

**The Calgary Public Library Board  
Annual Report, Governance and Risk Management Processes  
25 July 2018**

We are pleased to present the annual Audit Governance Status report from the Calgary Public Library Board highlighting the Library's 2017 Annual Report, risk management processes and the Audit and Finance Committee terms of reference. This section contains the Library's responses to the six items that are to be included in the annual report, and responses to the additional questions posed in the letter from the Chair of the Audit Committee.

**1. A brief summary on governance structure, succession planning and recruitment process, recent financial highlights and key 2018 initiatives/strategy**

**1.1. Governance Structure**

The history of the Calgary Public Library has been intertwined with The City of Calgary since 1908 when Bylaw 859 provided for the establishment of a Public Library in Calgary.

The current bylaw, 38M2006, continues the Calgary Public Library Board as the municipal library board for the City of Calgary, pursuant to Section 3 of the *Libraries Act* (Alberta), Revised Statutes of Alberta 2000, chapter L-11. The duties, structure, procedures, budget, and independent audit requirements for an annual review of financial accounts and processes are clearly specified in the Bylaw. Additional guidelines are contained in the *Libraries Act* (Alberta) and the Libraries Regulation, Alta Reg. 141/1998.

The Library Act places the authority for full management and control of the Calgary Public Library with the Library Board. The Board assumes with that authority the duty to develop policies related to the framework, governance, and operation of the Library. Pursuant to the Act and the City Bylaw, Board members are appointed by City Council.

The Board governs itself using the Calgary Public Library Board Governance Bylaw and the Calgary Public Library Board Policies. The Library's Policies are used to provide effective parameters and direction for decisions and actions undertaken by the Board, management and staff. Policies currently exist for Board conduct, finance, human resources, library materials, library premises use and safety, and donations.

The last formal review of the Governance Bylaw and Board Policies occurred in 2015, but updates are approved by the Board as needed, including a current review to ensure that the existing policies align with the 2019 – 2022 Strategic Plan.

Board Policies are available on the Library web site.

The following people currently sit on the Calgary Public Library Board:

|                   |  |
|-------------------|--|
| Board Chair:      | Janet Hutchinson   |
| Board Vice-Chair: | Shereen Samuels  |
| Board Members:    | Councillor Druh Farrell, Debra Giles, Judy Gray, Robert Macaulay, Avnish Mehta, Andrew Rodych, Councillor Evan Woolley |

The Board elects a Chair annually.

Members of the Board sit on up to three Standing Committees based on their experience and knowledge. These committees currently are:

Audit and Finance  
Governance  
Strategy and Community

Other ad-hoc committees may be formed on an as-needed basis. Although not an ad-hoc committee, two Board members act as Liaisons with the Library and CMLC and report back to the Board on an ongoing basis regarding the New Central Library.

The Board employs the Chief Executive Officer who in turn implements the policies and manages the daily operations of the Calgary Public Library. The Chief Executive Officer is accountable to the Board. All other staff are accountable to the Chief Executive Officer.

## **1.2. Succession Planning and Recruitment Process**

The Library Board enhanced its process for the recruitment of qualified Board members at the request of City Council in 2012. Our recruitment process is designed to match candidates to the Library Board's needs and provide Council with a list of qualified appointees. Attachment 2 describes the process.

The Board's Governance Committee has developed criteria, including a skills matrix, for future Board candidates to ensure that we attract qualified and committed Calgarians. This recruitment process has produced a high-functioning Board, which is diverse and open to a wide variety of perspectives. Interest in serving on the Library Board continues to be very strong.

Staggered terms of appointment ensure an appropriate balance of experience and fresh eyes. Two Board members, whose terms expire in 2018, are eligible for reappointment. A recent Board vacancy will also be filled when Council considers the expiring terms.

The Governance Committee reviews and evaluates the CEO's position, and were responsible for the development of a succession plan. If the position becomes vacant, the Board Chair will appoint an interim CEO and will strike a CEO search Committee to begin the process of an Executive Search.

Part of its most recent work, leading to Board adoption, was the creation of an Emergency Succession Plan for the CEO, based on a Crisis Protocol Plan, which provides an overview of actions to be taken if the CEO is suddenly unable to perform their duties through either temporary interruption, or an interim need for leadership transition.

