

Redline Markups on Proposed Amendments to Audit Committee Bylaw 33M2020

**SHORT TITLE**

1. This Bylaw may be cited as the “Audit Committee Bylaw”.

**DEFINITIONS**

2. (1) In this Bylaw,
  - (a) “*Administration*” means the administration of *The City*;
  - (b) “*Chief Financial Officer*” means the member of *Administration* holding the position of Chief Financial Officer;
  - (c) “*City Auditor*” means the individual appointed by *Council* to the designated officer position of City Auditor pursuant to Bylaw 30M2004;
  - (d) “*City Manager*” means the individual appointed by *Council* as its chief administrative officer pursuant to Bylaw 8M2001;
  - (d).1 “*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;**
  - (e) “*Council*” means the municipal council of *The City*;
  - (f) “*External Auditor*” means the person or firm appointed by *Council* to be *The City’s* external auditor;
  - (g) “*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;
  - (h) “*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 COMMITTEE

4. (1) The mandate of the Audit Committee is to:
- (a) assist *Council* in fulfilling its oversight and stewardship responsibilities by gaining and maintaining reasonable assurance in relation to:
    - (i) the integrity of *The City's* annual financial statements;
    - (ii) effective governance, risk management and compliance, including the evaluation of the performance of control systems and processes;
    - (iii) the qualifications, independence, and effectiveness of the *External Auditor* and the *City Auditor*;
    - (iv) the utilization of a confidential and independent Whistle-blower Program; **and**
    - (iv.1) *Administration's establishment of processes to manage critical City of Calgary assets, including but not limited to, infrastructure assets, investments, and information assets; and*".**
    - (v) additional matters described herein or as may be assigned to the Audit Committee by *Council*.
  - (b) support *Council's* effective decision-making by being involved in a broader governance role through oversight and responsibilities as indicated in Schedules "A", "B" and "C" of this Bylaw.
- (2) The Audit Committee reports to *Council*.

## AUTHORITY OF AUDIT COMMITTEE

5. The Audit Committee is authorized to:
- (a) assign the setting of Audit Committee meeting agendas to the Chair **or Vice-Chair**;
  - (b) institute special audits, program reviews, and special studies, including the standing authority to retain expertise through external consultants;
  - (c) request reports from the *City Manager* regarding:
    - (i) matters that have a material or significant financial impact to *The City*; and
    - (ii) *The City's* Integrated Risk Management and corporate risks, at least twice a year;

- (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;
- (e) recommend the appointment of the *External Auditor* to *Council* for approval;
- (f) pre-approve all audit and non-audit services performed by the *External Auditor* and further provide that:
  - (i) the Chair can pre-approve additional audit or non-audit services, performed by the *External Auditor*, up to ~~\$75,000~~ **\$50,000** total annually and must report those approvals to the Audit Committee; and
  - (ii) on an annual basis, total fees for non-audit services performed by the *External Auditor* shall not exceed **60% of** the total audit fees approved for The City of Calgary consolidated audit, including all subsidiary and related entity audits;
- (g) **recruit and** recommend the appointment of the *City Auditor* to *Council* for approval;
- (h) approve the *City Auditor's* Office audit plan and forwards to *Council* for information; the Audit Committee or *Council* may not remove items from the *City Auditor's* audit plan but may direct items be added to the plan;
- (i) recommend *Council* approval of the *City Auditor's* Office budget, annually or as required by *Council* budget guidelines;
- (j) appoint an individual to the position of Executive Advisor to provide support to the Audit Committee;
- (k) approve any changes to the Executive Advisor's position description;
- (l) approve the *City Auditor's* and Executive Advisor's **personal expense reports, expenses or time approvals** or other expenditures as required, through the Chair;
- (m) establish sub-committees as required.

## COMPOSITION

6. (1) The Audit Committee is composed of the following:
  - (a) four members of *Council*; and
  - (b) three public members that reside in Alberta **and are not employed by The City and have not been employed for at least 2 years by The City in any role;**

to be appointed at the *Organizational Meeting*.

- (2) The Mayor is an ex-officio member of the Audit Committee.
- (3) Public members must be **financially-literate financial experts** possessing a set of skills, experience and knowledge of financial matters, **risk management or tangible capital assets**, that support informed and effective decisions.
- (4) The Audit Committee identifies preferred skills for new public members, pursuant to *Council* policy CP2016-03.

