

FINANCIAL CONTROL POLICY

Town of High Prairie

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Amendments 4	Amendment Date February 26, 2014	Amendment Resolution Number 175/14

TITLE: Financial Control Policy

Policy Statement:

To ensure clear guidelines for Mayor, Council and employee's, regarding all financial transactions for the Town of High Prairie:

- Key Responsibilities
- Revenue collection and Cash handling policy
- Expenditure authorization & approval limits
- Purchasing policy
- Grant policy
- Capitalization policy
- Inventory control policy
- Banking policy

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INTRODUCTION

ACCOUNTABILITY

The Town of High Prairie Council is accountable to its residents and ratepayers for the conduct of its financial affairs. To ensure this accountability, the Town's financial statements (or a summary of them) and the auditor's report will be made available to the public on an annual basis.

The Town of High Prairie Council is also accountable to the Minister of Municipal Affairs for ensuring compliance with all requirements pertaining to financial administration as set forth in the Municipal Government Act.

PURPOSE OF THIS MANUAL

This manual contains financial and accounting policies and procedures for the Town of High Prairie. Existing policies and procedures will be updated and new policies and procedures will be prepared as required.

The purpose of this manual is to present policies and procedures that:

- clearly define major financial responsibilities of Council and employees;
- provide for clear divisions of responsibilities;
- outline what specific activities are required;
- provide easy guidelines for performing the necessary activities; and
- provide internal control standards.

POLICY MANUAL REVISIONS AND DISTRIBUTION

Manual holders are: Councillors
Chief Administrative Officer
Treasurer
All employees with delegated financial responsibilities.
External Auditor

The manual holders are responsible for the following:

- ensuring that they are in possession of a current copy.
- ensuring that they are aware of all material in this manual that is pertinent to their areas of responsibility.
- suggesting changes or additions to existing material.

Any changes to these policies and procedures must be approved by Council.

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KEY RESPONSIBILITIES

1. Council :

Council must adopt operating and capital budgets and pass a property tax bylaw each calendar year.

Council must pass bylaws authorizing any borrowing.

Council will establish the financial policies and reporting practices to be followed by the Town of High Prairie.

Council accept for information the following on a monthly basis at a regular meeting:

- Financial Statements consisting of a summary balance sheet, a summary revenue and expenditure statement. (which would show , year to date actual, annual budget and variance from budget summarized at a sub-function level, and a monthly bank reconciliation
- Complete cheque listings of all payments made to suppliers, employees, councillors, etc. (including any voided cheques) shall be made available for review upon request
- Detailed financial statements shall be made available for review upon request.

Council will undertake to review the annual auditor's report and management letter and ensure that any concerns noted are addressed by administration.

2. Town Manager (CAO):

The CAO is responsible for ensuring that the Town's finances are being administered in accordance with all regulations and requirements as set forth in the Municipal Government Act.

The CAO is responsible for ensuring that the Town is following Council's financial policies and procedures.

The CAO will review month end financial reports, monthly bank reconciliation, aged analysis reports for all accounts receivable, and any other information needed to ensure that the financial affairs of the Town are in order and that the municipality is being managed in an effective and efficient manner.

3. The Treasurer:

Reports administratively to the CAO.

Is responsible for carrying out the Town's financial functions (treasury and comptrollership) as defined in the Municipal Government Act, and the Treasurer's Designated Officer Bylaw.

Is responsible for carrying out the Town's financial functions in accordance with Council's approved policies and procedures.

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Ensures that any concerns raised by Council, the CAO and the auditors are addressed in an effective and timely manner.

Prepares monthly financial statements for presentation to Council.

Prepares the year-end financial statements and all working papers prior to the commencement of the annual audit by the Auditor.

Prepares all financial statements in accordance with generally accepted accounting principles for municipal governments as recommended from time to time by the Canadian Institute of Chartered Accountants.

Prepares any financial information returns required by the Minister of Municipal Affairs.

Advises employees of all financial practices and policies that must be followed, and providing staff training on financial policies and procedures as required.

4. Department Heads:

Are responsible for complying with Council's approved financial policies and procedures.

Review month end financial reports and general ledger reports to ensure that their areas of responsibility are within approved budget limits.

Review month end financial reports, general ledger reports, and any other information needed so as to ensure that their areas of responsibility are being managed efficiently and effectively.

Department do not have the sole authority to approve financial transactions that will impact other departments unless such decisions have been approved in advance.

