



REVISED AGENDA

AUDIT COMMITTEE

February 25, 2021, 9:30 AM
IN THE COUNCIL CHAMBER

Members

Councillor E. Woolley, Chair
Councillor J. Farkas, Vice-Chair
Councillor D. Colley-Urquhart
Councillor J. Davison
Citizen Representative L. Caltagirone
Citizen Representative K. Kim
Citizen Representative M. Lambert

SPECIAL NOTES:

Public are encouraged to follow Council and Committee meetings using the live stream

www.calgary.ca/watchlive

Members may be participating remotely.

1. CALL TO ORDER
2. OPENING REMARKS
3. CONFIRMATION OF AGENDA
4. CONFIRMATION OF MINUTES
 - 4.1. Minutes of the Regular Meeting of the Audit Committee, 2021 January 28
5. CONSENT AGENDA
 - 5.1. DEFERRALS AND PROCEDURAL REQUESTS
None
 - 5.2. BRIEFINGS
None

6. POSTPONED REPORTS
(including related/supplemental reports)

None

7. ITEMS FROM OFFICERS, ADMINISTRATION AND COMMITTEES

7.1. *Audit Committee 2020 Year-End Report - AC2021-0213*

7.2. *External Auditor - Performance of Assurance Procedures for Off-Site Levies - AC2021-0215*
Attachment 2 held confidential pursuant to Sections 24 (Advice from officials) and 26 (Testing procedures, tests, and audits) of the *Freedom of Information and Protection of Privacy Act*.

Review By: 2022 February 25

8. ITEMS DIRECTLY TO COMMITTEE

8.1. REFERRED REPORTS
None

8.2. NOTICE(S) OF MOTION
None

9. URGENT BUSINESS
None

10. CONFIDENTIAL ITEMS

10.1. ITEMS FROM OFFICERS, ADMINISTRATION AND COMMITTEES

10.1.1. Audit Forum (Verbal) - AC2021-0298
Held confidential pursuant to Section 24 (Advice from officials) and 25 (Disclosure harmful to economic and other interests of a public body) of the Freedom of Information and Protection of Privacy Act.

10.1.2. External Auditor (Verbal) - AC2021-0299
Held confidential pursuant to Section 24 (Advice from officials) of the Freedom of Information and Protection of Privacy Act

10.1.3. City Auditor (Verbal) - AC2021-0300
Held confidential pursuant to Section 24 (Advice from officials) of the Freedom of Information and Protection of Privacy Act.

10.2. URGENT BUSINESS
None

11. ADJOURNMENT



**MINUTES
AUDIT COMMITTEE**

**January 28, 2021, 9:30 AM
IN THE COUNCIL CHAMBER**

PRESENT: Councillor E. Woolley, Chair
Councillor J. Farkas, Vice-Chair (Remote Participation)
Councillor D. Colley-Urquhart (Remote Participation)
Councillor J. Davison (Remote Participation)
Citizen Representative L. Caltagirone (Remote Participation)
Citizen Representative K. Kim (Remote Participation)
Citizen Representative M. Lambert (Remote Participation)

ALSO PRESENT: City Manager D. Duckworth (Remote Participation)
Chief Financial Officer C. Male (Remote Participation)
A/City Auditor L. Ormsby (Remote Participation)
External Auditor H. Gill (Remote Participation)
External Auditor T. Nakka (Remote Participation)
Executive Assistant C. Smillie
Legislative Coordinator M. A. Cario
Legislative Advisor J. Palaschuk

1. CALL TO ORDER

Councillor Woolley called the Meeting to order at 9:31 a.m.

2. OPENING REMARKS

Councillor Woolley provided opening remarks and welcomed the newest Citizen Representative of the Audit Committee, Karen Kim.

ROLL CALL

Citizen Representative Caltagirone, Citizen Representative Kim, Citizen Representative Lambert, Councillor Colley-Urquhart, Councillor Farkas, and Councillor Woolley.

Absent for Roll Call: Councillor Davison.

3. CONFIRMATION OF AGENDA

Moved by Councillor Farkas

That the Agenda for the 2021 January 28 Regular Meeting of the Audit Committee be confirmed.

MOTION CARRIED

Moved by Citizen Representative Caltagirone

That pursuant to Section 6(1) of the Procedure Bylaw 35M2017, Section 78(2)(a) be suspended in order for Committee to complete the agenda prior to the lunch recess.

MOTION CARRIED

4. CONFIRMATION OF MINUTES

4.1 Minutes of the Regular Meeting of the Audit Committee, 2020 November 19

Moved by Councillor Farkas

That the Minutes of the 2020 November 19 Regular Meeting of the Audit Committee be confirmed.

MOTION CARRIED

5. CONSENT AGENDA

5.1 DEFERRALS AND PROCEDURAL REQUESTS

None

5.2 BRIEFINGS

None

6. POSTPONED REPORTS

None

7. ITEMS FROM OFFICERS, ADMINISTRATION AND COMMITTEES

7.1 Annual Principal Corporate Risk Report - AC2021-0037

A presentation entitled "Annual Principal Corporate Risk Report", dated 2021 January 28, was distributed with respect to Report AC2021-0037.

Councillor Davison joined the Remote Meeting at 9:57 a.m.

Moved by Citizen Representative Lambert

That with respect to Report AC2021-0037, the following be approved:

That the Audit Committee:

1. Receive Report AC2021-0037 and the presentation for the Corporate Record and discussion, pursuant to Audit Committee Bylaw 33M2020, Section 5 (c); and
2. Recommend that Council receive Report AC2021-0037 for the Corporate Record.

For: (7): Councillor Woolley, Councillor Farkas, Councillor Colley-Urquhart, Councillor Davison, Citizen Representative Caltagirone, Citizen Representative Kim, and Citizen Representative Lambert

MOTION CARRIED

7.2 External Auditor 2019 Management Letter Update - AC2021-0043

Councillor Woolley left the Chair at 10:38 a.m. and Vice Chair Farkas assumed the Chair (Remotely).

Councillor Woolley resumed the Chair at 10:40 a.m. and Councillor Farkas returned to his regular seat in Committee.

Moved by Citizen Representative Caltagirone

That with respect to Report AC2021-0043, the following be approved:

That the Audit Committee:

1. Receive Report AC2021-0043 and Attachment for the Corporate Record; and
2. Recommend that Council receive this Report and Attachment for information and the Corporate Record pursuant to the Audit Committee Bylaw 33M2020, Schedule 'B', Section (d).

For: (7): Councillor Woolley, Councillor Farkas, Councillor Colley-Urquhart, Councillor Davison, Citizen Representative Caltagirone, Citizen Representative Kim, and Citizen Representative Lambert

MOTION CARRIED

7.3 Shareholder Alignment Review of Wholly-Owned Subsidiaries Update - AC2021-0042

Moved by Councillor Davison

That with respect to Report AC2021-0042, the following be approved:

That the Audit Committee:

1. Approve the Terms of Reference for the Working Group on Shareholder Alignment Review of Wholly-Owned Subsidiaries (the Working Group) (Attachment 1);
2. Receive the confidential framework for the Shareholder Alignment Review of Wholly-Owned Subsidiaries (the Review) for the Corporate Record (Attachment 2);
3. Defer the workplan for the Shareholder Alignment Review of Wholly-Owned Subsidiaries to the 2021 February 25 meeting; and
4. Direct that Attachment 2, Framework for Shareholder Alignment Review of Wholly-owned Subsidiaries remain confidential pursuant to Section 24 (Advice from officials) of the Freedom of Information and Protection of Privacy Act; to be reviewed 2021 March 1.

For: (7): Councillor Woolley, Councillor Farkas, Councillor Colley-Urquhart, Councillor Davison, Citizen Representative Caltagirone, Citizen Representative Kim, and Citizen Representative Lambert

MOTION CARRIED

7.4 City Auditor's Office 4th Quarter 2020 Report - AC2021-0132

Moved by Citizen Representative Lambert

That with respect to Report AC2021-0132, the following be approved:

That the Audit Committee:

1. Receive this report for the Corporate Record; and
2. Recommend that Council receive this report for the Corporate Record.

For: (7): Councillor Woolley, Councillor Farkas, Councillor Colley-Urquhart, Councillor Davison, Citizen Representative Caltagirone, Citizen Representative Kim, and Citizen Representative Lambert

MOTION CARRIED

7.5 Control Environment Assessment Report Redesign Update (Verbal) - AC2021-0139

A presentation entitled "Control Environment Assessment Redesign Audit Committee Annual Status Update", dated 2021 January 28, was distributed with respect to Verbal Report AC2021-0139.

Moved by Citizen Representative Caltagirone

That with respect to Verbal Report AC2021-0139, the following be approved:

That the Audit Committee receive the presentation for the Corporate Record.

For: (7): Councillor Woolley, Councillor Farkas, Councillor Colley-Urquhart, Councillor Davison, Citizen Representative Caltagirone, Citizen Representative Kim, and Citizen Representative Lambert

MOTION CARRIED

7.6 Off-Site Levies Update (Verbal) - AC2021-0151

The following documents were distributed with respect to Verbal Report AC2021-0151:

- A presentation entitled "Off-Site Levy Update", dated 2021 January 28;
- A presentation entitled "Off-Site Levy Annual Reporting Audit"; and
- A letter from BILD and NAIOP

A portion of this Item was dealt with during the Closed Meeting portion of today's meeting.

Moved by Councillor Colley-Urquhart

That pursuant to Sections 17 (Disclosure to personal privacy), 24 (Advice from officials), 25 (Disclosure harmful to economic and other interests of a public body), and 26 (Testing procedures, tests and audits) of the *Freedom of Information and Protection of Privacy Act*, Committee now move into Closed Meeting at 12:03 p.m., in the Council Boardroom, to discuss confidential matters with respect to the following Items:

- Off-Site Levies Update (Verbal) - AC2021-0151
- External Auditor - Provision of Additional Services for 2020 External Audit, AC2021-0144
- External Auditor (Verbal) - AC2021-0160
- City Auditor (Verbal) - AC2021-0161

And further, that Trevor Nakka, Harman Gill, Erica Vervoort, and Ivana Cvitanusic, External Auditors (Deloitte LLP), be invited to attend the Closed Meeting.

MOTION CARRIED

Committee resumed in Public Meeting at 2:08 p.m. with Councillor Woolley in the Chair.

ROLL CALL

Citizen Representative Caltagirone, Citizen Representative Kim, Citizen Representative Lambert, Councillor Colley-Urquhart, Councillor Davison, Councillor Farkas, and Councillor Woolley.

Moved by Councillor Colley-Urquhart

That Committee rise and report.

MOTION CARRIED

People in attendance during Part 1 of the Closed Meeting discussions with respect to Verbal Report AC2021-0151:

Clerks: M.A. Cario and J. Palaschuk. Law: T. Wobeser. Advice: C. Male, L. Tocher, L. Ormsby, C. Smillie, K. Campbell, J. White, A. Bleau, and C. Cote. External Advice: T. Nakka, E. Vervoort, I. Cvitanusic, and H. Gill (Deloitte).

People in attendance during Part 2 of the Closed Meeting discussions with respect to Verbal Report AC2021-0151:

Clerks: M.A. Cario and J. Palaschuk. Advice: C. Smillie. External Advice: T. Nakka, E. Vervoort, I. Cvitanusic, and H. Gill (Deloitte).

Moved by Councillor Colley-Urquhart

That with respect to Verbal Report AC2021-0151, the following be approved:

That the Audit Committee:

1. Direct the External Auditor (Deloitte LLP) to engage with the Off-Site Levy Governance Committee and stakeholders to understand and evaluate concerns, including those raised by industry representatives in their letter dated 2021 January 26, addressed to Councillor Evan Woolley and Members of Audit Committee, pursuant to Council's direction to Audit Committee contained in Motion Arising PFC2021-0035;
2. Direct the External Auditor to return to Audit Committee on 2021 February 25 with the timing, scope and fees associated with the assurance procedures and reporting on the work performed that satisfactorily responds to the issues and concerns raised;
3. Receive the presentation for the Corporate Record; and
4. Direct that the closed meeting discussions remain confidential pursuant to Section 24 (Advice from officials) of the *Freedom of Information and Protection of Privacy Act*, until 2036 January 28.

MOTION CARRIED

8. ITEMS DIRECTLY TO COMMITTEE

8.1 REFERRED REPORTS

None

8.2 NOTICE(S) OF MOTION

None

9. URGENT BUSINESS

None

10. CONFIDENTIAL ITEMS

10.1 ITEMS FROM OFFICERS, ADMINISTRATION AND COMMITTEES

10.1.1 External Auditor - Provision of Additional Services for 2020 External Audit, AC2021-0144

People in attendance during the Closed Meeting discussions with respect to Report AC2021-0144:

Clerks: M.A. Cario and J. Palaschuk. Advice: C. Smillie. External Advice: T. Nakka, E. Vervoort, I. Cvitanusic, and H. Gill (Deloitte).

