 3450, 1201, 2601 and 3041, *Financial instruments, financial statement presentation, foreign currency translation and portfolio investments*, respectively, as of December 31, 2017 as discussed in Note 1(vii). As a result, the Authority has reported its investments at fair value and recorded the unrealized gain (loss) in the statement of remeasurement gains and losses and has included all required disclosures in the year-end financial statements.

Employee future benefits

20. Employee future benefit costs, assets, and obligations, as applicable, have been properly recorded and adequately disclosed in the Financial Statements including those arising under defined benefit and defined contribution plans as well as termination arrangements. We believe that the actuarial assumptions and methods used to measure defined benefit plan assets, obligations and costs for financial statement purposes are appropriate in the circumstances. Actuarial gains/losses have been amortized to the liability/asset and the related expense in a systematic and rational manner over the expected average remaining service life of the related employee group.

Tangible capital assets

21. Tangible capital assets have been recorded properly and consistently according to the standards in Section PS 3150, *Tangible Capital Assets.*

22. We have assessed the useful lives of tangible capital assets and have determined all tangible capital assets contribute to the Authority's ability to provide goods and services and therefore do not require a write down.

Selection of accounting framework

23. Management has performed due diligence regarding the selection of the appropriate accounting framework and has concluded that it meets the definition of a Government Component and as such, adopted the CPA Canada Public Sector Accounting Handbook Standards effective for December 31, 2017 fiscal year end.

City of Calgary Capital Asset Policy

24. The Authority was aware of the City of Calgary's change in Capital Asset Policy for Land and Land Improvements for the year ended December 31, 2017. Management has reviewed and understands the policy. Management has adopted the policy for the year ended December 31, 2017.

Contracts

25. The Authority has disclosed all agreements it has entered into that would impact the December 31, 2017 financial statements.

Communicating a threshold

26. We understand that the threshold used for accumulating misstatements identified during the year was $125,000 for purposes of Appendix A. Misstatements below this amount have been considered clearly trivial.

Financial Instruments

27. The Authority has properly classified all financial instruments in accordance with PSAS Section PS 3450, *Financial Instruments* ("Section PS 3450"). Specifically, all financial instruments are classified as fair value, cost or amortized cost. In addition, there have been no reclassifications of instruments into or out of the fair value classification after the adoption of Section PS 3450 or, after the instrument was first recognized subsequent to the adoption of Section PS 3450, unless explicitly permitted by Section PS 3450.

28. The Authority has properly identified all financial contracts that meet the definition of a derivative in Section PS 3450. The Authority has also properly identified all embedded derivatives included in other non-derivative contracts and determined whether these embedded derivatives need to be separately accounted for as described in Section PS 3450.

    The fair values of all derivatives have been determined based on quoted prices in an active market or by using financial models that we believe are the most appropriate models for valuing such instruments and that incorporate market data and other assumptions that we have determined to be reasonable and appropriate at December 31, 2017.

29. For all derivatives and any other financial instruments measured at fair value at December 31, 2017, fair value has been estimated using quoted market prices if the instrument trades in an active market, as set out in Section PS 3450.

    Where the instrument is not traded in an active market, the Authority has used valuation techniques that it believes are most appropriate for valuing such instruments. We believe our valuation techniques make maximum use of observable inputs.

    The Authority has identified and disclosed in the notes to the Financial Statements all significant assumptions used in determining fair value and have included the appropriate disclosures relating to the fair value level of all financial instruments carried at fair value.

30. The following have been properly recorded and, when appropriate, adequately disclosed and presented in the Financial Statements:

    a. The other than temporary impairment of financial assets; and

    b. Provisions for loans receivable.

31. Changes in fair value of financial instruments in the fair value category have been properly recorded in the statement of remeasurement gains and losses as a remeasurement gain or loss until the financial instrument is derecognized.

32. The Authority has identified and disclosed all details of any defaults of principal, interest sinking fund or redemption terms related to loans payable, including the carrying amount of such loans and whether the default was remedied or renegotiated before the date the financial statements were completed.

