

# Municipal Affairs

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## **Main points**

This chapter includes the results of our 2010 audit of the Northern Municipal Trust Account. The Northern Municipal Trust Account's senior management did not receive periodic financial and other reports as required by established procedures. Without accurate and timely periodic reports, senior management may not have the information they need to make informed decisions.

## Introduction

The mandate of the Ministry of Municipal Affairs (Ministry) is to work with municipalities, their representative organizations, and other provincial ministries to help ensure effective local government and sustainable municipal infrastructure and services. The Ministry also provides the legislative framework as well as some technical and policy support for cities, urban, rural and northern municipalities.<sup>1</sup> The Ministry is responsible for the following Crown agency and special purpose fund:

	<u>Year-end</u>
Municipal Potash Tax Sharing Administration Board	December 31
Northern Municipal Trust Account	December 31

We reported the results of our audit of the Ministry in our 2010 Report – Volume 2.

This chapter includes the results of our 2010 audit of the Northern Municipal Trust Account.

## Northern Municipal Trust Account

*The Northern Municipalities Act (Act)* establishes the Northern Municipal Trust Account (NMTA) and its Management Board (Board). Cabinet appoints the Board. The Board advises the Minister on the allocation of northern operating and capital grants and any changes to the law concerning NMTA. The Act makes the Ministry of Municipal Affairs responsible for administering NMTA.

NMTA is a special account established under the Act and has two main purposes:

- ◆ To assist northern municipalities in providing quality services to their residents by funding operating and capital needs
- ◆ To administer and fund the municipal functions of the Northern Saskatchewan Administration District (NSAD)<sup>2,3</sup>

<sup>1</sup> *Ministry of Municipal Affairs 2009-10 Annual Report.*

<sup>2</sup> The rural areas in the northern part of the province are part of the Northern Saskatchewan Administrative District.

<sup>3</sup> *Northern Municipal Trust Account, 2009 Annual Report.* p. 4.

NMTA includes all revenues of the NSAD and money from the General Revenue Fund for the purposes of northern operating and capital grants programs (e.g., grants for operations, water and sewer systems, and municipal facilities). In 2010, NMTA had revenues of \$23.4 million including \$14.0 million from the General Revenue Fund, expenses of \$24.4 million including grants of \$19.3 million, and held assets of \$40.8 million including capital assets of \$5.5 million as at December 31, 2010.

## **Audit conclusion and findings**

**In our opinion, for the year ended December 31, 2010:**

- ◆ **NMTA had adequate rules and procedures to safeguard public resources except for the matter reported below**
- ◆ **NMTA complied with authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**
- ◆ **NMTA had reliable financial statements**

### **Periodic reporting needs improvement**

NMTA's procedures require staff to prepare financial reports each quarter and a performance report mid-year that describes NMTA's progress towards achieving its strategic goals and objectives. Information in these periodic reports are to help senior management assess NMTA's financial and operational performance throughout the year so that they can make informed decisions.

In 2010, staff did not prepare the financial reports for the second quarter and the mid-year report as required. Although staff prepared the financial report for the third quarter, the report was not complete. It did not include some significant amounts. For example, it missed approximately \$3.9 million of leases receivable and \$10.7 million in water and sewer transfers. In addition, NMTA's year-end financial report contained numerous errors. Without accurate and timely periodic reports, senior management may not have the information they need to make informed decisions.

- 1. We recommend that the Northern Municipal Trust Account follow its established procedures to prepare accurate and timely financial and performance reports.**

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