

**Audit Resource Management Report to  
Audit Committee  
2020 February 13**

**ISC: UNRESTRICTED  
AC2020-0177**

## **Audit Committee 2019 Year-End Annual Status Report**

### **EXECUTIVE SUMMARY**

This report is the 2019 Year-End Annual Status Report for Audit Committee which includes the status of the 2019 Work Plan, the Audit Committee budget and the activities of the Audit Committee (Committee).

#### **ADMINISTRATION RECOMMENDATION:**

That the Audit Committee receive this Report and Attachment for the Corporate Record.

### **PREVIOUS COUNCIL DIRECTION / POLICY**

The Audit Committee Bylaw 48M2012 states that Audit Committee:

“develops a detailed annual work plan which is forwarded to Council for information.”

Schedule “A”, Section 1(k)

“The Executive Assistant will provide planning, documentation and meeting logistical support to the Audit Committee under the direction of the Audit Committee Chair.”

Schedule “D”, Section 4

### **BACKGROUND**

The Audit Committee 2019 Year-End Annual Status Report is provided after the conclusion of the year.

#### **Audit Committee Membership and Support**

Committee membership for 2019 consisted of four members of Council and three citizen members. Appointments to the Committee were made at Council’s Organizational Meeting in October of 2018 with Councillors serving one-year terms and citizens serving staggered two-year terms. The Chair and Vice Chair were appointed at the first Audit meeting (November 2018) following the Organizational Meeting.

- Councillor Gian-Carlo Carra (2019 January – October)
- Councillor Diane Colley-Urquhart (2019 November – December)
- Councillor Jeromy Farkas (2019 January – December)
- Councillor Jyoti Gondek (2019 January - December) Vice-Chair
- Councillor Evan Woolley (2019 January – December) Chair
- Citizen Representative Lori Caltagirone (2019 January – December)
- Citizen Representative Michael Dalton (2019 January – December)
- Citizen Representative Michael Lambert (2019 January – December)

The Committee was supported throughout the year by the following persons:

- External Auditor, Mr. Trevor Nakka, Deloitte LLP
- External Auditor, Ms. Harman Gill, Deloitte LLP
- City Auditor, Ms. Kathy Palmer
- Chief Financial Officer, Ms. Carla Male
- Executive Assistant to Audit Committee, Ms. Corrie Smillie

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Audit Committee Meeting Videos

Effective the 2019 June 27 Audit Committee meeting the live streaming video proceedings (with the exclusion of the Closed portion) have been archived on Calgary.ca under Council and Committee Agendas, Minutes and Video. This archived video is retained for a period of four years and is available for viewing by members of the public and Administration. Agendas and Minutes are retained indefinitely.

**INVESTIGATION: ALTERNATIVES AND ANALYSIS**

Status of Audit Committee 2019 Work Plan

There were nine Committee meetings held in 2019; with no meetings scheduled in May, August and December. The Audit Committee 2019 Work Plan includes all reports and items scheduled for each meeting in the year and was completed at the 2019 December 6 meeting. Throughout the year reports from the City Auditor, External Auditor, Executive Assistant and Administration were added as required and other reports deferred or removed pursuant to the Chair of Audit's authority to do so contained in the Audit Committee Bylaw 48M2012.

Reports and presentations were also provided by eleven Civic Partners in 2019:

- Attainable Homes Calgary Corporation
- Calgary Arts Development Authority
- Calgary Convention Centre Authority
- Calgary Economic Development
- Calgary Housing Company
- Calgary Municipal Land Corporation
- Calgary Parking Authority
- Calgary Police Commission
- Calgary Public Library
- ENMAX Corporation
- Opportunity Calgary Investment Fund

At every Audit Committee during the closed meeting (public is 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.

The detailed completed 2019 Work Plan is attached (Attachment) for information.

Audit Committee Working Groups

In 2019 the Audit Committee created three working groups to focus on (a) strategic issues, (b) Audit Committee Bylaw 48M2012 review and (c) Referral from Council on Comprehensive Public-Sector Pension Review.

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(a) Strategic Working Group

At the 2019 April 23 Audit Committee meeting a Strategic Working Group (SWG), led by Councillor Woolley, was established to review strategic matters of the Audit Committee. Membership consisted of

- Councillor Evan Woolley
- Councillor Gian-Carlo Carra
- Citizen Representative Ms. Lori Caltagirone
- Citizen Representative Mr. Michael Dalton
- Citizen Representative Mr. Michael Lambert

The SWG was supported by an external consultant Mr. Dave Robertson of Mistri Consulting, the City Auditor and the Executive Assistant to Audit Committee.

