



**CITY OF EDMONTON**  
**BYLAW 15310**  
**AUDIT COMMITTEE BYLAW**

**(CONSOLIDATED ON DECEMBER 10, 2010)**

**THE CITY OF EDMONTON**

**BYLAW 15310**

**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;

**And Whereas**, pursuant to section 203 of the *Municipal Government Act*, Council may by bylaw delegate its powers, duties or functions to a Council Committee;

Edmonton City Council enacts:

**PART I - PURPOSE, DEFINITIONS AND INTERPRETATION**

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|--------------------|---|---|
| <b>PURPOSE</b>     | 1 | The purpose of this bylaw is to establish the Audit Committee and to prescribe powers, functions, duties, structure and procedures for this Committee.  |
| <b>DEFINITIONS</b> | 2 | In this bylaw, unless the context otherwise requires: <ul style="list-style-type: none"><li>(a) “<b>Administration</b>” means the City Manager and the employees of the City Manager acting under the authority of Bylaw 12005, the City Administration Bylaw;</li><li>(b) “<b>City</b>” means the municipal corporation of the City of Edmonton;</li><li>(c) “<b>City Auditor</b>” means the designated officer appointed by Council under Bylaw 12424, the City Auditor Bylaw;</li><li>(d) “<b>Committee</b>” means the Audit Committee established under section 4 this bylaw;</li><li>(e) “<b>Council</b>” means the municipal council of the City of Edmonton;</li></ul> |

- (f) “**Councillor**” includes the Mayor;
- (g) “**External Auditor**” means the person appointed pursuant to section 280 of the *Municipal Government Act*;
- (h) “**Enterprise Risk Management**” means a continuous proactive and systematic process to understand, manage and communicate risk from an organization-wide perspective;
- (h.1) “**Inaugural Meeting**” means Council’s first regular meeting in October following a general municipal election; (S.2, Bylaw 15467, December 10, 2010)
- (i) “**Internal Controls**” are processes designed by Administration to provide reasonable assurance that the City’s objectives are accomplished and include the City’s plans and Administration’s coordinated methods to:
  - (i) safeguard assets,
  - (ii) ensure the accuracy of the financial data,
  - (iii) promote operational efficiency, and
  - (iv) promote adherence to stated policies;
- (j) “**Member**” means a person appointed to the Committee pursuant to this bylaw, and includes a temporary member selected under section 13;
- (k) “**Risk**” means the uncertainty that surrounds future events and outcomes; it is the expression of the likelihood and impact of an event, either as a positive opportunity or a negative threat, which can impact the achievement of objectives;
- (l) “**Risk Appetite**” means the broad level of risk (high, medium or low) that an organization is willing to accept; and
- (m) “**Risk Tolerance**” means the acceptable limit defined and established by Council and Administration, either in quantitative or qualitative terms, as a means of stating its upper limit for accepting risk in key areas, consistent with the organization’s Risk Appetite.

**INTEPRETATION** purposes only.

## **PART II - ESTABLISHMENT AND MANDATE**

- ESTABLISHMENT** 4 Audit Committee is hereby established as a Standing Committee of Council.
- MANDATE** 5 Committee assists Council in fulfilling its oversight responsibilities over:
- (a) the External Auditor;
  - (b) financial reporting;
  - (c) Enterprise Risk Management;
  - (d) the City Auditor;
  - (e) the City's Internal Controls; and
  - (f) Administration's compliance and ethics.
- PERIODIC REVIEW** 6 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 this bylaw and recommending changes to Council.

## **PART III - AUTHORITY**

- EXTERNAL AUDITOR** 7 (1) Committee will provide oversight of the External Auditor.
- (2) Committee has authority to:
- (a) review the selection process and criteria, as required, for the appointment of an External Auditor;
  - (b) review the audit partner rotation plan with the External Auditor, including the timing and process for implementing the plan;

- (c) approve the External Auditor's annual work plan, which will include:
  - (i) staffing,
  - (ii) objectives and scope of the external audit work,
  - (iii) preliminary assessment of Internal Controls and computer systems,
  - (iv) materiality limits,
  - (v) audit reports required,
  - (vi) areas of audit risk, and
  - (vii) a timetable for completion;
- (d) receive an annual report from the External Auditor regarding the auditor's independence in accordance with professional requirements;
- (e) review the performance of the External Auditor on an annual basis, including its capabilities, resources, and personnel assigned to the audit;
- (f) at least annually, review the categories of non-audit services that the External Auditor may conduct on behalf of the City;
- (g) at least annually, review a summary of the cost and nature of the non-audit services the External Auditor provided to the City;
- (h) receive and mediate any disagreements that could result in a qualified opinion, between Administration and the External Auditor regarding all aspects of the City's financial reporting;
- (i) approve significant modifications to the External Auditor's annual work plan, as requested by the External Auditor;
- (j) review the results of the annual audit examination with the External Auditor, including:
  - (i) any difficulties encountered, or restrictions imposed

by Administration during the annual audit;

