



CITY OF EDMONTON

BYLAW 16097

AUDIT COMMITTEE

(CONSOLIDATED ON JUNE 8, 2020)

THE CITY OF EDMONTON

BYLAW 16097

AUDIT COMMITTEE BYLAW

Whereas pursuant to:

Section 145 of the *Municipal Government Act*, R.S.A. 2000, c.M-26, Council may pass bylaws in relation to the establishment and functions of Council committees, and the procedure and conduct of Council committees;

Section 203 of the *Municipal Government Act*, Council may by bylaw delegate its powers, duties or functions to a Council committee except for those prescribed to be within the exclusive purview of Council;

Edmonton City Council enacts:

PART I - PURPOSE, DEFINITIONS AND INTERPRETATION

- | | | |
|--------------------|---|--|
| PURPOSE | 1 | The purpose of this bylaw is to establish the Audit Committee as a Standing Committee of Council, to delegate to it prescribed powers, duties and functions, and to establish rules for the appointment of its members, and its meeting procedures. |
| DEFINITIONS | 2 | In this bylaw, unless the context otherwise requires: <ul style="list-style-type: none">(a) “Administration” means the City Manager and City employees acting under the authority of the City Administration Bylaw, Bylaw 16620;(a.1) “Audit Services” means:<ul style="list-style-type: none">a) audit of consolidated financial statements;b) audit of the provincial financial information return;c) audit of pension and benefit plan statements;d) audit of schedules or statements to meet contractual requirements, grant agreements or support management due diligence;e) tax or other regulatory compliance reviews;f) advice on accounting standards; andg) other auditing services requested by the City; |

- (b) **“City”** means the municipal corporation of the City of Edmonton;
- (c) **“City Auditor”** means the designated officer appointed by Council to exercise the powers, duties and functions of the City’s internal auditor, under Bylaw 12424, the City Auditor Bylaw;
- (d) **“Committee”** means the Audit Committee established by this bylaw;
- (e) **“Council”** means the governing body of the City;
- (e.1) **“Council Committees Bylaw”** means the Council Committees Bylaw, Bylaw 18156;
- (e.2) **“Council Procedures Bylaw”** means the Council Procedures Bylaw, Bylaw 18155;
- (f) **“Councillor”** means an elected official of the City including the Mayor;
- (g) **“External Auditor”** means an auditor appointed for the City as required by the *Municipal Government Act*;
- (h) **“Enterprise Risk Management”** means systems and processes for identifying and managing actual or potential financial, strategic, operational, hazard and other risks to an organization;
- (i) **deleted**
- (j) **“Internal Controls”** means systems, processes and procedures developed to:
 - (i) safeguard assets;
 - (ii) ensure the accuracy of the financial data;
 - (iii) promote operational efficiency; and
 - (iv) promote adherence to policies;
- (k) **“Mayor”** means the chief elected official of the City;
- (l) **“Member”** means an individual appointed to the Committee;

- (m) **“Municipal Government Act”** means the *Municipal Government Act*, R.S.A. 2000, c.M-26;
- (m.1) **“Non-Audit Services”** means any work provided to the City by the External Auditor that does not fall within the scope of Audit Services;
- (n) **“Peer Reviewer”** means a person other than the City Auditor or the External Auditor, charged with the responsibility for reviewing the City Auditor’s work to ensure that it conforms to all applicable professional standards;
- (o) **deleted**
- (p) **“Public Member”** means a Member who is not a Councillor;
- (q) **“Standing Committee”** has the same meaning as defined in the Council Committees Bylaw.

(S.2, Bylaw 17122, May 12, 2015) (S.3,4,5,6,7, Bylaw 18317, February 13, 2018)

RULES FOR INTERPRETATION

3 The marginal notes and headings in this bylaw are for reference purposes only.

PART II - ESTABLISHMENT AND MANDATE

ESTABLISHMENT

4 The Audit Committee is hereby established as a Standing Committee of Council.

MANDATE

5 The Committee assists Council in fulfilling its oversight responsibilities by reviewing reports from:

- (a) the City Auditor;
- (b) the External Auditor; and the
- (c) Administration on matters relating to:
 - (i) financial statements;
 - (ii) Enterprise Risk Management;
 - (iii) Internal Controls;

- (iv) Fraud, misconduct, and policy compliance; and
- (v) Other related and ancillary matters as may be directed by Council.

