



# Gilbert Plains Municipality

Final Report  
**Review of the office, administration,  
and accounting processes**

March 2023

# Contents

---

<b>Executive summary</b>	<b>3</b>
<b>Review</b>	
I. Overview and background	<b>6</b>
II. Purpose, scope and approach	<b>8</b>
III. Highlights of the analysis	<b>11</b>
IV. Conceptual operating framework	<b>17</b>
V. Considerations for moving forward	<b>27</b>
<b>Appendix A - Phases of the review</b>	<b>30</b>





# Executive Summary

---

## Overview and background



The Gilbert Plains Municipality (the Municipality) has struggled with efficiencies and timeliness of administrative functions, particularly with the financial aspect. There has been a need for up-to-date and accurate financial information to enable sound financial decisions. A review of certain office, administration, and financial reporting processes of the Municipality will allow for positive changes that will enable the Council the tools it needs to provide effective oversight over the Municipality and thereby effect decisions with confidence. As such, the Municipality applied for the Municipal Service Delivery Improvement Program (MSDIP) and was approved by the Department of Municipal Relations (the Municipal Services) to obtain a review of its office, administration, and accounting processes. The review aimed to improve the Municipality's processes and internal controls, and organizational governance.

## Purpose, scope and approach



This report details the current state assessment, which focused on improving the finance and administrative function of the Municipality, including the period-end financial reporting process as well as the governance and risk oversight. The report details some high level conceptual operating frameworks explored during the review process to enable the Municipality to align its future state finance and administrative function as well as the governance and risk oversight function with leading practice while still addressing identified workload and capacity concerns. This document also includes additional recommendations, an implementation roadmap and action plans for each recommendation.

## Highlights of the analysis



The Municipality would like to have effective and efficient processes and internal controls to minimize risks and protect assets, ensure accuracy of records, and promote operational efficiency. The current state analysis identified many positive aspects that show the Municipality taking actions to improve processes, but there were issues identified during the review that are impeding the Municipality's operations. Some of these issues are outlined in this report.




# Executive Summary (cont'd)

## Highlights of the analysis (cont'd)

The table below summarizes some of the issues faced by the Municipality.

Current state highlights	
Finance function and requirements	<ul style="list-style-type: none"> <li>• Lack of finance policy and procedures manual</li> <li>• Lack of permanent experienced CAO and Finance Lead</li> <li>• Lack of clarity in roles &amp; responsibilities, including lack of personnel back-up and workload management</li> </ul>
Financial reporting	<ul style="list-style-type: none"> <li>• Lack of financial reporting processes and sub-processes documentation</li> <li>• Backlog in period-end financial reporting processes</li> <li>• Limited financial expertise within the department</li> </ul>
Governance and risk oversight	<ul style="list-style-type: none"> <li>• Lack of clarity in administrative and governance roles and responsibilities</li> <li>• Lack of policy framework and key organization-level policies</li> </ul>

The current state analysis identified some positive aspects in the finance and administrative operations of the Municipality, but there were multiple key issues identified during the review. Within the three areas of focus, issues impeding the Municipality's operations were consistent - lack of policy and procedures, capacity constraints and finance leadership and financial acumen.

Key Issue Themes	
	Lack of policy and procedures manual, including clearly defined roles & responsibilities
	Capacity constraints
	Limited finance leadership and varying degrees of financial acumen within the department

Impacts
<ul style="list-style-type: none"> <li>• Lack of policy and formally documented procedures has led to ad-hoc roles and responsibilities allocation, uneven workload and limited or lack of segregation of duties.</li> <li>• Capacity was a common theme that is impacting the finance and administrative department, especially for the department's ability to conduct day-to-day activities and address financial reporting backlog.</li> <li>• Limited finance leadership and varying degrees of financial skills, acumen and training has put further strain in the department's operations, resulting in a financial reporting backlog.</li> </ul>

# Executive Summary (cont'd)

## Conceptual operating framework

This report includes conceptual operating framework for each of the key areas of focus that can potentially provide improvement in the Municipality's processes, internal controls and organizational governance. The conceptual operating framework takes into account its impact to **people** (constituents and employees), **services and processes** and **cost (savings or cost neutral) and sustainability**. These were identified by management as the most relevant to the Municipality's operations, current priorities and goals for the future. The summary below should be read in conjunction with the detailed analysis presented in **IV. Conceptual operating framework**.

Conceptual operating framework	
Finance function and requirements	<ul style="list-style-type: none"><li>• Finance policy and procedures manual, incorporating leading practice minimum requirements.</li><li>• Minimum segregation of duties and back-up plan, including considerations for a contracted finance lead and a finance lead employee</li></ul>
Financial reporting	<ul style="list-style-type: none"><li>• Financial reporting processes and sub-processes documentation, incorporating leading practice process documentation elements.</li></ul>
Governance and risk oversight	<ul style="list-style-type: none"><li>• An authorization and delegation framework</li><li>• An anti-fraud program and controls.</li></ul>

## Considerations for moving forward



This report is an input into management's decision making process and is not intended to be a final recommendation as all decisions based on information within this report are the responsibility of management. There was no opinion, attestation, or other form of assurance with respect to the review or the information upon which the review was based.

The report aimed to enable the Municipality to focus its efforts in analyzing each conceptual operating framework against evaluation criteria that are most imperative to the Municipality - its impact to **people** (constituents and employees), **services and processes** and **cost (savings or cost neutral) and sustainability**. Management will assess each potential option based on its overall advantages and will determine any additional information and analysis needed to make their decision. Upon completing their analysis, management's decision may or may not be one of the options included in this report.

---

# Overview and background

---



# I. Overview and background

## Background of finance and administrative function

The Gilbert Plains Municipality (the Municipality) is a rural community in the Parkland Region of Manitoba with approximately 760 town residents and 850 residents in the rural area surrounding Gilbert Plains. The Municipality has seven elected council members, headed by the Reeve and the Deputy Reeve. The administration of the day-to-day operations of the Municipality is the responsibility of the Chief Administrative Officer (CAO). Currently, the Municipality does not have a permanent CAO and has a contracted interim CAO. This role is expected to be permanently filled starting May 15, 2023.