Moved by Citizen Representative Kim

That with respect to Report AC2021-0144, the following be approved:

That the Audit Committee:

1. Approve the Recommendations contained in Confidential Report AC2021-0144;

2. That Council receive this report and attachment for the Corporate Record; and
3. Direct that Report AC2021-0144, Attachment, Recommendations, and Closed Meeting discussions remain confidential pursuant to Sections 24 (Advice from officials) and 26 (Testing procedures, tests and audits) of the *Freedom of Information and Protection of Privacy Act*, until 2021 April 20.

MOTION CARRIED

10.1.2 Audit Forum (Verbal) - AC2021-0159

No report given.

10.1.3 External Auditor (Verbal) - AC2021-0160

People in attendance during the Closed Meeting discussions with respect to Report AC2021-0160:

Clerks: M.A. Cario and J. Palaschuk. Advice: C. Smillie. External Advice: T. Nakka, E. Vervoort, J. Cvitanusic, and H. Gill (Deloitte).

Moved by Citizen Representative Galtagirone

That with respect to Verbal Report AC2021-0160, the following be approved:

That the Audit Committee direct that the Closed Meeting discussions remain confidential pursuant to Section 24 (Advice from officials) of the *Freedom of Information and Protection of Privacy Act*.

MOTION CARRIED

10.1.4 City Auditor (Verbal) - AC2021-0161

People in attendance during the Closed Meeting discussions with respect to Report AC2021-0161:

Clerks: M.A. Cario and J. Palaschuk. Advice: L. Ormsby, A. Bleau, and C. Smillie.

Moved by Councillor Farkas

That with respect to Verbal Report AC2021-0161, the following be approved:

That the Audit Committee direct that the Closed Meeting discussions remain confidential pursuant to Sections 17 (Disclosure to personal privacy) and 24 (Advice from officials) of the *Freedom of Information and Protection of Privacy Act*.

MOTION CARRIED

10.2 URGENT BUSINESS

None

11. ADJOURNMENT

Moved by Councillor Colley-Urquhart

That this meeting adjourn at 2:12 p.m.

MOTION CARRIED

The following Items have been forwarded to the 2021 February 8 Combined Meeting of Council:

CONSENT:

- Annual Principal Corporate Risk Report, AC2021-0037
- External Auditor 2019 Management Letter Update, AC2021-0043
- City Auditor's Office 4th Quarter 2020 Report, AC2021-0132
- External Auditor - Provision of Additional Services for 2020 External Audit, AC2021-0144

The next regular meeting of the Audit Committee is scheduled to be held on 2021 February 25 at 9:30 a.m.

CONFIRMED BY COMMITTEE ON

CHAIR

ACTING CITY CLERK

**Audit Resource Management Report to
Audit Committee
2021 February 25**

**ISC: UNRESTRICTED
AC2021-0213
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Audit Committee 2020 Year-End Report

RECOMMENDATION(S):

That Audit Committee receive Report AC2021-0213 and the Attachments for the Corporate Record.

HIGHLIGHTS

- The Audit Committee 2021 Work Plan includes the Audit Committee 2020 Year-End Report.
- What does this mean to Calgarians? This report is a final update on the activities of Audit Committee for 2020.
- Why does this matter? This report provides assurance to citizens that the Audit Committee continues to focus on their mandate in Bylaw 33M2020 and that the work plan for 2020 has been completed.
- The status of the 2020 Work Plan, the Audit Committee budget and the activities of the Audit Committee is provided as of 2020 December 31.
- Strategic Alignment to Council's Citizen Priorities: A well-run city
- Schedule A, Section 1(f) of Audit Committee Bylaw 33M2020 provides that the Audit Committee develop a detailed annual work plan which is forwarded to Council for information.

DISCUSSION

Audit Committee Membership and Support

Committee membership for 2020 consisted of four members of Council and three citizen members. Appointments to the Committee were made at Council's Organizational Meeting in October of 2019 and 2020 with Councillors serving one-year terms and citizens serving staggered two-year terms. The Chair and Vice Chair for 2019/2020 were appointed at the first Audit meeting (December 6, 2019) following the Organizational Meeting. The Chair and Vice-Chair for 2020/2021 were appointed by Council at their Organizational meeting.

- Councillor Diane Colley-Urquhart (2020 January – 2020 December)
- Councillor Jeff Davison (2020 November – 2020 December)
- Councillor Jeromy Farkas (2020 January – 2020 December) (Vice-Chair)
- Councillor Jyoti Gondek (2020 January – 2020 October)
- Councillor Evan Woolley (2020 January – 2020 December) (Chair)
- Citizen Representative Lori Caltagirone (2020 January – 2020 December)
- Citizen Representative Michael Dalton (2020 January – 2020 October)
- Citizen Representative Karen Kim (2020 November – 2020 December)
- Citizen Representative Michael Lambert (2020 January – 2020 December)

**Audit Resource Management Report to
Audit Committee
2021 February 25**

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Audit Committee 2020 Year-End Report

The Audit Committee was supported by the following persons:

- External Auditor, Trevor Nakka, Deloitte LLP
- External Auditor, Harman Gill, Deloitte LLP
- City Auditor, Katharine Palmer
- Acting City Auditor, Liz Ormsby
- Chief Financial Officer, Carla Male
- Executive Advisor, Corrie Smillie

Impact of Covid-19 Pandemic

The onset of the global Covid-19 pandemic and declaration of a State of Local Emergency saw the Audit Committee rapidly adjust to remote meeting participation. The Audit Committee continued to focus on matters of significant risk and financial impact including issues related to the pandemic. In 2020 the City Manager and the Chief Financial Officer provided updates to the Audit Committee on the financial impacts of Covid-19, the Solutions for Achieving Value and Excellence (SAVE) Program, the Principal Corporate Risks and a Strategic Update on Budgeting and Risk.

Status of Audit Committee 2020 Work Plan

There were nine Committee meetings held in 2020; with no meetings scheduled in May, August and December. The Audit Committee 2020 Work Plan includes all reports and items scheduled on each meeting agenda and was completed at the 2020 November 19 meeting (Attachment 1). Throughout the year reports from the City Auditor, External Auditor, Executive Advisor and Administration were added as required and other reports deferred or removed pursuant to the Chair of Audit's authority in former Audit Committee Bylaw 48M2012 and in the current Audit Committee Bylaw 33M2020.

Reports and presentations were requested from three Civic Partners with respect to their annual reports, risk management, governance structure, financial highlights, internal controls, work plans and key initiatives for 2020:

- Attainable Homes Calgary Corporation
- ENMAX Corporation
- Opportunity Calgary Investment Fund

At every Audit Committee, during the closed meeting (public excluded), the Chief Financial Officer, External Auditor and City Auditor were provided with an opportunity to discuss any confidential matters with the Committee in the absence of each other.

A strategic planning session held in 2020 October offered Members, the City Auditor, External Auditor, Chief Financial Officer and Administration an opportunity to provide feedback into the development of the 2021 Work Plan. This work plan was approved by Audit Committee at the 2020 November 19 meeting (AC2020-1306).

Audit Committee 2020 Year-End Report

Audit Committee Working Groups

In 2019 the Audit Committee created two working groups comprised of a combination of councillors and citizen members of Audit Committee, the City Auditor and Administration. The focus for these two working group was on (a) strategic issues and (b) a review of the current Audit Committee Bylaw 48M2012. Both working groups completed their mandate in 2020.

In 2020 November an additional working group was created to (c) review the shareholder alignment of The City's wholly-owned subsidiaries in 2021.

(a) Strategic Working Group

In 2020 January the Strategic Working Group presented their final update to the Audit Committee (AC2020-0082). This update provided findings and actions taken to address the seven Audit Committee strategies developed through previous engagement with Audit Committee, City Auditor's Office, External Auditor and Administration.

Audit Committee Strategies

1. Redefine the mandate and modernize the role of the Audit Committee
2. Set priorities for the Audit Committee so that important work is addressed first
3. Set aside time for strategic matters
4. Ensure that meeting agendas address the Audit Committee's priorities
5. Review the membership terms of Audit Committee members
6. Raise the profile of the Audit Committee with Council and Administration
7. Test City strategies by asking good questions and making strategic recommendations

Report AC2020-0082 included an attachment entitled "Summary of Findings – Outcomes of the Audit Committee 2019 Strategic Review" (Attachment 2).

(b) Audit Committee Bylaw Review Working Group

A Bylaw Review Working Group was created to review Audit Committee Bylaw 48M2012. The Working Group's review led to the development of a new Audit Committee Bylaw 33M2020 (Attachment 3) which came into force in 2020 October (AC2020-0753).

The new bylaw builds on the recommendations of Audit Committee's Strategic Working Group. Bylaw 33M2020 sets out Audit Committee's major oversight responsibilities and emphasizes their role in providing independent expertise and advice to Council. This bylaw provides Audit Committee with more flexibility to determine what should be included on the annual work plan, rather than the more prescriptive approach used in the past. There is clarity on Audit Committee's delegated authority from Council, updates to terms of appointment, quorum and the new bylaw is streamlined and easy to reference.

Amendments to the City Auditor Bylaw 30M2004 and City Auditor Charter were considered simultaneously by the Working Group. The City Auditor brought amendments to Bylaw 30M2004 for Audit Committee's approval at the 2020 July 23 meeting (AC2020-0825).

**Audit Resource Management Report to
Audit Committee
2021 February 25**

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Audit Committee 2020 Year-End Report

(c) Working Group on Shareholder Alignment Review of Wholly-Owned Subsidiaries

At their 2020 November 19 meeting Audit Committee approved the creation of a working group to oversee a Shareholder Alignment Review of Wholly-Owned Subsidiaries (Verbal Report AC2020-1321).

As part of Council's strategic priority to have a well run city, the Audit Committee wants to review the governance of its wholly-owned subsidiaries to ensure they have the best governance practices and are aligned with Council priorities. Throughout 2021 the Working Group will oversee the selection of an external consulting firm to perform the review, and provide ongoing oversight of the project (Attachment 4). The final report with recommendations has been directed to be presented at the 2021 June Audit Committee meeting.

Audit Committee Engagement and Information Opportunities

Outside of the regular meeting schedule Audit Committee members had opportunities to obtain additional information or to offer their expertise and feedback to Administration on the following issues at The City:

- Proposed Changes to the Investment Policy (2020 January)
- Long Range Financial Plan Presentation (2020 March)
- Presentation of Draft 2019 City of Calgary Annual Report (2020 April)
- Control Environment Assessment Report Redesign Feedback (2020 September)
- *Freedom of Information and Protection of Privacy Act* and Corporate Records Training (citizen members)
- Escribe Technology for Agenda distribution and electronic voting (citizen members)

Audit Committee 2020 Budget

The Audit Committee Bylaw 33M2020 provides for the Committee to develop a budget and recommend it to Council as part of The City's budget process. The Committee's operating budget for 2020 was \$704,231 and was approved by Council in November 2018 as part of the One Calgary 2019-22 Service Plans and Budgets.

There was a positive variance of \$166,000 at the end of 2020 December. The variance mainly relates to the remaining balance in consulting fees, as well as a surplus in salaries, benefits and business expenses.

Approval of Audit and Non-Audit Services

The Audit Committee Chair is authorized by Bylaw 33M2020 to pre-approve additional audit or non-audit work performed by the External Auditor up to \$50,000. These pre-approvals must be reported to Audit Committee and in 2020 there were no pre-approvals by the Chair.

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Audit Committee
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Audit Committee 2020 Year-End Report

Executive Advisor to Audit Committee

In 2020 March, City of Calgary employees were directed by the City Manager to work from home where possible to prevent the spread of Covid-19. The Executive Advisor to Audit Committee worked remotely for the balance of 2020 with little or no impact to services provided by Audit Resource Management.

STAKEHOLDER ENGAGEMENT AND COMMUNICATION

Throughout the year the Executive Advisor to Audit Committee collaborates with the City Manager's Office, City Auditor's Office, External Auditor, Civic Partners, Chief Financial Officer, City Clerk's Office, Working Groups and representatives from Administration on Audit Committee work plan items, forthcoming audits, reporting procedures, agenda development and meeting management.

RISK

There is no risk associated with this Audit Committee 2020 Year-End Report.

ATTACHMENTS

1. Audit Committee 2020 Work Plan as at 2020 December 31
2. Summary of Findings – Outcomes of the Audit Committee 2019 Strategic Review
3. Audit Committee Bylaw 33M2020
4. Motion re: Shareholder Alignment Review of Wholly-Owned Subsidiaries, AC2020-1321

Department Circulation

Councillor Evan Woolley	Chair, Audit Committee	Approves
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**Audit Resource Management Report to
Audit Committee
2021 February 25**

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Audit Committee 2020 Year-End Report

RECOMMENDATION(S):

That Audit Committee receive Report AC2021-0213 and the Attachments for the Corporate Record.