The Library has positioned itself to meet other staffing requirements and transitions. We continue to predict a competitive work environment where recruiting staff with the necessary expertise to capably handle both traditional Library services and the additional services in the community will be challenging. As a result, we are investing in the training, coaching and mentoring of current staff to ensure that they are equipped to take on leadership and management roles in the future.

A component of the plan for transitioning service prior to the opening of the New Central Library included an organizational restructuring which was completed in March of 2017. The goals of this restructuring were to ensure sufficient organizational energy and focus was devoted to New Central Library planning and transition and to ensure that New Central Library innovations and

initiatives are integrated with the entire library system. All positions were successfully filled with existing staff.

Specialized skills, such as IT, Finance, and Human Resources are also affected by the qualifications of candidates applying for positions. We are also giving priority to hiring qualified candidates from communities that are under represented among our existing staff.

### **1.3. Recent Financial Highlights**

The Library's 2017 audit was recently completed. The auditor's year end communications (Attachment 3) and full financial statements (Attachment 4) are attached to this report.

Deloitte was again able to provide an audit opinion that the financial statements present fairly, in all material respects, the financial position of The Calgary Public Library Board as at December 31, 2017, and the results of its operations, cash flows and changes in net financial assets for the year then ended in accordance with Canadian Public Sector Accounting Standards.

The notes play an important role in explaining the statements, but do not fully explain the differences between budget and actual in several categories on the Statement of Operations and Accumulated Surplus. While we have shown how the budget, which is prepared on a modified cash basis, and the actuals, which follow full accrual accounting, are reconciled in note 1 we are also including additional detail in Attachment 5 to further explain significant differences between our expenditures and budget.

The Library is pleased to share that our accumulated surplus remained stable at \$55.3 million. Full details of the accumulated surplus are listed on page 18 of the Financial Statements. The combined restricted and unrestricted surplus grew by \$192 thousand.

During 2017 the Library used the resources entrusted to it to continue meeting the goals of our 2015 -2018 Strategic Plan. The following increases in service to Calgarians occurred:

- the Library gained 121,378 new members,
- active users increased to 628,236
- in person visits increased by 182,280 to 6,841,884
- room bookings (community use of library space) increased by 80%,
- electronic circulation increased by 4.1% to 2,500,080 items,
- early learning literacy programs were taken to 702 daycares,
- 575 Book Truck visits provided library service to schools, community locations and events across the city, and
- library open hours increased by approximately 4,800 hours
- a temporary library (Sage Hill) was developed in a leased space

To meet our strategic goal of positioning every library in the Calgary Public Library system to be of the same caliber as the New Central Library, 2017 capital funding was directed to major life cycle work and building improvements at the Nose Hill and Crowfoot Libraries. Additional capital funds were directed to vehicle, shelving, furniture and Information and technology replacements/enhancements. In total \$5.71 million was spent on life cycle needs.

Five Early Learning Centres and one outdoor Nature Playground were developed and built in existing libraries with grant funding. At the end of 2017 there were ten Early Learning Centres in community libraries in Calgary.

#### **1.4. Key 2018 Initiatives/Strategy**

The Strategic Plan was created to provide guidance on the Library's future direction in building not only a great new Central Library, but also a great new Library system. Just as the New Central Library will be a cornerstone of downtown Calgary's redevelopment, Calgary Public Library will play a key role in community building for Calgary's growing neighbourhoods. 2018 is the final year of the Calgary Public Library's 2015 - 2018 four-year Strategic Plan.

The three pillars in the Library's Strategic Plan are:

- Strengthen neighbourhoods in a growing city,
- Bring the Library into more people's lives, and
- Focus on services that make a difference.

By focusing our efforts in the following areas, we will make the Library relevant to the people we serve. The Library will:

- permeate all aspects of community life
- introduce new technologies and access to our patrons and foster digital literacy to all Calgary residents
- foster reading for all citizens of Calgary
- be easy and convenient and available to everyone
- focus on those who most need the Library including
  - young children and families with young children
  - those who are new to Canada and new to Calgary
  - those with physical or economic barriers

Initiatives in this four-year plan are allowing the Library to:

- Increase the number of hours our buildings are open,
- Send our staff to venues outside of our buildings, especially to provide early literacy opportunities to day cares in Calgary,
- Prepare for mobile services to outlying communities without community libraries to visit,
- Partner with schools to provide increased access for students, especially to curriculum related digital services, and
- Eliminate fees and other barriers to access.