The finance and administrative functions of the Municipality are currently performed by four administrative employees, under the supervision of the interim CAO. For the past few years, the Municipality has struggled with efficiencies and timeliness of administrative functions, particularly with the financial aspect, such as daily transaction processing, bank reconciliations, payroll, monthly unaudited financial statements, forecasting, annual audits, and budgets.

The Council needs up-to-date and accurate financial information to be able to make sound financial decisions. A review of certain office, administration, and financial reporting processes of the Municipality will allow for positive changes that will give the Council the tools it needs to provide effective oversight over the Municipality and make decisions with confidence.

## Municipal Service Delivery Improvement Program (MSDIP)

In 2021, the Municipal Services of Manitoba initiated an MSDIP. It provides municipalities and planning districts with financial support to complete a value-for-money service delivery review of programs and services. These reviews can help municipalities and planning districts improve service delivery without raising taxes or reducing front line services. The Municipality was approved of such a program and has obtained a review of its office, administration, and accounting processes. PricewaterhouseCoopers LLP was engaged by Municipal Services to assist with the review. This report represents the results of that review.





---

# Purpose, scope and approach

---





## II. Purpose, scope and approach

---

### **Purpose and objectives of the review**

The objective and desired outcomes from the review include improvements in respect of organizational governance, processes, and internal controls. The Municipality would like to have effective and efficient processes and internal controls to minimize risks and protect assets, ensure accuracy of records, and promote operational efficiency.

The review considered the effectiveness, efficiency, and economy (cost) of dollars spent on programs and services to provide recommendations for improvement. These are the standards for defining and measuring Value-for-Money (VFM).

### **Scope and limitations**

This report was developed in accordance with the Statement of Work (SOW) approved by management on December 2, 2022 and by the Municipal Services on December 23, 2022. The review was limited to the specific approach described herein and was based primarily on evidence obtained from management and interviews. The review took place over a three month period commencing in January 2023.

The review assessed certain office, administration, and financial reporting processes of the Gilbert Plains Municipality for the purpose of continuous improvement. Specifically, the review focused on the Municipality's finance function and requirements, financial reporting and governance and risk oversight.

This review did not extend beyond municipal accountability/jurisdiction. Formal benchmarking with other jurisdictions was not conducted, although information that was available as provided by management was considered. The performance of individual employees was not reviewed and wages or benefits were not evaluated. Forensic review of any previously identified fraud was also not conducted.

PricewaterhouseCoopers LLPs role is advisory only. Management is responsible for all management functions and decisions relating to this review, including evaluating the scope of the services and determining that it meets management needs. Management is responsible for using the results of this review, and for establishing and maintaining organizational processes and internal controls over its operations.

There was no opinion, attestation, or other form of assurance with respect to the review or the information upon which the review was based. The procedures performed under this review do not constitute an examination or a review in accordance with generally accepted auditing standards or attestation standards. The information supplied to us during the course of the review, from whatever source, except as specified in the SOW was not audited or otherwise verified. No legal advice was provided.

## II. Purpose, scope and approach (cont'd)

---

### Methodology and approach

The review was carried out in the following three phases: Phase I. Scoping and Current State Analysis; Phase II. Design Phase; and Phase III. Report and Recommend. An overview of the phases of the review is included as **Appendix A**.

The review included key activities such as the following:

- Developed a detailed project plan with key milestones and activities (e.g. interviewees/small group workshops, activity timelines, status update schedule), which was approved by management. Prepared document requests, interview guides and applicable templates (e.g. flowchart, report format).
- Developed a review strategy, including key evaluation criteria. Identified available sources of information and data (e.g. policy framework, period-end financial reporting processes, sub-processes and key controls) in respect of the review criteria.
- Reviewed relevant documentation (e.g. financial statements and information, procedure documentation, operational performance related data) and information as available.
- Interviewed and/or held small group meetings/workshops with key internal stakeholders; interviews included members of the Council involved in providing governance and risk oversight of the Municipality's finance and administrative functions.
- Assessed/analyzed data and other available information to the predetermined evaluation criteria and assessed current operations and identified opportunities for improvement.
- Developed and analyzed future state design options/recommendations for management and Council feedback.
- Prepared draft and final reports of observations, findings, and recommendations. Recommendations focused on areas within the Municipality's jurisdiction. Other project outputs (e.g. documentation of the flowchart of key activities) resulting from the review were provided to management.

This report has been reviewed by management prior to finalization. This report represents the completion of this review and its deliverables under the SOW with the Municipality and Municipal Services.

---

# Highlights of the analysis

---

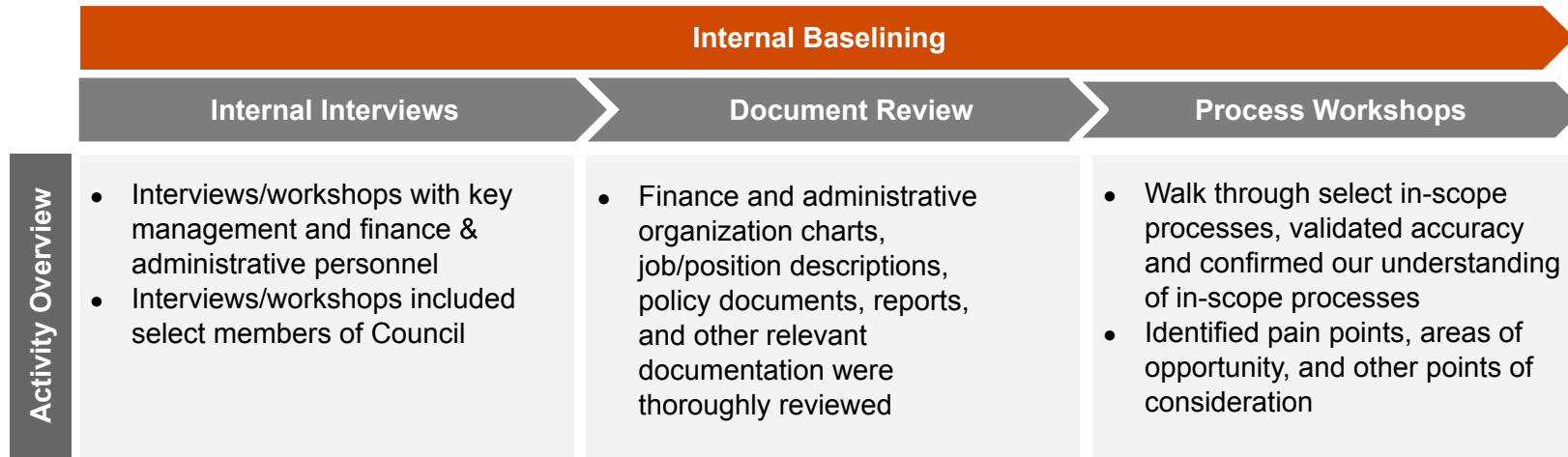




# III. Highlights of the analysis

## Current state analysis approach

The current state analysis consisted of the key activities below to develop results and findings, which helped form future state recommendations.