## TERMS OF APPOINTMENT

7. (1) Members of *Council* are appointed **for two-year terms expiring on the date of the Organizational Meeting in the year of the expiry of the member's term.**
  - ~~(a) for a one-year term commencing on the date of the 2020 Organizational Meeting; and~~
  - ~~(b) for two-year terms, commencing on the date of the 2021 Organizational Meeting.~~
- (2) ~~Council member appointments expire on the date of the Organizational Meeting in the year of the expiry of the member's term.~~
- (3) Public members are appointed for two-year terms commencing on the date of the *Organizational Meeting* and expiring on the date of the *Organizational Meeting* in the year of the expiry of the member's term.
- (4) Public members may serve a maximum of six consecutive years.
- (5) Despite subsection (3), a public member may serve until his or her successor is appointed. The service of a public member beyond the appointed term shall not count toward the limit on the length of service as set out in subsection (4) if the additional service is one year or less.
- (6) Vacancies on the Audit Committee caused by retirement, resignation, **leave of absence**, or incapacitation 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.
- (7) When an appointment is made to fill a public member vacancy pursuant to subsection (6):
  - (a) if the balance of the term to be served is one year or less, that service shall not count toward the limit on the length of service set out in subsection (4); and
  - (b) if the balance of the term to be served is more than one year, that service shall count toward the limit on the length of service set out in subsection (4).

- (8) Despite subsection (4), a public member may serve more than six consecutive years if authorized by a two-thirds vote of *Council*.
- (9) The term of a public member who was appointed prior to the coming into force of this Bylaw continues until it expires in accordance with *Council's* resolution appointing that member.

#### **CONTINUING EDUCATION**

8. (1) The Chair may authorize members of the Audit Committee to have the opportunity to obtain education, either from *The City, the City Auditor, the External Auditor* or through outside programs, to address identified gaps in knowledge, to further support the mandate of the Audit Committee.
- (2) Funding to support appropriate education for Audit Committee members may be included in the Audit Committee's budget.

#### **MEETINGS AND ATTENDANCE**

9. (1) The Audit Committee must meet not less than six times per year.
- (2) Only members of the Audit Committee are entitled to vote.
- (3) The following individuals, or their designates, must attend all Audit Committee meetings:
  - (a) the *Chief Financial Officer*;
  - (b) the *City Auditor*;
  - (c) the *External Auditor*; and
  - (d) the Executive Advisor

#### **QUORUM**

10. (1) The quorum of the Audit Committee is four members, including a minimum of one public member **and must include either the Chair or Vice-Chair**.
- (2) A member participating remotely is deemed to be present at the meeting and counts towards the quorum.

#### **APPOINTMENT OF CHAIR AND VICE-CHAIR**

11. (1) The Chair and Vice-Chair are appointed by *Council* **annually** at the *Organizational Meeting*.
- (2) The Chair and Vice-Chair must be members of *Council*.

#### **EXTERNAL AUDITOR**

12. The functions of the *External Auditor* are more fully set out in Schedule “B”.

#### **CITY AUDITOR**

13. The functions of the *City Auditor* are more fully set out in Schedule “C”.

#### **EXECUTIVE ADVISOR**

14. (1) The Executive Advisor reports to the Audit Committee through the Chair.
- (2) The Executive Advisor will provide reporting, research, planning, documentation, **legislative** and meeting logistical support to the Audit Committee.

#### **REPEAL COMING INTO FORCE**

15. Bylaw 48M2012 is hereby repealed.

#### **COMING INTO FORCE**

16. This Bylaw comes into force on 26 October 2020.

## SCHEDULE "A"

### 1. REGARDING THE PURPOSE AND ROLE OF AUDIT COMMITTEE

The Audit Committee:

- (a) oversees, reviews and assesses the relationships between the *Administration*, the *City Auditor* and *External Auditor*;
- (b) **annually** assesses the performance of the *External Auditor* and the *City Auditor* and forwards the performance assessments to *Council* for information;
- (b.1) through the Chair, annually assesses the performance of the City Auditor and forwards the performance assessment to Council for information;**
- (c) assesses the performance of the Executive Advisor through the Audit Committee Chair;
- (d) ~~oversees its governance responsibility with audit committees of The City's major autonomous civic entities, as determined by the Audit Committee;~~ may invite the Civic Partners 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 City authority that are deemed appropriate;**
- (e) develops a detailed annual work plan which is forwarded to *Council* for information;
- (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;
- (g) must review its terms of reference and mandate as set out in this Bylaw and as they may impact the City Auditor Bylaw 30M2004, at least every three years and recommend any changes to *Council*; and
- (h) must perform an annual self-assessment on the performance of the Audit Committee.