GENERAL POWERS OF THE COMMITTEE	6	The Committee may by motion request a report from the City Auditor or Administration on matters within its mandate and within approved budgets.
	7	When the Committee reviews a report it may: <ul style="list-style-type: none"> (a) receive it for information; (b) send it to Council with or without recommendations; (c) request additional information about matters relating to the report before sending it to Council with or without recommendations; and (d) make decisions on matters delegated to Committee by Council by this or any other bylaw.
SUB-COMMITTEES	8	Where the Committee has the power, duty or function to establish selection criteria, interview candidates, or make appointments, the Committee may by motion create a sub-committee of its Members and further delegate some or all of its powers, duties, or functions to the sub-committee.

PART III - CITY AUDITOR

ANNUAL WORK PLAN	9	The Committee has the power to approve the City Auditor's annual work plan and any changes to the work plan requested by the City Auditor within approved budgets.
	10	The City Auditor's annual work plan may include matters within the City Auditor's mandate established by the City Auditor Bylaw, and other matters related to City business, within approved budgets.
PEER REVIEWER	11	Subject to authorized budget allocations, the Committee will establish selection criteria for the City Auditor's Peer Reviewer, interview short-listed candidates, and appoint the successful candidate.
	12	The Committee will review the Peer Reviewer's report and may make recommendations to Council on any matter in the report.

- 13 The City Auditor will provide reports to the Committee responding to recommendations in the Peer Reviewer's report and actions taken to address them.
- AUDIT REPORTS**
- 14 The Committee will review all reports from the City Auditor which will include reports from the City Auditor dealing with:
- (a) status of audits;
 - (b) restrictions or impediments to audits;
 - (c) implementation of audit recommendations;
 - (d) completed audit projects;
 - (e) issues respecting the City Auditor's mandate as established in the City Auditor's Bylaw;
 - (f) annual reports on the Office of the City Auditor's compliance with professional standards; and
 - (g) budget and staffing of the Office of the City Auditor.
- 15 The Committee may by motion recommend to Council any action, investigation or analysis the Committee wants the City Auditor to undertake.

PART IV - EXTERNAL AUDITOR

- APPOINTMENT OF THE EXTERNAL AUDITOR**
- 16 The Committee will in relation to the appointment of the City's External Auditor:
- (a) approve the selection process and criteria;
 - (b) review all materials submitted by applicants;
 - (c) approve the short list of candidates;
 - (d) participate in the interviews of short-listed candidates; and
 - (e) make recommendations to Council about the appointment and fees payable to the External Auditor.
- EXTERNAL AUDITOR'S WORK PLAN**
- 17 The Committee has the power to approve the External Auditor's annual work plan and the External Auditor's requests for changes to the annual work plan, and the work plan will include the

following items:

- (a) the objective and scope of external audit work;
- (b) materiality limits;
- (c) areas of audit risk;
- (d) audit reports required;
- (e) timelines for the work plan; and
- (f) the identity and credentials of senior staff performing external audit work.

**EXTERNAL
AUDITOR'S
REPORTS**

18 The Committee will review the External Auditor's audit and other reports, post-audit, and management letter, and will in particular address any significant issues or findings on:

- (a) financial reporting matters including judgments on estimates, assumptions, and clarity of disclosures;
- (b) difficulties or impediments encountered during audits;
- (c) identification and assessment of deficiencies in Internal Controls;
- (d) selection and application of accounting principles or standards and application of elective principles or methods;
- (e) audit limitations;
- (f) response to and status of implementation of audit recommendations and follow up; and
- (g) contingencies that could have a material effect on the City's financial statements.
- (h) The Committee will receive for information the External Auditor's annual confirmation regarding the External Auditor's independence.

19 The Committee will receive for information the External Auditor's annual confirmation regarding the External Auditor's independence.

**NON-AUDIT
SERVICES**

19.1 The External Auditor may not provide Non-Audit Services without the prior approval of:

(a) the Committee in relation to projects or activities valued at at more than \$100,000 for the entire project or activity; or

(b) the City Manager in relation to projects or activities valued at \$100,000 or less for the entire project or activity.

(S.3, Bylaw 17122, May 12, 2015) (S.8,9,10, Bylaw 18317, February 13, 2018)

REPORTING

19.2 The City Manager must, at least once annually, provide a report to Committee that includes;

(a) the value and the nature of all Non-Audit Services approved and not approved by Committee pursuant to section 19.1(a) since the last report; and

(b) the value and nature of each Non-Audit Service approved and not approved by the City Manager pursuant to section 19.1(b) since the last report.

(S.11,Bylaw 18317, February 13, 2018)

20 The Committee may request additional information from the External Auditor about any part of the External Auditor's work plan or reports.