- (ii) any significant accounting or financial reporting issues;
- (iii) the External Auditor's evaluation of the City's Internal Controls over financial reporting and Administration's evaluation thereon, including Internal Control deficiencies identified by the External Auditor that have not been previously reported to the Committee;
- (iv) the External Auditor's evaluation of the selection and application of accounting principles and estimates and the presentation of disclosures;
- (v) the post-audit or management letter, or other written communications containing any findings or recommendations of the External Auditor including the Administration's response, and the subsequent follow-up to any identified internal accounting control weaknesses; and
- (vi) any other matters which the External Auditor should bring to the attention of the Committee under generally accepted auditing standards; and

(k) receive comments from the External Auditor on its assessment of the effectiveness of the Committee's oversight of Internal Control over financial reporting.

(3) Committee has the authority and responsibility to report, and recommend to Council:

- (a) the appointment or reappointment and fees of the External Auditor; and
- (b) approval of the administrative process that will be followed to ensure the impact on the independence of the external audit work is assessed prior to the External Auditor being engaged by the City, or a related party, for any non-audit services.

**FINANCIAL  
REPORTING**

8 (1) Committee has authority to:

- (a) review, in conjunction with Administration and the External Auditor, at least annually:

- (i) the appropriateness of accounting policies and financial reporting practices used by the City to satisfy the Committee that the policies are in accordance with Generally Accepted Accounting Principles for the public sector;
  - (ii) the clarity and completeness of financial disclosures;
  - (iii) any significant proposed changes in financial reporting and accounting policies and practices to be adopted by the City;
  - (iv) any new or pending developments in accounting and reporting standards that may affect or impact the City; and
  - (v) Administration's key estimates and judgments that may be material to the City's financial reporting;
- (b) request the External Auditor to provide its views on the quality of the City's financial reporting, encompassing:
- (i) judgments about the appropriateness, aggressiveness, or conservatism of estimates,
  - (ii) any elective accounting principles or methods, and
  - (iii) judgments about the clarity of disclosures; and
- (c) review with Administration any litigation, claim, or other contingency that could have a material effect upon the financial statements or the City's compliance requirements, and the manner of the disclosure of these matters in the statements, in accordance with Generally Accepted Accounting Principles.
- (2) Committee has the authority and responsibility to report and recommend to Council:
- (a) approval of the annual audited financial statements; and
  - (b) any further actions or decisions the Committee deems appropriate regarding the City's financial reporting.

**ENTERPRISE RISK  
MANAGEMENT**

- 9 (1) Committee has authority to:
- (a) review the Administration's Enterprise Risk Management

reports and discuss the processes for identifying and assessing risk with them;

- (b) evaluate the Administration's enterprise risks and the actions that Administration is taking to achieve business objectives and outcomes; and
- (c) examine the City's Risk Tolerance, and assess the action being taken to address the key identified risks consistent with the City's Risk Appetite.

- (2) Committee has authority and responsibility to report and recommend to Council, any actions or decisions regarding the City's Enterprise Risk Management Process that the Committee deems appropriate.

**CITY AUDITOR**

- 10 (1) Committee will provide oversight of the City Auditor.
- (2) Committee will monitor the role and functions of the City Auditor.
- (3) Committee has authority to:
  - (a) review all reports issued by the Office of the City Auditor, including completed projects, projects in progress and the status of audit findings;
  - (b) review whether Administration has taken appropriate corrective action in response to recommendations made in Office of the City Auditor reports;
  - (c) receive an annual report from the City Auditor demonstrating that the Office of the City Auditor is in full compliance with professional standards, including professionalism and competency;
  - (d) review with the City Auditor any restrictions on the scope of the City Auditor's work, or access to required information;
  - (e) review and evaluate the results of periodic peer reviews of the Office of the City Auditor; and
  - (f) approve modifications to the Office of the City Auditor's annual work plan as requested by the City Auditor.
- (4) Committee has the authority and responsibility to report and

recommend to Council:

- (a) any action, investigation or analysis it wishes the City Auditor to undertake;
- (b) changes, if required, to the internal audit mandate;
- (c) the annual work plan of the Office of the City Auditor; and
- (d) the budget and staffing of the Office of the City Auditor.

