

## **BYLAW NO. 24/017**

### **A BYLAW OF THE REGIONAL MUNICIPALITY OF WOOD BUFFALO TO ESTABLISH AN AUDIT AND COMPLIANCE COMMITTEE**

**WHEREAS** Section 145 of the Municipal Government Act provides that a Council may pass bylaws in relation to the establishment and functions of Council Committees;

**WHEREAS** Section 203 of the Municipal Government Act permits Council to delegate certain powers, duties or functions to a Council Committee;

**WHEREAS** Section 210 of the Municipal Government Act allows Council to pass a bylaw establishing a designated officer position to carry out specified powers, duties and functions;

**WHEREAS** Council wishes to establish an Audit and Compliance Committee to assist Council in fulfilling its oversight and stewardship responsibilities;

**AND WHEREAS** Council wishes to establish the position of Regional Auditor;

**NOW THEREFORE**, the Council of the Regional Municipality of Wood Buffalo, duly assembled, enacts as follows:

#### **PART 1. DEFINITIONS AND INTERPRETATION**

##### **Short Title**

1. This Bylaw may be cited as the "Audit and Compliance Committee Bylaw".

##### **Definitions**

2. In this Bylaw, unless the context otherwise requires:
  - (a) "Administration" means the administration of the RMWB;
  - (b) "CAO" means the individual appointed by Council as its chief administrative officer pursuant to CAO Bylaw No. 17/021;
  - (c) "Capital Projects" means the acquisition, construction or improvement of capital assets funded through the RMWB's approved capital budget;
  - (d) "Chief Financial Officer" means the member of Administration holding the position of Chief Financial Officer;
  - (e) "Committee" means the Audit and Compliance Committee;
  - (f) "Council" means the Council of the RMWB;

- (g) “External Auditor” means the person or firm appointed by Council to be the RMWB’s external auditor;
- (h) “Municipal Government Act” means the *Municipal Government Act*, R.S.A. 2000, c. M-26;
- (i) “Organizational Meeting” means the annual organization meeting of Council pursuant to section 192(1) of the Municipal Government Act;
- (j) “Procedure Bylaw” means the RMWB’s Procedure Bylaw No. 18/020, as amended or replaced;
- (k) “Regional Auditor” means the individual appointed by the CAO to the designated officer position of the Regional Auditor pursuant to this Bylaw;
- (l) “RMWB” means the municipal corporation of the Regional Municipality of Wood Buffalo.

## **PART 2. AUDIT AND COMPLIANCE COMMITTEE**

### **Committee Mandate**

3. The mandate of the Committee is to:

- (a) Assist Council in fulfilling its oversight and stewardship responsibilities by gaining and maintaining reasonable assurance in relation to:
  - (i) the integrity of RMWB’s annual financial statements;
  - (ii) effective governance, risk management and compliance, including the evaluation of the performance of control systems and processes; and
  - (iii) additional matters described herein or as may be assigned to the Committee by Council.
- (b) Support Council’s effective decision-making by being involved in a broader governance role through oversight and responsibilities as indicated in Schedules “A”, “B” and “C” of this Bylaw.

4. The Committee reports to Council.

### **Authority of Committee**

5. The Committee is authorized to:

- (a) assign the setting of Committee meeting agendas to the Chair;
- (b) recommend special audits, program reviews, and special studies;

- (c) request reports from the CAO regarding:
  - (i) matters that have a material or significant financial impact to RMWB; and
  - (ii) a minimum of twice a year, RMWB's risk management and corporate risks;
- (d) receive reports from Administration in support of fulfilling the Committee work plan and to recommend to Council any actions deemed appropriate;
- (e) recommend the appointment of the External Auditor to Council for approval;
- (f) approve the Regional Auditor's annual audit plan and reports to Council for information; the Committee or Council may not remove items from the Regional Auditor's audit plan but may direct items be added to the plan; and
- (g) establish sub-committees as required.

#### **Committee Composition**

6. The Committee is composed of the following:
- (a) the Mayor;
  - (b) four Councillors, with preference afforded to at least one rural Councillor; and
  - (c) two public members that reside in Alberta, with preference afforded to individuals who reside in the RMWB and are not employed by the RMWB;
- to be appointed by Council at the annual Organizational Meeting.
7. The public members appointed to the Committee shall be financially literate possessing a set of skills, experience and knowledge of financial matters that support informed and effective decisions, with skills in public sector accounting.

#### **Term of Appointment**

8. A Councillor's appointment to the Committee is for a one-year term commencing on the date of the 2025 Organizational Meeting and for two-year terms commencing on the date of the 2026 Organizational Meeting.
9. A Councillor's appointment to the Committee expires on the date of the Organizational Meeting in the year of the expiry of the member's term of appointment to the Committee.

