

**AUDIT COMMITTEE BYLAW 33M2020  
PROPOSED AMENDMENTS AND RATIONALE**

Page, Schedule & Section of Bylaw 33M2020	Current State of Bylaw	Proposed Amendments	Comments / Rationale
Page 1 Section 2  <u>Definitions</u>	Silent	Add the following definition to Section 2 as a new sub-section 2(1)(d.1) as follows:  <b>“Civic Partner” means a Strategy Delivery Partner or a Program and Service Delivery Partner as those terms are described in the Investing in Partnerships Policy (CP2017-01), Schedule 3 – Partnership Categories;“.</b>	<u>Housekeeping amendment</u>  This amendment aligns with the Major Partners Division definition of “Civic Partner” per Policy CP2017-01, Investing in Partnership Policy, Schedule 3, Partnership Categories  Per Policy CP2017-01, the definition of “Partner” is an independent organization that agrees to collaborate with The City to deliver positive results for Calgarians.
Page 2 Section 4(1)(a)  <u>Mandate</u>	4. (1) The mandate of Audit Committee is to:  (a) assist <i>Council</i> in fulfilling its oversight and stewardship responsibilities by gaining and maintaining reasonable assurance in relation to:  Sub-sections (i) through (v)	Add a new Section 4(1)(a)(vi.1) as follows:  4. (1) The mandate of Audit Committee is to:  (a) assist <i>Council</i> in fulfilling its oversight and stewardship responsibilities by gaining and maintaining reasonable assurance in relation to:  <b>(vi.1) Administration’s establishment of processes to manage critical City of Calgary assets, including but not limited to, infrastructure assets, investments, and information assets.</b>	<u>Audit Committee’s mandate, role and authority</u>  Provides clarity on Audit Committee’s role with respect to City of Calgary assets and investments.

<p>Page 2 Section 5(a)</p> <p><u>Authority of Audit Committee</u></p>	<p>5. The Audit Committee is authorized to:</p> <p>(a) assign the setting of Audit Committee meeting agendas to the Chair;</p>	<p>Amend Section 5(a) as follows:</p> <p>5. The Audit Committee is authorized to:</p> <p>(a) Assign the setting of Audit Committee meeting agendas to the Chair <b>or Vice-Chair</b>;</p>	<p><u>Clarifying current practice</u></p> <p>Add the words “<b>or Vice-Chair</b>”</p> <p>In practice both the Chair and Vice-Chair often work together to set the Audit Agendas.</p>
<p>Page 3 Section 5(d)</p> <p><u>Authority of Audit Committee</u></p>	<p>5. The Audit Committee is authorized to:</p> <p>(d) receive reports from Administration and civic entities in support of fulfilling the Audit Committee work plan and to recommend to Council any actions deemed appropriate;</p>	<p>Amend Section 5(d) as follows:</p> <p>5. The Audit Committee is authorized to:</p> <p>(d) receive reports from Administration in support of fulfilling the Audit Committee work plan and to recommend to Council any actions deemed appropriate;</p>	<p><u>Audit Committee’s mandate, role and authority</u></p> <p>Delete the words “and civic entities”.</p> <p>For Audit Committee’s role with respect to civic partners see the amendment to Schedule A Section 1(d), <u>Regarding the Purpose and Role of Audit Committee</u></p>
<p>Page 3 Section 5(f)(i)</p> <p><u>Authority of Audit Committee</u></p>	<p>5. The Audit Committee is authorized to:</p> <p>(f) pre-approve all audit and non-audit services performed by the External Auditor and further provide that:</p> <p>(i) the Chair can pre-approve additional audit or non-audit services, performed by the External Auditor up to \$50,000 total annually and must report those approvals to the Audit Committee; and</p>	<p>Amend Section 5(f)(i) as follows:</p> <p>5. The Audit Committee is authorized to:</p> <p>(f) pre-approve all audit and non-audit services performed by the External Auditor and further provide that:</p> <p>(i) the Chair can pre-approve additional audit or non-audit services, performed by the External Auditor up to <b>\$75,000</b> total annually and must report those approvals to the Audit Committee; and</p>	<p><u>Audit Committee’s mandate, role and authority</u></p> <p>Amend “\$50,000” to “<b>\$75,000</b>”</p> <p>Prevents delays in the approval of additional audit or non-audit services should there be no immediate Audit Committee meeting scheduled.</p> <p>Revising the total approval limit permitted by the Chair annually to \$75,000 takes increased market values for external audit services into consideration.</p>