PSAS first-time adoption

33. The Financial Statements are the first annual financial statements in which the Authority has adopted PSAS as disclosed in Note 20 to the Financial Statements.

34. The Authority's date of transition to PSAS is January 1, 2016 and the Authority has prepared and presented an opening PSAS statement of financial position as at this date and in accordance with the requirements of Section PS 2125, *First-time Adoption by Government Organizations* ("Section PS 2125").

35. The Authority has applied the same accounting policies on a consistent basis for the opening PSAS statement of financial position and throughout all periods presented in the Financial Statements. These accounting policies are in accordance with PSAS effective at the end of the current reporting period December 31, 2017.

36. The Authority has complied with Section PS 2125 upon initial application of each accounting standard and has only applied the transitional provisions in other PSAS standards if they were issued subsequently to Section PS 2125.

37. In the January 1, 2016 opening PSAS statement of financial position the Authority has:

    a. Recognized all assets and liabilities whose recognition is required by PSAS;

    b. Not recognized items as assets or liabilities if PSAS does not permit such recognition;

    c. Reclassified items that were recognized in accordance with IFRS as one type of asset, liability or component of net assets, but are a different type of asset, liability or component of net assets in accordance with PSAS; and

    d. Applied PSAS in measuring all recognized assets and liabilities.

    The opening PSAS statement of financial position is prepared using accounting policies that are in accordance with the PSAS standards effective at the end of the reporting period in which the Authority prepares its first set of annual financial statements in accordance with PSAS as at and for the year ended December 31, 2017. Note 20 to the Financial Statements provides sufficient and appropriate disclosure of the significant accounting policies used in the preparation of the Financial Statements.

38. The estimates made by management in the opening statement of financial position prepared using PSAS are consistent with the estimates made in accordance with the Authority's previous accounting framework after adjustments to reflect differences in accounting policies and unless there is objective evidence that those prior estimates were in error. There is no objective evidence that prior estimates were in error.

39. We have considered all elective exemptions from requirements of other standards as set forth in Section PS 2125. We have not applied any of the exemptions.

40. We have appropriately applied the mandatory exception of retroactive application to accounting estimates.

41. The Authority has provided sufficient disclosure in the Financial Statements to explain how the transition from the Authority's previous accounting framework of IFRS to PSAS affected its statements of financial position, operations, and cash flows, including the amount and reason of each charge to net assets at the date of transition resulting from the adoption of these standards and a reconciliation of the net income reported in the most recent Financial Statements under the Authority's previous accounting framework of IFRS to its annual surplus under PSAS for the same period.

42. All uncorrected financial statement misstatements identified in prior years in accordance with the Authority's previous accounting framework of IFRS have been evaluated for applicability in accordance with PSAS. Those errors identified as applicable under PSAS have been measured in accordance with PSAS (as summarized in Appendix A)The comparative information in the Financial Statements, including the financial position as at January 1, 2016 and December 31, 2016 and the financial performance and cash flows for the year ended December 31, 2016 and related disclosures, has been properly restated to correct a misstatement in the comparative period financial information

Other Matters

43. We have disclosed to you all liabilities, provisions, contingent liabilities and contingent assets, including those associated with guarantees, whether written or oral, and they are appropriately reflected in the Financial Statements.

44. We have disclosed to you, and the Authority has complied with all aspects of contractual agreements that could have a material effect on the Financial Statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

45. We have disclosed to you all the documents that we expect to issue that may comprise other information, in the context of CAS 720, *The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements*.

Yours truly,
Calgary Parking Authority

_____
Shelley Trigg
General Manager

_____
Jared Foulds
Controller

Appendix A
Calgary Parking Authority

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

January 1, 2016 corrected error – impact on January 1, 2016 opening balances as these errors relate to periods prior to fiscal 2016:

	Asset Dr. (Cr)	Liability Dr. (Cr.)	Retained Earnings Beg of Year Dr. (Cr.)	Income Statement Dr. (Cr.)
Investments Adjustment: Incorrect recording of unrealized gain/loss on investments.	($3,205,973)	-	3,205,973	-
Land Adjustment: Land incorrectly recorded on both the City of Calgary's and the Authority's financial statements.	(4,331,108)	-	4,331,108	-

January 1, 2016 uncorrected error – impact on January 1, 2016 opening balances as these errors relate to fiscal 2015.