The following major initiatives have been identified for 2018:

- Open the New Central Library on November 1, 2018
- Prepare the Seton Library for opening in early 2019
- Prepare and initiate activity at a new operation centre and complete life cycle renovations at Country Hills and Village Square libraries
- Continue the indigenization of programs and services

- Enhance support services through artificial intelligence
- Apply retail concepts to create outstanding library experiences
- Enrich services for school age students
- Build on the Library's early learning and literacy services
- Distinguish the Memorial Park Library experience through programs, displays and events
- Continued work on staff engagement
- Focus on membership attraction and retention activities to expand membership to 800,000 Library users
- Improve financial management systems and revisit capital asset thresholds
- Finalize the 2019-2022 Strategic Plan

2018 has already seen the opening of a new express service model library, largely unstaffed, at Rocky Ridge (opened January 2018).

Additionally, the following were identified in previous reports and will continue to be pursued:

- The Library is keenly invested in the redevelopment of libraries in established communities, in coordination with The City's initiative on integrated facilities and transit oriented development. The Library will be guided by The City and Council.
- The City Charter work with the Province may provide new opportunities for libraries.

## **2. Report on your organizations key operating and strategic risks including trends and risk management plans and processes**

In 2014 the Board supported a focused risk review led by KPMG that resulted in the Library identifying the major risks that could prevent the accomplishment of the Library's strategic plan. The library currently considers the following to be the top risks:

1. Relevance – measured by memberships, patron satisfaction, partnerships, service innovation and volunteer availability
2. Finance – measured by fraud, funding, allocation of resources, management of operating and capital budget expenditures
3. Operations – measured by building visits, website and catalogue use, facility availability, relationships with partners, collection use, and staff engagement
4. New Central Library – measured by construction and commissioning, operational readiness, and status of service/program development
5. Safety and Security – measured by number of incidents per 10,000 visits reported throughout the system

Reputation risk is not listed as a major risk category, but it is implicit in every category listed.

Since 2015 a quarterly report measuring the current risk level of these risk factors is reviewed by the Audit and Finance Committee before being presented to the full board. An annual review maps these risks before and after mitigation on a heat map and allows the Board the opportunity to query the mitigation controls and to ask if any new risks have emerged.

It required several iterations, many discussions and reviews, and significant Board and staff time to develop a risk register that provides the Board with confidence that the measures and mitigations are appropriate. The resulting changes have provided The Board with a tool that gives them increased oversight and allows them to be informed and actively engaged. The annual review ensures that this is an evolving process.

Copies of the most recent quarterly and annual reports are attached to this document. Please refer to Attachments 6 and 7.

Reports to the Board contain a risk section to guide their decision making. New strategic actions are well tested and introduced slowly to ensure that unanticipated results can be rectified before they are broadly implemented. Many of these initiatives are being introduced in anticipation of the opening of the New Central Library.

2017 was another successful year for the Library in terms of increased membership, increased usage, new services and introduction of new programming, with emphasis placed on services for early learning and families. These increases were positive in the context of the Library's Strategic Plan but also placed increased strain in the form of Financial, Operations and Security risks.

Last year we reported that the pressures of the economic downturn have resulted in a city-wide increase in illegal and inappropriate behavior and that this has had an impact on our libraries - both within our buildings and outside of them, initially and most significantly at the Central Library, but increasingly at other library locations, especially those located on the c-train line. While these issues continue, the Library has successfully introduced many measures to minimize disruptions throughout our library system. Management and the Library Board continue to monitor security metrics, including through quarterly reporting on the Risk Register Matrix.

The Library has dedicated significant attention and resources to ensuring our buildings and surrounding areas are safe and welcoming places. The most significant impact has come from the installation of family features, such as the Engine 23 exhibit at the Central Library, which has drawn young children and families to the Library in large numbers. In addition, collaborating with partners in animating the exterior of the Central Library has helped to minimize inappropriate activities and build staff and partner experience in advance of the move to the much larger exterior space at new Central Library. Animated and busy spaces are much less appealing spaces for illegal, and inappropriate, behavior. The Library continues to devote time and attention to these risks.

Management of operational risk is spread among the Library's staff, from the executive leadership team through janitorial services, and every level in between. Some of the processes to manage risk are long established. A small list of established processes follows:

- Financial controls are rigorously monitored to prevent fraud.
- A purchasing policy is followed to ensure legislated compliance and to ensure only authorized purchases required to efficiently operate the Library are made.
- Insurance is reviewed annually to ensure coverage is adequate.
- Safety and health procedures are not only documented, but are monitored by a health and safety team.