<p>Page 3 Section 5(f)(ii)</p> <p><u>Authority of Audit Committee</u></p>	<p>5. The Audit Committee is authorized to:</p> <p>(f) pre-approve all audit and non-audit services performed by the External Auditor and further provide that:</p> <p>(ii) on an annual basis, total fees for non-audit services performed by the External auditor shall not exceed the total audit fees approved for The City of Calgary consolidated audit, including all subsidiary and related entity audits;</p>	<p>Amend Section 5(f)(ii) as follows:</p> <p>5. The Audit Committee is authorized to:</p> <p>(f) pre-approve all audit and non-audit services performed by the External Auditor and further provide that:</p> <p>(ii) on an annual basis, total fees for non-audit services performed by the External auditor shall not exceed <b>60% of</b> the total audit fees approved for The City of Calgary consolidated audit, including all subsidiary and related entity audits;</p>	<p><u>Audit Committee’s mandate, role and authority</u></p> <p>This proposed amendment to the limit on non-audit services permitted to be provided by the external auditor is to support their independence by reducing the non-audit services permitted to be provided.</p> <p>Reduction to 60% generally would not affect their ability to bid on or perform additional non-audit work.</p>
<p>Page 3 Section 5(g)</p> <p><u>Authority of Audit Committee</u></p>	<p>5. The Audit Committee is authorized to:</p> <p>(g) recommend the appointment of the City Auditor to Council for approval;</p>	<p>Amend Section 5(g) as follows:</p> <p>5. The Audit Committee is authorized to:</p> <p>(g) <b>recruit and</b> recommend the appointment of the City Auditor to Council for approval;</p>	<p><u>Clarifying current practice</u></p> <p>Add the words “<b>recruit and</b>”</p> <p>This clarifies that Audit Committee oversees the recruitment of the City Auditor as well as making a recommendation for appointment to Council.</p>
<p>Page 3 Section 5(l)</p> <p><u>Authority of Audit Committee</u></p>	<p>5. The Audit Committee is authorized to:</p> <p>(l) approve the <i>City Auditor’s</i> and Executive Advisor’s personal expense reports, or other expenditures as required, through the Chair;</p>	<p>Amend Section 5(l) as follows:</p> <p>5. The Audit Committee is authorized to:</p> <p>(l) approve the <i>City Auditor’s</i> and Executive Advisor’s <b>expenses and time approvals</b>, or other expenditures as required, through the Chair;</p>	<p><u>Clarifying current practice</u></p> <p>Adding the words “<b>expenses and time approvals</b>”</p> <p>In practice the Chair approves expenses and time approvals for both the City Auditor and the Executive Advisor, and this clarifies that process.</p>

<p>Page 3          Section 6(1)(b)   <u>Composition</u></p>	<p>6. (1) The Audit Committee is composed of the following:</p> <ul style="list-style-type: none"> <li>(a) Four members of Council; and</li> <li>(b) Three public members that reside in Alberta and are not employed by The City.</li> </ul> <p>To be appointed at the Organizational Meeting.</p>	<p>Amend Section 6(1)(b) as follows:</p> <p>6. (1) The Audit Committee is composed of the following:</p> <ul style="list-style-type: none"> <li>a) Four members of Council; and</li> <li>B) three public members that reside in Alberta and <b>have not been employed for at least two years by The City in any role.</b></li> </ul> <p>To be appointed at the Organizational Meeting.</p>	<p><u>Audit Committee's mandate, role and authority</u></p> <p>This amendment is to maintain the independence of the Audit Committee by ensuring that public members are not employees of The City.</p>
<p>Page 4          Section 6(3)   <u>Composition</u></p>	<p>6. (3) Public members must be financially literate possessing a set of skills, experience and knowledge of financial matters that support informed and effective decisions.</p>	<p>Amend Section 6(3) as follows:</p> <p>6. (3) Public members must be <b>financial experts</b> possessing a set of skills, experience and knowledge of financial matters, <b>risk management or tangible capital assets</b> that support informed and effective decisions.</p>	<p><u>Audit Committee's mandate, role and authority</u></p> <p>When recruiting public members to Audit Committee to emphasis the high level of financial expertise being sought and to include expertise with risk management or tangible capital assets.</p>