**INTERNAL  
CONTROLS**

- 11 (1) Committee oversees the City's Internal Control Processes.
- (2) Committee has authority to:
  - (a) review reports from Administration about the City's Internal Control systems (including information technology, security and control) over financial reporting and assess whether they are operating effectively;
  - (b) review reports from Administration about the City's disaster recovery procedures and business continuity plans, including the City's computer systems, and ensure that they appropriately address associated risks;
  - (c) review reports from Administration regarding the City's policies and procedures to safeguard City assets, and assess whether these policies are operating efficiently; and
  - (d) review reports from Administration regarding the City's internal control systems that support the achievement of business objectives and outcomes, and assess their adequacy.
- (3) Committee has authority and responsibility to report and recommend to Council, any actions or decisions regarding the City's system of Internal Controls that the Committee deems appropriate.

**ADMINISTRATION'S  
COMPLIANCE AND  
ETHICS**

- 12 (1) Committee will monitor the Administration's compliance with existing policies and legislation.
- (2) Committee has authority to:
  - (a) review reports from Administration and from the City Auditor as to the adequacy and effectiveness of corporate policies related to compliance with laws, regulations,

ethical principles, and conflict of interest;

- (b) review reports from the City Auditor on investigations of employee conflict of interest, misconduct, or fraud in accordance with City codes of conduct, fraud and whistle blowing policies and directives; and
  - (c) review reports from Administration respecting the City's processes and controls that prevent and detect fraud and misconduct.
- (3) Committee has authority and responsibility to report and recommend to Council, any actions or decisions regarding the Administration's ethics and compliance with policies and legislation that the Committee deems appropriate.

#### **PART IV - STRUCTURE AND PROCEDURES**

##### **MEMBERS**

13 (1) Committee will be comprised of the following members:

- (a) the Mayor;
  - (b) four Councillors, appointed by Council at its Inaugural Meeting, or so soon thereafter as Council may meet to make appointments to the Committee; and (S.3, Bylaw 15467, December 10, 2010)
  - (c) two members of the public, at least one of whom holds a professional accounting designation.
- (1.1) Councillors appointed to the Audit Committee will serve on the Committee from the time of their appointment until their terms of office ends.  
(S.4, Bylaw 15467, December 10, 2010)
- (2) An appointment of a member of the public is at the pleasure of Council, for a term of up to three years, to a maximum of six consecutive years.
  - (3) If a vacancy should occur, Council will appoint a new member to the Committee as soon as possible.
  - (4) Members of the public will be appointed and remunerated in accordance with Council policies and procedures.
  - (5) The Mayor will be the Chair of the Committee and the Committee

will elect a Councillor to be Vice Chair at its first meeting following October 1 each year.  
(S.5, Bylaw 15467, December 10, 2010)

- (6) If both the Chair and Vice Chair are absent, the Committee will elect a Councillor to be the Acting Chair for that meeting.
- (7) Councillors may be appointed to the Committee for successive terms totalling not more than six consecutive years.  
(S.6, Bylaw 15467, December 2010)
- (8) If a Councillor vacates the office of the Councillor while on the Committee, Council may replace the vacating Councillor in accordance with the provisions of the Procedures and Committees Bylaw.  
(S.7, Bylaw 15467, December 10, 2010)

**QUORUM**

- 14 (1) Quorum for the Committee will be:
  - (a) at least three Councillors, and
  - (b) at least one member of the public.
- (2) If quorum is not possible because of the absence of a member of Committee under subsection 14(1)(a), any Councillor present may become an alternate member and will be counted to determine quorum.
- (3) If more than one Councillor is present, priority for selection as an alternate member will be determined in accordance with the Deputy Mayor rotation schedule, beginning with the current Deputy Mayor.
- (4) Alternate membership will cease when there is a quorum of members regularly appointed under this Part.

**PROCEDURES AND COMMITTEES BYLAW**

- 15 Subject to this bylaw, the Committee will follow the rules for Standing Committees prescribed by Bylaw 12300, the Procedures and Committees Bylaw.

**MEANING OF "REVIEW"**

- 16 Authority of Committee to "review" under the provisions of this bylaw, include:
  - (a) authority to receive for information;
  - (b) authority to request further information; and

(c) authority to recommend to Council.

**MEETINGS**

- 17 (1) Committee will meet at least four times a year.
- (2) Meetings will be scheduled at the Organizational Meeting of Council under section 8 of Bylaw 12300, the Procedures and Committees Bylaw.
- (3) Audit matters requiring immediate attention may be addressed by calling a special meeting of the Committee under section 17 of Bylaw 12300, the Procedures and Committees Bylaw.

**IN PRIVATE  
MEETINGS**

- 18 Discussion of audit matters that are confidential or private in nature, including governance discussions with the External Auditor and the City Auditor, may be conducted in private under the provisions of section 197 of the *Municipal Government Act*.