- Annually each employee reviews and signs an updated ergonomic assessment acknowledging any hazards pertinent to their position, and to make them aware of all supports available to ensure their health is not impacted.
- The Library's incident reporting system is actively monitored and prompts security measures to be increased to meet changing conditions.
- Training is provided to new and existing staff and the materials are documented for later reference.
- Our employees sign a Code of Conduct upon hire that acknowledges their acceptance of the employment expectations during their career at the Library.
- Levels of patron satisfaction are regularly measured.
- Facility inspections are regularly performed to ensure there are no hazards, and also to ensure the buildings are welcoming and appealing to the public.

Also affecting operational risk is our use of volunteers, who are carefully selected after screening, trained for their role, and monitored while volunteering. Major partnerships, including with the Calgary Public Library Foundation, are validated with a written agreement or contract. Other partnerships are evaluated to ensure there is benefit to both entities, including partnerships with The City.

### **3. Analysis of the top three financial and/or operational risks that in our opinion would impact the City of Calgary and/or be of concern to the City's Audit Committee**

In our opinion the top three risks that would impact The City of Calgary and/or be of concern to the City's Audit Committee continue to be based on the service potential the Library is providing to Calgary's citizens through our library operations. These remain unchanged from the previous year.

The Library regularly checks in with our patrons, and with people who as yet do not use our Library services. The best, but not most recent, example is the engagement with more than 24,000 Calgarians used in determining public aspects of the functional program of the New Central Library. In that and other citizen surveys the overwhelming message is that Calgarians want more: more spaces, more programs, more for kids and teens, just more of everything.

Based on the services we are able to provide with our existing annual funding, The City of Calgary should be aware that:

1. There are still many areas of the City that do not have access to a conveniently located community library. The standard used by the Library is that all areas of Calgary should be located within 3.5 kilometers of a community library. Beyond that distance use of the library declines dramatically. Many areas of the city do not have a library within 3.5 kilometers. As an interim measure to mitigate this problem we have reintroduced a mobile Library service. Several Book Trucks reach into these areas on a scheduled basis. However, the services that can be provided are minimal in comparison to a conveniently located neighbourhood community library. New libraries scheduled to open in the next several years will only partially address this concern.
2. Libraries in established communities are also being challenged because today's citizen uses the Library in a different way than it was used in the past. Many of the older

libraries do not have the space necessary to meet these new demands. These include use of meeting rooms, family programming beyond story time for children, and teen spaces that are separate from adult or children's spaces. Calgarians are also asking for more open hours, for collections that reflect their needs, and for both animated and quiet spaces, and for more opportunities to learn and be entertained. The current space available at many inner-city libraries does not allow all of these needs to be met.

3. Based on previous presentations, the New Central Library may still be top of mind when the Audit Committee considers Library risk.

The Library is excited and gratified to be entrusted with the responsibility of delivering library services to Calgarians. Under our CEO's guidance the Calgary Public Library is improving library service delivery throughout Calgary, not just at the one location that will be represented by the Central Library. However, there is no question that the size of the funding, and the resulting structure that has taken shape in the East Village, are of a scale to warrant additional risk consideration.

Calgary's community libraries are connected. The Calgary Public Library considers the New Central Library an opportunity, not just for library users in downtown Calgary, but for all of Calgary. We are using the concepts being developed for the New Central Library to update our other libraries to ensure that they reflect the same quality that will be evident at the New Central Library. Similarly, we are developing services and programs in our existing libraries to ensure that the right set of services will be available on opening day in the new library.

To date the project is proceeding as planned – on time and on budget. Even though CMLC was commissioned by The City of Calgary to manage the project, and has accepted full financial risk for construction, the Library shares the financial risk due to any potential delays or cost overruns creating reputational risk for the Library. It is precisely because of this reputational risk that the Library has been and is an active participant, although not a member, of the Project Steering Committee. The two members are The City of Calgary and the Calgary Municipal Land Corporation.

CMLC maintains the risk register for the construction of the building. The Library has one section in this risk register dealing with the items that we consider present the most risk to the full realization of this project. The top risk listed by the Library is that changes to the building prior to opening will not realize the visioning, consulting and planning that formed the functional program for the structure and that this building will not deliver the aspirations of the Calgarians who were consulted, or our commitment to those citizens that they were being listened to. Their views and directions have been incorporated into every aspect of this project that the Library has provided input to.