<p>Page 4  Section 7(1)(a) &amp; (b) &amp; 7(2)   <u>Terms of Appointment</u></p>	<p>7. (1) Members of Council are appointed:</p> <p style="padding-left: 40px;">a) For a one-year term commencing on the date of the 2020 Organizational Meeting; and</p> <p style="padding-left: 40px;">b) For two-year terms commencing on the date of the 2021 Organizational meeting</p> <p>7. (2) Council member appointments expire on the date of the Organizational Meeting in the year of the expiry of the member's term</p>	<p>Delete Sections 7(1)(a) and (b) and 7(2) and replace with:</p> <p>7. (1) Members of Council are appointed <b>for two-year terms expiring on the date of the Organizational Meeting in the year of the expiry of the member's term.</b></p>	<p><u>Housekeeping amendment</u></p> <p>This tightens up the wording by deleting Sections of the bylaw no longer required.</p>
<p>Page 4  Section 7(6)   <u>Terms of Appointment</u></p>	<p>7. (6) Vacancies on the Audit Committee caused by retirement, resignation or incapacitation of a member may be filled by resolution of <i>Council</i> 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.</p>	<p>Amend Section 7(6) as follows:</p> <p>7. (6) Vacancies on the Audit Committee caused by retirement, resignation, <b>leave of absence</b> or incapacitation of a member may be filled by resolution of council at any time. The audit committee may continue to operate and conduct business until vacancies are filled provided that the quorum requirement is met</p>	<p><u>Housekeeping amendment</u></p> <p>Wording to include leaves of absence as contained in Council Policy CP2016-03, Governance and Appointments of Boards, Commissions and Committees, Section 5.19, Leave of Absence.</p> <p>Current wording does not address vacancies caused by an eligible Leave of Absence (bereavement, family responsibilities, maternity, parental, caregiver, or medical leave).</p>
<p>Page 5  Section 10(1)   <u>Quorum</u></p>	<p>10. (1) The quorum of Audit Committee is four members, including a minimum of one public member.</p>	<p>Amend Section 10(1) as follows:</p> <p>10. (1) The quorum of Audit Committee is four members, including a minimum of one public member <b>and must include either the Chair or Vice-Chair.</b></p>	<p><u>Audit Committee's mandate, role and authority</u></p> <p>As the agenda is set by the Chair and Vice-Chair, it seems reasonable, if not effective, to ensure that quorum includes either the Chair or Vice-Chair.</p>