### Key Objectives

- Understand the **current structure** and how in-scope processes and reporting is currently delivered
- Gather what is **working well** with the current structure and in-scope processes
- Understand the **pain points and improvement opportunities** that could improve the Municipality’s ability to meet the organization’s needs
- Develop an understanding of **key considerations and challenges** to be addressed by any future state recommendations
- Understand the appropriate **key stakeholders** to engage during the development and validation of the future state recommendations

The current state analysis was conducted to gather a comprehensive understanding of the in-scope work and also to identify any pain points or other areas of opportunity.


Specifically, interviews were used to gauge the views of those doing the work, while the review of internal documents formed the baseline of the organization. The workshops provided information on how the in-scope governance and financial control processes were delivered or performed. It also facilitated identification of key areas of improvement that exist across the in-scope governance and financial control processes that informed the future state recommendations.

Overall, stakeholders openly responded and collaborated throughout the review processes, shared their perspectives on the current office and administration structure and in-scope processes, specific pain points in the day-to-day activities, and provided input on how the structure and processes could evolve for the better.


The current state analysis focused on three key areas: (1) **Finance function and requirements**, (2) **Financial reporting**, and (3) **Governance and risk oversight**.


# III. Highlights of the analysis (cont'd)

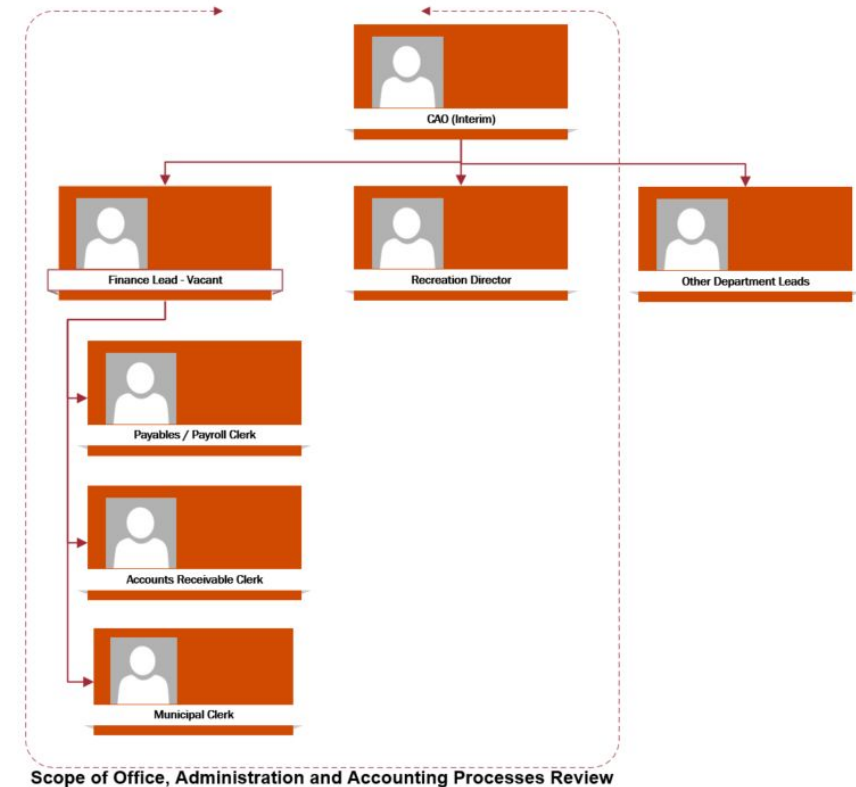
## 1. Finance function and requirements

 The finance and administrative functions of the Municipality are currently performed by four administrative employees and an interim CAO. There are a number of informal or individually prepared process or procedures documents for each of the administrative functions. However, the Municipality is yet to formalize a Finance Policy and Procedures Manual. This contributed to the lack of clarity on employee roles and responsibilities, particularly on workload management and employee backup plan.

There was limited source of continuity and a basis for uniformity. The lack of a formalized finance policy and procedures did not enable consistent and appropriate implementation of controls, policies, and guidelines throughout the Municipality. The Municipality recognizes the importance of written policies and procedures and is committed to prioritizing the formalization of the Finance Policy and Procedures Manual.

 The Finance Lead role is currently vacant and in recent years, there have been a number of CAO turnover resulting in limited leadership, particularly within the finance and administrative functions of the Municipality. Employee turnover and the lack of a formalized finance policies and procedures had a significant impact in the Municipality's finance and administrative functions. As an example, for the past two years the Municipality has been catching up on its year-end financial audits and period-end financial reporting processes.

 The current organizational structure of the finance and administrative function did not allow for segregation of duties in certain areas (e.g., preparation and review of bank reconciliation, preparation and review of sub-ledger and general ledger reconciliation, and posting and review of general ledger entries). The current number of administrative employees also does not allow for a lot of options in terms of employee backup plan. The Municipality had to be agile in dealing with emerging issues and employees were taking on responsibilities as and when certain issues or activities arise, which were not necessarily reflected in the employees' job descriptions. There is no formal policy and procedure in place to assess employee workload and its alignment to the job description.