To mitigate this risk the Library is a partner with The City and CMLC in bringing this project to completion. In this partnership the Library is ensuring that the design and construction will allow the aspirations of the functional program to be achieved, while remaining within budget. The new library has a fabulous design and spaciousness, including a variety of purpose built spaces, to match the wishes we heard Calgarians expressing.



Once the building is open the operating risks belong to the Library. Additional operating costs will be borne by the Calgary Public Library, who forecast moderate staffing and building operating cost increases commensurate with the increased square footage.

The Library is devoting significant resources to ensure we are operationally ready to open and manage this civic asset. In fall of 2016 a bold and transformative plan of service was completed outlining services and programs to implement in both the new building and system wide. Each of the services identified includes a clear statement on the benefits that will be realized to the community after their implementation. Starting in 2017, and continuing in 2018, these new concepts are being tested throughout the Library system, to ensure they are fully ready to operationalize on opening day. These innovative services have been prioritized to ensure opening day requirements are actioned first. Management and the Library Board continue to monitor progress towards opening day on a regular basis, along with formal quarterly reviews reported in the Risk Register Matrix.

Operational readiness for the building has become the focus. In March 2017, using only existing resources, Library staff were redeployed to ensure that the necessary expertise was dedicated to this important phase of the project. This includes coordinating and facilitating project teams focused on change management, facilities, security, digital and IT initiatives, service plan implementation, marketing/promotional planning, and staffing. To facilitate the preparation of staff and materials for the move, the Library hired a move consultant, and is working with CMLC to coordinate move-in activities both before and after handover of the building.

An operational readiness audit was completed by the City Auditor in 2017. There were only three minor recommendations arising on completion of the review. Two were changes to the Library Board's risk register metrics and one recommended additional reporting of staff training metrics. These changes have been adopted.

The Library is using existing library spaces to pilot new programs, space design, and other services to ensure that the right components are in the new building when it opens. These include:

- new services for children and families (particularly the implementation of an additional five early learning spaces in five libraries in 2017),
- the utilization of noisier open spaces in a large part of the library, with quieter spaces provided in other areas, such as the dedicated reading room installed at Crowfoot Library as part of a recent renovation
- new curated collections and exhibits are being trialed in the existing central library to gauge interest, engagement, and traffic flow prior to the new library opening
- a new service point is being piloted at the current Central Library, so that staff and members can become familiar and comfortable with a new type of service interaction

Through collaborative meetings with The City of Calgary and CMLC, by using vision and experimentation in existing facilities to try out new services and designs, and through thoughtful planning for how the New Central Library will be operated prior to its opening day, the needs and vision of Calgarians can be successfully achieved in a financially prudent manner. Each operating decision envisions the opportunities the new inspiring

facility will bring, and prudently provides mitigation against the risks that are attached to these opportunities. Each day brings us closer to the opening of the new building. Monthly reports on progress will continue to be made to the Library Board.

#### **4. Report on internal controls including information technology and systems**

The Library Board has full management and control of the Library. Policies are used to provide effective parameters and direction for decisions and actions undertaken by the Board, management, and staff. The Board employs the Library's Chief Executive Officer, who implements the policies and manages the daily operations of the Library, and who, in turn, is accountable to the Board. The employees who implement these programs and services are accountable to the CEO.

A comprehensive set of policies was reviewed in 2015 by the Library's Governance Committee. Policies that set the tone of the internal control environment address Board governance, Board orientation and education, the annual audit, risk management, a code of conduct, and board orientation and training. In addition, policies which speak to control activities ensure that management directives are carried out. These address such things as signing authority, debt, insurance, expense claim reimbursement, investing, and donations.

The Governance committee is currently reviewing existing policies to ensure they are in alignment with the 2019 – 2022 Strategic Plan.

All internal processes are documented, actively monitored, and continuously updated as changes occur. Continuous improvement practices are in place in all parts of the organization.