<p>Page 5 Section 11(1)</p> <p><u>Appointment of Chair and Vice-Chair</u></p>	<p>11. (1) The Chair and Vice-Chair are appointed by Council at the Organizational Meeting.</p>	<p>Amend Section 11(1) as follows:</p> <p>11. (1) The Chair and Vice-Chair are appointed by Council <b>annually</b> at the Organizational Meeting.</p>	<p><u>Clarifying current practice</u></p> <p>In practice the Chair and Vice-Chair have been appointed for one-year terms, however the addition of the word “<b>annually</b>” avoids any confusion since Councillors are appointed to Audit Committee as members for two-year terms.</p>
<p>Page 6 Section 14(2)</p> <p><u>Executive Advisor</u></p>	<p>14. (2) The Executive Advisor will provide reporting, research, planning, documentation, and meeting logistical support to the Audit Committee.</p>	<p>Amend Section 14(2) as follows:</p> <p>14. (2) The Executive Advisor will provide reporting, research, planning, documentation, <b>legislative</b> and meeting logistical support to the Audit Committee.</p>	<p><u>Clarifying current practice</u></p> <p>Legislative support is an important service that is provided to the Audit Committee.</p>
<p>Page 7 Schedule A Section 1(b)</p> <p><u>Regarding the Purpose and Role of Audit Committee</u></p>	<p>1. The Audit Committee:</p> <p>(b) assesses the performance of the External Auditor and City Auditor and forwards the performance assessments to Council for information.</p>	<p>Amend Schedule A, Section 1(b) and add new Section 1(b.1) as follows:</p> <p>1. The Audit Committee:</p> <p>(b) <b>annually</b> assesses the performance of the External Auditor and forwards the performance assessments to Council for information; <b>and</b></p> <p>(b.1) <b>through the Audit Committee Chair, annually assesses the performance of the City Auditor and forwards the performance assessment to Council for information.</b></p>	<p><u>Clarifying current practice</u></p> <p>Broken into two separate statements to provide clarity on who is performing the assessment (Audit Committee or the Audit Committee Chair).</p> <p>The City Auditor is an employee of Council whereas the External Auditor is an external supplier; therefore, there are two different types of oversight and performance evaluation.</p>

<p>Page 7          Schedule A          Section 1(d)</p> <p><u>Regarding the Purpose and Role of Audit Committee</u></p>	<p>1. The Audit Committee:</p> <p>(d) oversees its governance responsibility with audit committees of <i>The City's</i> major autonomous civic entities, as determined by the Audit Committee;</p>	<p>Delete Schedule A, Section 1(d) and replace with the following:</p> <p>1. The Audit Committee:</p> <p><b>(d) may invite <i>Civic Partners</i> to provide a report and presentation on their governance, financial insights, risk management practices and other matters as determined by the Audit Committee and recommend to Council any actions within <i>City</i> authority that are deemed appropriate;"</b></p>	<p><u>Audit Committee's mandate, role and authority</u></p> <p>Provides clarity on Audit Committee's role with the civic partners. There should be a continuity of governance between Council and its civic partners.</p>
<p>Page 7          Schedule A          Section 1(f)</p> <p><u>Regarding the Purpose and Role of Audit Committee</u></p>	<p>1. The Audit Committee:</p> <p>(f) Develops an annual budget for the Audit Committee and recommends it to Council for approval, as part of the City's annual budget process.</p>	<p>Amend Schedule A, Section 1(f) as follows:</p> <p>1. The Audit Committee:</p> <p>(f) Develops an annual budget for the Audit Committee and recommends it to Council for approval, as part of The City's budget process.</p>	<p><u>Clarifying current practice</u></p> <p>While it is annual, the process is different as there are 4-year business plans and budgets and an annual budget adjustment process.</p>

