

**For Public Release**Date: 2023-06-06  
Dept: Audit Committee**Deloitte LLP  
Update on The City of Calgary 2022 Audit  
October 20, 2022, Audit Committee - Closed Meeting**Realignment Project

As of the date of mailing this document, we are in early stages of the realignment project and have completed certain planning procedures but have not commenced our audit work. We anticipate the bulk of our work will be completed in November and December once Administration has completed their transition activities. To date, we have held regular updates with Administration to understand the progress and status of the project. We have also held discussions with internal experts to assist us in the planning and design of our audit procedures. Based on our discussions with Administration, we expect to commence our audit procedures on the transition activities in the third week of October.

As of October 4, 2022, we have issued a progress bill for \$15,000 in line with our planning activities relating to Phase 1 in our Audit Service Plan as presented at the July 21, 2022, meeting, in line with the budget presented of \$75,000 - \$150,000, as outlined in the table below. Due to a significant number of Peoplesoft dept IDs, systems, and manual adjustments required to transition the 2022 operations to the new structure, we anticipate that this project will continue to be significant with respect to time and scope in the upcoming months. We will continue to update the Audit Committee on our progress and estimated fees.

Phase and Planned Timing	Fees
<b>Phase 1</b> – Understand initial realignment plan and initial scope of procedures (July to September 2022)	\$75,000 to \$150,000
<b>Phase 2</b> – Understand key processes and evaluate controls (October to November 2022)	TBD – fees will be presented at future meetings
<b>Phase 3</b> – Evaluate post-realignment IT controls (December 2022)	TBD – fees will be presented at future meetings
<b>Phase 4</b> – Audit completeness and accuracy of data transferred (November 2022)	TBD – fees will be presented at future meetings
<b>Phase 5</b> – Audit financial statement disclosures and evaluate sufficiency of opening balances, apply audit procedures to 2021 comparative figures (April 2023)	TBD – fees will be presented at future meetings
<b>Phase 6</b> – Audit of additional post-2022 transition impact (May 2023 and beyond)	TBD – fees will be presented at future meetings

Adoption of New Accounting Standards

As of the date of mailing this document, we have reviewed and provided preliminary comments and questions on four position papers related to Financial Instruments ("FI") and seven position papers related to Asset Retirement Obligations ("ARO") outlining Administration's key scoping decisions, evaluation of certain regulations, and documentation of critical assumptions with respect to recognition and measurement judgments. Where appropriate, we involved our internal subject matter experts to assist in reviewing the position papers prepared by Administration. As of October 4, we have issued a progress bill for \$15,000 and plan to issue another progress bill for \$15,000 by end of October, reflecting the effort incurred to date. This is in line with our planning activities as laid out in Phase 1 of our Audit Service Plan as presented at the July 21, 2022, meeting, in line with the budget presented of \$50,000 - \$70,000.

The next step is to validate the key assumptions for each of the new standards. This will include review of significant volumes of federal, provincial, and municipal legislation, specifically with respect

to the ARO standard, and relevant policies, regulations, contracts identified by Administration, determination of quantitative and qualitative thresholds and review of any analysis performed by other departments, with respect to both the FI and ARO standards. This phase of workplan is expected to be significant, and we anticipate that our effort will amount to \$40,000 of fees, for total fees for Phase 1 amounting to \$70,000, in line with the budget presented, as outlined in the table below. Once this step is completed, we will be able to develop a budget for the subsequent phases of the project and will continue to update the Audit Committee on our progress and estimated fees.

Phase	Fees
<b>Phase 1 a)</b> – Understand the scope and review Administration position papers (July - August 2022) Phase 1 b) Understand methodology and key assumptions (August - November 2022)	\$50,000 - \$70,000
<b>Phase 2</b> – Evaluate design and implementation of key controls and perform substantive procedures on adjustments (May - June 2023)	TBD – fees will be presented at future meetings
<b>Phase 3</b> – Evaluate system changes (July - September 2023)	TBD – fees will be presented at future meetings
<b>Phase 4</b> – Perform substantive audit procedures on adjustments and related disclosures (March - April 2024)	TBD – fees will be presented at future meetings