A representative list of some of the many ways in which the Library uses internal control to address risk includes:

- External auditors provide independent oversight on financial controls while testing the reliability of the financial information presented during the annual audit and pre-audit
- The Emergency Response Plan is constantly updated and available on line and at each location. The current version is dated February 2018.
- Constantly updated documentation is available on line relating to procedures regarding customer service, including how to deal with a variety of patron challenges. This is supported by initial and ongoing training to ensure each employee understands the application of these procedures.
- Annual review and discussion with our insurer to discuss the adequacy of our physical and nonphysical insurance, discussion of past insurance history, and understanding of new requirements that may form part of new coverage
- Safety training and individualized position safety assessments which are signed off each year by our staff
- Best practices to prevent external and internal fraud, which includes camera monitoring in selected areas at each community library
- A corporate culture which expects ethical behavior, including a Standards of Conduct Handbook, which is familiar to all staff, and part of each new hire's training
- A corporate culture which expects every area of the Library to be award winning and innovative, and create or follow best practices
- A volunteer program that is managed to augment Library services, while not adding additional risk to the organization

- Financial budgeting, monitoring and forecasting that ensure efficient and effective service provision using existing resources
- Procurement procedures that follow all legal requirements, but also ensure best value in the purchase process
- Division of duties to prevent fraud
- Asset oversight to ensure that assets are effectively and efficiently used, and loss or damage is minimal
- Use of security services where and when warranted
- Suspending Library privileges of patrons who pose a risk to our staff, our patrons, our assets, or themselves

Specific controls for information technology and systems include:

- Critical systems are hosted in City-run data centres.
- To ensure robust continuity
  - business-critical systems have real-time or near real-time replication and off-site back-up
  - Application failover and application recovery are tested regularly
  - Applications and services are designed to remove single points of failure whenever possible and cost effective
- Risks are reduced by using best practice policies, practices and methodologies
- The Library has an aggressive lifecycle replacement plan to ensure that critical applications and services are available and perform as expected
- Security and access control measures include
  - Access is controlled at the physical level, user level, network level, application level, and server level
  - Servers and applications are implemented with best practices in security
  - Firewalls, intrusion detection, and antivirus systems are in place and kept up to date
  - Alert systems are in place to notify and stop unusual activity
  - Security Measures are regularly tested

The Library's risk management procedures have been put in place to avoid, reduce, or minimize the negative consequences of risk.

## **5. Most recent management letter including management responses as appropriate**

Harman Gill, CA Partner, Assurance and Advisory Deloitte, and Sherri Taylor, Senior Manager, Private Client Services Deloitte, attended the March meeting of the Library's Audit and Finance Committee to present their 2017 Report to Audit and Finance Committee on the 2017 audit. This report is included as Attachment 3.

The communications and findings arising from the audit are:

- Deloitte did not identify any matters requiring communication after examining the accounting procedures and internal controls employed by the Library and issued an unqualified opinion on the financial statements after all procedures were completed
- There were no corrected or uncorrected misstatements to report
- In the auditors' judgment, the significant accounting estimates made by management were free of possible management bias and of material misstatement, and the disclosure in the

financial statements around estimation uncertainty is in accordance with PSAS and is appropriate to the particular circumstances of the Library

- Based on the audit evidence obtained Deloitte considers the risks of material misstatements due to fraud remain appropriate for the Library
- There were no issues noted relating to management override of controls in the context of the financial statements taken as a whole
- The audit was conducted in accordance with the audit plan. There were no significant amendments to the audit scope and approach communicated in that plan.
- The auditors did not experience any significant difficulties while performing the audit, neither through delays in receiving information from management, nor through an unnecessarily brief timetable to complete the audit
- There were no disagreements with management
- The auditors did not identify any areas of material non-compliance with laws and regulations by the Library

## **6. Audit Committee 2018 Work Plan**

See Attachment 8 for the Committee's schedule.

The Audit and Finance Committee has an annual schedule that begins with the appointment of the Board each November, at which time Board members are selected to sit on this committee. An organization meeting follows soon after before the first of four quarterly meetings commencing in late January. Quarterly meetings are focused on financial reviews (budgets and results) and risk reviews.

A special meeting is held with the auditors present in late March to review the financial statements. The agenda for this meeting also includes an annual risk review.

Each meeting may include other financial or risk reports on specific topics, such as a review of this report. The Committee may schedule additional meetings if it feels they would be necessary. The committee reports to the full Board based on information reviewed at those sessions, and recommends motions for Board approval.

We are also pleased to present answers to the additional questions posed in the letter from Councilor Woolley.

### **1. What is the frequency of review and are there any recent changes to the Audit and Finance Committee Charter or Terms of Reference**

The Audit and Finance Committee is appointed annually and one of its first tasks is to review its terms of reference, which stem from the financial policies contained in the Board policies. There are no recent changes to the terms of reference.

