

**Audit Resource Management Report to
Audit Committee
2023 March 08**

**ISC: UNRESTRICTED
AC2023-0249
Page 1 of 2**

External Auditor – Progress and Fees Update on 2022 Audit (Realignment)

RECOMMENDATION:

That the Audit Committee:

1. Approve the fee estimate for the procedures to be undertaken with respect to Phase 5 of the Realignment Project in the amount of \$10,000 - \$20,000 plus 7% administration fees and GST (Attachment 1);
2. Request the External Auditor continue providing Audit Committee with progress updates and fee estimates for the 2022 external audit;
3. Forward this report to Council for information and the Corporate Record; and
4. Recommend that the Closed Meeting discussions, Report, Recommendations, Attachment be held confidential pursuant to Sections 16 (Harmful to business interests of a third party) and 24 (Advice from officials) of the *Freedom of Information and Protection of Privacy Act* to be reviewed by 2023 April 30.

RECOMMENDATION OF THE AUDIT COMMITTEE, 2023 MARCH 8:

That Council:

1. Receive this report for the Corporate Record; and
2. Direct that the Closed Meeting discussions, Report, Recommendations, and Attachment be held confidential pursuant to Sections 16 (Harmful to business interests of a third party) and 24 (Advice from officials) of the *Freedom of Information and Protection of Privacy Act*, to be reviewed by 2023 April 30.

HIGHLIGHTS

- This report requests approval of the estimated fees for Phase 5 of the Realignment Project in the amount of \$10,000-\$20,000 plus 7% administration fees and GST. An update on the External Auditor's (Deloitte) progress on Phases 2, 3, and 4 and other planned audit procedures with respect to the 2022 external audit of The City's financial statements is included (Attachment).
- What does this mean to Calgarians? They receive assurance that the annual consolidated financial statements accurately reflect the financial position of The City of Calgary.
- Why does it matter? Calgarians receive reasonable assurance that the financial statements, as a whole, are free of any material misstatement, whether due to fraud or error.
- The External Auditor's 2022 Audit Service Plan was approved by Audit Committee at the 2022 July 21 Meeting (AC2022-0822) and subsequently forwarded to Council for information and the Corporate Record.
- The organization realignment will have a significant impact to the consolidated audit of The City. The procedures and estimated fees for the various phases of the Realignment Project were still to be determined at the time the 2022 Audit Service Plan was presented. Deloitte committed to providing updates to Audit Committee on the scope and fees throughout the process.

External Auditor - Progress and Fees Update on 2022 Audit (Realignment)

- Phase 1 of the Realignment Project with a fee estimate of \$75,000 - \$150,000 was approved by Audit Committee at the 2022 October 20 Meeting (AC2022-1150) and the work has subsequently been completed. Actual fees charged were \$130,000.
- Phase 2 of the Realignment Project with a fee estimate of \$40,000 - \$70,000 was approved by Audit Committee at the 2022 November 17 Meeting (AC2022-1252) and the work has now been completed. Actual fees charged were \$65,000.
- Phases 3 and 4 of the Realignment Project with a fee estimate of \$275,000 - \$500,000 was approved by Audit Committee at the 2022 November 17 Meeting (AC2022-1252) and this work is in progress.
- The status and fees for Phase 6 of the Realignment Project will be provided at a future meeting.
- The External Auditor will provide the results of the 2022 City of Calgary external audit at the 2023 April 19 Audit Committee meeting which will be forwarded to Council for information.
- The Audit Committee Bylaw 33M2020 states in Section 5 that “The Audit Committee is authorized to:
 - (f) pre-approve all audit and non-audit services performed by the External Auditor...” and further, in Schedule B of Bylaw 33M2020, it states “The Audit Committee:
 - (a) prior to the commencement of the annual external financial audit, reviews the audit plan and estimated audit fees with the External Auditor and discusses the timing and extent of audit procedures, materiality, significant audit risks and areas of audit focus and overall audit strategy. The audit plan is forwarded to Council for information;”

ATTACHMENT

(CONFIDENTIAL) Deloitte LLP, Update on The City of Calgary 2022 Audit (March 8, 2023)

Department Circulation

Councillor Richard Pootmans	Chair of Audit Committee	Approve
-----------------------------	--------------------------	---------