HIGHLIGHTS

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- What does this mean to Calgarians? This report is a final update on the activities of Audit Committee for 2020.
- Why does this matter? This report provides assurance to citizens that the Audit Committee continues to focus on their mandate in Bylaw 33M2020 and that the work plan for 2020 has been completed.
- The status of the 2020 Work Plan, the Audit Committee budget and the activities of the Audit Committee is provided as of 2020 December 31.
- Strategic Alignment to Council's Citizen Priorities: A well-run city
- Schedule A, Section 1(f) of Audit Committee Bylaw 33M2020 provides that the Audit Committee develop a detailed annual work plan which is forwarded to Council for information.

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Audit Committee Membership and Support

Committee membership for 2020 consisted of four members of Council and three citizen members. Appointments to the Committee were made at Council's Organizational Meeting in October of 2019 and 2020 with Councillors serving one-year terms and citizens serving staggered two-year terms. The Chair and Vice Chair for 2019/2020 were appointed at the first Audit meeting (December 6, 2019) following the Organizational Meeting. The Chair and Vice-Chair for 2020/2021 were appointed by Council at their Organizational meeting.

- Councillor Diane Colley-Urquhart (2020 January – 2020 December)
- Councillor Jeff Davison (2020 November – 2020 December)
- Councillor Jeromy Farkas (2020 January – 2020 December) (Vice-Chair)
- Councillor Jyoti Gondek (2020 January – 2020 October)
- Councillor Evan Woolley (2020 November – 2020 December) (Chair)
- Citizen Representative Lori Caltagirone (2020 January – 2020 December)
- Citizen Representative Michael Dalton (2020 January – 2020 October)
- Citizen Representative Karen Kim (2020 November – 2020 December)
- Citizen Representative Michael Lambert (2020 January – 2020 December)

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Audit Committee 2020 Year-End Report

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Impact of Covid-19 Pandemic

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Status of Audit Committee 2020 Work Plan

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Reports and presentations were requested from three Civic Partners with respect to their annual reports, risk management, governance structure, financial highlights, internal controls, work plans and key initiatives for 2020:

- Attainable Homes Calgary Corporation
- ENMAX Corporation
- Opportunity Calgary Investment Fund

At every Audit Committee, during the closed meeting (public excluded), the Chief Financial Officer, External Auditor and City Auditor were provided with an opportunity to discuss any confidential matters with the Committee in the absence of each other.

A strategic planning session held in 2020 October offered Members, the City Auditor, External Auditor, Chief Financial Officer and Administration an opportunity to provide feedback into the development of the 2021 Work Plan. This work plan was approved by Audit Committee at the 2020 November 19 meeting (AC2020-1306).

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Audit Committee 2020 Year-End Report

Audit Committee Working Groups

In 2019 the Audit Committee created two working groups comprised of a combination of councillors and citizen members of Audit Committee, the City Auditor and Administration. The focus for these two working group was on (a) strategic issues and (b) a review of the current Audit Committee Bylaw 48M2012. Both working groups completed their mandate in 2020.

In 2020 November an additional working group was created to (c) review the shareholder alignment of The City's wholly-owned subsidiaries in 2021.

(a) Strategic Working Group

In 2020 January the Strategic Working Group presented their final update to the Audit Committee (AC2020-0082). This update provided findings and actions taken to address the seven Audit Committee strategies developed through previous engagement with Audit Committee, City Auditor's Office, External Auditor and Administration.

Audit Committee Strategies

1. Redefine the mandate and modernize the role of the Audit Committee
2. Set priorities for the Audit Committee so that important work is addressed first
3. Set aside time for strategic matters
4. Ensure that meeting agendas address the Audit Committee's priorities
5. Review the membership terms of Audit Committee members
6. Raise the profile of the Audit Committee with Council and Administration
7. Test City strategies by asking good questions and making strategic recommendations

Report AC2020-0082 included an attachment entitled "Summary of Findings – Outcomes of the Audit Committee 2019 Strategic Review" (Attachment 2).

(b) Audit Committee Bylaw Review Working Group

A Bylaw Review Working Group was created to review Audit Committee Bylaw 48M2012. The Working Group's review led to the development of a new Audit Committee Bylaw 33M2020 (Attachment 3) which came into force in 2020 October (AC2020-0753).

The new bylaw builds on the recommendations of Audit Committee's Strategic Working Group. Bylaw 33M2020 sets out Audit Committee's major oversight responsibilities and emphasizes their role in providing independent expertise and advice to Council. This bylaw provides Audit Committee with more flexibility to determine what should be included on the annual work plan, rather than the more prescriptive approach used in the past. There is clarity on Audit Committee's delegated authority from Council, updates to terms of appointment, quorum and the new bylaw is streamlined and easy to reference.

Amendments to the City Auditor Bylaw 30M2004 and City Auditor Charter were considered simultaneously by the Working Group. The City Auditor brought amendments to Bylaw 30M2004 for Audit Committee's approval at the 2020 July 23 meeting (AC2020-0825).

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2021 February 25**

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Audit Committee 2020 Year-End Report

(c) Working Group on Shareholder Alignment Review of Wholly-Owned Subsidiaries

At their 2020 November 19 meeting Audit Committee approved the creation of a working group to oversee a Shareholder Alignment Review of Wholly-Owned Subsidiaries (Verbal Report AC2020-1321).

As part of Council's strategic priority to have a well run city, the Audit Committee wants to review the governance of its wholly-owned subsidiaries to ensure they have the best governance practices and are aligned with Council priorities. Throughout 2021 the Working Group will oversee the selection of an external consulting firm to perform the review, and provide ongoing oversight of the project (Attachment 4). The final report with recommendations has been directed to be presented at the 2021 June Audit Committee meeting.

Audit Committee Engagement and Information Opportunities

Outside of the regular meeting schedule Audit Committee members had opportunities to obtain additional information or to offer their expertise and feedback to Administration on the following issues at The City:

- Proposed Changes to the Investment Policy (2020 January)
- Long Range Financial Plan Presentation (2020 March)
- Presentation of Draft 2019 City of Calgary Annual Report (2020 April)
- Control Environment Assessment Report Redesign Feedback (2020 September)
- *Freedom of Information and Protection of Privacy Act* and Corporate Records Training (citizen members)
- Escribe Technology for Agenda distribution and electronic voting (citizen members)

Audit Committee 2020 Budget

The Audit Committee Bylaw 33M2020 provides for the Committee to develop a budget and recommend it to Council as part of The City's budget process. The Committee's operating budget for 2020 was \$704,231 and was approved by Council in November 2018 as part of the One Calgary 2019-22 Service Plans and Budgets.

There was a positive variance of \$166,000 at the end of 2020 December. The variance mainly relates to the remaining balance in consulting fees, as well as a surplus in salaries, benefits and business expenses.

Approval of Audit and Non-Audit Services

The Audit Committee Chair is authorized by Bylaw 33M2020 to pre-approve additional audit or non-audit work performed by the External Auditor up to \$50,000. These pre-approvals must be reported to Audit Committee and in 2020 there were no pre-approvals by the Chair.

**Audit Resource Management Report to
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Audit Committee 2020 Year-End Report

Executive Advisor to Audit Committee

In 2020 March, City of Calgary employees were directed by the City Manager to work from home where possible to prevent the spread of Covid-19. The Executive Advisor to Audit Committee worked remotely for the balance of 2020 with little or no impact to services provided by Audit Resource Management.

STAKEHOLDER ENGAGEMENT AND COMMUNICATION

Throughout the year the Executive Advisor to Audit Committee collaborates with the City Manager's Office, City Auditor's Office, External Auditor, Civic Partners, Chief Financial Officer, City Clerk's Office, Working Groups and representatives from Administration on Audit Committee work plan items, forthcoming audits, reporting procedures, agenda development and meeting management.

RISK

There is no risk associated with this Audit Committee 2020 Year-End Report.

ATTACHMENTS

1. Audit Committee 2020 Work Plan as at 2020 December 31
2. Summary of Findings – Outcomes of the Audit Committee 2019 Strategic Review
3. Audit Committee Bylaw 33M2020
4. Motion re: Shareholder Alignment Review of Wholly-Owned Subsidiaries, AC2020-1321

Department Circulation

Councillor Evan Woolley	Chair, Audit Committee	Approves
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<u>AUDIT COMMITTEE 2020 WORK PLAN AT 2020 DECEMBER 31</u>			
AGENDA DATE	REPORTS	ACCOUNTABILITY	NOTES AND REPORT NO.
JANUARY 24 FRIDAY 9:30 AM	<u>ITEMS FROM OFFICERS, ADMINISTRATION AND COMMITTEES</u>		
	External Auditor 2018 Management Letter Update	External Auditor	AC2020-0065
	Annual Principal Corporate Risk Report with Strategic Risk portion in Closed Meeting if requested	City Manager	AC2020-0011
	Integrated Risk Management Policy Review	Chief Financial Officer	AC2020-0022
	Control Environment Assessment Report Re-Design Update	Chief Financial Officer	AC2020-0023
	Audit Committee Strategic Working Group Update	Audit Chair, Executive Assistant and Consultant	New – deferred to 2020 February
	Audit Committee 2020 Work Plan	Executive Assistant	AC2020-0079
	City Auditor's Office 4 th Quarter 2019 Report	City Auditor	AC2020-0118
	<u>CLOSED MEETING ITEMS</u>		
	Audit Forum (Verbal)	Committee and CFO	AC2020-0024
	External Auditor (Verbal)	External Auditor	AC2020-0025
	City Auditor (Verbal)	City Auditor	AC2020-0026
	City Auditor 2019 Performance Review	Chair, Audit Committee	Unchanged – Deferred to February
	<u>CITY AUDITOR'S OFFICE AUDIT REPORTS</u>		
	To be added when available	City Auditor	N/A

FEBRUARY 13 THURSDAY 9:30 AM	<u>ITEMS FROM OFFICERS, ADMINISTRATION AND COMMITTEES</u>		
	Audit Committee 2019 Year-End Annual Status Report	Executive Assistant to Audit	AC202-0177
	City Auditor's Office 2019 Annual Report	City Auditor	AC2020-0223
	Strategic: Future of Finance and Risk, Stewardship and Future Plans Presentation	Chief Financial Officer	New – To be deferred to April
	Audit Committee Strategic Working Group Update	Audit Chair, Executive Assistant and Consultant	AC2020-0082 - deferred from 2020 January
	<u>CLOSED MEETING ITEMS</u>		
	Audit Committee Self-Assessment 2018-2019 Update	Executive Assistant to Audit	AC2020-0087
	Audit Forum (Verbal)	Committee and CFO	AC2020-0179
	External Auditor (Verbal)	External Auditor	AC2020-0181
	City Auditor (Verbal)	City Auditor	AC2020-0182
	City Auditor 2019 Performance Review (Verbal)	Chair, Audit Committee	AC2020-0178 – deferred from 2020 January
	<u>CITY AUDITOR'S OFFICE AUDIT REPORTS</u>		
	2017 Municipal Election Follow-up Audit	City Auditor	AC2020-0196

MARCH 12 THURSDAY 9:30 AM	<u>ITEMS FROM OFFICERS, ADMINISTRATION AND COMMITTEES</u>		
	Code of Conduct Annual Report	Chief Financial Officer	AC2020-0250
	Control Environment Assessment and Management Representations Update	Chief Financial Officer	No longer required
	Audit Committee Bylaw Review Working Group Update (Verbal)	Executive Assistant to Audit	AC2020-0281
	Solutions for Achieving Value and Excellence (SAVE) Program Q1 Update (Verbal)	Chief Financial Officer	AC2020-0323
	<u>CLOSED MEETING ITEMS</u>		
	Progress Update on 2019 City of Calgary Annual Report (Verbal)	Chief Financial Officer	AC2020-0337
	Audit Forum (Verbal)	Committee and CFO	AC2020-0330
	External Auditor (Verbal)	External Auditor	AC2020-0331
	City Auditor (Verbal)	City Auditor	AC2020-0332
	<u>CITY AUDITOR'S OFFICE AUDIT REPORTS</u>		
	Corporate Issue Management Program Audit	City Auditor	AC2020-0297
	Operating Budget Management Audit	City Auditor	AC2020-0343

APRIL 20 MONDAY <u>8:30 AM</u>	<u>ITEMS FROM OFFICERS, ADMINISTRATION AND COMMITTEES</u>		
	2019 Annual Investment Report	Chief Financial Officer	AC2020-0442
	2019 City of Calgary Annual Report	Chief Financial Officer	AC2020-0432
	2019 External Auditor's Year-End Report	External Auditor	AC2020-0433
	COVID-19 Financial Update (Verbal)	CFO and City Manager	AC2020-0444 Added
	City Auditor's Office 1 st Quarter 2019 Status Report	City Auditor	AC2020-0438
	Strategic: Future of Finance and Risk, Stewardship and Future Plans Presentation	Chief Financial Officer	Deferred from February Deferred to undetermined date
	<u>CLOSED MEETING ITEMS</u>		
	External Auditor Annual Renewal (Verbal)	Chair of Audit	AC2020-0399
	Civic Partner Audit Report	General Manager – Community Services	Deferred to undetermined Date
	Audit Forum (Verbal)	Audit Committee and CFO	AC2020-0395
	External Auditor (Verbal)	External Auditor	AC2020-0397
	City Auditor (Verbal)	City Auditor	AC2020-0398
	<u>CITY AUDITOR'S OFFICE AUDIT REPORTS</u>		
	To be added when available	City Auditor	

