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

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