5. Auditor:

An annual audit will be performed for the Town of High Prairie by an auditor appointed by Council.

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REVENUE COLLECTION & CASH HANDLING POLICY

This policy is intended to serve as a guide for the recording of the revenues of the Town and for the collection of receipts.

1. Accrual Basis For Recording Revenues

All revenues of the municipality will be recorded at the time of sale or when otherwise earned. Government grants, transfers and other voluntary contributions will be recorded when notification is received that funds are being made available to the Town.

The Town will maintain separate accounts receivable sub-ledgers for utility accounts, tax accounts, and miscellaneous receivables (excluding federal and provincial grants).

Federal and provincial grants receivable will be recorded on a functionalized basis.

2. Rates and Fees

Rates and fees charged for the sale of goods and services provided by the municipality will be in accordance with those rates and fees established by Council in the Fees Bylaw.

The Fee Bylaw will also set interest rates for unpaid accounts and fees for service charges. Council shall review the Fees Bylaw annually as part of the budget preparation process.

3. Cash Receipting and Deposit

Procedures to ensure adequate control of cash receipts are as follows:

An official receipt is to be issued for each payment received. Once a receipt is issued it cannot be deleted. If the receipt is incorrect, a corrected receipt will be issued and the incorrect receipt will be given to the Treasurer or Office Supervisor for cancellation. .

Any cheques received by mail are to be stamped "For deposit to the Town of High Prairie" and immediately receipted.

Any post-dated cheques are to be stamped for deposit, and then recorded in the post-dated cheque log and stored in the vault until the date of deposit.

All negotiable items are to be stored in a secure place at all times.

All moneys received are to be deposited daily. At the time the deposit is prepared, a Cash Proof List will be approved by the staff member responsible for receiving payments. Should the deposit not balance with the Cash Proof List the staff member preparing the deposit will identify the reason for the discrepancy and report it to the Office Supervisor. The Office Supervisor will then make the necessary corrections or record the cash overage or shortage.

Deposits will be reconciled monthly to receipts by a staff member whose normal duties do not include either issuing or correcting cash receipts.

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EXPENDITURE AUTHORIZATION AND APPROVAL LIMITS

1. Purpose

To provide an effective system of expenditure control by delegating expenditure authority to appropriate employees with levels of spending clearly identified.

2. Authorization and Approval Limits

The CAO is accountable for budget control and administration and is, therefore, appointed by Council as its expenditure officer.

The CAO will not initiate any capital expenditure that has not been approved in the annual budget that exceeds Schedule A..

The CAO is authorized to initiate budgeted operating expenditures in an amount up to \$100,000 without specific Council approval, with the exception of those specific items noted below. (Note: once the annual budget has been approved, all operating expenditures included in the budget will have been approved by Council), unless otherwise directed by Council.

The CAO and the Treasurer are authorized jointly to initiate expenditures in excess of \$100,000. without Council approval for budgeted expenditures for the RCMP policing contract, natural gas purchases and progress payments for capital construction projects previously approved by Council.

The following expenditures all require specific Council approval: grant payments, all land-related expenditures (including leases, rights-of-way, easements, rights of entry, and land leases), equipment leases extending beyond one year where the principal payment exceeds \$5,000.

Council and the CAO have further assigned and delegated authority for operating expenditures to Town of High Prairie employees as set out below:

- The Superintendent of Public Works or his designate is authorized to initiate budgeted expenditures in an amount up to \$15,000 and to authorize "as and when" equipment and machinery rental agreements without Council or CAO approval.

- The Treasurer and Manager of Roads & Facilities are authorized to initiate budgeted expenditures in an amount up to \$5,000 without Council or CAO approval.

- The Senior Gas Utility Operator is authorized to initiate budgeted expenditures in an amount up to \$1,500 without the Superintendant of Public Works approval.

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-The Mechanic is authorized to initiate expenditures for parts in the amount of \$1,000. without the Superintendent of Public Works approval.

- The Senior Water Operator is authorized to initiate expenditures for chemicals, water supplies or purchases required for the safe maintenance of the High Prairie Water Treatment Plant from the budgeted amount up to \$12,000.00 without the Superintendent of Public Works approval.
- All other employee's purchasing inventory for the Town must have approval from their immediate supervisor for expenditures over \$150.

The above mentioned employees shall not initiate any expenditures which would exceed the budget estimates for any function, which for the purposes of this policy is defined as a service category. Any expenditure of funds which would result in a function going over budget estimates must be approved by the CAO.