MAY	NO SCHEDULED MEETING
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JUNE 11 9:30 AM	<u>ITEMS FROM OFFICERS, ADMINISTRATION AND COMMITTEES</u>		
	ENMAX Audit and Finance Committee Annual Report	ENMAX Corporation	AC2020-0503
	Attainable Homes Calgary Corporation	Attainable Homes Calgary Corporation	AC2020-0506 Deferred to July 23 Meeting
	Opportunity Calgary Investment Fund	Opportunity Calgary Investment Fund	AC2020-0505
	External Auditor 2019 Management Letter	External Auditor	AC2020-0567
	Strategic: Principal Corporate Risk Update	City Manager	Deferred to July 23 Meeting
	Data Analytics Desktop Review Program	City Auditor	Added AC2020-0622
	<u>CLOSED MEETING ITEMS</u>		
	Audit Forum (Verbal)	Audit Committee and CFO	AC2020-0584
	External Auditor (Verbal)	External Auditor	AC2020-0585
	City Auditor (Verbal)	City Auditor	AC2020-0588
	<u>CITY AUDITOR'S OFFICE AUDIT REPORTS</u>		
	Roads Pothole Remediation Audit	City Auditor	AC2020-0408

JULY 23 THURSDAY <u>1:00 PM</u> *Note later Start time	<p align="center"><u>ITEMS FROM OFFICERS, ADMINISTRATION AND COMMITTEES</u></p> <p>Strategic: Principal Corporate Risk Update</p> <p>Integrated Risk Management Update (includes Information Technology)</p> <p>City Auditor's Office 2nd Quarter 2019 Status Report</p> <p>Attainable Homes Calgary Corporation</p> <p>External Auditor 2020 Service Plan and Fees</p> <p>Strategic: Topic to Be Determined</p> <p>Audit Committee Proposed New Bylaw</p> <p>City Auditor Bylaw Review</p>	<p>City Manager</p> <p>Chief Financial Officer</p> <p>City Auditor</p> <p>Attainable Homes</p> <p>External Auditor</p> <p>TBD</p> <p>Executive Assistant</p> <p>City Auditor</p>	<p>AC2020-0727 Deferred from June</p> <p>AC2020-0711</p> <p>AC2020-0824</p> <p>AC2020-0506 Deferred from June</p> <p>AC2020-0733</p> <p>Not required</p> <p>Added AC2020-0753</p> <p>Added AC2020-0825</p>
	<p align="center"><u>CLOSED MEETING ITEMS</u></p> <p>External Auditor 2019 / 2020 Performance Assessment</p> <p>Audit Forum (Verbal)</p> <p>External Auditor (Verbal)</p> <p>City Auditor (Verbal)</p>	<p>Chief Financial Officer and Executive Assistant to Audit</p> <p>Audit Committee and CFO</p> <p>External Auditor</p> <p>City Auditor</p>	<p>AC2020-0734</p> <p>AC2020-0729</p> <p>AC2020-0730</p> <p>AC2020-0731</p>
	<p align="center"><u>CITY AUDITOR'S OFFICE AUDIT REPORTS</u></p> <p>Calgary Fire Inspections Audit</p> <p>Opportunity Calgary Investment Fund Administration Audit</p>	<p>City Auditor</p> <p>City Auditor</p>	<p>AC2020-0621</p> <p>AC2020-0764</p>
	NO SCHEDULED MEETING		
	NO SCHEDULED MEETING		
	NO SCHEDULED MEETING		
	NO SCHEDULED MEETING		
	NO SCHEDULED MEETING		
	NO SCHEDULED MEETING		
	NO SCHEDULED MEETING		
AUGUST	NO SCHEDULED MEETING		

SEPTEMBER 17 THURSDAY 9:30 AM	<u>ITEMS FROM OFFICERS, ADMINISTRATION AND COMMITTEES</u> 2020 Law Department Annual Report Strategic: Presentation from Chief Financial Officer on Budget Approach for 2021 Strategic: Future of Finance and Risk, Stewardship and Future Plans Presentation Solutions for Achieving Value and Excellence (SAVE) Program Preliminary Results and Actions	City Solicitor – General Counsel Chief Financial Officer Chief Financial Officer Chief Financial Officer	Deferred to October meeting To Combine both Budget Approach and Future of Finance Presentations AC2020-1022 New – Added AC2020-1048
	<u>CLOSED MEETING ITEMS</u> Audit Forum (Verbal) External Auditor (Verbal) City Auditor (Verbal)	Audit Committee and CFO External Auditor City Auditor	AC2020-0916 AC2020-0917 AC2020-0919
	<u>CITY AUDITOR’S OFFICE AUDIT REPORTS</u> To be added when available	City Auditor	

OCTOBER 22 9:30 AM	<u>ITEMS FROM OFFICERS, ADMINISTRATION AND COMMITTEES</u>		
	City Auditor's Office 3 rd Quarter 2019 Status Report	City Auditor	AC2020-1171
	City Auditor's Office 2021 -2022 Audit Plan	City Auditor	AC2020-1172
	Strategic: Topic to be Determined	TBD	Not required
	Strategic Discussion: Audit Committee 2021 Work Plan (not part of Agenda – scheduled for October 6)	Executive Assistant to Audit	October 6 Meeting
	2020 Law Department Annual Report	City Solicitor – General Counsel	AC2020-1121
	Civic Partner Audit Report	General Manager, Community Services	AC2020-1049X
	<u>CLOSED MEETING ITEMS</u>		
	Audit Committee Annual Self-Assessment (2019-2020)	Executive Assistant to Audit	AC2020-1092
	City Auditor's Office Budget 2021 (Verbal)	City Auditor	AC2020-1187
	Audit Forum (Verbal)	Audit Committee and CFO	AC2020-1160
	External Auditor (Verbal)	External Auditor	AC2020-1161
	City Auditor (Verbal)	City Auditor	AC2020-1186
	<u>CITY AUDITOR'S OFFICE AUDIT REPORTS</u>		
	Assessment Complaints Audit	City Auditor	AC2020-1170

<p>NOVEMBER 19</p> <p>9:30 AM</p>	<p><u>ITEMS FROM OFFICERS, ADMINISTRATION AND COMMITTEES</u></p> <p>Election of Chair and Vice-Chair</p> <p>Audit Committee Orientation (not part of Agenda)</p> <p>Audit Committee 2021 Work Plan</p> <p>Strategic: Topic to be Determined</p>	<p>City Clerks</p> <p>Executive Assistant to Audit</p> <p>Executive Assistant to Audit</p> <p>TBD</p>	<p>Not required</p> <p>To be determined</p> <p>AC2020-1306</p> <p>Not required</p>
	<p><u>CLOSED MEETING ITEMS</u></p> <p>Off-Site Levies Update (Verbal)</p> <p>Shareholder Alignment Review on Wholly-Owned Subsidiaries (Verbal)</p> <p>External Auditor Provision of Additional Services</p> <p>Audit Forum (Verbal)</p> <p>External Auditor (Verbal)</p> <p>City Auditor (Verbal)</p> <p><u>CITY AUDITOR'S OFFICE AUDIT REPORTS</u></p> <p>Corporate Credit Card Continuous Auditing</p>	<p>Chief Financial Officer</p> <p>Audit Chair</p> <p>External Auditor</p> <p>Audit Committee and CFO</p> <p>External Auditor</p> <p>City Auditor</p> <p>City Auditor</p>	<p>AC2020-1328</p> <p>AC2020-1321</p> <p>AC2020-1324</p> <p>AC2020-1335</p> <p>AC2020-1336</p> <p>AC2020-1337</p> <p>AC2020-1283</p>
<p>DECEMBER</p>	<p>NO SCHEDULED MEETING</p>		



Prepared by Mistri Consulting
3420-34 Ave SW
Calgary, AB
T 587.999.1520

Summary of Findings

OUTCOMES OF THE AUDIT COMMITTEE 2019 STRATEGIC REVIEW

Background

In the City of Calgary's Audit Committee orientation package, a document titled Audit Committee Purpose and Role introduces the purpose of the Audit Committee by stating:

"The diverse role of the Audit Committee at the City of Calgary reflects a wider trend in North America of Audit Committees participating in more than just financial governance matters, playing an increasingly important role in oversight, risk management, and corporate governance."

Strategies for 2020

On February 1, 2019, the City of Calgary Audit Committee held a one-day workshop at Ralph Klein Park to discuss how it might fulfill a more strategic role. At a follow-up meeting on February 28, the Audit Committee reviewed the results and decided to pursue seven strategies in 2019. They were to:

1. Redefine the mandate and modernize the role of the Audit Committee
2. Set priorities for the Audit Committee so that the important work is addressed first
3. Set aside time for strategic matters
4. Ensure that meeting agendas address the Audit Committee's priorities
5. Review the membership terms of Audit Committee members
6. Raise the profile of the Audit Committee with Council and Administration
7. Test City strategies by asking good questions and making strategic recommendations

On April 23, 2019, the Audit Committee established a Strategic Working Group (SWG) to determine what specific changes are required to execute these strategies. In fall of 2019, it held four workshops and completed the following tasks:

- Recommended revisions to the Audit Committee's mandate emphasizing a more strategic role
- Recommended changes to the working process to focus more on strategic issues
- Reviewed how it interacts with Council, Priorities and Finance Committee (PFC) and Administration
- Created a 2020 work plan that
 - Places more focus on topics of strategic importance to the City of Calgary
 - Streamlines and reduces routine reporting
 - Requests more dialogue with the City Manager and Chief Financial Officer
 - Allows additional time to identify and discuss strategic issues



The Audit Committee also established a Bylaw Review Working Group (BRWG) to propose amendments to the Audit Committee Bylaw (48M2012) to support the recommendations of the SWG. Pertinent changes to the Committee's mandate and to its working practices and process were sent to the BRWG to include in the proposed amendments to the Audit Committee Bylaw.

Timeline of 2019 work

Date	Meeting / Outcomes
Feb 1, 2019	Full-day Strategic Workshop Conducted preliminary workshop with Audit Committee and members of Administration to discuss its potential for greater strategic impact
Feb 28, 2019	Audit Committee Breakfast Session Finalize seven strategies for 2020
April 23, 2019	Audit Committee Meeting Establish strategic and bylaw working groups.
July 23, 2019	Audit Committee Breakfast Session Set dates and review process for Strategic Working Group workshops.
September 17, 2019	Workshop 1: Mandate A summary of results is presented below.
October 10, 2019	Workshop 2: Process A summary of results is presented below.
October 30, 2019	Workshop 3: Process (continued), Roles & Responsibilities A summary of results is presented below.
December 2, 2019	Workshop 4: Strategic Topics for 2020 A summary of results is presented below.

Workshop 1: Changes to the Mandate

At the first workshop, members of the SWG discussed how the Audit Committee can achieve greater strategic impact on behalf of the City of Calgary.

Recommendations: At the conclusion of Workshop 1, the SWG made the following recommendations for amendments to the Bylaw:

1. Revise Section 1 to emphasize the Audit Committee's role in supporting better decision-making by providing independent expertise and advice concerning matters of finance and risk.
2. Revise Section 2 to emphasize that the Audit Committee shall preview any matter that's a material or significant financial or risk related impact to the City

3. Revise Section 2 to ensure that the Audit Committee receives proactive briefings from Priorities and Finance Committee (PFC) and other Standing Policy Committees so that the process of identifying, analyzing and managing financial risk is maintained
4. Revise Section 5c to reflect that the Audit Committee will define what areas shall be reviewed on an annual basis rather than accept the prescriptive direction of the current Bylaw.

Recommendations from Workshop 1 address strategies 1 and 2 for modernizing the role of the Audit Committee and setting priorities around its work.

Provide timely and impartial advice: Members felt major decisions with significant financial implications should be reviewed by the Audit Committee so it can offer non-political observations and advice on subjects of finance and risk. They wanted the Audit Committee to have an opportunity to review major issues before other decisions constrain the City.

Members discussed the workload and time required to fulfill recommendation 2 and identified concerns associated with the feasibility of this recommendation. In Workshop 4, the SWG discussed a way to prioritize issues based on risk management reporting from the City Manager. The BRWG, with the advice of the City Auditor and the City's legal team, is now working to incorporate those recommendations into upcoming bylaw revisions.