10. A public member's appointment to the Committee is for two-year terms commencing on the date of the Organizational Meeting and expiring on the date of the Organizational Meeting in the year of the expiry of the member's term of appointment to the Committee.
11. Public members may serve a maximum of six consecutive years.
12. Despite section 10, a public member may serve until their successor is appointed. The service of a public member beyond the appointed term shall not count toward the limit on the length of service as set out in section 11 if the additional service is one year or less.
13. Vacancies on the Committee caused by retirement, resignation or incapacitation of a member may be filled by resolution of Council for the balance of that member's term. The Committee may continue to operate and conduct business until vacancies are filled provided that the quorum requirement is met.
14. When an appointment is made to fill a public member vacancy pursuant to section 13:
  - (a) If the balance of the term to be served is one year or less, that service shall not count toward the limit on the length of service set out in section 11; and
  - (b) If the balance of the term to be served is more than one year, that service shall count toward the limit on the length of service set out in section 11.
15. Despite section 11, a public member may serve more than six consecutive years if authorized by a two-thirds vote of Council.

### **Continuing Education**

16. Council may authorize Committee members to have the opportunity to obtain education either from the RMWB, the Regional Auditor, the External Auditor or through outside programs, to address identified gaps in knowledge, to further support the mandate of the Committee.

### **Meetings and Attendance**

17. The Committee must meet not less than six times per year.
18. Only Committee members are entitled to vote.
19. The following individuals or their designates must attend all Committee meetings:

- (a) the CAO;
  - (b) the Chief Financial Officer; and
  - (c) the Regional Auditor.
20. A quorum of the Committee is four members, including a minimum of one public member. The Committee may hold a meeting only when quorum is present.
21. A Committee member may participate in a meeting through teleconferencing or other electronic means in accordance with the rules set out in the Procedure Bylaw.
22. All Committee meetings must be conducted in accordance with the rules set out in the Procedure Bylaw. Any matter not addressed by the Procedure Bylaw shall be determined in accordance with Roberts Rules of Order Newly Revised.
23. Committee meetings shall be held in such locations within the RMWB as the Committee deems advisable and must be open to the public except where a matter under discussion allows the Committee to move in camera pursuant to the Municipal Government Act.
24. Notice to the public of all Committee meetings shall be posted on the RMWB's website the week prior to the meeting.

#### **Appointment of Chair and Vice-Chair**

25. The Chair and Vice-Chair are appointed by Council at the Organizational Meeting.
26. The Chair and Vice-Chair must be members of Council.

#### **External Auditor**

27. The functions of the External Auditor are more fully set out in Schedule "B".

#### **PART 3 – REGIONAL AUDITOR**

28. The designated officer position of the Regional Auditor is hereby created, with powers, duties and functions as specified in this Bylaw and any other bylaw making reference to the Regional Auditor.
29. The Regional Auditor shall be subject to the supervision of and accountable to the CAO.
30. The Regional Auditor's mandate is to audit:
- (a) any area of RMWB operations reporting to the CAO;

- (b) any entity that receives any type of benefit from the RMWB, whether financial, assets or in-kind, or
- (c) any entity that the RMWB owns, in whole or in part;

where the RMWB has the legal authority to conduct an audit.

31. The Regional Auditor shall be provided with unrestricted access to all RMWB personnel, records, property, policies, procedures, processes, systems and data necessary to support the work conducted by the Regional Auditor in delivery of assurance, advisory and investigative services.
32. The Regional Auditor shall report the outcome of all audits to the Committee (including Administration's response and corrective actions to be taken in regard to specific recommendations).
33. The functions and responsibilities of the Regional Auditor are set out in Schedule "C" and Schedule "D".
34. The CAO shall have sole administrative authority and control over the Regional Auditor, including the establishment of management and salary structures and administrative policies. The hiring, evaluation, discipline and dismissal of staff is subject to existing legislation, contracts and RMWB policies or procedures.
35. The Regional Auditor, through the CAO, shall be provided enabling support services as required including:
  - (a) facility management;
  - (b) human resource support;
  - (c) legal counsel and advisory;
  - (d) organizational health, safety and wellness;
  - (e) financial support;
  - (f) procurement support;
  - (g) communications and stakeholder relations; and
  - (h) legislative advice and support.
36. The Regional Auditor may retain consultants and make other expenditures as supported by annual budget approved by Council.
37. The Regional Auditor may further delegate powers, duties and functions to any person reporting directly, or indirectly, to the Regional Auditor.

