# BYLAW NUMBER 48M2012

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

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(Amended by Bylaw Number 48M2013)

**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 COMMITEE

4. (1) The Audit Committee is responsible for the following:

   (a) overseeing the integrity of *The City's* financial statements;

   (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 such as: disclosure and internal controls, including finance and accounting; legal compliance; and codes of conduct;

   (h) overseeing, through the *City Auditor*, the Whistleblower Program;

   (i) coordinating its governance responsibility with audit committees of *The City's* major autonomous civic entities;

   (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 three terms. Terms served prior to the coming into force of this Bylaw are to be counted in the computation of the number of terms served by an elector member.

**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 eight times per year.

**QUORUM**

9. The quorum of the Audit Committee is four members, comprised of one elector member and three members of *Council*.

**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.

(B/L 48M2013, 2013 November 18)

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

**HONORARIUM**

12. The elector members of the Audit Committee may be paid an annual honorarium in accordance with and in the manner specified in a resolution of *Council*.

**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

**SCHEDULE "A"**

**AUDIT COMMITTEE TERMS OF REFERNCE**

## 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 process of *The City's* annual financial statements;

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

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

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

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 procedures with *Administration*, the *City Auditor* and the *External Auditor*;

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 Committee.

## 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 and approves an annual report on the Whistle Blower Program, and forwards to *Council* for information.

## 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 for such education to be provided through the Audit Committee budget.

An annual professional development plan will be established for the Audit Committee and included in the Audit Committee's budget.

## 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 with the *External Auditor*;

   (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.

## SCHEDULE "C"

### 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) shall present the annual audit work plan to *Council* for information;

    (b) will present the annual status report to *Council* for information after review by the Audit Committee.

**SCHEDULE "D"**
(Amended by B/L 48M2013)

**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 Committee under the direction of the Committee Chair.

(B/L 48M2013, 2013 November 18)