Identifying major issues proactively: Members also wanted to see the Audit Committee proactively identify and address major issues as a part of their role in sound, impartial governance. They believed this impartial advice should be publicly available and on the record regardless of City Council's final decision.

Advise “before, during, not just after”: Finally, members felt it was important for the Audit Committee to shift from a traditionally forensic role to one that includes impartial input before and during important decisions about finance and risk. Their desire is for the Audit Committee to relieve City Council of the need to debate the details of the technical aspects of a proposed project, allowing the Council to debate the project's merits.

Members discussed the workload and time required to fulfill recommendation 2 and identified concerns associated with the feasibility of this recommendation. The BRWG, with the advice of the City Auditor and the City's legal team, is now working to incorporate the recommendations into upcoming proposed bylaw amendments.

Workshops 2 & 3: Change to Working Process

At the second workshop, members of the SWG discussed how the Audit Committee might change its working process and practices to achieve greater strategic impact.

Recommendations: At the conclusion of Workshops 2 and 3, the SWG made the following recommendations for proposed amendments to the Bylaw:

1. The Audit Committee's annual work plan needs to focus on topics of strategic risk
2. The City Manager should present regularly on issues of strategic risk
3. Streamline the current report process to allow more time for strategic topics
4. Review the number of Audit Committee members, quorum and member qualifications

Recommendations from Workshop 2 and 3 address strategies 3, 4 and 5 for setting aside time for strategic matters, ensuring meeting agendas address Audit Committee priorities and reviewing committee membership and quorum.

Focus the work plan on strategic topics: The SWG discussed prioritizing subjects for the work plan by reviewing and selecting high risk issues identified by Administration. They recommended the Audit Committee hold regular discussions about the emergence of risk and collaborate with the City Auditor to ensure that the work plan places a priority on issues of strategic risk. The SWG also recommended the Audit Committee's work plan follow the calendar for Council's annual priority and budget-setting process and that the Audit Committee have an opportunity review the City's budget while in development.

Hold regular presentations and briefings from the Chief Financial Officer and the City Manager: The SWG recommended that the Audit Committee receive briefings on budget development and risk management on a semi-annual basis and that these briefings be used to identify the emergence of strategic risks. They also recommended the annual work plan align its major activities with Council's priority setting and budget process

Streamline the current report process: Given the interest in focusing more on bigger, broader issues, the SWG recommended streamlining the number of reports received by the Audit Committee so it can spend more time on strategic topics. The SWG recommends the Chair continues to request that Administration provide concise presentations and reports. There was some debate about the value of creating a consent agenda.

Committee membership, quorum and qualifications: The SWG recommended the Audit Committee increase the number of citizen members on the Audit Committee so that it could tackle a larger workload and that the terms of City Councillors be extended from one to two years to provide greater continuity. It also suggested reviewing the desired competencies for citizen members and recruiting according to desired skills including areas of non-financial expertise.

Workshop 4: Development of the 2020 Work Plan

The original intention of this workshop was to identify strategic topics that the Members of the SWG thought should be discussed. The agenda was altered to focus on the development of the 2020 work plan to help make the discussion more concrete and address concerns about balancing the committee's workload against the available meeting time.

Recommendations: During Workshop 4, the SWG followed some key practices that should be considered recommendations for the development of future work plans

1. Develop the work plan in collaboration with the City Auditor and Administration
2. Use presentations from the City Manager and Chief Financial Officer (CFO) to identify emerging strategic risk
3. Allow time to address strategic issues as they arise at Audit Committee or when requested by Council
4. Examine the value of all reporting in light of the emergence of strategic issues

Recommendations from Workshop 4 address strategies 3, 4, 6 and 7 for setting aside time for strategic matters, ensuring meeting agendas address Audit Committee priorities, raising the profile of the Audit Committee with Council and Administration and testing City strategies with good questions.

Collaboration: At Workshop 4, the City Auditor and other members of Administration worked with the SWG to develop a draft of the work plan. Everyone discussed and negotiated competing priorities in good faith and the workshop resulted in the 2020 work plan approved by the Audit Committee at the January 24, 2020 meeting.

Presentations from the City Manager and CFO: The SWG agreed the best way to identify and address issues of strategic risk was to receive regular presentations from the City Manager and CFO and to use this information to identify issues for further scrutiny.

Time for strategic issues: Creating the work plan in a collaborative setting allowed the SWG to have some frank discussion about use of its time, to prioritize strategic issues and to leave time in its meeting schedule for emerging issues of strategic risk.

Reporting: Creating the work plan in a collaborative setting also allowed the SWG to discuss which reports and presentation are of the greatest value to the Audit Committee.

Other points of discussion

During this process, the Audit Committee and the SWG discussed other topics, some at length.

Opportunities for less formal discussion: Feedback about the February strategic workshop was that it was an important opportunity for Audit Committee members to discuss the role of Committee as a strategic resource to the City of Calgary. There was a consensus among members that it should continue holding an annual strategic meeting to discuss its role, work processes, the annual work plan and other strategic topics as they arise.

Scope of responsibilities and authority: There was debate about whether all major projects involving finance and risk should be automatically reviewed by the Audit Committee. However, there were concerns this would introduce an unrealistic amount of work for Audit Committee and Administration and that this approach would detrimentally affect the timelines for major projects.

Instead, the SWG ultimately recommended a risk-based approach by which major projects and ongoing operations are monitored for risk and that a review be conducted when a heightened level of risk deems it necessary. Discussion of how this is to be formally implemented is still under discussion by the Bylaw Review Working Group.

Workload for citizen members and Administration: During the development of the work plan, the SWG and members of Administration were keenly aware of the potential workload introduced by this more strategic approach. There was ongoing discussion during Workshops 3 and 4 about whether what was being proposed is realistic. A revised work plan was approved on January 24, 2020, but the Audit Committee would be well-advised to review its workload from time to time over the next year to determine whether the work plan is sustainable for all those involved.

Membership and quorum: There's an outstanding discussion about numbers of citizen members on the Audit Committee. Concerns about the workload and the ability to achieve a quorum lead the SWG to discuss adding citizen members on the Audit Committee and to extend the terms of Councillors. Administration advised the SWG that an increase in citizen members may introduce governance issues. A recommendation concerning citizen membership and quorum was left for further discussion by the BRWG.

Remaining work

At this time, the BRWG is meeting to discuss what specific changes to the Bylaw are required to meet the recommendations of the Strategic Working Group. Members of Administration, the City Auditor and the Executive Assistant to the Audit Committee have also brought forward recommended changes of varying degrees of detail that are also under review by the BRWG. Recommended changes will be submitted to the City Solicitor assigned to the project to either amend or draft a new Bylaw for consideration by the Audit Committee and by City Council.

Professional and Administration Support

Throughout this process, the Audit Committee and the SWG were supported by the facilitation services of my firm, Mistri Consulting. I am recognized by the International Association of Facilitators (IAF) as a Certified Professional Facilitator (CPF) and have fifteen years' experience in facilitation and public engagement. I conduct meetings, workshops and consultations for a range of non-profit, government and for-profit organizations.

During this process, members of City Administration and external audit professionals engaged by the City also provided invaluable support to the Audit Committee. I would like to recognize Corrie Smillie, Executive Assistant to the Committee for her hard work and thoughtful insight. I'd also like to recognize the following members of Administration and the external auditors from Deloitte who offered their willing participation and frank advice through the workshop process.

- Glenda Cole, City Manager
- Carla Male, Chief Financial Officer
- Trevor Nakka and Harman Gill, Deloitte LLP
- Thao Nguyen, Director of Finance, City Treasurer
- Kathy Palmer, City Auditor
- Chris Stewart, Manager, Corporate Initiatives
- Matthias Tita, Director, Calgary Growth Strategies and Chair, Calgary Planning Commission
- Greg Wiebe, Manager, Corporate Financial Reporting

I'd also like to acknowledge the following members of Administration who participated in the first strategic workshop in February 2019.

- Jan Bradley, Chief Information Technology Officer
- Al Bleau, Manager, Whistle-Blower Program
- Jeff Fielding, City Manager
- Kelly Gardner, Leader, Performance Measurement, Benchmarking and Risk
- Pam Lewis, Deputy City Auditor
- Jill Mawer and Michael Mooney, Ward 8
- Trevor Nakka and Harman Gill, Deloitte LLP
- Evelyn Ott, IT Audit Manager
- Andrew Sedor, Business Development Coordinator, Transportation Strategy

BYLAW NUMBER 33M2020

**BEING A BYLAW OF THE CITY OF CALGARY
TO CONTINUE THE AUDIT COMMITTEE**

WHEREAS Council has approved AC2020-0753 and considers it desirable to enact a bylaw continuing the Audit Committee for The City of Calgary;

**NOW, THEREFORE, THE COUNCIL OF THE CITY OF CALGARY ENACTS AS
FOLLOWS:**

SHORT TITLE

1. This Bylaw may be cited as the “Audit Committee Bylaw”.

DEFINITIONS

2. (1) In this Bylaw,
 - (a) “*Administration*” means the administration of *The City*;
 - (b) “*Chief Financial Officer*” means the member of *Administration* holding the position of Chief Financial Officer;
 - (c) “*City Auditor*” means the individual appointed by *Council* to the designated officer position of City Auditor pursuant to Bylaw 30M2004;
 - (d) “*City Manager*” means the individual appointed by *Council* as its chief administrative officer pursuant to Bylaw 8M2001;
 - (e) “*Council*” means the municipal council of *The City*;
 - (f) “*External Auditor*” means the person or firm appointed by *Council* to be *The City’s* external auditor;
 - (g) “*Organizational Meeting*” means the annual organization meeting of Council pursuant to section 192(1) of the *Municipal Government Act*, R.S.A. 2000, c. M-26;
 - (h) “*The City*” means the municipal corporation of The City of Calgary.
- (2) All schedules attached to this Bylaw form part of the Bylaw.
- (3) Where this Bylaw refers to any statute, regulation or bylaw, the reference is to the statute, regulation or bylaw as amended, whether amended before or after the commencement of this Bylaw, and includes reference to any statute, regulation or bylaw that may be substituted in its place.

BYLAW NUMBER 33M2020

CONTINUATION OF AUDIT COMMITTEE

3. The Audit Committee established by resolution of *Council* on 1979 November 19 is hereby continued.

MANDATE OF AUDIT COMMITTEE

4. (1) The mandate of the Audit Committee is to:
- (a) assist *Council* in fulfilling its oversight and stewardship responsibilities by gaining and maintaining reasonable assurance in relation to:
 - (i) the integrity of *The City's* annual financial statements;
 - (ii) effective governance, risk management and compliance, including the evaluation of the performance of control systems and processes;
 - (iii) the qualifications, independence, and effectiveness of the *External Auditor* and the *City Auditor*;
 - (iv) the utilization of a confidential and independent Whistle-blower Program; and
 - (v) additional matters described herein or as may be assigned to the Audit Committee by *Council*.
 - (b) support *Council's* effective decision-making by being involved in a broader governance role through oversight and responsibilities as indicated in Schedules "A", "B" and "C" of this Bylaw.
- (2) The Audit Committee reports to *Council*.

AUTHORITY OF AUDIT COMMITTEE

5. The Audit Committee is authorized to:
- (a) assign the setting of Audit Committee meeting agendas to the Chair;
 - (b) institute special audits, program reviews, and special studies, including the standing authority to retain expertise through external consultants;
 - (c) request reports from the *City Manager* and *Chief Financial Officer* regarding:
 - (i) matters that have a material or significant financial impact to *The City*, and
 - (ii) *The City's* Integrated Risk Management and corporate risks, at least twice a year;

BYLAW NUMBER 33M2020

- (d) receive reports from *Administration* and civic entities in support of fulfilling the Audit Committee work plan and to recommend to *Council* any actions deemed appropriate;
- (e) recommend the appointment of the *External Auditor* to *Council* for approval;
- (f) pre-approve all audit and non-audit services performed by the *External Auditor* and further provide that:
 - (i) the Chair can pre-approve additional audit or non-audit services, performed by the *External Auditor*, up to \$50,000 total annually and must report those approvals to the Audit Committee; and
 - (ii) on an annual basis, total fees for non-audit services performed by the *External Auditor* shall not exceed the total audit fees approved for The City of Calgary consolidated audit, including all subsidiary and related entity audits;
- (g) recommend the appointment of the *City Auditor* to *Council* for approval;
- (h) approve the *City Auditor's* Office audit plan and forwards to *Council* for information; the Audit Committee or *Council* may not remove items from the *City Auditor's* audit plan but may direct items be added to the plan;
- (i) recommend *Council* approval of the *City Auditor's* Office budget, annually or as required by *Council* budget guidelines;
- (j) appoint an individual to the position of Executive Advisor to provide support to the Audit Committee;
- (k) approve any changes to the Executive Advisor's position description;
- (l) approve the *City Auditor's* and Executive Advisor's personal expense reports, or other expenditures as required, through the Chair;
- (m) establish sub-committees as required.

