



SUBJECT: Financial policies

TO: Audit Committee

FROM: Finance Department

Report Number: F-35-20

Wards Affected: not applicable

File Numbers: 410-01

Date to Committee: December 9, 2020

Date to Council: December 14, 2020

Recommendation:

Receive and file finance department report F-35-20 providing information on financial policies.

PURPOSE:

The purpose of the report is to provide Audit Committee information on financial policies and internal controls.

Background and Discussion:

The terms of reference for the Audit Committee direct the committee to review and discuss with management:

- the appropriateness of accounting or other financial policies and financial reporting practices
- any significant proposed changes in financial reporting and accounting policies and practices to be adopted by the City
- Any new or pending developments in accounting and reporting standards that may affect the City and
- Management's key estimates and judgments that may be material to financial reporting

The City of Burlington maintains a number of policies that may be categorized as follows:

- Corporate policies that have applicability to the entire corporation and must be approved by Council. These policies are contained in the Corporate Policy Manual which is maintained and updated by staff within the Clerk's Department. The Corporate Policy Manual is available on the City's website.
- Organizational policies that may have a corporate wide impact or a specific divisional focus. These policies are approved by Senior Management not City Council and accountability for maintaining the policy is indicated in the policy document. These are typically published to the City's intranet site.
- Service specific policies that may be required for specific service areas. Financial management and accounting policies that fall into this category are of interest to the Audit Committee as they may have an impact on the financial statements.

However, financial policies are just one of many tools that staff use to ensure the integrity of financial information. As a support to the financial policies, internal controls are implemented. This report will provide information on the internal controls currently in place.

Impacts of Covid 19

Starting in March of 2020 with the evidence of the spread of a global pandemic, governments across the world implemented measures designed to safeguard the health and safety of its citizens and employees. Among the measures implemented was the shut down of places of employment including those of the municipality. However, although the physical offices were closed, it was incumbent on the municipality to continue to provide services to its citizens and support services to the departments within the City.

As an internal service the Finance department needed to pivot to continue to provide support services such as accounts payable, payroll and other financial related services under a remote work environment. In doing this, it was necessary to accommodate the need while still enforcing the internal controls needed to ensure the integrity of the service delivery. Therefore, while documents were received electronically and some approvals were received by e-mail the levels of authorization as set out in the signing authority policy were still adhered to and staff continue to monitor the approval levels and bring to the attention of management any concerns. In fact, more stringent measures were introduced in the form of additional approvals at the CFO level for discretionary expenditures as an expenditure restraint program was introduced.

The expenditure restraint program included the following additional controls:

- Priority given to essential services:

Essential and/or critical services that remained operational were identified as those that:

- are required to meet legislative requirements
- support employee and public health, safety and security
- enable critical community services and supports, including COVID-19 mitigation and recovery
- support services necessary to keep essential services operating
- protect & operate vital infrastructure
- fulfill contractual, legal & financial obligations.

The Expenditure Restraint Program defined the following as areas in which allowable expenditures may occur:

- Capital spending that is directly related to health and safety of employees/ organization, required to respond to COVID, and to ensure the life cycle of city assets in order to maintain service delivery required of these assets.
- Capital spending related to projects approved under senior government funding programs.
- Repair and Maintenance activities that are directly related to health and safety of employees /organization, required to respond to COVID and to ensure the life cycle of city assets in order to maintain the service delivery required of these assets.
- Membership fees related to a professional accreditation.
- On-line professional development required to maintain professional accreditation.
- Priority Corporate projects that are currently under contract or purchase order including those related to IT and Planning initiatives.

To further limit discretionary expenditures from occurring, sign-off is required by an SRT member for any discretionary spending request greater than \$5,000. These approvals (via email) are to be forwarded to the Chief Financial Officer who maintains a list of authorized purchases. PO's for discretionary expenditures in excess of \$10,000 are required. Under regular operations, expenditures of \$25,000 or more require a purchase order.

During this time City Purchase Card spending is monitored to ensure purchases are appropriate and within guidelines as defined in the purchasing card policy. As the provision of services resumes, these additional controls continue to be maintained. Staff continue to perform other internal control measures such as timely reconciliation of accounts, daily balancing of receipts and enforcement of financial policies.

Additional measures and controls include a cost centre specific to Covid related costs such as PPE and enhanced cleaning of buses and facilities. Tracking the costs in this way has allowed staff to be able to monitor costs and approved Council expenditures related to redesign of services.

Staff have also been proactive in applying for available funding from Senior levels of government.

Being completely transparent with Council has been of paramount importance to staff during this emergency. Reporting is done monthly to CSSRA committee and Council on financial position, cash flow and tax collection.

Financial Matters:

Conclusion:

City staff continues to operate within the parameters of financial policies and internal controls. Report F-35-20 is designed to provide assurance to the Audit Committee that Finance staff are responsible and accountable in their obligation to safeguard the financial assets of the City.

Respectfully submitted,

Sandy O'Reilly

Controller and Manager of Financial Services

X 7648

Report Approval:

All reports are reviewed and/or approved by Department Director, the Chief Financial Officer and the Executive Director of Legal Services & Corporation Council.