<p>Page 8          Schedule A          Section 4(a), (b) &amp; (c)   <u>Regarding Internal Control and Risk</u></p>	<p>4. The Audit Committee:</p> <ul style="list-style-type: none"> <li>(a) Oversees the integrity of The City’s internal controls;</li> <li>(b) Oversees The City’s process of risk identification, analysis, and management procedures to mitigate risk; and</li> <li>(c) Oversees, through the City Auditor’s Office, the operation of Council Policy CC025, Whistle-blower Policy.</li> </ul>	<p>Delete Schedule A, Section 4(a), (b) &amp; (c) and replace with the following:</p> <p>4. The Audit Committee:</p> <ul style="list-style-type: none"> <li><b>(a) gains and maintains assurance that Administration has established processes to identify, analyze, and mitigate risk, and has established associated internal controls;</b></li> <li><b>(b) reviews reports from Administration concerning The City’s internal control systems, including technology, security, climate, and financial controls;</b></li> <li><b>(c) gains and maintains assurance that the City Auditor has established processes to support the operation of Council Policy CP2022-06, Whistle-Blower Policy; and</b></li> <li><b>(d) reviews the adequacy and effectiveness of the Code of Conduct Program.</b></li> </ul>	<p><u>Audit Committee’s mandate, role and authority</u></p> <p>To capture more precisely Audit Committee’s role regarding risk and internal control.</p> <p>City Auditors Office performed an audit on the Code of Conduct (AC2023-0537). Recommendations included oversight of the Code of Conduct program by Audit Committee, as well as the provision of a report by Administration rather than a briefing to Audit Committee.</p> <p><u>Housekeeping amendment</u></p> <p>To update the Policy number for the Whistle-Blower Policy.</p>
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<p>Page 9          Schedule B          Section 1(a)</p> <p><u>Regarding the          External Auditor</u></p>	<p>1. The Audit Committee:</p> <p>(a) prior to the commencement of the annual external financial audit, reviews the audit plan and estimated audit fees with the <i>External Auditor</i> and discusses the timing and extent of audit procedures, materiality, significant audit risks and areas of audit focus and overall audit strategy. The audit plan is forwarded to <i>Council</i> for information;</p> <p>(b) in conjunction with Administration’s presentation of the annual financial statements, receives and reviews the External Auditor’s year end audit results report. This report is to be forwarded to Council for information;</p>	<p>Amend Schedule B, Section 1(a) as follows:</p> <p>1. The Audit Committee:</p> <p>(a) prior to the commencement of the annual external financial audit, reviews the audit plan and estimated audit fees with the <i>External Auditor</i> and discusses the timing and extent of audit procedures, materiality, significant audit risks and areas of audit focus and overall audit strategy. <b>The <i>External Auditor’s</i> preliminary base audit fee estimates based on information available at the time of the <i>External Auditor’s</i> audit plan mailout and subject to change based on the full scoping of and progression of work on the audits for <i>The City’s</i> government business enterprise, related authorities and the ancillary audits are to be included in <i>The City’s</i> audit plan for information purposes only.</b> The audit plan is forwarded to <i>Council</i> for information;</p>	<p><u>Clarifying current practice</u></p> <p>The amendment to Section 1(a) formalizes a process that has been in place for many years giving the Audit Committee transparency on the estimated total audit fees for all year-end audits the external auditor is contracted to perform for The City.</p>
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<p>Page 10          Schedule C          Section 1(b)</p> <p><u>Regarding the City Auditor</u></p>	<p>1. The Audit Committee:</p> <p>(b) reviews the City Auditor’s Office audit plan and budget with the City Auditor and discusses the scheduling, resourcing, risk areas, coverage and overall audit strategy;</p>	<p>Amend Schedule C, Section 1(b) as follows:</p> <p>1. The Audit Committee:</p> <p>(b) reviews the City Auditor’s Office audit plan and budget with the City Auditor and discusses the scheduling, resourcing, risk areas, coverage, and overall audit strategy; <b>and makes a recommendation to Council on the City Auditor’s Office budget.</b></p>	<p><u>Clarifying current practice</u></p> <p>Clarification that the Audit Committee recommends to Council approval of the City Auditor’s budget.</p>
<p>Page 10          Schedule C          Section 1(d)</p> <p><u>Regarding the City Auditor</u></p>	<p>1. The Audit Committee:</p> <p>(d) assesses annually, the performance of the <i>City Auditor</i>, by way of a formal review process through the Audit Committee Chair and forwards this performance assessment to <i>Council</i> for information;</p>	<p>Amend Schedule C, Section 1(d) as follows:</p> <p>1. The Audit Committee:</p> <p>(d) <b>through the Audit Committee Chair, annually assesses</b> the performance of the <i>City Auditor</i>, by way of a formal review process and forwards this performance assessment to <i>Council</i> for information;</p>	<p><u>Housekeeping amendment</u></p> <p>To provide consistency with Schedule A, New Section 1(b.1)</p> <p><u>Regarding the Purpose and Role of Audit Committee</u></p> <p>(b.1) <b>through the Audit Committee Chair, annually assesses the performance of the City Auditor and forwards the performance assessment to Council for information.</b></p>