

**The Calgary Public Library Board
Audit Governance Status
27 July 2017**

We are pleased to present the annual Audit Governance Status report from the Calgary Public Library Board highlighting the Library's 2016 Annual Report, risk management processes and the Audit and Finance Committee terms of reference. This section contains the Library's responses to the five items that are to be included in the annual report, and responses to the five 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 2017 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 the City of Calgary. City of Calgary Bylaw Number 38M2006, with respect to the Calgary Public Library Board, is the current library bylaw enacted by Council.

This bylaw continues the establishment of 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 and clearly specifies the duties, structure, procedures, budget, and independent audit requirements for an annual review of financial accounts and processes. These requirements also respond to the directions contained in the *Libraries Act* (Alberta) and the *Libraries Regulation*, Alta Reg. 141/1998.

Pursuant to the Act and the City Bylaw, Board members are appointed by City Council. 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.

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. The Board reviewed and revised its Bylaws and Policies In 2015.

Both Statutory Policies, which are those policies required by the Act and the Regulations, and other policies deemed appropriate by the Board, are addressed. Policies currently exist for Board conduct, finance, human resources, library materials, library premises use and safety, and donations.

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

Board Chair: Janet Hutchinson
Board Vice-Chair: Catherine Angus
Board Members: Frank Durnford, Councillor Druh Farrell, Debra Giles, Judy Gray, Robert Macaulay, Avnish Mehta, Shereen Samuels, Councillor Evan Woolley

The Board elects a Chair annually. Members of the Board sit on 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.

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. 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. Three Board members, whose terms expire in 2017, are eligible for reappointment. The Board's governance structure of three standing sub-committees, with an annual rotation of members among them, provides opportunities for each member to become familiar with the full range of Board matters. Elected Board positions, including Committee Chairs and Board Vice-Chair, prepare members for the most senior Board leadership role, that of Board Chair.

Like many organizations, the Library is positioning itself to meet anticipated staffing challenges and transitions. We foresee 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 is becoming increasingly difficult. As a result, we are investing in the training, coaching and mentoring of current staff in order to ensure that they are able to take on leadership and management roles in the future. Specialized skills, such as IT, Finance, and Human Resources are also affected by the qualifications of candidates applying for positions.

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.

1.3. Recent Financial Highlights

The Library's 2016 audit was recently completed. The full financial statements and auditor's year end communications 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, 2016, 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.

During 2016 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 147,226 new members,
- active users increased to 575,000,
- in person visits increased by 368,367
- room bookings (community use of library space) increased by 41% ,
- electronic circulation increased by 8% to 2,399,712 items,
- early learning literacy programs were taken to 694 daycares,
- Book Truck service was initiated with two staffed vehicles providing library service to schools, community locations and events across the city, and
- library open hours increased by approximately 2000 hours

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, 2016 capital funding was directed to the following initiatives:

- major life cycle work and building improvements were undertaken at the Nose Hill Library
- the Shaganappi Library was relocated to the Westbrook Transit Station, resulting in an increase of 121% in visits over the same period in the previous year
- the Glenmore Square Library was relocated to Quarry Park, resulting in an increase of 137% in visits over the same period in the previous year
- design and implementation of Early Learning Centres at Fish Creek and Village Square Libraries were completed to gain experience for the Early Learning Centre in the New Central Library
- life cycle shelving replacement continued at Libraries throughout the system
- placement of easy to use and cost effective Chromebooks continued in library locations across Calgary

These services were provided without staffing increases and, were done using the 2016 revenue sources augmented by the planned use of previously established reserve amounts.

With all of these accomplishments the Library is pleased to share that the year end accumulated surplus stayed relatively stable at \$55.2 million, compared to the prior year's ending balance of \$57.5 million. The decrease was due to the approved use of restricted surplus amounts. Full details of the accumulated surplus are listed on page 18 of the Financial Statements. The unrestricted surplus grew from \$172 thousand to \$193 thousand. Equity in tangible capital assets grew from \$52.5 million to \$55.3 million.

Planned increases to service levels for our patrons will continue in 2017, primarily through the opening of a starter library in Sage Hill in the first half of the year. We have also increased, or will be increasing, open hours at more locations in 2017, using existing resources.

1.4. Key 2017 Initiatives/Strategy

2017 is the third year of the Calgary Public Library's 2015 - 2018 four-year Strategic Plan.