# III. Highlights of the analysis (cont'd)

## 2. Financial reporting



The Municipality's period-end financial reporting processes and sub-processes is yet to be documented. Most of the period-end processes, including coordination and preparation for the year-end financial statement audits were performed by the CAO. This did not allow for period-end financial reporting processes review and segregation of duties within the Finance and Administrative department. In addition, an analysis of some of the Municipality's finance and administrative functions highlights that majority are performed by the CAO, resulting in limited review and uneven workload within the department. This is partly due to limited financial expertise within the department as well as the vacancy in finance lead role. Although, there's limited financial expertise, administrative employees have expressed willingness to upskill, attend training courses, and take on more responsibilities. The Municipality sees a lot of potential within its current administrative employee pool for upskilling.

Planning, Forecasting and Management Accounting	Revenue Accounting	General Accounting and Reporting	Accounts Payable and Expense Reimbursements	Treasury Management
Planning/budgeting / forecasting	Invoicing (residents utilities)	Manage policies and procedures	Process accounts payable	Manage cash
Perform cost management	Manage tax revenue (tax statements & collection)	Ledger reconciliation	Process expense reimbursements	
Variance analysis	Process collections	Bank reconciliation	Process payroll	
		Financial reporting		

**Legend:**

■ Function performed by the CAO / Interim CAO

■ Function performed by the Accounts Payable Clerk

■ Performed by Accounts Receivable Clerk or Municipal Clerk

■ Not currently performed / performed in a limited capacity




The Municipality has been dealing with a backlog in period-end financial reporting processes, such as unreconciled accounting ledgers and reconciliation of monthly bank statements. To address the backlog issue and to provide finance and administrative support, the Council hired an interim CAO and the Municipality indicated that there has been progress in addressing the backlog in period-end financial reporting processes with the help of the interim CAO and the Municipality is optimistic that the backlog will be addressed in the next few months. As part of the Municipality's effort to improve the finance and administrative processes, the Municipality also transitioned to a third-party payroll system. Administrative employees interviewed indicated improved efficiency in payroll processing.




# III. Highlights of the analysis (cont'd)

## 3. Governance and risk oversight

 There is a need to clarify the dotted line relationship and formal roles and responsibilities for governance and risk oversight and administrative function within the Municipality. Lack of clarity in roles and responsibilities can lead to unnecessary administrative burden and time taken away from Council to focus on strategic goals.


Currently, a list of payment for approval (cheques and pre-authorized payments), including the payroll details and bank reconciliations are provided and reviewed during the Council meeting, wherein a resolution will be passed to approve the disbursements. Once disbursements are approved by the Council, the Reeve co-signs the cheques and initials all the invoices. Due to the timing difference in the Council meeting and payroll payments, the Reeve also (and the interim CAO) reviews and approves the payroll details before it is submitted to a third-party payroll service organization for processing. Due to issues faced by the Council with the previous administration, close monitoring of activities (i.e. detailed review of all expenditures) have been the approach taken by the Council. From the perspective of the Council, there was a need to fully understand the nature of each payment transaction to ensure municipality funds are appropriately disbursed. Although the Municipality's current practice appears to convey an overlap in day-to-day management role and governance and risk oversight role, Management believes that under the Municipality's circumstances, bank reconciliations, disbursements, invoices, etc. should be reviewed and approved by the Council.







 Council members indicated that there has been an improvement in the availability and communication of financial information to the Council compared to the previous administration. Financial information are communicated at scheduled Council meetings, in addition to the ongoing (day-to-day) communication between the Reeve and the interim CAO, and in some cases between other Council members and the interim CAO.

# III. Highlights of the analysis (cont'd)

## 3. Governance and risk oversight (cont'd)

 The Municipality is yet to develop a policy framework. Policies that are currently in place have an inconsistent policy framework and a number of these policies are outdated. Analysis of the Municipality's list of policies shows that some policies have not been updated for up to 17 years. In addition, some policies that are typically found with other municipalities are missing (e.g., Finance policy, Risk Management policy and Fraud policy). It was, however, evident during the interview process that overall policy review and update as well as strengthening of anti-fraud program and controls are some of the key priorities of Council and management.

	# of Policies Provided	Range of years since last policy update
 <b>Finance &amp; Administration Policies</b>	8	Between 0 - 14 years
 <b>Governance Policies</b>	1	1 year since last amendment
 <b>Human Resources and Personnel Policies</b>	8	Between 2 - 17 years
 <b>Other Municipal Operations Policies</b>	13	Between 1 - 11 years

---

# Conceptual operating framework

---





# IV. Conceptual operating framework

## Basis of operating framework and potential options

The development and analysis of benefits of each of the conceptual operating framework and potential options for the future were prepared based on the VFM standards of measure - **effectiveness**, **efficiency**, and **economy**.

The standard for defining and measuring VFM, include the following:	
Economy	Economy refers to the minimization of cost while acquiring the resources. Consideration is given to whether resources have been procured in the right amount, at right place, at right time and at right cost and of right kind.
Efficiency	Efficiency refers to relationships of inputs and outputs against predetermined standards or criteria. For example, we may compare the measure to internal historical and/or external benchmarks, as available.
Effectiveness	Effectiveness refers to the adequacy of current operations in meeting the measurable objectives or outcomes of the public program. Effectiveness could also include compliance considerations (i.e. how effective are operations in meeting relevant Acts, regulations and/or policies and procedures).











The summary of conceptual operating framework and options presented in this section is a result of the review and analysis of current policies and procedures, financial information, and other relevant documentation from management. The analysis is an input into management's decision-making process to focus their efforts in developing its operating structure, policy framework and in analyzing each potential option against established evaluation criteria. Management has reviewed the operating framework, options and related analysis and provided a summarized assessment based on the following evaluation criteria:

- **Effectiveness:** Impact to people (constituents and employees)
- **Efficiency: Impact to services and processes**
- **Economy (Cost):** Cost savings or cost neutral and sustainability

# IV. Conceptual operating framework (cont'd)

## 1. Finance function and requirements

Lack of documented finance policy and procedures manual was identified as an improvement priority during the current state analysis. A well documented finance policy and procedures manual will provide a framework of accountability, a foundation for an effective system of internal controls and guidance relating to financial practices and activities. Below are some policies and procedural areas typically included in a finance policy and procedures manual:

 <b>Annual planning and budgeting</b> <i>Outlines the process, roles and responsibilities for planning and budgeting</i>	 <b>Purchasing</b> <i>Outlines the process, roles and responsibilities for ordering, approval and payment of purchases</i>
 <b>Financial and operational reporting</b> <i>Outlines financial and operations processes, role requirements and report preparation</i>	 <b>Expense reimbursement</b> <i>Outlines the submission and approval process for expense reimbursement</i>
 <b>Cash management</b> <i>Outlines roles and responsibilities, controls over cash/banking activities to ensure appropriate segregation of duties</i>	 <b>Debt management</b> <i>Outlines the process for borrowing, roles and responsibilities and reporting requirements</i>
 <b>Capital asset</b> <i>Outlines roles and responsibilities over capital asset management and processes to appropriately reflect capital assets within the financial statements</i>	 <b>Risk management</b> <i>Outlines the process for identifying, managing and monitoring risks to the financial processes and municipality goals</i>
 <b>Revenue</b> <i>Outlines processes over revenue to ensure information accurately reflected in the financial statements</i>	 <b>Fund balance and reserve</b> <i>Outlines required fund balance and details for appropriate use of reserve funds</i>

### Potential impact

- **Clarity in roles and responsibilities** (effectiveness, efficiency, economy)
- **Increase accountability** (effectiveness)
- **Provide sole source of information** (effectiveness, efficiency)
- **Consistent implementation of processes and internal controls** (effectiveness, efficiency, economy)
- **Manage and reduce risk of misappropriation of municipality resources (e.g. cash)** (effectiveness, efficiency, economy)
- **Training tool** (effectiveness, efficiency, economy)

### Quick wins



Development of interim finance policy with minimum requirements



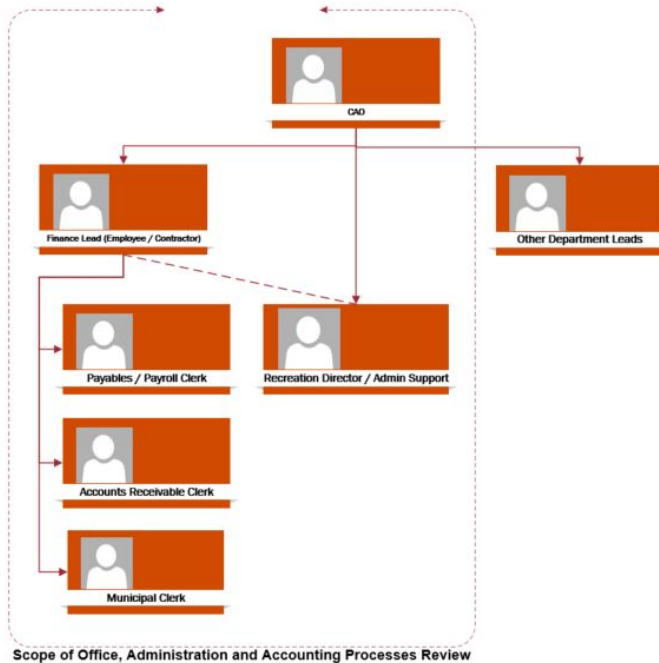
Road map of policy development, review and implementation

A finance policy and procedures manual template and a document outlining examples of key provisions were provided to management for further consideration.

# IV. Conceptual operating framework

## 1. Finance function and requirements (cont'd)

Management has reviewed various conceptual operating frameworks and related analysis and provided the following summarized assessment for further consideration. Management also considered the impact of each framework against effectiveness, efficiency and economy VFM considerations. The following are options for an operating framework that were considered by management most imperative to its operations and will assist management in its decision on a way forward for the finance and administrative department's structure.



Options	Benefits	Drawbacks
A. Finance Lead employee <sup>1</sup>	<ul style="list-style-type: none"> <li>• Long-term source of financial expertise, and finance support</li> <li>• Long-term supervision and control over the Municipality's financial operations</li> <li>• May increase ownership and accountability</li> <li>• Dedicated year-end audit personnel, addressing audit delays and external auditor cost overruns</li> </ul>	<ul style="list-style-type: none"> <li>• Fixed salaries and benefits</li> <li>• Availability of qualified local finance lead</li> <li>• Investment in employee training</li> <li>• Estimated annual cost between \$33,000 - \$46,000<sup>2</sup></li> </ul>
B. Finance Lead contractor <sup>1</sup>	<ul style="list-style-type: none"> <li>• Ability to have flexibility in required hours (i.e. higher hours during annual budget preparation and year-end audit period).</li> <li>• Financial expertise</li> <li>• Immediate resource to facilitate cross training</li> <li>• Availability of qualified finance lead</li> <li>• Dedicated year-end audit personnel, addressing audit delays and external auditor cost overruns</li> </ul>	<ul style="list-style-type: none"> <li>• May eliminate or reduce work/development opportunities for employees</li> <li>• Short-term source of financial expertise</li> <li>• May cost more</li> <li>• Estimated annual cost between \$17,000 - \$57,000<sup>3</sup></li> </ul>

<sup>1</sup> The employee and contractor options assessed various arrangements (e.g., part-time employee option, full-time employee options and flexible contractor hours). Management believes that with the current administrative employees' training initiative, workload reallocation (increasing responsibility), combined with ongoing procedural changes, a full-time senior finance lead employee or contractor to oversee the financial functions is not necessary.

<sup>2</sup> Estimated cost was based on the hourly rate provided by management and comparable finance lead hourly rates

<sup>3</sup> Estimated cost was based on the hourly rate provided by management










# IV. Conceptual operating framework

## 1. Finance function and requirements (cont'd)

### Minimum segregation of duties and back-up plan

The Municipality relies on the leadership of the CAO to administer the Council's objectives. Thus, the CAO requires sufficient time to lead and focus on strategic objectives of the Municipality and be able to delegate certain aspects of the Municipality's finance and administrative functions. Given the Municipality's Finance and Administrative department size and limited options for employee back-up plan, cross training is necessary to help provide support when employees leave the Municipality or are away on vacation, sick or other personal leave.