Notwithstanding the above, an employee responding to an emergency situation may, if unable to contact an employee with sufficient expenditure authority, authorize any expenditures that are required to address the emergency situation. Any such expenditures shall be reported to the Public Works Superintendent or the CAO as soon as one or the other can be contacted.

(Note: "Emergency" is defined under "Purchasing Policy - General Provisions".)

3. Primary Responsibilities

Managers are responsible for:

- managing program delivery within Town allocations;
- authorizing a proposed expenditure or disbursement;
- certifying that the amount of a proposed expenditure or disbursement is fair and just if the total amount or the amount per unit is not specified in a contract or where there is no written contract;
- initiating an expenditure only if it is for the purpose authorized by the budget, and a disbursement only if it is consistent with the purpose for which the money is available;
- verifying that the goods and services have been received or the work has been performed;
- ensuring that the invoice is supported by adequate documentation.

4. Pecuniary Interest

Employees with delegated expenditure authorization may not authorize an expenditure or disbursement where he, or she, is directly involved in the transaction. For example, an expenditure officer may not authorize an expenditure where he or she will be the payee. For this reason, all of the CAO's expense claims are to be signed by the Mayor or Deputy Mayor. Apart from the CAO, no employee will approve an expenditure for a function such as a training course, seminar or conference that he or she is attending.

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PURCHASING POLICY

1. General Provisions

All expenditures must be documented as to the amount, purpose and the person initiating the expenditure.

All expenditures must be included in the annual budget or be otherwise authorized by Council; except in the case of an emergency, or where there is a legal requirement to pay.

An emergency is defined as any situation where there is a threat, or potential threat, to public safety or where immediate action is required to protect the municipality's investment in assets and infrastructure.

Any unbudgeted expenditures made when declaring a Local State of Emergency must be presented by the CAO or Public Works Superintendent at a Council Meeting for Council's review.

Council may from time to time approve previously unbudgeted expenditures, but must do so by resolution. The resolution will clearly identify where the funds are to be drawn from, whether from another area of the budget, from a reserve established specifically for financing the type of expenditure so required, or from accumulated surplus. The resolution will also note, that the budget be amended accordingly.

2. Purchase of Goods and Services

All expenditures in excess of \$1,000.00 or if requested by a vendor, must be authorized on a preprinted, prenumbered Purchase Order, signed by the appropriate expenditure officer, with the exemptions of payments for services such as utilities that are automatically billed on a regular basis and day-labour equipment supply, as noted below.

Expenditures over the amount of \$1,000.00 will require that three (3) cost quotations be received, recorded, and attached to the P.O. (Between \$1,000.00 and \$2,500.00 oral quotes are sufficient; over \$2,500.00 will require written quotes). If three quotes are unavailable, the expenditure officer will indicate the reason why this would be the case.

Quotes are not required for authorizing expenditures when a bulk purchasing agreement is in place, when purchasing goods or services from the Provincial Government, when purchasing from the AAMD&C's trading division, or when using government rates for the rental of machinery or equipment.

For purchases where quotations are required (i.e. any purchase over \$1,000.00, preference may be given over the lowest quotation only if the addition of freight costs outweighs the cost savings on the purchase price.

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Employees and appointed officials who purchase fuel or other operating supplies for a vehicle they are authorized to operate must sign the credit card slip, cardlock ticket or invoice for each purchase made.

Purchases of goods must be confirmed by means of an invoice signed by the person who initiated the expenditure, or in the case of goods, by a Packing Slip signed by the employee who physically received the goods in question.

EDP hardware purchases must be approved by the CAO.

No purchase order will be approved after a purchase has occurred. If an employee with expenditure authority incurs an expenditure without a purchase order having been issued prior to a purchase, he or she must provide a written memorandum explaining the particulars of why no purchase order was issued.

Purchase orders must not be split or delayed to circumvent the established signing authority limits.

3. Day Labour Equipment Supply

The Town of High Prairie will invite quotations from equipment owners and contractors for the supply of equipment on an hourly basis for public works construction and maintenance.

Upon receiving quotations the municipality will compile a listing of all equipment quotations and hire day labour equipment from the listing on an as-and-when needed basis.

The Public Works Superintendent or a designated employee with expenditure authority will hire the lowest bid supplier for each piece of equipment required, taking into consideration the cost of moving equipment to the required site.

Where the low bid supplier is unavailable, the next lowest bid supplier may be hired. Should no listed supplier be available, all measures to take the lowest quote will be practiced.

