

## Chapter 11

### Northern Municipal Trust Account

#### 1.0 MAIN POINTS

The Ministry of Municipal Affairs (Ministry) administers the Northern Municipal Trust Account (Account). In 2011, the Ministry complied with authorities governing the Account's activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

In 2011, the Ministry had adequate rules and procedures for the Account to safeguard public resources except the Ministry did not reconcile the Account's bank account properly or record all of the Account's financial activities in its interim financial reports prepared each quarter. The 2011 audited year end financial statements of the Account are reliable.

#### 2.0 INTRODUCTION

*The Northern Municipalities Act, 2010* (Act) establishes the Northern Municipal Trust Account and its Management Board (Board). The Account has the following 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>1</sup>

The Act makes the Ministry responsible for administering the Account. The Board, appointed by Cabinet, advises the Minister on the allocations of northern operating and capital grants, and any changes to the law concerning the Account.

The Account includes all revenues of the NSAD and northern operating and capital grants programs (e.g., grants for operations, water and sewer systems, and municipal facilities) received from the General Revenue Fund.

In 2011, the Account had revenues of \$28.5 million including \$19.4 million from the General Revenue Fund, expenses of \$34.8 million including grants of \$31.0 million, and held assets of \$35.5 million, including capital assets of \$5.1 million.

Our 2011 Report – Volume 2 included the results of the Ministry for the year ending March 31, 2011.

<sup>1</sup> NSAD is a geographical area defined under *The Northern Municipalities Regulations*.



## 3.0 AUDIT CONCLUSIONS

In our opinion, for the year ended December 31, 2011:

- › **The Ministry had adequate rules and procedures for the Account to safeguard public resources except for the matters reported in this chapter**
- › **The Ministry complied with the following authorities governing the Account's activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

*The Northern Municipalities Act, 2010*

*The Northern Municipalities Regulations*

*The Financial Administration Act, 1993*

Orders in Council pursuant to the above legislation and regulations

- › **The Account had reliable financial statements**

## 4.0 AUDIT FINDINGS

### 4.1 Better Control Over Bank Accounts Needed

The Ministry did not reconcile the Account's bank accounts properly.

The Ministry's procedures for the Account require staff to reconcile the recorded bank account balance to the bank's records by the end of the following month. They also require the preparer to sign and date the reconciliation and management to review and approve the reconciliations. Staff did not follow established procedures during 2011.

For each month during 2011, staff did not properly reconcile the bank account to the accounting records and did not investigate and resolve differences between its bank account balances and accounting records. Some of the monthly uninvestigated differences were significant. At year-end, the bank account did reconcile to the accounting records.

Furthermore, staff did not leave evidence of who prepared the reconciliation and who approved the reconciliation and when they approved it. As a result, the Ministry does not have evidence that it prepared and reviewed reconciliations on a timely basis.

Proper reconciliations of the bank account check the accuracy and reliability of the Account's accounting records and help detect unauthorized payments or unrecorded cash receipts. Timely reconciliations allow the Ministry to effectively detect and follow up differences on a timely basis. Timely and accurate bank account reconciliations would assist the Account in effectively monitoring operations and identifying errors on a timely basis.

1. We recommend that the Ministry follow its established procedures to prepare regular and accurate bank account reconciliations for the Northern Municipal Trust Account.

## 4.2 Periodic Reporting Needs Improvement

We recommended that the Northern Municipal Trust Account prepare accurate and timely financial and performance reports, as and when its procedures require. (2011 Report – Volume 1)

**Status** – We continue to make this recommendation.

The Ministry's procedures for the Account require staff to prepare financial reports each quarter. These financial reports include a performance report at mid-year that describes the Ministry's progress towards achieving the Account's strategic goals and objectives. Information in these reports helps senior management assess the Account's financial and operational performance throughout the year so they can make informed decisions.

Management made improvements to its quarterly reporting on the Account in 2011. For example in 2011, it prepared financial reports for all quarters and recorded more of the significant accruals. However, in 2011, the reports were not complete. For example, the third quarter report did not include approximately \$6.8 million of payables and related Northern Revenue Sharing Grant transfer expenses. As such, we continue to make this recommendation.