When the policies were reviewed the risk policy was amended to include "the achievement of the Library's strategy" within the Board's tolerance for risk.

The Committee's mandate is to monitor the financial performance of the Library by reviewing and recommending to the Board all matters relating to finance, financial results, risk and audit, including but not limited to:

1. Receive and review quarterly unaudited financial statements and accompanying notes
2. Receive and review the annual audited financial statements and auditor's report on that year's financial performance
3. Receive and review the annual budget and recommend approval to the Board, and each quarter review the budget relative to actual results
4. Receive and review quarterly risk updates and annually participate in a comprehensive risk analysis
5. Annually receive and review an external audit plan.
6. Review Board policies relating to audit and finance and ensure adherence to such Board policies
7. Review insurance and other activities related to audit and finance
8. Review of operational audits as required
9. Review of any action required to ensure the financial sustainability of the Library
10. Review of other matters related to audit and finance

**2. What is the current composition of the Audit and Finance Committee and what is their relevant financial experience**

Debra Giles, Committee Chair: Board member since 2014

Debra Giles is a recent retiree from the banking profession, most recently with Royal Bank of Canada, as a Managing Director and an Industry Committee Chair with RBC Capital Markets. She also held senior industry positions in international project finance, business development and investor relations. She served on the Board of the Calgary Society of Financial Analysts as Treasurer, Vice President and President. Debra completed the CMA and CFA designations, and also holds a Bachelor of Commerce degree. She brings a strong sense of leadership, partnership and teamwork to the Board.

Robert Macaulay: Board member since 2013

Robert Macaulay is a director and executive with a background in leadership, business development and petroleum engineering in a variety of international settings. His other board and committee experience has included public oil and gas companies undergoing dramatic rehabilitative efforts, a not-for-profit bare-land condominium project, sports bodies at the local, provincial and national levels, and a not-for-profit society focused on increasing citizen knowledge and engagement in art, architecture and design in the built environment (Design Talks or 'd.Talks'). Robert holds BSc (Chemical Engineering) and MBA degrees from Queen's University, and an MBA with distinction from Cornell University. He brings extensive experience and skills to the Board in areas of planning, budgets and governance.

Judy Gray: Board member since 2014

Judy Gray is also a recent retiree, most recently with Foundations of the Future Charter Academy, as a Coordinator of School Development. Long committed to the importance of strong libraries in the creation of strong civil societies, Judy has a B.Ed. and a BLS from the University of Alberta and a MLS from the University of British Columbia.

Andrew Rodych: Board member since 2017

Andrew Rodych is the Executive Director, Operations & Strategy at Tourism Calgary, Calgary's Destination Marketing Organization. Prior to that, he was a Strategic Issues & Public Policy Advisor with an Environment and Energy Services company based in Alberta. With a background in the public, private, and non-profit sectors, he oversees the business affairs of the organization, while providing strategic advice and governance support, alongside policy research, stakeholder engagement, and communications planning. Andrew is Chair of the University of Calgary Master of Public Policy Alumni Council, sits on the School of Public Policy Board of Management, is a policy committee volunteer at the Chamber of Commerce, and gives his time to multiple political endeavors. He has a Master's degree in Public Policy from the University of Calgary.

Janet Hutchinson, Board Chair and ex-officio member: Board member since 2011

Janet Hutchinson brings library experience to the Library Board – she has worked in libraries at the Doucette Library of Teaching Resources at the University of Calgary and the school library at Clear Water Academy. In addition to her library experience, Janet has many years' experience in the not-for-profit sector, including 3 years with the Alberta Science Literacy Association as Executive Director and 17 years with Calgary Family Services (now Carya). Janet's volunteer positions have included 8 years as board member, President, and Past President of the YWCA of Calgary, 6 years as Board member and President of the Developmental Disabilities Resource Centre Board of Directors, and 4 years on the Calgary Women's Centre Board of Directors. Currently, she is one of two Canadian members on the Urban Libraries Council, where she sits on the Audit Committee.

### **3. Have there been any significant changes to organizational leadership**

There have not been significant changes to the Board's organizational leadership.

The Board welcomed one new member with the appointment of Andrew Rodych in November 2017. All other Board members were either reappointed or were not at the end of their term. Since March 2018 there has been a board vacancy. This person's term expires in October 2018. Due to recruitment and training time for a term that expires shortly, the vacancy will remain until Council makes appointments later this year.