The review analyzed the current roles and responsibilities of each of the administrative employees and explored possible employee back-up plan options while maintaining the minimum segregation of duties for key finance functions. The employee back-up plan options took into consideration the current number of permanent administrative employees. The plan also assumed a permanent CAO will be joining the Municipality in May 2023 and that the finance lead role will be filled. The options for an employee back-up plan aim to assist management's decision-making process in initiating cross training and updating the department's workload allocation, while incorporating minimum segregation of duties for the following key finance functions:

- |  |   |
|--|---|
|  Preparation and review of financial statements                               |  Preparation of bank reconciliation and approval of payments                         |
|  Posting and review of adjusting journal entries                              |  Handling of cash/cheque receipts and recording of payment against customer account  |
|  Preparation and review of subledger, general ledger and bank reconciliation |  Preparation of bank reconciliation and recording of payment against vendor account |
|  Handling of cash/cheque receipts and bank deposit                          |  Processing of payroll and approval of payroll payment                             |

Segregation of duties will help reduce the risk of error or fraudulent activities within the municipality. By ensuring that there is no employee with sole control of key finance functions, the Municipality may prevent the abuse of control and reduce opportunities for employees to commit fraudulent activities.

# IV. Conceptual operating framework

## 1. Finance function and requirements (cont'd)

Below outlines some options for employee back-up plan, subject to completion of cross training for applicable administrative employees:

Finance function	Minimum segregation of duties						Back-up plan A						Back-up plan B					
	C	F	A1	A2	A3	A4	C	F	A1	A2	A3	A4	C	F	A1	A2	A3	A4
Preparation and review of financial statements																		
Posting and review of adjusting journal entries																		
Preparation and review of subledger and GL and bank reconciliation																		
Preparation and review of bank reconciliation																		
Handling of cash/cheque receipts and bank deposit																		
Handling of cash/cheque receipts and recording of payment against customer account																		
Preparation of bank reconciliation and recording of payment against vendor account																		
Processing of payroll and approval of payroll payment																		

**Legend:**

C	Chief Administrative Officer
F	Finance lead (Employee or Contractor)
A	Administrative employee
	Preparer
	Reviewer



- Potential impact**
- **Reduce risk of error or fraud** (effectiveness, efficiency, economy)
  - **Improve oversight** (effectiveness)
  - **Workload management and strategic reallocation of employee hours to ease capacity constraints** (effectiveness, efficiency, economy)
  - **Upskilling / increased employee financial skills** (effectiveness, efficiency, economy)

This confidential report is intended solely for use by the management of Gilbert Plains and the Department of Municipal Relations of Manitoba. Use of this report, in whole or in part, by any unauthorized party, is their sole responsibility and at their sole and exclusive risk. PricewaterhouseCoopers LLP does not assume any duty, obligation, responsibility or liability to them.

# IV. Conceptual operating framework (cont'd)

## 2. Financial reporting

Lack of documented period-end financial reporting processes and sub-processes as well as timeliness of financial reporting were identified as improvement priorities during the current state analysis. A well documented period-end financial reporting processes and sub-processes will allow for clarity in the roles and responsibilities, outline required activities, and identify key controls or gaps in controls. Below are some elements typically included in a period-end financial reporting process documentation:

Key elements for consideration		Potential impact
<b>Roles and responsibilities</b>	Define and provide detailed description of the roles and responsibilities involved in carrying out the process and sub-processes.	<ul style="list-style-type: none"> <li>• <b>Consistent and timely period-end financial reporting processes</b> (effectiveness, efficiency, economy)</li> <li>• <b>Clarity in roles and responsibilities</b> (effectiveness, efficiency, economy)</li> <li>• <b>Training tool</b> (effectiveness, efficiency, economy)</li> <li>• <b>Provide sole source of information</b> (effectiveness, efficiency)</li> </ul>
<b>Process overview and description</b>	Provide a detailed description of the process and sub-processes, including the procedures performed within each sub-process and by who, and addressing the key controls in place. This section may include period-end financial reporting sub-processes, such as: <ul style="list-style-type: none"> <li>• Period close adjustments (journal entries);</li> <li>• Period close reconciliations; and</li> <li>• Financial statements presentation and disclosure</li> </ul>	
<b>Risks and controls</b>	Define the risks identified in the process and the corresponding controls in place to mitigate the risks identified. Provide a detailed description of the mitigating control.	
<b>Key report or spreadsheet</b>	Define the report or spreadsheet relied upon. Provide a detailed description of the report or spreadsheet and define the owner (i.e. the individual responsible for maintaining the report/spreadsheet) to help carry out the process and sub-processes.	
		Quick wins
		 Visualization of financial reporting processes and sub-process
		 Incorporating a swimlane diagram to depict who does what in a process to improve clarity in roles & responsibilities and accountability









Financial Reporting project outputs (e.g. period-end financial reporting process template, and flowchart of financial reporting processes and sub-processes) resulting from the review were provided to management.

# IV. Conceptual operating framework (cont'd)

## 3. Governance and risk oversight

The Council's authority is based on the *Municipal Act* and is communicated via the Council by-laws, policy or resolutions. Overall, the Council is accountable to its constituents and is the link between the constituents and the administration. Implementation of the Council's objectives and goals, policies, programs and services are delegated to the CAO. Based on leading practice, Council should be focused on the municipality's vision and objectives, "big picture and broader issues" as opposed to administrative details. The Council is expected to provide policy leadership, support and monitoring of the CAO and the administration's delivery of programs and services.

