

**Audit Resource Management Report to
Audit Committee
2021 February 25**

**ISC: UNRESTRICTED
AC2021-0213
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Audit Committee 2020 Year-End Report

RECOMMENDATION(S):

That Audit Committee receive Report AC2021-0213 and the Attachments for the Corporate Record.

HIGHLIGHTS

- The Audit Committee 2021 Work Plan includes the Audit Committee 2020 Year-End Report.
- What does this mean to Calgarians? This report is a final update on the activities of Audit Committee for 2020.
- Why does this matter? This report provides assurance to citizens that the Audit Committee continues to focus on their mandate in Bylaw 33M2020 and that the work plan for 2020 has been completed.
- The status of the 2020 Work Plan, the Audit Committee budget and the activities of the Audit Committee is provided as of 2020 December 31.
- Strategic Alignment to Council's Citizen Priorities: A well-run city
- Schedule A, Section 1(f) of Audit Committee Bylaw 33M2020 provides that the Audit Committee develop a detailed annual work plan which is forwarded to Council for information.

DISCUSSION

Audit Committee Membership and Support

Committee membership for 2020 consisted of four members of Council and three citizen members. Appointments to the Committee were made at Council's Organizational Meeting in October of 2019 and 2020 with Councillors serving one-year terms and citizens serving staggered two-year terms. The Chair and Vice Chair for 2019/2020 were appointed at the first Audit meeting (December 6, 2019) following the Organizational Meeting. The Chair and Vice-Chair for 2020/2021 were appointed by Council at their Organizational meeting.

- Councillor Diane Colley-Urquhart (2020 January – 2020 December)
- Councillor Jeff Davison (2020 November – 2020 December)
- Councillor Jeromy Farkas (2020 January – 2020 December) (Vice-Chair)
- Councillor Jyoti Gondek (2020 January – 2020 October)
- Councillor Evan Woolley (2020 January – 2020 December) (Chair)
- Citizen Representative Lori Caltagirone (2020 January – 2020 December)
- Citizen Representative Michael Dalton (2020 January – 2020 October)
- Citizen Representative Karen Kim (2020 November – 2020 December)
- Citizen Representative Michael Lambert (2020 January – 2020 December)

Audit Committee 2020 Year-End Report

The Audit Committee was supported by the following persons:

- External Auditor, Trevor Nakka, Deloitte LLP
- External Auditor, Harman Gill, Deloitte LLP
- City Auditor, Katharine Palmer
- Acting City Auditor, Liz Ormsby
- Chief Financial Officer, Carla Male
- Executive Advisor, Corrie Smillie

Impact of Covid-19 Pandemic

The onset of the global Covid-19 pandemic and declaration of a State of Local Emergency saw the Audit Committee rapidly adjust to remote meeting participation. The Audit Committee continued to focus on matters of significant risk and financial impact including issues related to the pandemic. In 2020 the City Manager and the Chief Financial Officer provided updates to the Audit Committee on the financial impacts of Covid-19, the Solutions for Achieving Value and Excellence (SAVE) Program, the Principal Corporate Risks and a Strategic Update on Budgeting and Risk.

Status of Audit Committee 2020 Work Plan

There were nine Committee meetings held in 2020; with no meetings scheduled in May, August and December. The Audit Committee 2020 Work Plan includes all reports and items scheduled on each meeting agenda and was completed at the 2020 November 19 meeting (Attachment 1). Throughout the year reports from the City Auditor, External Auditor, Executive Advisor and Administration were added as required and other reports deferred or removed pursuant to the Chair of Audit's authority in former Audit Committee Bylaw 48M2012 and in the current Audit Committee Bylaw 33M2020.

Reports and presentations were requested from three Civic Partners with respect to their annual reports, risk management, governance structure, financial highlights, internal controls, work plans and key initiatives for 2020:

- Attainable Homes Calgary Corporation
- ENMAX Corporation
- Opportunity Calgary Investment Fund

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

A strategic planning session held in 2020 October offered Members, the City Auditor, External Auditor, Chief Financial Officer and Administration an opportunity to provide feedback into the development of the 2021 Work Plan. This work plan was approved by Audit Committee at the 2020 November 19 meeting (AC2020-1306).

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Audit Committee Working Groups

In 2019 the Audit Committee created two working groups comprised of a combination of councillors and citizen members of Audit Committee, the City Auditor and Administration. The focus for these two working group was on (a) strategic issues and (b) a review of the current Audit Committee Bylaw 48M2012. Both working groups completed their mandate in 2020.