When an expenditure officer hires equipment who was not on the equipment listing, all measures to take the lowest quote will be practiced.

Prior to being hired all day labour equipment/suppliers must enter into a written equipment rental agreement with the hourly rate specified in the agreement with the municipality

Other conditions relating to the hiring of day labour equipment might apply as determined from time to time by Council.

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4. Contracts

Contracts must be entered upon proper authority in accordance with the levels of spending authority, and contracts and any changes or amendments to contracts should be clear, certain, unambiguous and feasible.

An invitation to tender should be made when a project has been properly approved and generally when the funds have become available. Where the Town tenders subject to the availability of funds, contracts should be awarded conditional upon funds becoming available.

Increases in the scope of work and contract amount, and time extensions for completion must be agreed to in a duly executed amending agreement.

Contract expenditures in excess of the agreed amount must be approved in writing by the appropriate Manager before an overrun occurs and before work proceeds.

The Manager should ensure the necessary amount is withheld from payment if defective work is discovered or claims from third parties are filed or creditors on a contract or sub-contract have not been paid, and that the withheld money is applied to make good the defects, claims and defaults.

Progress payments or invoices relating to contracts should be approved only after the person designated in the contract has certified performance of services, or receipt of goods, or confirmed the percentage of work completed.

A release must be obtained from the contractor and the third parties where required to discharge all claims and obligations against the government before payment of the holdback or return of security deposits. All defects must be corrected before the final payment is approved and the security deposits are returned.

CALL FOR PROPOSALS

1.) When seeking professional services or goods that cannot be rigidly defined under Tender specifications, the Management shall prepare a Request for Proposal (RFP). The RFP shall generally describe the scope of work or goods entailed, and would invite written proposals from prospective suppliers which details the methodology to be utilized, the time frame for completion, and an estimated cost for completion of the outlined work. The management staff may stipulate an amount for the services to enable a more fair evaluation of the proposals. All RFP should also contain a Privilege Clause similar to that used for public tenders.

2) OPENINGS: All proposals solicited by the town shall close on Thursday at 2:00 PM. The Office Coordinator shall receive all tenders at the finance office in the Town Office who shall stamp the time and dates received on the envelope and place the tender in a Tender Box. No proposals shall be received by fax; however, amendments to proposals will be accepted if the proposed price is not revealed in the fax. At the appointed time for opening, the Department Head, and the Chief Administrative Officer and one other person selected by the CAO, shall meet in the Committee Room or Council Chambers at the Town Office. The Department Head will bring the Tender Box (which has been sealed by the Town Office staff or Office Coordinator

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at the hour of closing) to the Committee Room or Council Chambers for public opening. The public is permitted to view the proposal opening. The Department Head shall ensure that a recorder records the proceeds at the opening, including the names of those persons in attendance and the names of those bidders that have submitted proposals. As price is not the sole consideration, the price shall not be read at the proposal opening. Proposals will not be evaluated for completeness at the time of opening.

Proposals received after the closing shall be returned unopened, to the bidder.

3.) The selection of the successful bidder shall be based on consideration of a number of relative factors, and shall not be selected on the basis of price alone. The RFP must itemize the other factors upon which the proposals will be evaluated in order of relative importance and show the proposed scale. The lowest price, within budget, shall receive maximum points for that criterion. Other bidders will have points deducted by the same percentage that their price exceeds the low price. Each proposal will be evaluated and scored by at least three members of staff, one of whom shall be from a Department separate from that doing the purchasing.

A report to the Chief Administrative Officer from the Department Head is required for all public RFPs, recording the proceedings of the opening, the final points awarded to each proposal and the resulting awarding of the contract. Individual scoring sheets will not be provided, but will be retained for review by the Municipality's auditors.

In the event that all of the proposals received exceed the budgeted appropriation, Management may do one of the following:

- a) Cancel the project;
- b) Obtain Council approval for the excess; or
- c) Undertake negotiations in the scope of the work with the bidder submitting the preferred proposal to reduce or alter the scope.
- 4) After approval, a formal contract or a Purchase Order shall be prepared for the total amount of the goods and services, which is to be signed by the appropriate authority and the successful bidder.

5. Expense Claims

All payments for travel expenses for Council, staff, committee members and municipal officials shall be paid at the rates established in the Common Sustenance and Travel Allowance Policy.

Councillors and employees may obtain an accountable advance if authorized by CAO.