21 The City Manager will provide an annual report to the Committee regarding the External Auditors performance.

(S.4, Bylaw 17122, May 12, 2015) (S.12, Bylaw 18317, February 13, 2018)

PART V - FINANCIAL STATEMENTS

22 The Committee will annually review the following matters:

(a) the completeness and clarity of financial statement reporting;

(b) estimates and assumptions underlying financial statement reporting;

(c) financial statement reporting practices;

- (d) compliance with generally accepted accounting standards for the public sector or changes to those standards;
- (e) impact of any change in the City's reporting practices on the City's financial statements; and
- (f) issues affecting approval of the City's audited financial statements.

23 The Committee will recommend to Council:

- (a) that the annual audited financial statements be approved; and
- (b) further actions or information that Council may desire in relation to the City's financial reporting.

PART VI - ENTERPRISE RISK MANAGEMENT AND INTERNAL CONTROLS

24 The Committee will review reports about the City's Enterprise Risk Management framework reports including:

- (a) the City's Enterprise Risk Management policies;
- (b) processes for identifying and assessing risk;
- (c) evaluation of enterprise risks; and
- (d) actions taken by Administration to mitigate risks.

25 The Committee will review the City's reports about Internal Control matters and in particular, review reports pertaining to the following:

- (a) information security, technology and controls;
- (b) disaster recovery procedures;
- (c) business continuity plans; and
- (d) processes to safeguard City assets.

PART VII - FRAUD, MISCONDUCT AND POLICY COMPLIANCE

- 26 The City Auditor and the Administration will present reports on fraud, misconduct, and policy compliance matters within their respective areas of authority to the Committee.
- 27 Upon review of fraud, misconduct and policy compliance reports, the Committee may make recommendations to Council regarding:
- (a) the adequacy and effectiveness of policies in relation to legal requirements and conflicts of interest; and
 - (b) processes and controls that deter, detect and prevent fraud and misconduct.

PART VIII - MEMBERSHIP AND PROCEDURES

MEMBERS

- 28 Committee will be comprised of the following members:
- (a) the Mayor;
 - (b) four Councillors, appointed pursuant to the Council Committees Bylaw; and
 - (c) two Public Members, at least one of whom holds a professional accounting designation.
- (S.13, Bylaw 18317, February 13, 2018))

TERM

- 29 Councillors appointed to the Audit Committee will act as the selection committee making recommendations to Council for the appointment of Public Members, and will serve on the Committee from the time of their appointment until their term of office ends.
- (S.2, Bylaw 16295, November 28, 2012)
- 30 Public Members will be appointed by and serve at the pleasure of Council receiving such remuneration as directed by Council for terms of up to four years.
- (S.3, Bylaw 16295, November 28, 2012)
(S.10(a), Bylaw 16825, July 16, 2014)
- 31 Public Members may serve successive terms totalling not more than eight consecutive years.

(S.10(b), Bylaw 16825, July 16,2014)

QUORUM

32 Quorum for the Committee will be:

(a) three Councillors, and

(b) one Public Member.

REMOTE PARTICIPATION

32.1 Members may attend and participate in Committee meetings using communication facilities, and Members participating using communication facilities with count towards quorum.

(S.5, Bylaw 17122, May 12, 2015) (S.24, Bylaw 18317, February 13, 2018)(S. 2, Bylaw 19364, June 8, 2020)

PROCEDURES

33 **deleted**

34 **deleted**

35 **deleted**

36 **deleted**

(S.15, Bylaw 18317, February 13, 2018)

37 The Committee will follow the meeting and procedural rules in the Council Procedures Bylaw.

(S.16, Bylaw 18317, February 13, 2018)

38 The Committee will meet at least four times each year.

IN PRIVATE MEETINGS

39 **deleted**

(S.17, Bylaw 18317, February 13, 2018)

SUB-COMMITTEE PROCEDURES

40 If the Committee creates a sub-committee, the sub-committee will appoint a Chair and Vice Chair at its first meeting, and follow the meeting and procedural rules established by the Council Procedures Bylaw.

(S.18, Bylaw 18317, February 13, 2018)

PART IX - GENERAL

- REVIEW** 41 The Committee will monitor its progress towards achieving its priorities and assess whether it needs to make adjustments by periodically:
- (a) conducting an assessment of the effectiveness of the Committee and reporting these results to Council; and
 - (b) reviewing its mandate and bylaw and recommending changes to Council.
- REPEAL** 42 Bylaw 15310 is repealed.

(NOTE: Consolidation made under Section 69 of the *Municipal Government Act*, R.S.A. 2000, c.M-26 and Bylaw 16620 Section 16, and printed under the City Manager's authority)

Bylaw 16097, passed by Council October 4, 2012

Amendments

- Bylaw 16295, November 28, 2012
- Bylaw 16825, July 16, 2014
- Bylaw 17122, May 12, 2015
- Bylaw 18317, February 13, 2018
- Bylaw 19364, June 8, 2020