

Shareholder Alignment Review of Wholly-Owned Subsidiaries Update

RECOMMENDATIONS:

That 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.

HIGHLIGHTS

- At their 2020 November 19 meeting Audit Committee approved the establishment of a working group (Attachment 3) to oversee a Shareholder Alignment Review of Wholly-Owned Subsidiaries (Verbal Report AC2020-1321). The Audit Committee directed that terms of reference for the working group, as well as a framework and work plan for the Review, be brought to the 2021 January 28 Audit Committee meeting.
- What does this mean to Calgarians? Transparency is provided on the role of the Working Group as well as the scope and work plan for completion of the Review.
- Why does this matter? Calgarians have an expectation that the Audit Committee has oversight on effective governance, risk management and compliance of wholly-owned subsidiaries of the City of Calgary.
- The Working Group met 2020 December 17 for discussions with respect to the development of the framework, timelines and work plan for the Review as well as the Terms of Reference for the Working Group.
- Strategic Alignment to Council's Citizen Priorities: A well-run city
- Pursuant to Audit Committee Bylaw 33M2020, authority is provided to the Audit Committee to institute special audits, program reviews, and special studies, including the standing authority to retain expertise through external consultants.

DISCUSSION

City Council is tasked with the oversight and governance of seven wholly-owned subsidiaries. These functions are governed by a suite of documents, reporting and processes that give Council the tools it needs to execute its role. 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.

The Working Group on the Shareholder Alignment Review of Wholly-Owned Subsidiaries has been directed by the Audit Committee to provide scoping and framework, selection and oversight of an external consulting firm, development of a work plan and regular updates to Audit Committee for the duration of the review.

**Audit Resource Management Report to
Audit Committee**

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Shareholder Alignment Review of Wholly-Owned Subsidiaries Update

The Working Group is comprised of the following members:

- Chair of Audit Committee, Councillor Evan Woolley
- Councillor Member of Audit, Jeff Davison
- Citizen Member of Audit, Lori Caltagirone
- Citizen Member of Audit, Michael Lambert
- Manager, The Office of Partnerships, Lori Kerr
- Acting City Auditor, Liz Ormsby
- Manager of Treasury, Aaron Brown
- Deputy City Solicitor, Law, Denise Jakal
- Executive Advisor to Audit Committee, Corrie Smillie

The Terms of Reference for the Working Group were developed to provide clarity and transparency on their role and oversight responsibilities (Attachment 1).

The external consultant will be selected through a Competitive Call-up Statement of Requirements (SOR) under a current Request for Standing Offer (RFSO). The process of procuring an external consultant for this project has been developed in consultation with Supply Management. The framework (deliverables) developed by the Working Group for the Review is contained in Confidential Attachment 2. The Working Group will evaluate eligible proposals received and select a qualified consultant.

Once an external consultant is in place the work plan for the Review can be developed; most likely at the Working Group's initial meeting with the consultant. Deferral of the work plan has been requested until the 2021 February 25 Audit Committee meeting to allow time for these discussions with the successful proponent.

Estimated timeline for a consultant to be in place and commencement of the review is 2021 February. Completion of the Review is anticipated by the end of 2021 May with the final report and recommendations presented to Audit Committee at the 2021 June 24 Meeting.

Activity	Timeline*
Target to commence work and meet with Working Group / Scoping details	Week of 2021 February 22
Update Meetings with Working Group	Monthly from 2021 March to 2021 May
Summary of Final Findings and Recommendations to Working Group (Meeting)	Week of 2021 May 31
Final Report and presentation to Audit Committee	2021 June 24
Presentation to Council	2021 July 5

*The City reserves the right to modify any of the dates listed here.

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Shareholder Alignment Review of Wholly-Owned Subsidiaries Update

The seven wholly-owned subsidiaries at The City of Calgary being considered for the Shareholder Alignment Review are:

- Attainable Homes Calgary Corporation (AHCC)
- Calgary Arts Development Authority Ltd. (CADA)
- Calgary Economic Development Ltd. (CED)
- Calhome Properties Ltd (operating as Calgary Housing Company)
- Calgary Municipal Land Corporation (CMLC)
- ENMAX Corporation (ENMAX)
- Opportunity Calgary Investment Fund (OCIF)

STAKEHOLDER ENGAGEMENT AND COMMUNICATION (EXTERNAL)

- Public Engagement was undertaken
- Public Communication or Engagement was not required
- Public/Stakeholders were informed
- Stakeholder or customer dialogue/relations were undertaken

IMPLICATIONS

Service and Financial Implications

Funding support for this Shareholder Alignment Review on Wholly-Owned Subsidiaries is being shared by the Audit Committee and Corporate Finance. Funding required is estimated at \$200,000.

RISK

The City's wholly-owned subsidiaries create various risks for the corporation including financial, legal and reputational. The Audit Committee believes the key to mitigating these risks is excellent governance. The working group will deliver a report that assesses these risks and makes recommendations for improved governance that will help mitigate the risks.

ATTACHMENT(S)

1. Audit Committee Working Group Terms of Reference
2. Framework for Shareholder Alignment Review of Wholly-Owned Subsidiaries (Confidential)
3. Audit Committee Motion, Verbal Report AC2020-1321

Department Circulation

General Manager	Department	Approve/Consult/Inform
Councillor Evan Woolley	Chair, Audit Committee	Approve