	Asset Dr. (Cr)	Liability Dr. (Cr.)	Retained Earnings Beg of Year Dr. (Cr.)	Income Statement Dr. (Cr.)
Adoption of the City of Calgary's TCA policy for Machinery & Equipment, which was to be adopted in fiscal 2015 but the Authority adopted this policy in 2016. This results in an uncorrected error in both the fiscal 2015 and 2016 financial statements as the 2015 adjustment was booked in the 2016 financial statements. The ending 2016 balances are, however, correct.	(513,074)	-	-	513,074

December 31, 2016 corrected error

	Asset Dr. (Cr)	Liability Dr. (Cr.)	Retained Earnings Beg of Year Dr. (Cr.)	Income Statement Dr. (Cr.)
Investments Adjustment: Incorrect recording of unrealized gain/loss on investments.	(4,124,332)	-	5,042,691	(918,359)
Land Adjustment: Land incorrectly recorded on both the City of Calgary's and the Authority's financial statements.	(4,331,108)	-	4,331,108	-

December 31, 2016 uncorrected error identified in current year

	Asset Dr. (Cr)	Liability Dr. (Cr.)	Retained Earnings Beg of Year Dr. (Cr.)	Income Statement Dr. (Cr.)
CMLC Revenue The Authority pays a monthly lease amount to Calgary Municipal Land Corporation ("CMLC") based on the net revenue from Lots 55, 62, 73, 74 & 75. During fiscal 2017 it was noted that there were discrepancies in regards to the deduction of specific Facility Administration and Maintenance of Infrastructure expenses. The Authority was deducting these expenses to get to the net revenue payable to CMLC, which were not allowed per the agreement. This resulted in a lower net revenue payable to CMLC. This error was corrected in fiscal 2017 and, as such, is identified as uncorrected for fiscal 2016 as it related to fiscal 2016.	-	(419,618)	-	419,618
Adoption of the City of Calgary's TCA policy for Machinery & Equipment, which was to be adopted in fiscal 2015 but the Authority adopted this policy in 2016. This results in an uncorrected error in both the fiscal 2015 and 2016 financial statements as the 2015 adjustment was booked in the 2016 financial statements. The ending 2016 balances are, however, correct.	513,074	-	-	(513,074)

December 31, 2017 uncorrected error

	Asset Dr. (Cr)	Liability Dr. (Cr.)	Retained Earnings Beg of Year Dr. (Cr.)	Income Statement Dr. (Cr.)
CMLC Revenue The Authority pays a monthly lease amount to Calgary Municipal Land Corporation ("CMLC") based on the net revenue from Lots 55, 62, 73, 74 & 75. During fiscal 2017 it was noted that there were discrepancies in regards to the deduction of specific Facility Administration and Maintenance of Infrastructure expenses. The Authority was deducting these expenses to get to the net revenue payable to CMLC, which were not allowed per the agreement. This resulted in a lower net revenue payable to CMLC. This error was corrected in fiscal 2017 and, as such, is identified as uncorrected for fiscal 2016 as it related to fiscal 2016.	-	419,618	-	(419,618)

Appendix B
Calgary Parking Authority
Summary of disclosure items passed
Year ended December 31, 2017

No disclosure deficiencies identified.

Appendix 6 – PSAS adoption

The Authority commenced reporting its results using accounting policies that are in accordance with PSAS effective December 31, 2017. In the connection, the Authority has also presented its statements of financial position as at January 1 and December 31, 2016, and its results for the annual period in 2016 to reflect the retrospective adoption of PSAS in accordance with the first-time adoption exemptions and exceptions in PSAS 2125.

We worked closely with management in connection with the Authority's adoption of PSAS, including the following:

- Research and analysis of various PSAS technical issues; and
- Identification of relevant financial statement presentation and disclosure requirements.