**Coming Into Force**

38. This Bylaw comes into effect on the day it is passed.

Read a first time this 28<sup>th</sup> day of May, 2025.

Read a second time this 10<sup>th</sup> day of June, 2025.

Read a third and final time this 10<sup>th</sup> day of June, 2025.

Signed and Passed this 12<sup>th</sup> day of June 2025

  
Mayor

  
Chief Legislative Officer

## **SCHEDULE “A”**

### **REGARDING THE PURPOSE AND ROLE OF THE AUDIT AND COMPLIANCE COMMITTEE**

1. The Committee:

- (a) oversees, reviews and assesses the relationships between Administration, the Regional Auditor and the External Auditor;
- (b) assesses the performance of the External Auditor and the effectiveness of the internal audit function and forwards the assessments to Council for information;
- (c) develops a detailed annual work plan which is forwarded to Council for information;
- (d) must perform an annual self-assessment on the performance of the Committee.

### **REGARDING THE RMWB’s FINANCIAL DISCLOSURE AND ACCOUNTING PRACTICES**

2. The Committee:

- (a) reviews and oversees the integrity of the annual financial statements and recommends their approval to Council;
- (b) reviews and discusses the RMWB’s compliance with financial reporting, policies, and procedures with Chief Financial Officer and the External Auditor;
- (c) engages Chief Financial Officer and the External Auditor in candid discussions regarding issues that may alter judgment or affect the quality of the reporting process and search for insight into the results;
- (d) in consultation with the Chief Financial Officer and External Auditor, review and discuss significant new accounting standards and financial reporting developments to understand any material impact on financial results. A detailed analysis, prepared by Chief Financial Officer, on the implications of any changes, as well as the progress made in the adoption of new accounting standards, may be requested;
- (e) maintains open lines of communication with the External Auditor and Chief Financial Officer; and
- (f) must meet with the Chief Financial Officer, in the absence of the External Auditor, semi-annually.



### **REGARDING SPECIAL AUDITS, PROGRAM REVIEWS OR SPECIAL STUDIES**

3. The Committee:
  - (a) recommends and approves special audits, program reviews or special studies to be conducted by the Regional Auditor. If required, budget funds will be provided by Council; and
  - (b) reviews the results of special audits, program reviews or special studies, together with responses, and forwards them to Council for information.

### **REGARDING INTERNAL CONTROL AND RISK**

4. The Committee reviews:
  - (a) the integrity of the RMWB's internal controls; and
  - (b) the RMWB's process of risk identification, analysis and management procedures to mitigate risk. and

## **SCHEDULE “B”**

### **REGARDING THE EXTERNAL AUDITOR**

1. The Committee in collaboration with the CAO:
  - (a) prior to the commencement of the annual external financial audit, reviews the audit plan and estimated audit fees with the External Auditor and discusses the timing and extent of audit procedures, materiality, significant audit risks and areas of audit focus and overall audit strategy. The audit plan is forwarded to Council for information;
  - (b) in conjunction with Administration’s presentation of the annual financial statements, receives and reviews the External Auditor’s year end audit results report. The audit results report is to be forwarded to Council for information;
  - (c) requires the External Auditor to express an opinion on the RMWB’s financial statements, in accordance with professional standards;
  - (d) receives and reviews the External Auditor’s management letter and Administration’s responses, and forwards them, either in full or in summary, to Council for information;
  - (e) through query, confirm that any recommendations made by the External Auditor are addressed by Administration in a timely manner;
  - (f) must meet with the External Auditor, in the absence of Administration, semi-annually;
  - (g) annually assesses the performance of the External Auditor, following the presentation of the External Auditor’s current management letter and forwards this assessment to Council for information;
  - (h) must meet at least annually with Administration, in the absence of the External Auditor, at the time of the External Auditor performance assessment; and
  - (i) receives and reviews the External Auditor’s annual independence letter and through query, confirms the process by which the External Auditor maintains their independence and objectivity.
2. Unless otherwise determined by Council, the External Auditor contract is awarded on a five-year basis, subject to satisfactory annual assessments. The contract may be extended annually beyond five years, based on the Committee’s recommendation for Council’s approval.

