OFFICE CONSOLIDATION

BYLAW NUMBER 48M2012

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

(WHEREAS Council has approved AC2011-72 and the Audit Committee Terms of Reference contained therein, and considers it necessary to pass 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,

   “Administration” means the administration of The City;

   “Chief Financial Officer” means the member of Administration holding the position of Chief Financial Officer;

   “City Auditor” means the individual appointed by Council to the designated officer position of City Auditor pursuant to Bylaw 30M2004;

   “City Manager” means the individual appointed by Council as its chief administrative officer pursuant to Bylaw 8M2001;

   “Council” means the municipal council of The City;

   “External Auditor” means the person or firm appointed by Council to be The City’s external auditor;

   “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;

   “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 Audit Committee is responsible for the following:

   (a) overseeing the integrity of The City’s annual financial statements;  
      (39M2016, 2016 October 24)
   (b) recommending the selection of the External Auditor;
   (c) recommending the selection of the City Auditor;
   (d) overseeing the performance of the External Auditor and the City Auditor;
   (e) overseeing, reviewing and assessing the relationship between the Administration, the External Auditor and the City Auditor;
   (f) overseeing the process of The City’s Integrated Risk Management System;
   (g) overseeing The City’s compliance with laws, regulations and internal policies including disclosure and internal financial controls, legal compliance and codes of conduct;  
      (39M2016, 2016 October 24)
   (h) overseeing, through the City Auditor, the Whistleblower Program;
   (i) overseeing its governance responsibility with audit committees of The City’s major autonomous civic entities;  
      (39M2016, 2016 October 24)
   (j) conducting special reviews as recommended by the Audit Committee or Council.

   (2) The Terms of Reference for the Audit Committee are more fully set out in Schedule “A”.

   (3) The Audit Committee reports to Council.

COMPOSITION

5. The Audit Committee is composed of the following:
(a) four members of Council and
(b) three electors

to be appointed at the Organizational Meeting.

TERM OF APPOINTMENT

6. (1) Members of Council are appointed for one-year terms, expiring on the day of the Organizational Meeting.

(2) Elector members are appointed for two-year terms, expiring on the day of the Organizational Meeting in the year of the expiry of the member's term.

(3) The term of an elector member who was appointed prior to the coming into force of this Bylaw continues until it expires in accordance with the Council resolution appointing that elector member.

(4) Elector members may serve a maximum of six consecutive years.

   (26M2017, 2017 May 09)

(5) Despite subsection (2), an elector member may serve until his or her successor is appointed. The service of an elector 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.

   (26M2017, 2017 May 09)

(6) When an appointment is made to fill an elector member vacancy pursuant to section 7:

   (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).

   (26M2017, 2017 May 09)

(7) Despite subsection (4), an elector member may serve more than six consecutive years if authorized by a two-thirds vote of Council.

   (26M2017, 2017 May 09)

VACANCIES

7. Vacancies on the Audit Committee caused by retirement or resignation 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.
MEETINGS

8. The Audit Committee must meet not less than six times per year.

(39M2016, 2016 October 24)

QUORUM

9. The quorum of the Audit Committee is four members, comprised of two elector members and two members of Council.

(39M2016, 2016 October 24)

APPOINTMENT OF CHAIR AND VICE-CHAIR

10. (1) At the first meeting of the Audit Committee following the Organizational Meeting, the Audit Committee must appoint a Chair and Vice-Chair.

(2) The Chair and Vice-Chair must be members of Council.

(3) The Chair has the responsibility and authority to set the agenda for Audit Committee meetings.

ATTENDANCE AT MEETINGS

11. (1) All members of Council may attend Audit Committee meetings but only members of the Audit Committee are entitled to vote.

(2) The Mayor is a member ex officio of the Audit Committee and is entitled to take part in discussion and debate and to vote.

(3) The following individuals, or their designates, must attend all Audit Committee meetings:

(a) City Manager or Chief Financial Officer,

(b) City Auditor, and

(c) Executive Assistant if so appointed.

(48M2013, 2013 November 18)

(4) The External Auditor must attend all Audit Committee meetings.

HONORARIUM


SUB-COMMITTEES

13. The Audit Committee is authorized to establish sub-committees as required.
EXTERNAL AUDITOR

14. (1) The Audit Committee must recommend to Council the appointment of the External Auditor as required from time to time.

(2) The functions of the External Auditor are more fully set out in Schedule “B”.

CITY AUDITOR

15. (1) The Audit Committee must recommend to Council the appointment of an individual to the designated officer position of City Auditor as established in Bylaw 30M2004 as required from time to time.