Continuing to build trust and confidence in the administration's financial management are some of the key factors that will assist the Council in evolving from tactical to strategic. A clear and mutual understanding of who is accountable for what, and a relationship of trust and confidence between the Council and management will enable effective governance and risk oversight. Below, are some of the roles and responsibilities of the Council and CAO:

Council	CAO
 Develops and evaluates policies and programs of the municipality	 Implements policies and programs of the municipality
 Participates in council meetings	 Advises and informs the council on the operation and affairs of the municipality
 Appoints or terminates the CAO	 Manages and supervises employees of the municipality
 Reviews and approves annual budget	 Prepares annual budget for Council's review



## IV. Conceptual operating framework (cont'd)

### 3. Governance and risk oversight (cont'd)

The Council has overall responsibility for the management of financial affairs of the Municipality. However, the use of delegation and assignment authority may be considered to transfer some of the decision-making responsibilities. The CAO, administrative employees or other departmental leads may be provided authority to conduct activities with respect to the financial management of the Municipality. Below, outlines examples of authorization and delegation table for the Municipality's consideration:

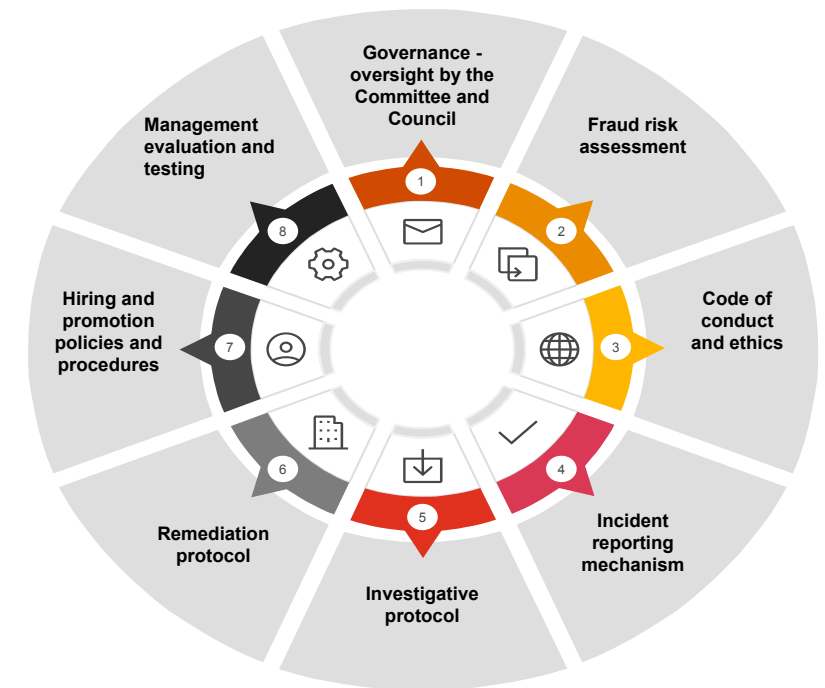
Activity / Function	Responsible	Delegation
Policy approval	Council	No delegation
Procedures approval	Council	Can delegate to CAO
Appointment and termination of CAO	Council	No delegation
Approval of annual budget	Council	No delegation
Approval of budget amendment	Council	<ul style="list-style-type: none"> <li>• Must approve amendments greater than \$</li> <li>• Can delegate to CAO amendments between \$ to \$</li> </ul>
Approval of budgeted expenditures	Council	Must approve amounts greater than \$
	CAO	Must approve amounts between \$ to \$
	Finance Lead	Approval up to \$
Opening / closing of bank accounts	Council	No delegation
Approval of bank reconciliations	CAO	In certain instances, may be temporarily delegated to the Finance Lead

# IV. Conceptual operating framework (cont'd)

## 3. Governance and risk oversight (cont'd)

As part of the Council's overall responsibility for the management of financial affairs of the Municipality, the Council is committed to protect the Municipality's constituents, its employees and resources from the consequences of fraudulent activity. As such, the Council wants to prioritize strengthening the Municipality's anti-fraud program and controls. A strong anti-fraud policies and procedures is the first step towards this objective. Below, we have outlined the key elements of an anti-fraud program and controls. A detailed practical guidance was provided to the Municipality to assist management in the development of the anti-fraud program and controls.

1. **Governance:** Oversight over Internal Controls over Financial Reporting and processes established by management
2. **Fraud Risk Assessment:** Outlines procedures for an organization-wide / comprehensive and recurring fraud risk assessment
3. **Code of Conduct and Ethics:** Written standards are reasonably designed and operating effectiveness are assessed, this includes clearly defining procedures for on-boarding and ongoing training regarding code of conduct and ethics
4. **Incident Reporting Mechanisms:** Outlines procedures for obtaining and retaining allegations of fraud
5. **Investigative Protocol:** Outlines standard process for responding to allegations of fraud, results are communicated to the Committee and/or Council
6. **Remediation Protocol:** Outlines activities or actions to address unethical behaviour
7. **Hiring and Promotion Policies and Procedures:** Outlines standards for hiring and promotion
8. **Management Evaluation and Testing:** Assess effectiveness of the anti-fraud program and controls on an ongoing basis