In 2020 November an additional working group was created to (c) review the shareholder alignment of The City's wholly-owned subsidiaries in 2021.

(a) Strategic Working Group

In 2020 January the Strategic Working Group presented their final update to the Audit Committee (AC2020-0082). This update provided findings and actions taken to address the seven Audit Committee strategies developed through previous engagement with Audit Committee, City Auditor's Office, External Auditor and Administration.

Audit Committee Strategies

1. Redefine the mandate and modernize the role of the Audit Committee
2. Set priorities for the Audit Committee so that 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

Report AC2020-0082 included an attachment entitled "Summary of Findings – Outcomes of the Audit Committee 2019 Strategic Review" (Attachment 2).

(b) Audit Committee Bylaw Review Working Group

A Bylaw Review Working Group was created to review Audit Committee Bylaw 48M2012. The Working Group's review led to the development of a new Audit Committee Bylaw 33M2020 (Attachment 3) which came into force in 2020 October (AC2020-0753).

The new bylaw builds on the recommendations of Audit Committee's Strategic Working Group. Bylaw 33M2020 sets out Audit Committee's major oversight responsibilities and emphasizes their role in providing independent expertise and advice to Council. This bylaw provides Audit Committee with more flexibility to determine what should be included on the annual work plan, rather than the more prescriptive approach used in the past. There is clarity on Audit Committee's delegated authority from Council, updates to terms of appointment, quorum and the new bylaw is streamlined and easy to reference.

Amendments to the City Auditor Bylaw 30M2004 and City Auditor Charter were considered simultaneously by the Working Group. The City Auditor brought amendments to Bylaw 30M2004 for Audit Committee's approval at the 2020 July 23 meeting (AC2020-0825).

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(c) Working Group on Shareholder Alignment Review of Wholly-Owned Subsidiaries

At their 2020 November 19 meeting Audit Committee approved the creation of a working group to oversee a Shareholder Alignment Review of Wholly-Owned Subsidiaries (Verbal Report AC2020-1321).

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. Throughout 2021 the Working Group will oversee the selection of an external consulting firm to perform the review, and provide ongoing oversight of the project (Attachment 4). The final report with recommendations has been directed to be presented at the 2021 June Audit Committee meeting.

Audit Committee Engagement and Information Opportunities

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

- Proposed Changes to the Investment Policy (2020 January)
- Long Range Financial Plan Presentation (2020 March)
- Presentation of Draft 2019 City of Calgary Annual Report (2020 April)
- Control Environment Assessment Report Redesign Feedback (2020 September)
- *Freedom of Information and Protection of Privacy Act* and Corporate Records Training (citizen members)
- Escribe Technology for Agenda distribution and electronic voting (citizen members)

Audit Committee 2020 Budget

The Audit Committee Bylaw 33M2020 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 2020 was \$704,231 and was approved by Council in November 2018 as part of the One Calgary 2019-22 Service Plans and Budgets.

There was a positive variance of \$166,000 at the end of 2020 December. The variance mainly relates to the remaining balance in consulting fees, as well as a surplus in salaries, benefits and business expenses.

Approval of Audit and Non-Audit Services

The Audit Committee Chair is authorized by Bylaw 33M2020 to pre-approve additional audit or non-audit work performed by the External Auditor up to \$50,000. These pre-approvals must be reported to Audit Committee and in 2020 there were no pre-approvals by the Chair.

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Executive Advisor to Audit Committee

In 2020 March, City of Calgary employees were directed by the City Manager to work from home where possible to prevent the spread of Covid-19. The Executive Advisor to Audit Committee worked remotely for the balance of 2020 with little or no impact to services provided by Audit Resource Management.

STAKEHOLDER ENGAGEMENT AND COMMUNICATION

Throughout the year the Executive Advisor to Audit Committee collaborates with the City Manager's Office, City Auditor's Office, External Auditor, Civic Partners, Chief Financial Officer, City Clerk's Office, Working Groups and representatives from Administration on Audit Committee work plan items, forthcoming audits, reporting procedures, agenda development and meeting management.

RISK

There is no risk associated with this Audit Committee 2020 Year-End Report.

ATTACHMENTS

1. Audit Committee 2020 Work Plan as at 2020 December 31
2. Summary of Findings – Outcomes of the Audit Committee 2019 Strategic Review
3. Audit Committee Bylaw 33M2020
4. Motion re: Shareholder Alignment Review of Wholly-Owned Subsidiaries, AC2020-1321

Department Circulation

Councillor Evan Woolley	Chair, Audit Committee	Approves
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