Proposed Text for a new Audit Committee Bylaw

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.

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 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;

(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.

(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.

(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.
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**.

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.
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
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.

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.
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.
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.