There were several changes at the executive level. Early in 2017 a Director of Service Delivery City Centre Community Libraries and New Central Library position was created and filled. Later in 2017 a Director of Communications was added to the leadership team. The Deputy CEO position was eliminated with the retirement of the last holder of that position. The CEO has been in place since February 2014 and the people holding other executive positions have not changed during the past year.

### **4. Are there any regulatory or market changes that may impact the current business approach and would be relevant to share publicly with the Audit Committee?**

There are no new regulatory requirements that are impacting the Library's current business approach, but many previously reported items continue to require staff attention. These include:

- Digital rights management and copyright reform are shaping the content of libraries, but pricing of library access to eBooks by publishers, is still a challenge for both. In 2018 the

federal government approved a review of Canada's copyright act and is conducting cross-Canada consultations to ensure that issues of importance, including from libraries, are considered in the review process.

- Lawful access legislation places increased responsibility on libraries to monitor and record patron access to the internet
- The complexity of financial reporting and stewardship since the PSAB mandated changes on reporting of tangible capital assets. This process is further complicated by the complex relationship between the Library and various units of The City with respect to stewardship of some larger assets.
- Public and employee health and safety requirements

Market changes, predominately affecting the Library's collection, include the dramatic fall in the price of the Canadian dollar since 2015, and the changing composition of our collection. A lower dollar limits the number of purchases, which are often based on American publishing output. Major asset purchases, such as Automated Material Handling Units, are also impacted by a weakened Canadian dollar.

There is also a switch in collection purchasing. Books remain strong, but CDs and DVDs are disappearing in favour of online content.

The economic impact from the decline in commodity pricing also impacted the Library. The use of the library rises when the economy is less robust.

**5. Are there any results of any regulatory or internal/external business assessments that provide assurance on the effective management of risks addressed in your presentation?**

KPMG performed a best practices risk assessment for the Library in 2014 and provided additional assistance in 2015. Recommendations from these reviews are still directing our risk monitoring, reporting and assessment.

In March of 2016 Info-Tek led a week-long business continuity planning session, which promoted the adoption of additional continuity measures, such as the preparation of an off- site Financial Services Emergency Supply Kit. Many of these recommendations have been adopted and are regularly tested.

Results Based Accountability, introduced to the Library by The City, is our preferred evaluation framework because it describes the manner organizations work together to positively impact indicators that reveal success in advancing towards desired population level results. This model is used with each action item to evaluate the impact of the action towards the attainment of the 2015-2018 Strategic Plan.

**6. What initiatives are currently in progress to improve the efficiency of your processes? (e.g. sustainable operations, key performance indicators and relevance of the organization in the future)**

The Library takes efficiency and relevance very seriously. In fact, there are 5 performance measures on our risk register that address these concerns directly. They are:

- The number of Calgarians that are library members

- The level of satisfaction of Library users
- The number of programs the Library offers with the involvement of community partners,
- The number of active innovation projects in process, and
- The success rate of finding volunteers to extend and enhance library service delivery.

Taken together, these measures give us confidence that we are increasing the relevance and efficiency of library service. Currently these items are rated as low risk or medium risk.

In late 2017 Calgary Public Library partnered with VIVO and Mount Royal University to develop a measurement system to evaluate Early Learning Centre (ELC) design and use in order to identify what needs are currently being met and how we can continue to evolve services to better serve Library members now and in the future. During 2018 over 200 parents and caregivers were interviewed or surveyed and key findings included: an increase in library visits, with families spending more time at the Library per visit when an ELC was introduced; more children initiating family trips to the Library after visiting an ELC; and 64% of children observed to be transferring new ways of play from ELC's to home and school environments.

In terms of new membership development, the Library is eager to leverage the opening of the new Central Library to drive membership and support retention. In addition to this, the Library engaged a third-party audience research firm to analyze existing membership data and identify areas for growth and provide strategic insights to better inform advertising campaigns to drive new membership. A summer membership campaign will lead into the promotional plan for the new Central Library.

Retention is also a key area in maintaining the number of Calgarians that are library members. Improved digital communications to existing members and those that are about to lapse are being developed.

An operational review of the process and resources of the Library's Finance and Purchasing areas will be finalized in the second quarter of 2018. The recommendations from an independent consulting group will lead changes to improve financial management systems and avoid duplication of effort within the organization.

Respectfully submitted by

The Calgary Public Library