(2) The functions of the City Auditor and the relationship of the City Auditor to Audit Committee are more fully set out in Schedule “C”.

Executive Assistant

16. (1) The Audit Committee may appoint an Executive Assistant.

(2) The functions of the Executive Assistant are more fully set out in Schedule “D”.

CONSEQUENTIAL AMENDMENTS

17. Bylaw 44M2006, The Procedure Bylaw, as amended, is further amended as follows:

(1) the following is added after subsection 2(6) as subsection 2(6.1):

“(6.1) “Audit Committee” means the committee established by Bylaw 48M2012;”

(2) Subsection 21(1) is deleted.

COMING INTO FORCE

18. This Bylaw comes into force on the day of the 2013 Organizational Meeting.

(Sgd) N. Nenshi
MAYOR

(Sgd) B. Hilford
ACTING CITY CLERK
1. REGARDING THE PURPOSE AND ROLE OF AUDIT COMMITTEE

The Audit Committee:

a) reports to Council;

b) is expected to be involved in a broader governance role than exclusively overseeing financial matters;

c) may institute audits, reviews, and special studies, including the standing authority to retain special counsel or experts;

d) oversees, reviews and assesses the relationships between the Administration, the City Auditor and External Auditor;

e) assesses the performance of the External Auditor and the City Auditor and forwards the performance assessments to Council for information;

f) oversees the integrity of The City’s annual financial statements;

(39M2016, 2016 October 24)

g) oversees the integrity of The City’s system of internal controls, legal and regulatory compliance regarding financial matters, Codes of Conduct, and other policies, as determined by the Audit Committee;

(39M2016, 2016 October 24)

h) oversees The City’s process of risk identification, analysis and management procedures to mitigate risk;

i) oversees its governance responsibility with audit committees of The City’s major autonomous civic entities, as determined by the Audit Committee;

(39M2016, 2016 October 24)

j) oversees The City’s Whistle Blower program, through the City Auditor’s Office;

k) develops a detailed annual work plan which is forwarded to Council for information;

l) develops an annual budget and recommends it to Council as part of The City’s annual budget process;

m) must review its terms of reference and mandate as set out in this Bylaw at least every three years and recommend any changes to Council;

n) is committed to public meetings. Items will be considered in camera (excluding the public) per section 197(2) of the Municipal Government Act or per the Freedom of Information and Protection of Privacy Act.
2. REGARDING THE CITY’S FINANCIAL DISCLOSURE AND ACCOUNTING PRACTICES

The Audit Committee:

a) oversees the integrity of, and reviews, 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, the City Auditor and the External Auditor; (39M2016, 2016 October 24)

c) engages Administration, the City Auditor, 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) reviews and discusses areas where changes in accounting standards could have a material impact on financial results, and may request a detailed analysis, prepared by Administration in consultation with the External Auditor, of the implications of those changes;

e) maintains open lines of communication with the External Auditor, City Auditor, and Administration.

3. REGARDING PERFORMANCE AUDITS OR SPECIAL STUDIES

The Audit Committee:

a) approves performance audits, program reviews or special studies of areas identified by Audit Committee;

b) reviews and approves that these audit and 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;

c) receives and reviews the performance audit or special study reports, together with responses, and forwards such reports to Council for information.

4. REGARDING INTERNAL CONTROL

The Audit Committee:

a) oversees The City’s internal control processes;

b) has authority to:

   (i) review reports from Administration about The City’s internal control systems, including technology, security and financial controls, and assess whether they are operating effectively;
(ii) review reports from Administration regarding The City’s policies and procedures to safeguard The City’s assets, and assess whether these policies are operating effectively;

c) has authority and responsibility to report and recommend to Council, any actions or decisions regarding The City’s system of internal controls that the Audit Committee deems appropriate.

5. REGARDING RISK MANAGEMENT

The Audit Committee:

a) oversees the process of The City’s Integrated Risk Management (IRM);

b) receives and reviews, at least twice a year, reports from Administration regarding The City’s IRM;

c) reviews on an annual basis, the following areas of The City: the adequacy of insurance coverage; legal compliance; Information Technology’s risk management update or as determined by the Audit Committee.

(39M2016, 2016 October 24)

6. REGARDING ADMINISTRATION’S COMPLIANCE AND ETHICS:

The Audit Committee:

a) monitors Administration’s compliance with existing policies and legislation;

b) has authority to:

(i) review reports from Administration and from the City Auditor as to the adequacy and effectiveness of corporate policies such as legal matters, regulations, ethical principles, code of conduct and conflict of interest;

(ii) review reports from Administration respecting The City’s processes and controls that prevent and detect fraud and misconduct;

c) has authority and responsibility to report and recommend to Council, any actions or decisions regarding the Administration’s ethics and compliance with policies and legislation that the Audit Committee deems appropriate.

