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# *Statement of Work*

Saskatoon Land Division

Submitted on August 9, 2016 for  
SPCF Public on August 15, 2016



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August 9, 2016

City of Saskatoon Standing Policy Committee on Finance (“SPCF”)  
222 Third Avenue North  
Saskatoon, Saskatchewan S7K 0J5

**Statement of Work – Internal Audit Request – Saskatoon Land Division**

**Recommendation:**

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| <ol style="list-style-type: none"><li><b>1) That the enclosed Statement of Work for the Saskatoon Land Division be approved.</b></li><li><b>2) That the Committee allocate funds for this additional internal audit project from the 2016 approved operating budget for internal audit services in accordance with Council Policy No. C02-032, Internal Audit Charter.</b></li></ol> |
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Please find enclosed the Statement of Work for the above referenced project. Note that the total proposed scope of the project is 590 hours.

We will commence the planning and preparation stages of the project immediately, with the fieldwork and execution stages to occur in September/October 2016 and reporting to occur in November/ December 2016. We are happy to take questions from the Committee and further adjust scope as directed.

Yours truly,

PricewaterhouseCoopers LLP



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Jesse Radu, CPA, CA  
Partner

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## 1. *Background*

The City of Saskatoon's City Council formalised its involvement in the land development business in 1954 by actively acquiring land for future development. Since that time, the City of Saskatoon has played an active role in developing Saskatoon communities. Among the core mandates of the City of Saskatoon's Land Division are the following:

- Provide an adequate supply of residential, institutional and industrial land at competitive market values;
- Provide innovation and leadership in design for new growth;
- Ensure timely and financially responsible acquisitions of all land requirements for various capital projects;
- Ensure sufficient long-term supply of future development lands;
- Provide returns at competitive rates of return on investment to allocate to civic projects/programs; and
- Operate on a level playing field with other land development interests in the City of Saskatoon.

Internal Audit has been requested to perform certain procedures related to the City of Saskatoon's Land Division. This Statement of Work is to be carried out subject to the "Internal Audit Services Agreement" dated January 1, 2015 between the City of Saskatoon and PricewaterhouseCoopers LLP.

## 2. *Scope*

The overall scope of the engagement is defined by the SPCF, and consists of the following specific items:

1. To assess whether the City of Saskatoon Land Division ("Saskatoon Land") is adhering to policy concerning:
  - a. Administration of lot draws;
  - b. Over the counter sales, to assess whether returned lots are made available openly and resold in a fair and transparent manner and that when unused lots are returned, there is consistency of fees and penalties applied;
  - c. Proper maintenance of the Eligible Builder's List and who is eligible, or not eligible, for each lot draw, and which tier they should be in as well as the removal of builders from the Eligible Builder's List and reinstatement to the list, including probation periods; and
  - d. Maintenance of a builder's adherence to the time frames surrounding lot purchases and construction timelines.
2. To analyse current Conflict of Interest guidelines for Saskatoon Land to assess whether adequate safeguards exist for Administration to avoid, and/or declare, any real or perceived conflict of interest pertaining to builders who deal with Saskatoon Land and their trades;
3. To analyse lot prices and Saskatoon Land's lot pricing process in an effort to assess whether Saskatoon Land is competitive and responding to the market or whether Saskatoon Land is driving the market.
4. To analyse Saskatoon Land policies and procedures to assess whether they are equitable and whether Administration has the proper degree of discretion in the administration of lot sales, returns, and fees.
5. To analyse the Privacy and Access to Information Policy that Saskatoon Land utilizes to assess whether all information that should be made public, as appropriate for a municipality, is being made public, for the sake of transparency for residents of Saskatoon. Saskatoon Land follows the "Local Authority Freedom of Information and Protection of Privacy Act" for accessing records held by the City of Saskatoon. Reporting is

limited to that contained within the Saskatoon Land “Annual Report” and within the City of Saskatoon’s “Annual Report”.

- a. This examination would include consideration of the appropriateness of the financial reporting of the operations of Saskatoon Land to the various users of this information (i.e. Standard & Poor’s, general public, SPCF, and City Council).
6. To analyse the current business and governance structure of Saskatoon Land to comment on the appropriateness of the current structure in place and to identify potential alternative business and/or governance structures that might add value to the City’s land development efforts and best manage risk exposure.
7. To conduct a risk assessment of the operations of Saskatoon Land to assess whether investments are timely, adequate and do not overexpose the citizens of Saskatoon to unnecessary investment risk.

### 3. *Timeline and deliverable*

Dates are estimates and may change, based on availability of information and City of Saskatoon, Saskatoon Land and PwC resources. Our deliverable will consist of our final report to the SPCF on the results of procedures 1 through 7 noted above.

<b>Deliverable</b>	<b>Recipients</b>	<b>Projected Delivery Date</b>
<b>Preliminary Findings/Results</b>	Frank Long, Director of Saskatoon Land Jeremy Meinema, Finance & Sales Manager	October
<b>Draft Report to Committee</b>	Draft report provided for SPCF review and feedback, and Senior Administration as directed.	November
<b>Final Report to Committee</b>	Final report to SPCF in-camera during a 10-15 minute presentation followed by question period.	December

We will communicate our progress regularly to key personnel and will arrange additional status update meetings as necessary to discuss any issues which may arise.

### 4. *Budget*

Our fees are based on actual hours incurred by PwC staff, at the below agreed upon hourly billing rates in the “Internal Audit Services Agreement” dated January 1, 2015. Specifically, sections 6(4) and 6(6) of the “Internal Audit Services Agreement specify hourly rates to be charged in the event that additional audit services or additional consulting services are requested.

We estimate that our fees for the completion of our services under this Statement of Work will be \$113,500 plus out of pocket expenses and applicable taxes, which will be charged on an actual basis. We estimate out of pocket expenses to be in the range of \$2,500 to \$5,000.

<b>Phase of Approach</b>	<b>Hours</b>
Planning / Preparation	30
Approach – Procedure 1	150
Approach – Procedure 2	50
Approach – Procedure 3	100
Approach – Procedure 4	50
Approach – Procedure 5	30
Approach – Procedure 6	30
Approach – Procedure 7	110
Reporting / Completion	40
<b>Total</b>	<b>590</b>

<b>Role</b>	<b>Hours</b>
Engagement Partner	70
Quality Assurance Partner	10
Subject Matter Specialist	50
Engagement Director	60
Engagement Manager	70
Senior Associate	165
Associate	165
<b>Total</b>	<b>590</b>