### 2. REGARDING THE CITY'S FINANCIAL DISCLOSURE AND ACCOUNTING PRACTICES

The Audit Committee:

- (a) reviews and oversees the integrity of the annual financial statements and recommends their approval to *Council*;
- (b) reviews and discusses *The City's* compliance with financial reporting, policies and procedures with *Administration* and the *External Auditor*;

- (c) engages *Administration* 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) in consultation with the *Chief Financial Officer* and *External Auditor*, review and discuss significant new accounting standards and financial reporting developments to understand any material impact on financial results. A detailed analysis, prepared by *Administration*, on the implications of any changes, as well as the progress made in the adoption of new accounting standards, may be requested; and
- (e) maintains open lines of communication with the *External Auditor* and *Administration*.

### 3. REGARDING SPECIAL AUDITS, PROGRAM REVIEWS OR SPECIAL STUDIES

The Audit Committee:

- (a) oversees and approves special audits, program reviews or special 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*; and
- (b) reviews the results of special audits, program reviews or special studies, together with responses, and forwards to *Council* for information.

### 4. REGARDING INTERNAL CONTROL AND RISK

The Audit Committee:

- (a) ~~oversees the integrity of The City's internal controls; gains and maintains assurance that Administration has established processes to identify, analyze, and mitigate risk, and has established associated internal controls;~~
- (b) ~~oversees The City's process of risk identification, analysis and management procedures to mitigate risk; and reviews reports from Administration concerning The City's internal control systems, including technology, security, climate, and financial controls;~~
- (c) ~~oversees, through the City Auditor's Office, the operation of Council Policy CC025, Whistle-Blower Policy. gains and maintains assurance that the City Auditor has established processes to support the operation of Council Policy CP2022-06, Whistle-Blower Policy; and~~
- (d) reviews the adequacy and effectiveness of the Code of Conduct Program.



## SCHEDULE "B"

### 1. REGARDING THE EXTERNAL AUDITOR

The Audit Committee:

- (a) prior to the commencement of the annual external financial audit, reviews the audit plan and estimated audit fees with the *External Auditor* and discusses the timing and extent of audit procedures, materiality, significant audit risks and areas of audit focus and overall audit strategy. The *External Auditor's* preliminary base audit fee estimates based on information available at the time of the *External Auditor's* audit plan mailout and subject to change based on the full scoping of and progression of work on the audits for *The City's* government business enterprise, related authorities and the ancillary audits are to be included in *The City's* audit plan for information purposes only. The audit plan is forwarded to Council for information;
  - (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;
  - (c) requires the *External Auditor* to express an opinion on *The City's* financial statements, in accordance with professional standards;
  - (d) receives and reviews the *External Auditor's* management letter(s), and reviews *Administration* responses, and forwards, either in full or in summary, to *Council* for information. Through query, confirm that any recommendations made by the *External Auditor* are addressed by *Administration* in a timely manner;
  - (e) must *meet* with the *External Auditor*, in the absence of *Administration*, at least quarterly;
  - (f) annually assesses the performance of the *External Auditor*, following the presentation of the *External Auditor's* current management letter and forwards this assessment to *Council* for information;
  - (g) must meet at least annually with *Administration*, in the absence of the *External Auditor*, at the time of the *External Auditor* performance assessment; and
  - (h) receives and reviews the *External Auditor's* annual independence letter. Through query, confirm the process by which the *External Auditor* maintains their independence and objectivity.
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"

### 1. REGARDING THE CITY AUDITOR

The Audit Committee:

- (a) in accordance with Bylaw 30M2004, oversees and ensures the authority, accountability, independence and objectivity of the *City Auditor* on behalf of *Council*;
- (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 **and makes a recommendation to Council on the City Auditor's Office budget;**
- (c) ensures that *City Auditor's* Office undergoes an independent assessment review and confirms professional standards at least every five years;
- (d) **assesses annually, through the Chair, annually assesses** the performance of the *City Auditor*, by way of a formal review process through the Audit Committee Chair and forwards this performance assessment to *Council* for information;
- (e) reviews and forwards to *Council* for information, the *City Auditor's* Office quarterly and annual status reports which includes activity of the Whistle-blower Program;
- (f) receives directly from the *City Auditor* any individual audit report, including as applicable, *Administration's* response and corrective action to be taken to specific audit recommendations, and forwards these to *Council* for information;
- (g) 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; and
- (h) ensures that the Audit Committee work plan includes regular closed meeting discussions between Audit Committee and the *City Auditor* no less than quarterly.