The three strategies 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.

Initiatives in this four year plan will allow 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 that do not have 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 goal of these and other actions is to double Library membership to 800,000 by 2018.

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. 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
 - those who are new to Canada and new to Calgary
 - young children and families with young children
 - those with physical or economic barriers

In light of the key areas of focus in the Library's Strategic Plan for 2015-2018, the following major initiatives have been identified for 2017:

- Refurbishment of the Crowfoot, Village Square, and Country Hills Libraries
- Support for students: through partnership with the Calgary Board of Education each CBE student has access to the Library's digital catalogue through an e-resource portal. Our discussion with other education providers to access the same service is progressing. The Calgary Catholic School District is scheduled to start accessing this service in September
- A variety of early literacy initiatives, including the continuation of programs for daycares, visits to day homes, and the creation of an additional five Early Learning Centres in key library locations,

- Expansion of services and programs for indigenous and metis populations, in connection with new mandates and support from the Province of Alberta.
- Extension of mobile service through an additional Book Truck and the addition of a Story Truck, to provide programming and collections for children attending day homes in the City's northeast
- Extended open hours in more locations
- Implementing and completing operational plans for the opening of Rocky Ridge, and the starter Sage Hill Library
- Refinement of the transition plan for the move to the New Central Library
- Membership attraction and retention activities

The following were identified in previous reports and will continue to be pursued:

- The Library is keenly invested in an effort to redevelop 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.
- The Library has worked closely with The City to use its large and growing database of patron registrations and circulation information to support open data initiatives and the "My Calgary" identification and access card for various City services.

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

The library considers the following to be the top risks to the achievement of the Library's Strategic goals.

1. Strategic – measured by memberships, patron satisfaction, partnerships
2. Finance – measured by fraud, funding, allocation of resources, management of operating and capital budget expenditures
3. People – measured by reputation, staff engagement, vacancy rate, recruitment time, volunteers
4. Operations – measured by building visits, website and catalogue use, facility availability, relationships with partners
5. New Central Library – measured by reputation, transition of service
6. Security – measured by number of incidents reported throughout the system

While reputation risk is not listed as a major risk category, it is implicit in all of the categories that are listed.

2016 was another very 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. The increased visits impact the Library's Strategic Plan positively, while also placing increased strain on Financial, People, Operations and Security risks.

Some of the increased use is a result of the continuing economic downtown. This provides an opportunity to serve those impacted by the downturn, but has also presented challenges.

The pressures of the economic downturn have resulted in a city wide increase in illegal and inappropriate behavior. 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.

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 the Engine 23 exhibit at the Central Library, which has drawn young children and families to the Library in large numbers. Animated and busy spaces are much less appealing spaces for illegal, and inappropriate, behavior. The learnings from Central are being applied at other libraries throughout the library system, and 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 all purchases are those required to efficiently operate the Library and to ensure only authorized purchases 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.

Strategic risk is monitored as comprehensively. 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.

Starting in 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. Copies of the most recent quarterly and annual reports are attached to this document. Please refer to Attachments 4 and 5.

Reports to the Board contain a risk section to guide their decision making. .

New strategic actions are 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.

3. Analysis of the top three 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, in all of its many forms. These remain unchanged from the previous year.

The Library regularly checks in with our patrons, and also 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 existing 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. A third Book Truck has joined the two introduced in 2016 to reach into these areas on a scheduled basis. A fourth vehicle will provide programming and collections for children attending day homes in the north east quadrant of Calgary. 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 at many inner city libraries does not allow all of these needs to be met.
3. The New Central Library obviously continues to be top of mind when the Audit Committee considers Library risk, as it asked very specific queries in previous presentations.

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 is taking 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 quality 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.

The Library has confirmed previously that the financial risk for New Central Library is a shared responsibility even though CMLC was commissioned by The City of Calgary to manage the project, and has accepted full financial risk for construction. Although the Library has been an active participant in the design and planning process, it is defined as a user group. All capital funding for the project has been allocated by The City; but not allocated to the Calgary Public Library.

While the Calgary Public Library and the people of Calgary will be beneficiaries once the new building is open, the Library is not a formal member of the Project Steering Committee. The two members are The City of Calgary and the Calgary Municipal Land Corporation.

