

Policy Title: **Fiscal Controls and Financial Reporting**

Policy # **B-109**

Effective Date: **March 15, 2022**

Date adopted by Council: **March 15, 2022**



1. POLICY STATEMENT

The Municipality of Jasper is committed to the sound stewardship of financial resources. To this end, the municipality will ensure that there are efficient and effective tools, processes, practices, and measures for internal fiscal controls and financial reporting to meet both statutory requirements under the Municipal Government Act and generally accepted accounting principles (GAAP).

2. PURPOSE

Internal fiscal controls ensure that municipal money is well-managed, adequately controlled, and spent only as approved. Financial reporting ensures that accurate information is available for decision-making and that the risk of loss, fraud, misappropriation, or theft is minimized. Together fiscal controls and financial reporting support the effective, appropriate, transparent, and economic use of municipal funds.

3. GUIDING PRINCIPLES

In carrying out their duties under the procedures accompanying this policy, or when acting in situations not explicitly addressed by an existing procedure, employees will be guided by the following principles:

- Due diligence will be exercised in all situations; transactions will only be approved by employees that are knowledgeable about the circumstances of the transaction;
- Expenditures must be reasonable, appropriate for the circumstance, and allowable for the funding source;
- Financial transactions must be undertaken for the benefit of the Municipality and not for personal benefit; and
- an appropriate segregation of duties must be maintained.

4. OPERATING BUDGET AUTHORITY

4.1 The operating budget approved by Council establishes the spending authority for departments and the programs delivered within departments.

4.2 No Director/Manager has the authority to exceed the total approved expenditure budget for their Department or programs without Council approval.

4.3 Budgets may only be reallocated subject to the following approval limits and subsequent reporting to Council through the vehicle of the quarterly financial status reports.

4.3.1 Directors/Managers are responsible for managing within their existing budget and may authorize reallocations within a program that do not affect the net operating budget of that specific program.

4.3.2 The Director of Finance and Administration upon recommendation of a Director may authorize reallocations between the programs within a department of up to 10% of the total receiving program budget approved by Council, provided the reallocation does not affect the net operating budget for the municipality.

- 4.3.3 The CAO may authorize reallocations between departments of up to 10% of a receiving departmental budget as approved by Council, provided the reallocation does not affect the net operating budget for the municipality.
- 4.4 Any expenditures that would result in total gross expenditures exceeding the funding available in a program by an amount greater than 10% requires Council approval prior to a commitment being made to incur such expenditures.
- 4.5 Revenues that are received beyond the level provided for in the budget shall not be spent or committed without Council approval.
- 4.6 At year-end, such remaining revenues become part of the municipal surplus.

5. CAPITAL BUDGET AUTHORITY

- 5.1 The Capital Budget approved by Council establishes the scope, funding and spending authority for each Capital Project listed in the Capital Budget document for the identified period.
- 5.2 Managers do not have the authority to exceed the budget approved for a project or amend a project scope.
- 5.3 The scope of a project may not be amended without Council approval.
- 5.4 Directors upon recommendation from a Manager may authorize additional gross expenditures where costs for a capital project increase to the extent that they exceed the original funding approval for the capital project by an amount not exceeding 10%.
- 5.5 The Director of Finance and Administration must be notified of the over-expenditure and is authorized to pay such excess, provided that:
 - 5.5.1 This policy is otherwise complied with;
 - 5.5.2 Funding is available to fund the over-expenditure, either from under-expenditures in other capital projects within the same department or by deferral of other capital projects within the same department;
 - 5.5.3 The Director of Finance and Administration has certified that there is sufficient appropriate financing available for the capital project; and
 - 5.5.4 The over-expenditure and capital budget transfer must be reported to council in the next capital budget variance report.
- 5.6 Where a capital project is over committed and funds are not available from another capital project, the Director of Finance and Administration with the approval of the CAO, is authorized to provide the necessary funds from reserve, reserve funds or other appropriate sources provided the original scope of the project is not exceeded, and that the required funds do not exceed the lesser of either; 10% of the approved project budget or \$350,000. Such allocations shall be reported as part of the quarterly capital project status reports provided to Council.
- 5.7 If the costs for a capital project exceed the original funding by more than \$350,000 Council approval must be obtained to amend the capital project budget. The CAO shall recommend an appropriate funding source to council.
- 5.8 Capital projects will be closed based on any of the following criteria:
 - 5.8.1 The capital project sponsor notifies the Director of Finance and Administration that the project is complete;

- 5.8.2 Capital projects having less than 5% of budget remaining and no activity for a period of 12 months will be deemed by the Director of Finance and Administration to be completed and will be closed in consultation with related staff;
- 5.8.3 Capital projects that have had no expenditures within 18 months of approval will be closed by the Director of Finance and Administration in consultation with related staff. These projects will have to be re-presented for council approval as in a future capital budget.

5.9 Except where a capital project has been financed through the issuance of debentures, any unspent funds in any capital project that is completed will be returned to the originating reserve upon closure. Any surplus funds resulting from capital projects funded by the capital levy will be returned to the general capital reserve.

6. FINANCIAL REPORTING

6.1 All of following financial reporting requirements shall be completed by administration in accordance with the timelines described in this policy to provide reasonable assurance that the municipality's financial statements are reliable and prepared in accordance with GAAP:

6.2 The financial statements prepared by the municipality must be audited, approved by council and made available to the public before the deadline required by The Government of Alberta, Alberta Municipal Affairs.

6.3 The financial statements of the municipality must be prepared in accordance with Public Sector Accounting Standards (PSAS) and Generally Accepted Accounting Principles (GAAP) guided by the Municipality's policies and procedures to help ensure that Council or Administration's directives to mitigate risks are carried out.

6.4 Financial reports and fiscal updates shall be presented to council on a quarterly basis and shall include a balance sheet and the revenue and expenditure statements that will include:

- the annual approved budget;
- the year to date actual;
- variance from actual to approved budget;
- statement of expenditures paid to councilors, and;
- capital project status reports.

7. RESPONSIBILITIES

Council

- review and adopt annual operating and capital budgets.
- review and receive for information quarterly financial reports
- review and approve any revisions to this Policy.

CAO

- prepare and present annual operating and capital budgets.
- prepare and present for information quarterly financial reports.
- review and approve any procedures related to this Policy.

Directors and Managers

- carry out the policy based on established procedures.

8. DEFINITIONS

"Capital Project Sponsor" means the Director or Manager responsible for a capital project or procurement.

“Fraud” refers to any misrepresentation of factual information or any actual or attempted misuse, misappropriation or misapplication of corporate assets or resources.

“Fiscal controls” are part of responsibilities and practices exercised by management and staff with the goal of providing strategic direction and tactical guidance to ensure that Municipal goals and objectives are achieved, risks are identified and managed appropriately, and resources are assigned responsibly.

“Generally Accepted Accounting Principles” are broad principles and conventions of general application, as well as rules and procedures that determine accepted accounting practices at a particular time.

“Municipality” means the corporation of the Municipality of Jasper.

“Municipal funds” means funds budgeted, owing, collected, received, or held by any person for the benefit of the municipality, or held by the municipality in trust or for any other person.

“Program” means the services delivered within municipal departments.

“Risk” is the possibility that an event will occur and adversely affect the achievement of objectives.