7. REGARDING THE WHISTLE BLOWER PROGRAM

The Audit Committee:

a) oversees, through the City Auditor’s Office, the operation of Council Policy CC025, Whistle-Blower Policy;

b) receives for information an annual audit report on the Whistle Blower Program, and forwards to Council for information.

(39M2016, 2016 October 24)
8. REGARDING THE EXPERTISE OF ELECTOR MEMBERS

The elector members of Audit Committee must be financially literate. At least one of the elector members must be a financial expert.

9. REGARDING THE CONTINUING EDUCATION OF AUDIT COMMITTEE MEMBERS

Members of the Audit Committee shall have the opportunity to obtain education, either from within The City or from outside educational programs, to ensure their knowledge is sufficient to fulfill their responsibilities as Audit Committee members.

Funding to support appropriate professional development for the Audit Committee members may be included in the Audit Committee’s budget.

(39M2016, 2016 October 24)
SCHEDULE “B”

REGARDING THE EXTERNAL AUDITOR

1. The Audit Committee:
   
   a) recommends the appointment of the External Auditor to Council;
   
   b) 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;
   
   c) requires the External Auditor, as an expert in accounting and financial reporting, to express independent judgment about the appropriateness and acceptability of The City’s financial statements, in accordance with professional standards;
   
   d) prior to the commencement of the annual external financial audit, review the financial audit plan and estimated audit fees with the External Auditor and forward to Council for information;
   
   e) in conjunction with Administration’s presentation of the annual financial statements, receive and review the External Auditor’s annual audit report. This report is to be forwarded to Council for information;
   
   f) receives and reviews the External Auditor’s Management Letter(s), together with any Administration responses, and forward, either in full or in summary, to Council for information;
   
   g) must meet with the External Auditor, in the absence of Administration, at least quarterly;
   
   h) annually assesses the performance of the External Auditor, following the presentation of the External Auditor’s current Management Letter;
   
   i) must meet at least annually with Administration, in the absence of the External Auditor, at the time of the External Auditor performance assessment.

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.
REGARDING THE CITY AUDITOR

1. The Audit Committee:

   (a) recommends to Council the appointment of an individual to the designated officer position of City Auditor, as established in Bylaw 30M2004;

   (b) in accordance with Bylaw 30M2004, oversees and ensures the accountability of the City Auditor on behalf of Council;

   (c) ensures that City Auditor’s Office undergoes a Quality Assessment review, as prescribed by the Institute of Internal Auditors (IIA) 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 Personnel Sub-Committee and forwards this assessment to Council for information;

   (e) reviews and approves the City Auditor’s Office annual work plan and forwards to Council for information; the Audit Committee or Council may not remove items from the City Auditor’s work plan but may direct items be added to the plan;

   (f) reviews and forwards to Council for information, the City Auditor’s Office quarterly and annual status reports;

   (g) receives directly from the City Auditor any individual audit report and forwards these to Council for information;

   (h) 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;

   (i) ensures that formal procedures exist to allow confidential discussions between Audit Committee and the City Auditor;

   (j) ensures that the combined work of the City Auditor and the External Auditor provides an appropriate level of audit coverage and is effectively coordinated;

   (k) meets as required with the City Auditor, in the absence of Administration;

   (l) reviews and recommends Council approval of the City Auditor’s Office budget, annually or as required by Council budget guidelines;

   (m) reviews and approves the City Auditor’s personal expense reports, or other expenditures as required, through the Audit Committee Chair.

2. The City Auditor:

   (a) must formally present the annual audit work plan to Council for information;

   (b) must submit the annual status report to Council for information after review by the Audit Committee.
SCHEDULE "D"

REGARDING THE AUDIT RESOURCE MANAGEMENT AND THE EXECUTIVE ASSISTANT

1. The Audit Committee:
   a) appoints an individual to the position of Executive Assistant, to manage the Audit Resource Management;
   b) supervises and ensures the accountability of the Executive Assistant through the Chair;
   c) assesses annually, the performance of the Executive Assistant, by way of a formal review process through the Chair and Personnel Sub-Committee;
   d) reviews and approves the Executive Assistant’s personal expense reports, through the Chair;
   e) approves any changes to the Executive Assistant’s job description.

2. The Executive Assistant reports to the Audit Committee.

3. The Audit Resource Management’s Terms of Reference to be reviewed at least every three years.

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

(48M2013, 2013 November 18)
(39M2016, 2016 October 24)