

CALGARY MUNICIPAL LAND CORPORATION – CONTROL ENVIRONMENT ASSESSMENT
September 2016

COMPONENTS OF INTERNAL CONTROL		DESCRIPTION (EXAMPLES)	CURRENT ASSESSMENT	FURTHER ACTIONS PLANNED
1	CONTROL ENVIRONMENT	The overall control environment at CMLC is critical in ensuring that the Internal Controls Over Financial Reporting (ICFR) operates efficiently and effectively.	<p>CMLC has a strong control environment. CMLC's governance structure is set by Council through a Unanimous Shareholder Agreement, and includes a Board of Directors which in turn has appointed an Audit Committee.</p> <p>As part of its terms of reference, CMLC's Audit Committee oversees the integrity of CMLC's financial statements and the system of disclosure and internal controls. The President & CEO and Director, Finance and Corporate Services meet and provide representations to the External Auditor describing how their responsibilities are discharged.</p>	<p>Ongoing review and active application of control policies and procedures and documentation.</p> <p>Keeping current on new accountability requirements and industry standards to ensure control policies and procedures remain appropriate.</p>
		<p>City Council sets the overall tone for internal controls for all business units. The CMLC Board and management contribute to this tone through its operating practices, integrity, and adherence to core values.</p>	<p>There is a culture and operating practices at CMLC that deliberately and emphatically produce an environment of strong financial control. CMLC has a conservative and careful approach to financial management.</p> <p>CMLC follows industry best practices for the acquisition of goods and services required to fulfill its mandates.</p> <p>CMLC has a code of conduct in place for its staff, and for its Board members.</p>	<p>CMLC will continue to stress the importance of a strong control environment by remaining aware of City initiatives in this regard.</p>

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2	RISK ASSESSMENT	An overall risk assessment should help determine the highest risk areas at CMLC that could impair the achievement of objectives.	The Audit Committee reviews Risk Management on a regular basis. The last update was completed in spring 2016.	The Audit Committee update the overall risk assessment for CMLC on an annual basis.
3	CONTROL ACTIVITIES	Control activities should include policies, procedures, documented approvals, reconciliations, verifications, reviews, physical security, segregation of duties, and so on.	<p>Controls are monitored and updated on a regular basis as the dynamics of the organization changes. The Audit Committee is informed of the changes at Board committee meetings by management. All the process and control procedures are posted on the CMLC intranet site for staff to review.</p> <p>These controls include: clear delegation of signing authority which requires dual signatures on all purchases according to specified limits. Dual signatures are also required on all cheques.</p>	In addition, a revision to the CICA Handbook requires external auditors to be more proactive in assessing control activities and the risk of fraud. This will provide more independent feedback on CMLC's existing controls.
4	INFORMATION AND COMMUNICATION	There should be a continuous flow of financial reporting and information throughout CMLC to support the strong control environment.	<p>Quarterly financial reports are used as a foundation for control activity. Cash flows are monitored on a daily basis.</p> <p>Relevant information is disseminated through staff, management, and Board meetings.</p>	<p>CMLC continues to meet with City of Calgary Finance representatives (Treasury) on a quarterly basis.</p> <p>CMLC also meets with Council twice a year and provides a financial update during those meetings.</p> <p>Staff will be apprised as new or revised policies, procedures, and controls are developed.</p>

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5	MONITORING	Ongoing monitoring occurs in the normal course of operations, and includes regular management and supervisory activities and other actions by personnel as part of the assessment of internal controls.	<ul style="list-style-type: none"> • The Business Plan and Budget is monitored to ensure objectives are achieved • CMLC reviews its financial policies on a regular basis to ensure compliance • Financial reconciliations are performed on a monthly basis to ensure accuracy and completeness of accounts payable • Quarterly financial statements are prepared for review by management. • Infrastructure project budgets are reviewed on a monthly basis and any variances are immediately followed up. • Change orders are required for all changes to contracts. 	Continued monitoring and enforcing compliance with policies and procedures. The Board and Management emphasize a control conscious environment that supports the business processes.