

CITY AUDITOR'S OFFICE BYLAW AND CHARTER

EXECUTIVE SUMMARY

Bylaw 30M2004 (City Auditor) and City Auditor Model (AC2004-09 Attachment 2) require updating to reflect existing practices, align to other City documentation including Bylaw 48M2012 (Audit Committee), and to conform to standards set by the Institute of Internal Auditors.

RECOMMENDATION(S)

That Audit Committee recommends that Council

1. Approve the City Auditor's Office Charter (Attachment 2)
2. Give three readings to the proposed Bylaw to amend the City Auditor Bylaw 30M2004 (Attachment 3)

RECOMMENDATION OF THE AUDIT COMMITTEE, DATED 2013 DECEMBER 12:

That Council:

1. Approve the City Auditor's Office Charter (Attachment 2); and
2. Give 3 Readings to 4M2014.

PREVIOUS COUNCIL DIRECTION / POLICY

Council approved Bylaw 30M2004 (Bylaw to establish the position of City Auditor) and AC2004-09 Attachment 2 (City Auditor Model) on May 17, 2004. Council approved Bylaw 48M2012 (Bylaw to continue the Audit Committee) on May 5, 2012.

BACKGROUND

The City Auditor's Office provides independent and objective internal audit services for the City of Calgary. Bylaw 30M2004 establishes the position of the City Auditor and states that the City Auditor is responsible for assisting Council in its oversight of the City Manager's administration and accountability for stewardship over public funds and achievement of value for money in City operations. Bylaw 30M2004 and AC2004-09 City Auditor Model collectively form the terms of reference governing the City Auditor.

The City Auditor's Office follows the Institute of Internal Auditors' (IIA) *International Standards for the Professional Practice of Internal Auditing (Standards)*. As reported to Council in AC2013-0278, the City Auditor's Office underwent an external Quality Assessment Review in Q1 2013. This review concluded that the City Auditor's Office "Generally Conforms" to the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*. The review also highlighted three ways that the City Auditor's Office could further enhance conformity with *Standards*. One of these recommendations was to "Periodically review, update and obtain approval for the Internal Audit Charter".

The City Auditor Model (previously approved by Council in 2004) no longer accurately and fully represents the key aspects of the City Auditor's Office role. The Model has not been reviewed or updated since 2004. As written, it also does not fully address all aspects of an audit charter

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as set out in the *Standards*. Updating the Model into a City Auditor's Office Charter allows the City Auditor's Office to address the recommendation made by the Quality Assessment Review, fully conform to *Standards*, and ensure that there is an accurate and complete Council approved summary of the purpose and nature of the internal audit function. The proposed Charter, if approved, would replace the City Auditor Model.

Bylaw 30M2004 has not been updated since Council approval in May 2004. In 2012, Council approved Bylaw 48M2012. Following this approval, the City Auditor's Office wished to review Bylaw 30M2004 to provide assurance that roles and responsibilities of the City Auditor align with Council's expectation as defined in its delegation to Audit Committee. This project has been included as a City Auditor's Office deliverable in Council-approved Annual Audit Plans. Updating the Model and the Bylaw in tandem ensures consistency between the documentation. Upon approval, the Bylaw as amended and Charter, along with 48M2012, will form the terms of reference governing the City Auditor's Office.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

To identify amendments proposed, the City Auditor's Office compared the existing Bylaw 30M2004 and City Auditor Model to:

- The requirements of an internal audit charter as set out by the Institute of Internal Auditors;
- Model documents available from the Institute of Internal Auditors;
- Audit Committee Bylaw 48M2012 as amended; and
- Other Canadian Municipality Bylaws regarding their internal audit functions.

The amendments to the Bylaw and the proposed charter do not seek to change the current City Auditor role as set out in 48M2012, but are designed to update the wording of the documents to reflect current practices, and to fully conform with the requirements of the Institute of Internal Auditors. Attachment 1 summarizes the key changes proposed.

Stakeholder Engagement, Research and Communication

The City Auditor's Office consulted with The City's Law Department regarding the proposed amendments to the Bylaw and Model.

Strategic Alignment

The City Auditor's Office assists Council in its oversight of the City Manager's administration and accountability for stewardship over public funds.

Social, Environmental, Economic (External)

This report has been reviewed for alignment with The City of Calgary's Triple Bottom Line (TBL) Policy Framework. No implications are identified.

Financial Capacity

Current and Future Operating Budget:

No impact.

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Current and Future Capital Budget:

No impact.

Risk Assessment

Not applicable.

REASONS FOR RECOMMENDATIONS:

Council approval is required to amend a previously approved Bylaw or report. Bylaw 30M2004 and AC2004-09 Attachment 2 City Auditor Model require amendment to align to Bylaw 48M2012, reflect existing practices, and conform to Institute of Internal Auditor Standards.

ATTACHMENTS

1. Summary of Key Changes
2. City Auditor's Office Charter
3. Proposed wording of a Bylaw to amend Bylaw 30M2004
4. AC2004-09 Attachment 2 City Auditor Model
5. Bylaw 30M2004
6. **Bylaw 4M2014**