COMPOSITION

- 6. (1) The Audit Committee is composed of the following:
 - (a) four members of *Council*; and
 - (b) three public members that reside in Alberta and are not employed by *The City*to be appointed at the *Organizational Meeting*.
- (2) The Mayor is an ex-officio member of the Audit Committee.

BYLAW NUMBER 33M2020

- (3) Public members must be financially literate possessing a set of skills, experience and knowledge of financial matters that support informed and effective decisions.
- (4) The Audit Committee identifies preferred skills for new public members, pursuant to *Council* policy CP2016-03.

TERMS OF APPOINTMENT

- 7. (1) Members of *Council* are appointed:
 - (a) for a one-year term commencing on the date of the 2020 *Organizational Meeting*; and
 - (b) for two-year terms commencing on the date of the 2021 *Organizational Meeting*.
- (2) *Council member* appointments expire on the date of the *Organizational Meeting* in the year of the expiry of the member's term.
- (3) Public members are appointed for two-year terms commencing on the date of the *Organizational Meeting* and expiring on the date of the *Organizational Meeting* in the year of the expiry of the member's term.
- (4) Public members may serve a maximum of six consecutive years.
- (5) Despite subsection (3), a public member may serve until his or her successor is appointed. The service of a public member beyond the appointed term shall not count toward the limit on the length of service as set out in subsection (4) if the additional service is one year or less.
- (6) Vacancies on the Audit Committee caused by retirement, resignation or incapacitation of a member may be filled by resolution of *Council* for the balance of that member's term. The Audit Committee may continue to operate and conduct business until vacancies are filled provided that the quorum requirement is met.
- (7) When an appointment is made to fill a public member vacancy pursuant to subsection (6):
 - (a) if the balance of the term to be served is one year or less, that service shall not count toward the limit on the length of service set out in subsection (4); and
 - (b) if the balance of the term to be served is more than one year, that service shall count toward the limit on the length of service set out in subsection (4).
- (8) Despite subsection (4), a public member may serve more than six consecutive years if authorized by a two-thirds vote of *Council*.

BYLAW NUMBER 33M2020

- (9) The term of a public member who was appointed prior to the coming into force of this Bylaw continues until it expires in accordance with *Council's* resolution appointing that member.

CONTINUING EDUCATION

8. (1) The Chair may authorize members of the Audit Committee to have the opportunity to obtain education, either from *The City, the City Auditor, the External Auditor* or through outside programs, to address identified gaps in knowledge, to further support the mandate of the Audit Committee.
- (2) Funding to support appropriate education for Audit Committee members may be included in the Audit Committee's budget.

MEETINGS AND ATTENDANCE

9. (1) The Audit Committee must meet not less than six times per year.
- (2) Only members of the Audit Committee are entitled to vote.
- (3) The following individuals, or their designates, must attend all Audit Committee meetings:
 - (a) the *Chief Financial Officer*;
 - (b) the *City Auditor*;
 - (c) the *External Auditor*; and
 - (d) the Executive Advisor

QUORUM

10. (1) The quorum of the Audit Committee is four members, including a minimum of one public member.
- (2) A member participating remotely is deemed to be present at the meeting and counts towards the quorum.

APPOINTMENT OF CHAIR AND VICE-CHAIR

11. (1) The Chair and Vice-Chair are appointed by *Council* at the *Organizational Meeting*.
- (2) The Chair and Vice-Chair must be members of *Council*.

BYLAW NUMBER 33M2020

EXTERNAL AUDITOR

12. The functions of the *External Auditor* are more fully set out in Schedule "B".

CITY AUDITOR

13. The functions of the *City Auditor* are more fully set out in Schedule "C".

EXECUTIVE ADVISOR

14. (1) The Executive Advisor reports to the Audit Committee through the Chair.
- (2) The Executive Advisor will provide reporting, research, planning, documentation and meeting logistical support to the Audit Committee.

REPEAL COMING INTO FORCE

15. Bylaw 48M2012 is hereby repealed.


COMING INTO FORCE

16. This Bylaw comes into force on 26 October 2020.


READ A FIRST TIME ON SEPTEMBER 15, 2020

READ A SECOND TIME, AS AMENDED, ON SEPTEMBER 15, 2020

READ A THIRD TIME, AS AMENDED, ON SEPTEMBER 15, 2020



MAYOR
SIGNED ON SEPTEMBER 21, 2020



ACTING CITY CLERK
SIGNED ON SEPTEMBER 21, 2020

BYLAW NUMBER 33M2020

SCHEDULE “A”

1. REGARDING THE PURPOSE AND ROLE OF AUDIT COMMITTEE

The Audit Committee:

- (a) oversees, reviews and assesses the relationships between the *Administration*, the *City Auditor* and *External Auditor*;
- (b) assesses the performance of the *External Auditor* and the *City Auditor* and forwards the performance assessments to *Council* for information;
- (c) assesses the performance of the Executive Advisor through the Audit Committee Chair;
- (d) oversees its governance responsibility with audit committees of *The City’s* major autonomous civic entities, as determined by the Audit Committee;
- (e) develops a detailed annual work plan which is forwarded to *Council* for information;
- (f) develops an annual budget for the Audit Committee and recommends it to *Council* for approval, as part of *The City’s* annual budget process;
- (g) must review its terms of reference and mandate as set out in this Bylaw and as they may impact the City Auditor Bylaw 30M2004, at least every three years and recommend any changes to *Council*; and
- (h) must perform an annual self-assessment on the performance of the Audit Committee.

2. REGARDING THE CITY’S FINANCIAL DISCLOSURE AND ACCOUNTING PRACTICES

The Audit Committee:

- (a) reviews and oversees the integrity of the annual financial statements and recommends their approval to *Council*;
- (b) reviews and discusses *The City’s* compliance with financial reporting, policies and procedures with *Administration* and the *External Auditor*;
- (c) engages *Administration* 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;
- (d) in consultation with the *Chief Financial Officer* and *External Auditor*, review and discuss significant new accounting standards and financial reporting developments to understand any material impact on financial results. A detailed

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analysis, prepared by *Administration*, on the implications of any changes, as well as the progress made in the adoption of new accounting standards, may be requested; and

- (e) maintains open lines of communication with the *External Auditor* and *Administration*.
- (f) must meet with the *Chief Financial Officer*, in the absence of the *External Auditor*, at least quarterly.

3. REGARDING SPECIAL AUDITS, PROGRAM REVIEWS OR SPECIAL STUDIES

The Audit Committee:

- (a) oversees and approves special audits, program reviews or special studies be conducted either by the Audit Committee or by the *City Auditor's Office*. If required, budget funds will be provided by the Audit Committee to the *City Auditor's Office*; and
- (b) reviews the results of special audits, program reviews or special studies, together with responses, and forwards to *Council* for information.

4. REGARDING INTERNAL CONTROL AND RISK

The Audit Committee:

- (a) oversees the integrity of *The City's* internal controls;
- (b) oversees *The City's* process of risk identification, analysis and management procedures to mitigate risk; and
- (c) oversees, through the *City Auditor's Office*, the operation of *Council Policy CC025, Whistle-Blower Policy*.

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SCHEDULE “B”

1. REGARDING THE EXTERNAL AUDITOR

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;
 - (b) in conjunction with *Administration*’s presentation of the annual financial statements, receives and reviews the *External Auditor*’s year end audit results report. This report is to be forwarded to *Council* for information;
 - (c) requires the *External Auditor* to express an opinion on *The City*’s financial statements, in accordance with professional standards;
 - (d) receives and reviews the *External Auditor*’s management letter(s), and reviews *Administration* responses, and forwards, either in full or in summary, to *Council* for information. Through query, confirm that any recommendations made by the *External Auditor* are addressed by *Administration* in a timely manner;
 - (e) must *meet* with the *External Auditor*, in the absence of *Administration*, at least quarterly;
 - (f) annually assesses the performance of the *External Auditor*, following the presentation of the *External Auditor*’s current management letter and forwards this assessment to *Council* for information;
 - (g) must meet at least annually with *Administration*, in the absence of the *External Auditor*, at the time of the *External Auditor* performance assessment; and
 - (h) receives and reviews the *External Auditor*’s annual independence letter. Through query, confirm the process by which the *External Auditor* maintains their independence and objectivity.
2. Unless otherwise determined by *Council* the *External Auditor* contract is awarded on a five-year basis, subject to satisfactory annual assessments. The contract may be extended annually beyond five years, based on Audit Committee’s recommendation for *Council*’s approval.

BYLAW NUMBER 33M2020

SCHEDULE “C”

1. REGARDING THE CITY AUDITOR

The Audit Committee:

- (a) in accordance with Bylaw 30M2004, oversees and ensures the authority, accountability, independence and objectivity of the *City Auditor* on behalf of *Council*;
- (b) reviews the City Auditor’s Office audit plan and budget with the *City Auditor* and discusses the scheduling, resourcing, risk areas, coverage and overall audit strategy;
- (c) ensures that *City Auditor’s* Office undergoes an independent assessment review and confirms professional standards at least every five years;
- (d) assesses annually, the performance of the *City Auditor*, by way of a formal review process through the Audit Committee Chair and forwards this performance assessment to *Council* for information;
- (e) reviews and forwards to *Council* for information, the *City Auditor’s* Office quarterly and annual status reports which includes activity of the Whistle-blower Program;
- (f) receives directly from the *City Auditor* any individual audit report, including as applicable, *Administration’s* response and corrective action to be taken to specific audit recommendations, and forwards these to *Council* for information;
- (g) receives directly from the *City Auditor*, at least annually, a report providing the status of *Administration* action on the recommendations contained in previous audit reports; this report will be forwarded to *Council* for information; and
- (h) ensures that the Audit Committee work plan includes regular closed meeting discussions between Audit Committee and the *City Auditor* no less than quarterly.

Shareholder Alignment Review of Wholly-Owned Subsidiaries (Verbal), AC2020-1321

That Audit Committee:

1. Appoint a Working Group of Audit (Working Group) to oversee a Shareholder Alignment Review of Wholly-Owned Subsidiaries (Shareholder Alignment Review) with composition as follows:
 - Chair of Audit, Councillor Evan Woolley
 - 1 Councillor Member of Audit, Councillor Jeff Davison
 - 2 Citizen Members of Audit, Citizen Michael Lambert and Citizen Lori Caltagirone
 - City Auditor, Liz Ormsby
 - Manager of Treasury, Aaron Brown
 - Manager, The Office of Partnerships, Lori Kerr
 - Deputy City Solicitor, Law, Denise Jakal
 - Executive Advisor to Audit Committee, Corrie Smillie
2. Direct the Executive Advisor of Audit Committee to bring Terms of Reference for the Working Group to the 2021 January 28 Audit Committee for approval.
3. Direct that the framework for the Shareholder Alignment Review includes the following:
 - a) Review of the mandate of each subsidiary for alignment with the goals and purpose of The City of Calgary;
 - b) Review of the risk and opportunity profile presented by each subsidiary to The City of Calgary;
 - c) Review of each subsidiary's operating, financing and investing stewardship processes in place to achieve their mandates, including processes and internal controls over business planning, budgeting, capital raising, debt limitations and covenants, and investing activities;
 - d) Review the returns received by The City from the wholly-owned subsidiaries where applicable;
 - e) Review the risk management programs of subsidiaries, including programs to manage financial, physical, environmental, safety and reputational risks;
 - f) Review applicable shareholder governance documents, such as Unanimous Shareholder Agreements or other agreements, that may guide or affect the shareholder oversight of the subsidiary, and consider whether provisions for shareholder oversight are suitable to the goals, risk profile, and general requirements of the shareholder;
 - g) Review the governance model of each subsidiary, and evaluate relative to leading practices used for similar or comparable subsidiary relationships;

- h) Review the communication, reporting, and accountability of wholly-owned subsidiaries to Council, Administration and the citizens of Calgary and;
 - i) Identify any opportunities for improvement, and make recommendations, generally and individually, for the wholly-owned subsidiaries.
- 4. Direct the Working Group to oversee both the selection of an external consultant to perform the Shareholder Alignment Review as well as providing ongoing oversight of the consultant throughout the review;
- 5. Direct the Working Group to report to the 2021 January 28 Audit Committee meeting with the framework and a work plan for the Shareholder Alignment Review, considering advice, if any, that may be sought from Deloitte; and
- 6. Direct that the Closed Meeting discussions remain confidential pursuant to Section 16 and 24 of the *Freedom of Information and Protection of Privacy Act*; to be reviewed by 2035 November 19.

External Auditor – Performance of Assurance Procedures for Off-Site Levies

RECOMMENDATIONS:

That Audit Committee:

1. Approve the External Auditor's service proposals contained in Attachment 1 and Confidential Attachment 2 for the Off-Site Levies assurance procedures and reporting, including the selection of an option as outlined on Page 6 of Confidential Attachment 2;
2. Recommend Council's approval of the External Auditor's service proposals and the option selected in Confidential Attachment 2;
3. Recommend that Council approve the External Auditor's fees be funded from Corporate costs; and
4. Direct that Attachment 2, and the closed meeting discussions, remain confidential pursuant to Sections 24 (Advice from officials) and 26 (Testing procedures, tests, and audits) of the *Freedom of Information and Protection of Privacy Act*, to be reviewed by 2022 February 25.