Even with these statements being broadly understood, the possibility of delays or cost overruns create reputational risk for the Library. It is precisely because of this reputational risk that the Library is an active participant, although not a member, of the Project Steering Committee.

CMLC maintains the risk register for the construction of the building. The Library has one section in this risk register dealing with the items we consider having 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.

As previously mentioned more than 24,000 Calgarians were consulted when plans were being made for a new central library building. Their views and directions have been incorporated into every aspect of this project that the Library has provided input to. The biggest operating risk for the Library in this project is that the new building will not deliver the aspirations of those who were consulted, or our commitment to those citizens that they were being listened 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 still 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.

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. In 2017 over half of these new concepts are being tested throughout the Library system, to ensure they are fully ready to operationalize on opening day.

With the completion of the Service Plan, the Library has turned attention to operational readiness for the building. 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 has also hired a move consultant, and is working with CMLC to coordinate move-in activities both before and after handover of the building. Regular reports on progress will continue to be made to the Library Board.

Once the building is open the operating risks belong to the Library. Additional operating costs will be borne by the Calgary Public Library, who, in spite of the increased space in the new building, forecast moderate staffing and building operating cost increases.

With limited additional funding to operate the new building once it is open, the Library is using existing library spaces to try out new programs, space design, and other services to ensure that the right components are in the new building when it opens, and to avoid costly failed experiments in the larger space once it is in use. These include:

- new services for children and families (particularly the implementation of five early learning spaces in five libraries in 2017) and
- the use of open spaces in a large part of the library, with quieter spaces provided in other areas
- new curated collections are being tried out in the existing central library to gauge interest and space flow prior to the new library opening
- new service points will be piloted at the current Central Library, so that staff and members can become familiar and comfortable with a new type of service interaction

- automated materials handling units will reduce manual handling of returned items

All of these measures will minimize staffing increases, in spite of the increased number of visitors and use. The flow and sight lines of the new building will also allow staffing increases to be contained.

The Library is also strengthening attendance in the current building by offering innovative programming that is aimed at increasing foot traffic in anticipation of the move into the new larger space. The successful introduction of Engine 23 and the promotion of the large children's area on the second floor for "Baby's Big Playdate" programs have brought many new families to our downtown location. These programs have proven that a busy library is also a key factor in reducing risks created by security problems in the downtown core.

Each day brings us closer to the opening of the new building. Regular reports on progress will continue to be made to the Library Board.

Through the use of collaborative meetings with The City of Calgary and CMLC, through the use of vision and experimentation in existing facilities to try out new services and design, 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.

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. In particular, 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.

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
- Disaster procedures, which are documented and available at each location. The latest version was completed in March of 2016.
- 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 are:

- To ensure robust continuity ability there are rigorous emergency backup procedures to minimize loss of data and downtime through loss of access to a site. The flood of 2013 accelerated the move to City sites that are less susceptible to the type of disaster that occurred in 2013. We continue to work with The City to enhance continuity capabilities.
- Use of industry standard methodologies to reduce security risks
- Multiple staff trained to support all applications

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

5. Most recent financial reporting including management responses as appropriate

Harman Gill, CA Partner, Assurance and Advisory Deloitte, and Nicole Hiscock, CA Manager, Private Client Services Deloitte, attended the March meeting of the Library's Audit and Finance Committee to present their 2016 *Year-end Audit Communication* to the Calgary Public Library Board. This report is included as Attachment 2.

The communications and findings arising from the audit are:

- An unqualified opinion was issued on the financial statements after all procedures were completed
- 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
- The audit was conducted in accordance with the audit plan, which was communicated to the Library on October 18, 2016
- There were no significant amendments to the audit scope and approach communicated in that plan
- There were no disagreements with management
- 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
- The auditors did not identify any areas of material non-compliance with laws and regulations by the Library
- The auditors did not rely on internal controls, but applied a substantive audit approach to testing of the financial statements. When obtaining an understanding of internal controls, they did not identify any significant weaknesses in internal control
- There were no uncorrected misstatements. There was one corrected misstatement, which is detailed in their report.
- There were no disclosure deficiencies
- There were no issues noted relating to management override of controls in the context of the financial statements taken as a whole

We are also pleased to present answers to the additional questions posed in the letter from Councillor 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 committee meets quarterly to review financial and risk reporting. A fifth meeting is scheduled in March to review the audited financial statements with the auditors in attendance and to review an annual risk assessment. The committee reports to the full Board based on information reviewed at those sessions.