The SWG convened on four occasions and at the time of writing this report the SWG was preparing a report to the 2020 February 13 Audit Committee Meeting providing an update on the work undertaken by this group (AC2020-0082, Audit Committee Strategic Working Group Update).

(b) Bylaw Review Working Group (BRWG)

At the 2019 March 22 Committee meeting a Bylaw Review Working Group, led by Councillor Woolley was established to review Audit Committee Bylaw 48M2012. Bylaw review every three years is a requirement indicated in Bylaw 48M2012. Membership of BRWG consists of

- Councillor Jeromy Farkas
- Councillor Evan Woolley
- Citizen Representative Ms. Lori Caltagirone

The BRWG is supported by an external consultant Mr. Dave Robertson of Mistri Consulting, the City Auditor, a Representative from the Law Department and the Executive Assistant to Audit Committee.

The BRWG began their review in 2019 November and the work is still ongoing with anticipated bylaw amendments to be brought to the Committee and Council in Q2 2020.

(c) Pension Referral Working Group (PRWG)

Council referred Notice of Motion C2019-0568, Comprehensive Public-Sector Pension Review to the Audit Committee. At the 2019 June 27 Committee meeting a Pension Referral Working Group led by Councillor Gondek was created to look at how best to achieve the intent of the notice of motion. Membership was as follows:

- Councillor J. Gondek
- Citizen Representative Ms. Lori Caltagirone
- Citizen Representative Mr. Michael Dalton
- Citizen Representative Mr. Michael Lambert

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The PRWG was supported by a representative from Human Resources and the Executive Assistant to Audit Committee.

The PRWG met several times with a final report to Audit Committee (AC2019-1329) on 2019 October 24.

**Audit Committee Engagement Opportunities**

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

- Risk Appetite and Tolerance
- Council's Investment Policy
- Control Environment Assessment Report redesign

**Audit Committee Development Opportunities**

Throughout 2019 there were several learning opportunities offered to the Audit Committee:

- Strategic Workshop Part 1– Full day facilitated workshop, 2019 February 1
- Strategic Workshop Part 2 – Facilitated workshop, 2019 February 28
- Strategic Workshop – Facilitated follow-up sessions, 2019 March 22 and July 23
- Procedure Bylaw 35M3017 – Presentation by City Clerks, 2019 June 19
- Calgary Annual Report Information Session – Presentation by Finance, 2019 April 10

**Audit Committee 2019 Budget**

The Audit Committee Bylaw 48M2012 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 2019 was approved by Council in November 2018 as part of the One Calgary 2019-22 Service Plans and Budgets.

The Audit Committee's 2019 operating budget was \$748,917. A mid-year adjustment in the amount of \$32,000 was made pursuant to Council's direction for the Corporation to find additional savings; leaving a total operating budget of \$716,917.

There was a positive variance of \$242,000 at the end of 2019 December. The variance mainly relates to the remaining balance in consulting and contract fees, as well as a surplus in salaries, benefits and business expenses.

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### **Approval of Audit and Non-Audit Services**

The Audit Committee Bylaw 48M2012 states that the Audit Committee:

“pre-approves all audit and non-audit services performed by the External Auditor. However, the Audit Committee Chair can pre-approve additional audit or non-audit services, performed by the External Auditor, up to \$25,000 total annually. Any approvals by the Chair will be reported to the Audit Committee as part of the Audit Committee Quarterly Status Report.”

Schedule “B”, Section 1(b).

There were no pre-approvals by the Chair of Audit for additional audit or non-audit services performed by the External Auditor in 2019.

### **Stakeholder Engagement, Research and Communication**

Throughout the year the Executive Assistant to Audit collaborates with the City Auditor’s Office, External Auditor, Civic Partners, Chief Financial Officer, City Clerk’s Office and other representatives of Administration on Audit Committee work plan items, forthcoming audits, reporting procedures, agenda development and meeting management.

### **Strategic Alignment**

This report aligns with Council’s Priority of a well-run city; “Calgary has a modern and efficient municipal government that is focused on resilience and continuous improvement to make life better every day for Calgarians by learning from citizens, partners and others.

### **Social, Environmental, Economic (External)**

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.

### **Financial Capacity**

#### ***Current and Future Operating Budget:***

This report has no operating budget implications.

#### ***Current and Future Capital Budget:***

Not applicable.

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#### **Risk Assessment**

There is no risk associated with this Report.

<b>REASON(S) FOR RECOMMENDATION(S):</b>
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This Report is a final update on the status of the 2019 Audit Committee activities.
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#### **ATTACHMENT**

Audit Committee 2019 Work Plan