HIGHLIGHTS

- The External Auditor (Deloitte LLP) was directed by Audit Committee to return to the 2021 February 25 meeting with the timing, scope and fees associated with assurance procedures and reporting for their engagement with the Off-Site Levy Governance Committee and industry representatives.
- What does this mean to Calgarians? Citizens are aware that independent assurance procedures will be undertaken by the external auditor on concerns with off-site levies.
- Why does this matter? Calgarians should have confidence in City policies and processes. Industry concerns with off-site levies will be evaluated by an independent firm who will present recommendations for corrective action.
- The City collects off-site levies from developers to fund Calgary's growth-related infrastructure costs and is reviewing the off-site levy bylaw with plans to bring a new bylaw to Council in 2022.
- Industry representatives have expressed concerns with respect to off-site levy stewardship, governance, accounting and project management as outlined in their letter to Audit Committee dated January 26, 2021 (Attachment 3).
- Strategic Alignment to Council's Citizen Priorities: A well-run city
- The Audit Committee was directed by Council, in Motion Arising PFC2021-0035, to engage with the Off-Site Levy Governance Committee and for the external auditor to evaluate the concerns raised by stakeholders (Attachment 4).
- At the January 28, 2021 meeting Audit Committee approved the motion made with respect to Verbal Report AC2021-0151 (Attachment 5).

**Audit Resource Management Report to
Audit Committee**

**ISC: UNRESTRICTED
AC2021-0215
Page 2 of 2**

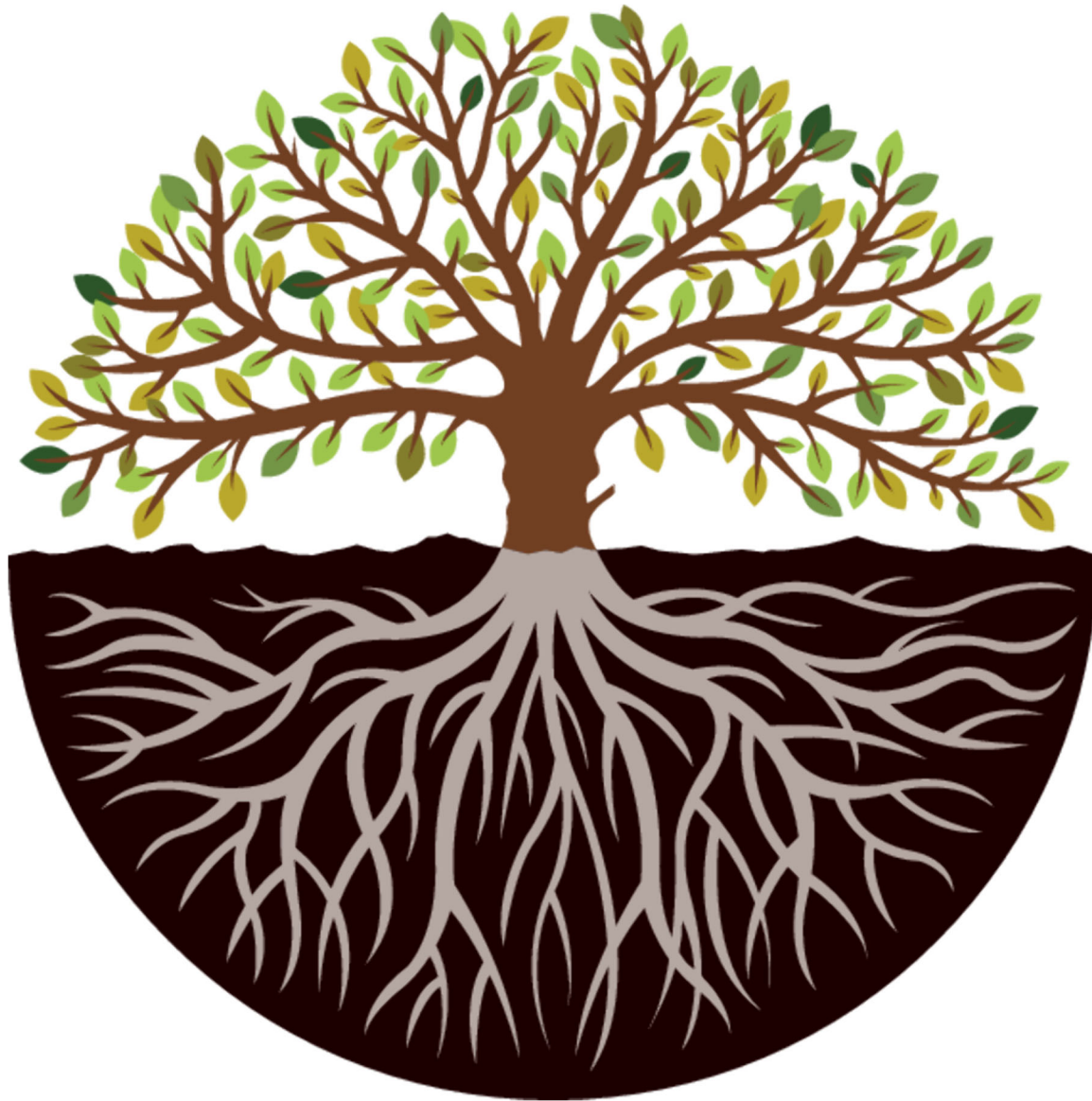
External Auditor - Performance of Assurance Procedures for Off-Site Levies

ATTACHMENTS

1. Deloitte LLP Assurance Procedures on Off-Site Levy Balances, AC2021-0215
2. Confidential – Deloitte LLP Assurance Procedures – Audit Proposal on Off-Site Levy Balances, AC2021-0215
3. Letter dated January 26, 2021 from BILD and NAIOP
4. Motion Arising from PFC2021-0035, Strategy for a New Off-Site Bylaw
5. Motion from AC2021-0151, Off-Site Levies Update (Verbal)

Department Circulation

Councillor Evan Woolley	Chair, Audit Committee	Approve
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The City of Calgary

Assurance procedures on off-site levy balances

Presented to the Audit Committee
February 25, 2021

February 25, 2021

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

Dear Audit Committee members:

We are proud of our relationship with The City of Calgary ("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 entities like The City.

At Deloitte, we are committed to the highest levels of managing compliance with relevant ethical requirements regarding independence as well as all relationships, conflicts and other matters between The City, our Firm and network firms that, in our professional judgment, may reasonably be thought to bear on our independence. In that regard, we have employed certain safeguards to eliminate identified threats to independence or reduce them to an acceptable level.

In determining which relationships to evaluate, we have considered relevant rules and related interpretations prescribed by the appropriate provincial regulator covering such matters as:

- Holding a financial interest, either directly or indirectly, in a client.
- Holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client.
- Personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client.
- Economic dependence on a client.
- Provision of services in addition to the audit engagement.

We confirm to you that the engagement team and others in the firm as appropriate, the firm and, when applicable, network firms have complied with relevant ethical requirements regarding independence.

In response to the motion passed at the Audit Committee meeting on January 28, 2021, related to Report PFC2021-0035, we are pleased to present with you a proposal for the following services:

- We will perform an audit of specific elements, accounts or items of a financial statement line item under Canadian Auditing Standards 805 ("CAS 805") of the off-site levy ("OSL") balances for each material levy type for the years ended December 31, 2016 to December 31, 2020, or earliest period practicable due to the limitation related to the retention of available records in accordance with local statutes and laws, to verify that the balances and underlying transactions are accurate and complete in all material respects. This would include procedures to verify that the allocation of investment income related to the OSL balances is accurate.

- We will provide Administration with an opportunity to respond to the control findings as identified by The City Auditor's Office in the Off-site Levy Annual Reporting Audit, AC2019-1241, and to implement a remediation plan in response to those findings. Following an appropriate period over which Administration can demonstrate that the newly implemented controls are operating effectively, we will determine what additional procedures can be performed to assess the operating effectiveness of OSL controls based on further direction from the Audit Committee.
- We will perform specific procedures related to the Capital Project Management Framework ("CPMF") and the application thereof to the projects funded by OSL. We are currently in the process of obtaining additional information from Administration regarding the CPMF scope. We would like to discuss this matter further with the Audit Committee as there are a number of considerations that may impact the CPMF scope. We expect to be in a position to finalize our scope for this phase at the March 18, 2021 Audit Committee meeting, if this scope of work is supported by the Audit Committee.

We have assessed the risks of material misstatement related to recognition and measurement of the OSL balances as significant risks and materiality will be determined on the basis of 1-2% of ending OSL balances for each respective year under audit based on appropriate professional standards.

In discussion with the Audit Committee and Administration, we are proposing the following timeline for completion of the audit of the OSL balances:

- Planning procedures: February and March 2021
- Commencement of audit procedures: March 2021
- Completion of audit procedures: May 21, 2021
- Reporting to the Audit Committee: June 24, 2021
- Reporting to City Council: July 5, 2021

This document is intended solely for the use of the Audit Committee 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 proposal with you and answering any questions you may have.

Yours truly,

A handwritten signature in cursive script that reads "Deloitte LLP".

Chartered Professional Accountants



January 26, 2021

Chair Evan Woolley and Members of the Audit Committee
City of Calgary
P.O. Box 2100, Station M
Calgary, Alberta T2P 2M5

Dear Councillor Woolley and Members of the Audit Committee

RE: Assuring Credibility of the Off-Site Levy Bylaw Update

On behalf of BILD and NAIOP (Industry) and industry members of the Joint City Industry Off-site Levy Governance Committee, we are writing this letter outlining Industry concerns to Audit Committee in support of the direction in the Motion approved by City Council on January 18, 2021, specifically:

“...to engage the Off-Site Levy (OSL) Governance Committee to understand concerns raised by stakeholders and to direct Deloitte to evaluate the concerns raised by stakeholders and develop a scope of audit procedures that responds to the issues raised...”

Prior to outlining our concerns however, Industry wanted to express our sincere thanks to Calgary's City Council who unanimously supported the direction to the Audit Committee to engage stakeholders. We fully support Council's direction and have provided further background as to why stakeholders believe additional audit work and Audit Committee engagement is required in Attachment 1.

At the January 25, 2021 Joint City Industry Off-site Levy (OSL) Governance Committee meeting, City of Calgary members of the committee advised it would be most appropriate and effective for Industry to convey stakeholder's concerns directly to the Audit committee.

Accordingly, we write this letter to provide the Audit Committee with an understanding of stakeholder concerns in respect of OSL stewardship, governance, accounting, and project management. In advance of writing this letter we have had many discussions with City Administration and raised these concerns with the OSL Joint Governance Committee. We have also reviewed these matters with a cross section of executive level financial professionals in our industry who have a wide range of experience in completing and understanding audit work and have included their guidance and input.

Given the significance of this matter, we trust the Audit Committee will initiate action on Council's direction at its January 28, 2021 Audit Committee meeting.

To ensure credibility of OSL accounting and project management data, the OSL Bylaw update process, and compliance with the Municipal Government Act, further audit work is required to address stakeholder issues and concerns, which are outlined in more detail in Attachment 2, but generally as follows:

1. Confirmation of the Annual OSL balances

Using a process separate and distinct from the City of Calgary's annual financial audit with an audit materiality specific to the OSL balances, confirm the annual OSL balances reported for Water Resources, Transportation, and Community Services are correct in all material respects. Industry believes:

- a. This audit should include a review of OSL Annual Reports and all other OSL accounting and project management and include procedures to ensure, amongst other things, compliance with the City of Calgary's Corporate Project Management Framework and City of Calgary internal controls and policies.
- b. The OSL Annual Reports, OSL accounting and project management controls audited should date back to a suitable year, noting that the recently disclosed investment income accounting errors were determined to run as far back as 2006.
- c. Any additional OSL accounting errors identified and corrected with a timely update so accurate data can be confirmed for the OSL bylaw update.

2. Compliance Audits

Industry believes a follow up audit should be scheduled as part of the City of Calgary audit plan. This follow up should include compliance audits completed in 2022 of:

- a. The changes implemented to address the corrective actions outlined in the 2019 audit of the 2017 Annual Reporting (AC2019-1241).
- b. Any further action items identified from the audit work requested in this letter of OSL Annual Reports, OSL accounting and project management controls.

3. Timeline

Completion of all the above work in a timely fashion to ensure that the OSL Bylaw update underway is based on accurate data that can be confirmed.

We have also included the approved 2021 OSL Bylaw Guiding Principles that were adopted by City Council at the January 21, 2021 meeting in Attachment 3 for reference.