There are no recent changes to the Audit and Finance Committee's terms of reference.

This Committee's 2017 board approved 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

The 2017 workplan is attached.

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. He employs a mixture of relationship building, creativity and analytical ability to generate value. 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, and sports bodies at the local, provincial and national levels. 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.

Avnish Mehta: Board member since 2012

Avnish is the owner and Principal of Stand and Command, a Calgary based consulting practice focusing on presentation delivery and public speaking. Avnish holds a BMOS (Bachelor of Management and Organizational Studies) from the University of Western Ontario, a Certified Risk Management certificate, and has an extensive background in currency and commodity trading. His past work includes the development of nonprofit programs involving the Alberta Medical Association, Alberta Health, and Calgary Catholic Immigration Society. He served on the Board as the Treasurer for Youthlink Publications Society, a nonprofit group that focuses on children's literacy, and he currently sits on the fundraising committee for the Calgary Folk Music Society.

Catherine Angus: Board member since 2014

Catherine is a Director with Western Management Consultants. For the past 20 years she has been working with organizations across many industries to define and improve organizational effectiveness. Her delivery of management consultant services spans human resource planning, organizational design, governance, organizational transformation, strategy, business planning and visioning. She holds a Bachelor of Science and a Bachelor of Physical Education from Queen's University. She is a Certified Management Consultant (CMC) and she holds the ICD.D designation from the Directors Education Program (DEP) at the Rotman School of Management. Catherine has considerable experience working with boards in the not-for-profit sector. She has served on the YMCA Calgary Board of Directors and the Board of the Calgary Girls School.

Shereen Samuels: Board member since 2014

Shereen is a professional communicator and experienced team leader working in community development, specifically in post-secondary student service provision. She has a Master's degree in Professional Communications, with an award winning thesis on increasing meaningful workplace inclusion. She has 12 years' progressive leadership experience, 18 years' experience facilitating multi-stakeholder community engagement and community development projects, and more than 20 years' experience in professional communication.

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

Janet 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 only one new member with the appointment of Frank Durnford in November 2016. All other Board members were either reappointed or were not at the end of their term. There are three members whose terms end in 2017.

The only significant change at the executive level was the creation of a Director of Service Delivery, City Centre Community Libraries and the New Central Library. 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 have been regulatory requirements that have not substantially changed, but the time spent to satisfy the demands is increasing. Significant among these are:

- Lawful access legislation has placed increased responsibility on libraries to monitor and record patron access to the internet. As well as the human rights issues this presents, it also requires a greatly enhanced IT presence to ensure legislated requirements are met and retrievable.
- Digital rights management and copyright reform are issues that impact libraries and will shape the content of libraries of the future. Legislation is currently tipping rights from users of created works to their creators.

Many other regulatory and stewardship functions present staffing challenges. Examples are:

- Added complexity of financial reporting and stewardship since the PSAB mandated changes on reporting of tangible capital assets. This process is further complicated due to the complex relationship between the Library and various units of The City with respect to stewardship of some larger assets.
- Maintaining a risk framework throughout the organization
- 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 in 2015, and the changing items in our collection. A lower dollar is limiting the number of purchases, which are often based on American publishing output. Because of the lag in the pricing of new published materials these dollar adjusted price increases are only now being fully realized. There is also a switch in content available for purchase. Books remain strong, but CDs and DVDs are disappearing in favour of online content.

Major asset purchases, such as Automated Material Handling Units, are also impacted by a weakened Canadian dollar.

The gradual increase in minimum wage may also affect our opportunity to continue providing students as young as fourteen an opportunity for age appropriate part time work in a library. These workers are not part of the CUPE local that represents many Library workers. The lowest negotiated starting salary in 2017 at the library is \$15.77. As the minimum wage approaches the same level, there will be negotiating pressure from the union to increase the differential between adult and youth workers.

The carbon tax has also placed another demand on our budget.

The economic impact from the decline in commodity pricing also impacted the Library. As the economy declines, use of the library rises.

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.

Results Based Accountability, introduced to the Library by The City, is our preferred evaluation framework because it describes the manner in which 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.

Respectfully submitted by

The Calgary Public Library