Prior to any employee or member of Council attending or travelling to any seminars, course or workshops, the complete costs must be submitted for approval to the Supervisor or Council which include: (ie include registration, mileage, hotels, flights, meals, meeting fees or wages

The municipality will pay for employees or councillors to attend short workshop-type courses where such courses are directly related to successful performance of his or her on-the-job duties.

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All payments for expenses must be claimed by submitting the prescribed personal expense claim form.

6. Petty Cash Fund

The Town will maintain petty cash funds of \$200 for the purpose of making small expenditures for which it is not feasible to issue cheques. All disbursements from petty cash will be supported by receipts. The petty cash fund will be under the control of the Treasurer, and the fund will be replenished and expenditures coded on a monthly basis.

7. Role of the Treasurer

Prior to payment, the treasurer is responsible for certifying that:

- (a) an expenditure or disbursement is authorized by an approved expenditure officer; a proposed expenditure is in accordance with a written contract specifying the amount of the proposed expenditure in total or an amount per unit and approved by an expenditure officer, or an expenditure officer has certified that the amount is fair and just - if the amount is not specified in the contract or when there is no written contract;
- (b) an expenditure or disbursement is for the purpose authorized by the approved budget, or it is consistent with the purpose for which the money is available;
- (c) the receipt of goods or services is certified by an expenditure officer;
- (d) the required supporting documentation is available;
- (e) the amount of the expenditure or disbursement is accurate and all discounts are taken;
- (f) the expenditure is charged to the appropriate general ledger code and project number where applicable; and
- (g) the expenditure or disbursement does not contravene any applicable legislative authority.

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GRANT POLICY

Payment of all grants/tax relief payments and requisitions must be approved by Council.

If Council approves tax relief payments in any current year, Council must first pass a resolution to direct staff as to where the tax reliefs will be allocated from in the current budget and which items will be removed in the budget to meet the tax relief they are approving.

All grant/tax relief payments over \$2500 require supporting documentation as appropriate in the form of:

- grant/tax relief requests must be a written request;
- financial statements of the previous year;
- annual budget; and
- basis of grant/tax relief calculation.

Council reserves the right to request that the financial statements required be confirmed by a qualified accountant.

Installment payments do not need to be individually approved by Council if Council has authorized the total grant/tax reliefs and the installment payments comply with the conditions of the original terms of approval.

Municipal Government Act (MGA) Section 16 (1) a)

Community Organization Property Tax Exempt Regulation 281/1998 states that any property granted exemption, the exemption does not come into effect until the following tax year.

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INVENTORY CONTROL POLICY

1. Control of Attractive Items

Definition: Attractive items refer to items which:

- have an individual cost of \$150.00 or more;
- have been purchased by the Town; and
- are attractive items subject to misappropriation, (i.e. electronic equipment, office furnishings, tools, etc.)

Reasons for Control

Attractive non-capital items that are subject to misappropriation are to be controlled for insurance purposes.

Responsibility for Control

It is the Treasurer's responsibility to:

- maintain a safe record showing the purchase, sale, disposal, and write-off information.
- verify the existence of each item once yearly.

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Banking Policy

1. The following bank accounts will be maintained: current account, payroll account and trust accounts.
2. Persons delegated cheque signing authority must ensure that:
 - there is proper authority for the expenditure;
 - the expenditure is in accordance with all relevant acts and regulations;
 - the expenditure is in accordance with terms of the written contract or if it does not exist, that the expenditure is fair and just;
 - the invoice is accurate;
 - the goods have been received;
3. Under no circumstances is a cheque to be issued when there is insufficient funds to cover it, or would result in an overdraft situation, unless prior arrangements have been made for borrowing purposes.
4. All expenditures must be properly summarized and made available to council upon request.
5. All cheques (apart from payroll cheques) must be signed by two individuals, one of whom shall be the Mayor or in his/her absence the Deputy Mayor, and the second shall be the CAO or in his/her absence the Treasurer.
6. Blank cheques must not be presigned.
7. Payroll cheques require one signature, that of the Treasurer or the CAO in her/his absence. The alternate shall sign the payroll report. The office supervisor shall sign the bank payroll transfer.
8. The CAO or Chief Elected Official or their designate controls the Town of High Prairie corporate credit card to be used only for municipal expenditures, with a credit limit of:
 - CEO (or designate) - \$10,000
 - CAO (or designate) - \$10,000
 - Office Coordinator - 5,000