The Authority has prepared its transition date of the statement of financial position and restated 2016 comparatives by applying PSAS with an effective date of January 1, 2017.

Exemptions under PSAS 2125

On transition, management must choose to elect specific exemptions, which include exemptions on, retirement and post-employment benefits (discount rate and actuarial gains and losses), business combinations, investments in government business enterprises, government business partnerships, and tangible capital asset impairment. The Authority has chosen not to elect to apply exemptions from these accounting policies and therefore have retroactively applied these standards in their December 31, 2017 financial statements with 2016 comparatives.

In addition to the preceding optional exemptions, PSAS includes a mandatory exception that prohibits retroactive application to accounting estimates.

Impact of adopting PSAS on annual financial reporting requirements

The principal implications of the conversion to PSAS on the Authority's reporting requirements are as follows:

- As required by PS 2125.04, the financial statements include an opening PSAS statement of financial position at the transition date; and
- As required by PS 2125.02, the adoption of Public Sector Accounting Standards is to be accounted for by retroactive application with restatement of prior periods subject to the requirements in this Section.

The financial statements reflect additional line items to accommodate changes to the basis of accounting for certain items and financial statement requirements under PSAS.

- The financial statements include disclosures that are required under PSAS that would not have been reflected in prior annual financial statements under IFRS.

We involved senior members of the engagement team with knowledge of the Authority's business and internal specialists to assist in our audit of the Authority's transition adjustments.

Appendix 7 – New and revised auditor reporting standards

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

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

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

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

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

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

Changes to the Auditor's Report and new reporting requirements	
For all audits	
Auditor's opinion	• Auditor's opinion moved from the end of the auditor's report to the very beginning.
Auditor's independence and ethics	• An explicit statement of the auditor's independence in accordance with relevant ethical requirements and the auditor's fulfilment of other ethical responsibilities.
Going concern	• A separate section under the heading "Material Uncertainty Related to Going Concern", when a material uncertainty exists related to an entity's ability to continue as a going concern and is adequately disclosed in the financial statements.
Other information	• A separate section under the heading "Other Information", when an entity prepares other information (e.g., an annual report) containing or accompanying the entity's financial statements and auditor's report thereon, to explain management's and the auditor's responsibilities for the other information and the auditor's conclusion from reading and considering the other information.

Changes to the Auditor's Report and new reporting requirements	
For all audits	
Roles and Responsibilities	• An enhanced description of management's responsibilities for assessing the entity's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. • Identification of those charged with governance (when applicable) and their responsibility for the oversight of the financial reporting process. • An enhanced description of the auditor's responsibilities to conclude on the appropriateness of management's use of the going concern basis of accounting. • An enhanced description of the auditor's responsibilities in an audit of group financial statements.
For audits of entities where the auditor decides or law or regulation requires reporting of key audit matters	
Key audit matters	• A separate section under the heading "Key Audit Matters", when law or regulation requires the auditor, or the auditor decides, to communicate key audit matters in the auditor's report to those charged with governance that, in the auditor's judgment, were of most significance to the audit.

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

Benefits

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

Highlights of Changes to Performance Requirements with respect to Going Concern

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

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

Implementation considerations for those charged with governance

- **Key Audit Matters ("KAMs")**: If applicable, this commentary in the audit report will have a significant impact on the timing of:
  - Meetings between the auditor and the Audit and Investment Committee to discuss risks, which will form the basis of KAMs
  - Meetings with the auditor to identify, discuss and challenge KAMs as early as possible, and
  - Review of the auditor's report as the process will likely be more rigorous.

- **Going Concern:** Increased auditor focus may heighten your scrutiny of management's process for assessing the entity's ability to continue as a going concern and the relevance and completeness of related disclosures in the financial statements, particularly for "close calls".
- **Other information:** Discuss with the auditor which documents will be within the scope of "other information", evaluate timeframes for drafting and finalizing these documents, and assess documents for consistency with financial statements to ensure factually correct and reasonable.

Resources

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

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

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