Thank you for your consideration of further audit work to address Industry's concerns regarding the Off-site Levy stewardship, governance, accounting, and project management. We believe it is in The City's, the stakeholder's, and the public's interest for that to occur in a timely fashion and ensure the integrity as to the material accuracy of the data on which an Off-site Levy Bylaw update will be based.

Respectfully,



Brian R. Hahn
CEO, BILD Calgary



Guy Huntingford
Dir. Strategic Initiatives, NAIOP Calgary

Cc. David Duckworth, City Manager
Stuart Dalgleish, General Manager Planning and Development
Carla Male, Chief Financial Officer
Members of the Joint City Industry OSL Governance Committee

Attachment 1 – Background

Council Direction

City of Calgary Administration presented a strategic foundation for a new off-site levy bylaw, along with guiding principles, to Priorities and Finance Committee (PFC) on January 12, 2021. PFC recommended to Council approval of the use of the principles which were approved by Council on January 18, 2021. Those principles include a commitment to transparency and accountability, specifically, “clear governance and stewardship of the off-site levy will be established and maintained, and off-site levy funds, transaction, projections and reporting will be accurate and credible and reviewed regularly, in addition to annual reporting”. Please see Attachment 3 for the list of principles.

At the January 18, 2021 Council meeting, Council directed:

1. The Audit Committee to engage the Off-Site Levy (OSL) Governance Committee to understand concerns raised by stakeholders and to direct Deloitte to evaluate the concerns raised by stakeholders and develop a scope of audit procedures that responds to the issues raised to the satisfaction of the Audit Committee;
2. The Audit Committee to return to Council with the cost and timing for approval once Audit Committee has determined the scope in recommendation 1;
3. The Audit Committee Chair report to council with an update on a quarterly basis; and
4. Upon completion of the OSL audit procedures in recommendation 1, the Audit Committee reports the findings and recommendations for corrective action to Council.

2019 Audit of the 2017 OSL Annual Report

The City of Calgary City Auditor identified in its report of October 15, 2019 (AC2019-1241), amongst other things:

- An absence of a defined governance structure and clear and consistent internal policies and procedures;
- OSL financial reconciliations do not include sufficient detail or support to verify whether OSL balances, spend or collections are correctly reported;
- A failure to properly steward levies collected and utilized may lead to legislative non-compliance, reporting errors, and damage to The City’s reputation;
- Legislation requires that the municipality provides full and open disclosure of all levy costs and payments; and
- Over \$4 Million in reserve interest that was not included in the reported OSL balance at December 31, 2017 or used to offset the interest costs on debt financed Water Resource projects.

The City Auditor also identified and recommended a series of action items to address the findings in its report. Management (City Administration) indicated their substantial agreement to all of the Auditor’s findings and the action items. City Administration has indicated they have been working on implementing the action items. We understood a report on the progress of those action items was to be presented to Audit Committee on January 28, 2021. We look forward to public presentation of progress on the audit action items, the bulk of which were agreed to be completed by December 1, 2020, as well as the specifics of the corrective actions taken.

Investment Income Allocation

The City of Calgary Administration disclosed to PFC on November 4, 2020 that additional accounting errors of \$56 million of investment income, dating back to 2006, was misallocated to general revenues.

City Administration advised Industry it will respond to Industry's request, of November 6, 2020, for working papers detailing the \$56 million investment income errors in February 2021.

2019 Audit Recommendations and Year End Annual Financial Audit

While Administration has indicated some of the Internal Audit action items will be incorporated into the 2020 Annual Report, the Audit Report notes other key Internal Audit action items will be implemented at the earliest for the 2021 OSL Annual Report. The 2021 OSL Annual Report is expected to be issued no earlier than the end of Q1 2022. City Administration indicated no intention to revisit 2021 levy rates notwithstanding the findings of the Audit and the further errors in OSL accounting noted above. Stakeholders are concerned that the data upon which the 2016-2020 OSL Bylaw was based may contain material errors and the data and reports prepared upon which the current bylaw update process must rely upon cannot be confirmed as correct.

Industry is concerned that additional processes associated with The City of Calgary annual financial audit may not be sufficient to focus resources and carry out procedures in the detail required to ensure OSL balances are correct in all material respects and OSL accounting, project management and financial stewardship complies with the Municipal Government Act.

Municipal Government Act and Associated Regulations

Industry believes a focused, comprehensive audit, with appropriate procedures, on the OSL accounting and project management, will ensure that The Municipal Government Act is being complied with, specifically the municipality's requirements to:

- Consult in good faith with stakeholders on all matters related to the determination of an OSL Bylaw update.
- Make available to the public and stakeholders any information or data the municipality relied upon and any assumptions the municipality made in calculating the levy, including, without limitation, any information, data or assumptions the municipality used in models to complete calculations.

Attachment 2 – Stakeholder Issues and Concerns

Stakeholder Issues and Concerns	
1.0	General
1.1	Can the reported annual OSL pool balances for each of water resources, transportation and community services be confirmed as accurate in all material respects? To the extent the balances cannot be confirmed, determine what work is required to confirm/correct them.
1.2	Have City of Calgary accounting and project management policies, processes and controls been applied to the OSL data used to compile each of the OSL Annual Reports?
1.3	The 2019 audit covered the 2017 OSL Annual Report and did not look back to previous years (2006-2016) or later years (2018-2020). Implementation of the corrective action items from the Internal Audit do not take effect until 2021 Annual Report or later (Reference: Recommendation 11 in the Internal Audit Report). Were prior bylaw updates based on erroneous accounting data and how can the accounting data for the current bylaw update be confirmed as correct?
1.4	While the level of errors disclosed as part of a year end audit may not be material in the context of The City's overall financial statements, they are material to OSL balances and Industry. What level of materiality will auditors apply to OSL accounting, transactions and project management?
1.5	Timely provision of accurate information and response to stakeholder request for information. What is a reasonable time frame for this work to be completed and responses provided to stakeholders?
1.6	Of the 11 recommendations outlined in the Internal Audit Report, which of those recommendations have been or will be applied to the 2020 OSL Annual Report? When will progress on those corrective action items and the details of the actions taken be publicly reported and available to Industry?
2.0	MGA, Associated Regulations and Bylaws
2.1	Have the OSL funds been accounted for separately and used for the purpose for which they were collected per MGA 648 (5)?
2.2	Has there been fair, reasonable and consistent allocation and use of other order of government funding (i.e., grants for transportation and community services) in accordance with the MGA and practices of other Alberta Municipalities? The December 2015 OSL and Community Services Background Report states on page 24 "Where grants or provincial highway funding are provided from other levels of government for a specific project and obtained only to be applied to that specific project, those amounts are applied to the project costs above. Should project specific funding be received, grant amounts will be taken into consideration for future calculations." Legislation and Policy (AUMA report https://auma.ca/sites/default/files/off-site_levies_manual_final.pdf , City of Calgary background document https://www.calgary.ca/pda/pd/commercial-development/off-site-levy.html#levy) and practices in other municipalities appear to support recognition of benefits and benefitting party and at least sharing of specific project grant money.
2.3	Are definitions in MGA, associated regulations and bylaws clearly understood and consistently applied?
3.0	Accounting
3.1	What documentation demonstrates oversight, stewardship, and management in accordance with defined accounting procedures and controls for the OSL funds?
3.2	Are the accounting procedures and controls adequate to ensure no material error, misstatement, or misuse of OSL funds? Are those procedures and controls consistently applied and adhered to?
3.3	Is all interest earned from the investment of the levy funds properly accounted for separately and used for the specific purpose per MGA 648 (5)?

Stakeholder Issues and Concerns	
4.0	Project Management
4.1	What documentation or controls demonstrates proper oversight, stewardship, and management in accordance with defined project management procedures and controls for the OSL projects?
4.2	Have all OSL projects been managed with The City of Calgary Project Management Framework (CPMF) standards and guidance documents?
4.3	What documentation, policies, procedures and controls demonstrate appropriate reconciliation of forecast project costs (estimates) to actual project costs, including project levy eligibility and credit of savings to the applicable OSL balance?
4.4	<p>Are the project management procedures, controls and accounting policies adequate and consistently applied and adhered to, ensure OSL projects are:</p> <ul style="list-style-type: none"> • Eligible for OSL funds? • Managed within a defined scope? • Managed within authorized expenditure and where costs become forecast to exceed authorized expenditure, further approval is sought on a timely basis prior to authorized expenditure being exceeded? • Appropriately timed to ensure OSL infrastructure/capacity matches delivery with need and development? • Procured (including all materials and services) on a competitive basis, consistent with well-understood and appropriately applied procurement policies and procedures?

Attachment 3 - 2021 Off-Site Levy Principles

1. **Sustainable and resilient:** The off-site levy should be structured and monitored in a way that supports long-term sustainability of levies and associated service and infrastructure for Calgary, on the premise that growth pays for its share of growth. At the same time, it should allow the ability to withstand and be nimble in response to changing environments in the near-and mid-term.
 - Supports the ability to forecast and predict future cash flow, infrastructure investment and cost related to city growth.
 - Stable and predictable regulatory environment within which development occurs.
 - Easy to understand and administer.
2. **Shared cost, shared benefit, shared risk:** The off-site levy should reflect equitable sharing, among stakeholders, of cost, benefit and risk related to off-site infrastructure.
 - Off-site infrastructure supported by levies may benefit growth, existing residents, regional customers and/or municipal governments and support intergenerational equity.
 - Cost of off-site infrastructure should be allocated to, and shared by, those who benefit.
 - Risk should be equitably shared between The City and Industry, to allow long-term sustainability and viability of Calgary.
3. **Competitive:** As a component of the overall cost of development, and value for money within Calgary, the off-site levy should be positioned to deliver infrastructure and services, within a competitive and stable environment, that help attract residential, commercial, and industrial development and investment within the Calgary Region.
 - Contributes to Calgary's ability to be cost-competitive in order to attract development and investment.
 - Provides certainty that the timing of infrastructure and service delivery will match the pace of growth and associated development.
4. **Collaborative and consultative:** The off-site levy (process, methodology and calculation) should be developed through a collaborative and consultative approach with stakeholders.
 - Growth and development are enabled by citizens, Industry, The City, and the region among others; these partnerships require collaboration to achieve shared outcomes.
 - Collaboration requires clarity and transparency to allow a common understanding and robust outcomes.
5. **Transparent and accountable:** The off-site levy (process, methodology and calculation) shall be clear and transparent. The off-site levy should be governed according to the Off-Site Levy Principles, with oversight, stewardship and ongoing monitoring and reporting.
 - Clear governance and stewardship of the off-site levy will be established and maintained.
 - Off-site levy funds, transaction, projections and reporting will be accurate and credible and reviewed regularly, in addition to annual reporting.
6. **Aligned and compliant:** The off-site levy shall be aligned to The City's growth and funding strategies, be compliant with governing legislation, and seek changes in the legislation that help advance towards the Off-Site Levy Principles.
 - The off-site levy should not be used as part of a regulator strategy to influence market demand.

Strategy for a New Off-Site Levy Bylaw, PFC2021-0035

Excerpt from the Minutes of the 2021 January 18 Combined Meeting of Council:

“Moved by Councillor Sutherland
Seconded by Councillor Woolley

That with respect to Report PFC2021-0035, the following Motion Arising be adopted:

That Council Direct:

1. The Audit Committee to engage the Off-Site Levy (OSL) Governance Committee to understand concerns raised by stakeholders and to direct Deloitte to evaluate the concerns raised by stakeholders and develop a scope of audit procedures that responds to the issues raised, to the satisfaction of the Audit Committee;
2. The Audit Committee to return to Council with the cost and timing for approval once Audit Committee has determined the scope in recommendation 1;
3. The Audit Committee Chair report to council with an update on a quarterly basis; and
4. Upon completion of the OSL audit procedures in recommendation 1, the Audit Committee reports the findings and recommendations for corrective action to Council.

MOTION CARRIED”

MOTION RE: OFF-SITE LEVIES (VERBAL), AC2021-0151

Excerpt from the Minutes of the 2021 January 28 Regular Meeting of Audit Committee:

"Moved by Councillor Colley-Urquhart

That with respect to Verbal Report AC2021-0151, the following be approved:

1. Direct the External Auditor (Deloitte LLP) to engage with the Off-Site Levy Governance Committee and stakeholders to understand and evaluate concerns, including those raised by industry representatives in their letter dated 2021 January 26, addressed to Councillor Evan Woolley and Members of Audit Committee, pursuant to Council's direction to Audit Committee contained in Motion Arising PFC2021-0035;
2. Direct the External Auditor to return to Audit Committee on 2021 February 25 with the timing, scope and fees associated with the assurance procedures and reporting on the work performed that satisfactorily responds to the issues and concerns raised;
3. Receive the presentation for the Corporate Record; and
4. Keep that the closed meeting discussions confidential pursuant to Section 24 (Advice from officials) of the *Freedom of Information and Protection of Privacy Act* until 2036 January 28.

MOTION CARRIED"