---

# Considerations for moving forward

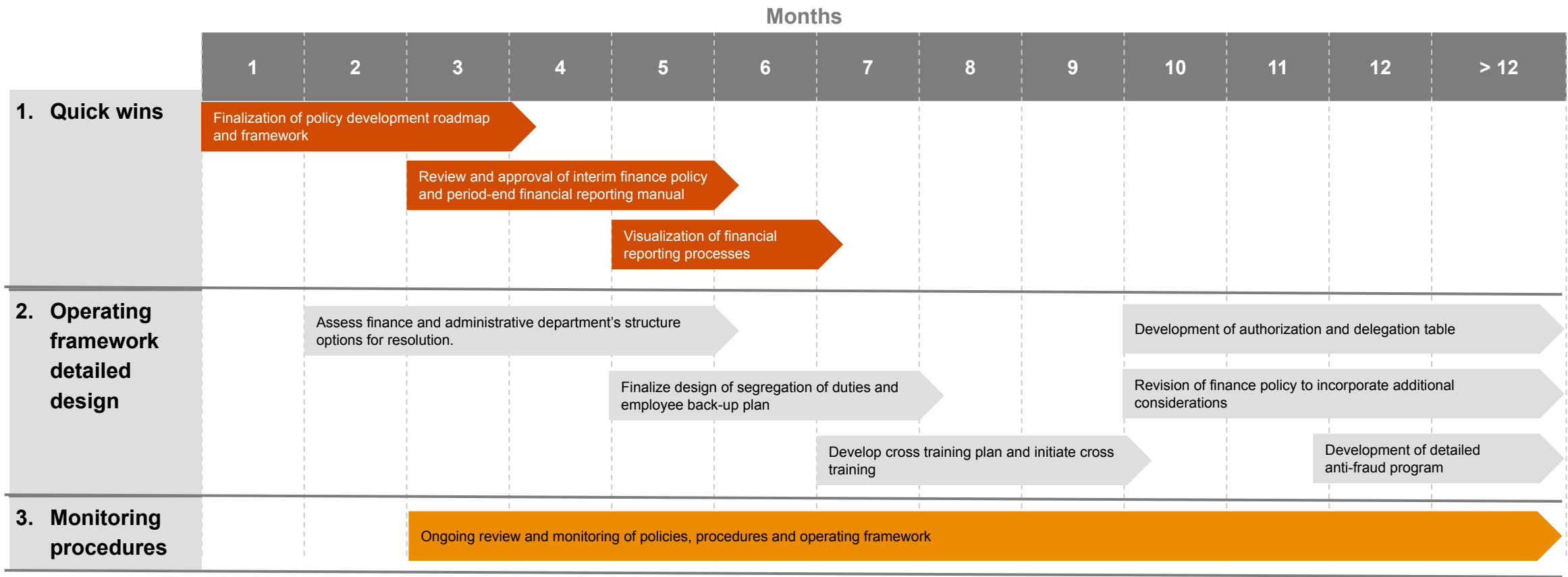
---



# V. Consideration for moving forward

As management gives consideration to desired operating framework and a way forward, key phases and activities need to be considered depending upon the decisions made along the process. A phased approach is recommended to help management make deliberate and thoughtful decisions.

## Gilbert Plains Municipality transformation roadmap on a page





# V. Consideration for moving forward (cont'd)

During the review, the following other opportunities for consideration were identified.

## 1. Council strategic plan

Currently, the Council does not have a strategic plan that outlines its vision, priorities, and long-term goals for the Municipality. **The Council should consider developing a strategic plan.** A strategic plan will enable the Council and the management to effectively achieve its mandate of good governance, delivery of necessary programs and services, and community development, among other things. A strategic plan can provide a roadmap for the Municipality that aligns operational activities with long-term goals, set priorities and effectively manage its resources. It can also be a tool to promote and continue to educate constituents on various programs and community development initiatives. Management, employees and constituents will have a clear picture and understanding of what the Council aims to accomplish and can all work towards achieving these long-term goals.

## 2. Performance indicators (KPI) to monitor against the strategy

Consider developing a performance management framework to monitor the Municipality's performance against the strategic plan. Typically a performance management framework includes five key elements - performance targets, operating budget, record of service delivery, regular measurement of performance and annual review. The framework will help track, measure and report the achievement of strategic priorities.

## 3. Financial plan - annual budget and multi-year financial plan

Consider developing an annual budget and a multi-year financial plan that are driven by the strategic plan. Typically, a strategic plan is set every 5 years, as such a multi-year plan financial plan may include revenue and expenditure forecast, investment and capital plans that span 5 years. The multi-year plan should then be translated into an annual budget that contains detailed expenditures and revenue for one budgetary year.



Strategic plan and KPI



Multi-year financial plan



Annual budget

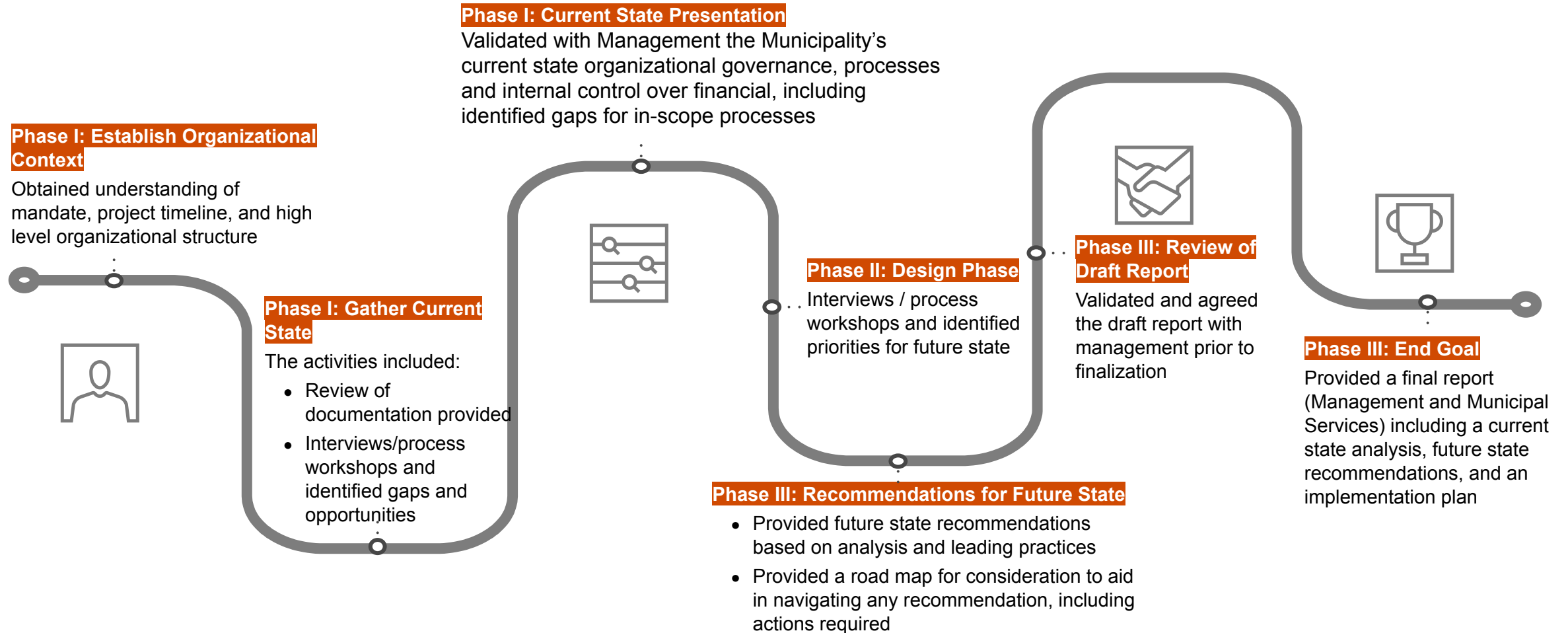
---

# Appendix

---



# Appendix A - Phases of the review



Ongoing Communication with the Department of Municipal Relations  
Ongoing Communication with reviewee (Municipality)