## **SCHEDULE “C”**

### **REGARDING THE REGIONAL AUDITOR**

**1. The Committee:**

- (a) reviews and ensures the authority, accountability, independence and objectivity of the Regional Auditor;
- (b) reviews the Regional Auditor’s office audit plan with the Regional Auditor and discusses the scheduling, resourcing, risk areas, coverage and overall audit strategy;
- (c) ensures that the RMWB’s audit functions undergoes an independent assessment review and conforms to professional standards at least every five years;
- (d) assesses annually, the performance of the RMWB’s audit functions, by way of a formal review process through the Committee Chair and forwards this performance assessment to Council for information;
- (e) reviews and forwards to Council for information, the Regional Auditor’s office quarterly and annual status reports;
- (f) receives directly from the Regional Auditor any individual audit report, including as applicable, Administration’s response and corrective action to be taken to specific audit recommendations, and forwards these to Council for information;
- (g) receives directly from the Regional Auditor at least annually, a report providing the status of Administration’s action on the recommendations contained in previous audit reports; this report will be forwarded to Council for information; and
- (h) ensures that the Committee work plan includes regular closed meeting discussions between the Committee and the Regional Auditor no less than quarterly.

## **SCHEDULE “D”**

### **REGIONAL AUDITOR’ STRUCTURES AND POLICIES**

The CAO will ensure management structures and administrative policies are sufficient to fulfill the functions and responsibilities of the Regional Auditor.

### **MANDATE**

1. The Regional Auditor will provide independent and objective assurance, an advisory and investigative function to add value to the RMWB and enhance public trust.

### **PROFESSIONALISM AND INDEPENDENCE**

2. The Regional Auditor and any staff reporting to the Regional Auditor will:
  - (a) conduct all audit and advisory services through adherence to the Institute of Internal Auditors’ mandatory guidance including the Core Principles for the Professional Practice of Internal Auditing, the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (Standards);
  - (b) conduct all investigative functions through adherence to Association of Certified Fraud Examiner’s Code of Professional Standards. These standards of professional conduct will be adhered to as they pertain to integrity and objectivity, professional compliance, due professional care, communication and confidentiality;
  - (c) remain free from interference by any element in the organization in the conduct of assurance, advisory and investigative functions to permit maintenance of a necessary independent and objective mental attitude;
  - (d) have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgement; and
  - (e) exhibit the highest level of professional objectivity in gathering, evaluating, and communicating results. They will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgements.

### **ASSURANCE AND INVESTIGATION FUNCTIONS**

3. The Regional Auditor will:
  - (a) utilize a risk-based approach, and communicate audit assurance activities

to the Committee for approval through the development of an annual audit plan, which may include:

(i) Compliance Audits

Review the systems established to ensure compliance with policies, plans, procedures, ethical and business norms, as well as laws, regulations, and contracts which can have a significant impact on operations and reports and determining whether the organization is in compliance.

(ii) IT Audits

Review and evaluation of automated information processing systems, related non-automated processes and the interfaces among them to ensure business risks are minimized appropriately.

(iii) Operational Audits

Utilizing a risk-based approach, review operations, services, processes and systems to determine whether they are effective and implemented as planned to achieve their objectives. This type of audit may include assessing the efficiency with which resources are utilized.

(iv) Follow-up Audits

Review the effectiveness of the corrective action implemented in response to previous audit recommendations to ensure the underlying risk was mitigated as intended to support achievement of the objective. This type of audit is generally limited in scope, however, may identify efficiency opportunities resulting from operational changes or redundant control structures.

- (b) determine the appropriate methodologies and project scope in consultation with the CAO, including utilization of data analytics to discharge the above, taking into consideration the involvement and work that will be required by Administration or third party groups.

## **ADVISORY SERVICES**

4. The Regional Auditor may, at the discretion of the CAO:
- (a) provide advisory services on an issue or project specific basis as requested by Administration which may include financial advisory, risk management, information technology systems security and control, data analytics and general management advisory services;
  - (b) ensure requests received from Administration will be resourced based on a risk assessment basis similar to the determination on audit assurance work;
  - (c) provide an independent view and insight on current, new or emerging risks and opportunities facing the RMWB based on the Regional Auditor's knowledge of best practice on risks, controls and governance frameworks;
  - (d) determine whether capacity exists to complete advisory requests against the priorities set on the approved audit plan; and
  - (e) determine the appropriate methodologies and project scope, including utilization of data analytics to discharge the above.

## **ACTIVITY REPORT**

5. The Regional Auditor will:
- (a) provide a quarterly report to the Committee that includes trending and achievement of the Regional Auditor's performance measures as established to reflect effective delivery of the Regional Auditor's mandate, status of Administration's action on the current recommended action plan commitments agreed upon in previous audit reports, and status of deliverables against the approved annual audit plan;
  - (b) recommend amendments to the annual audit plan as needed if the risk profile, on which the annual audit plan is based, significantly changes during any given year, by presenting proposed changes to Committee for approval; and
  - (c) provide an annual report to Committee that provides a retrospective summary of highlights and achievements of the year, reflecting the assurance, advisory and investigation services provided.