

4. Re: Auditors

ITEM 4

MANAGER'S REPORT NO. 29

COUNCIL MEETING April 16/73

On 26 March, Council instructed that I advise them whether the outside auditors for the Corporation could provide comprehensive information, such as an indication as to whether greater efficiencies could be achieved in the operation of the Corporation when submitting its management letter that will accompany the financial statements for the 1972 operation of the Municipality.

The reports required by Section 316 of the Municipal Act have been audited and filed with Victoria as of 31 March 1973, the statutory filing date. Copies will be placed before Council as soon as they are printed.

The duties and powers of the external auditors as prescribed by Section 310 of the Municipal Act are:

- (a) The auditor shall make such examination as is consistent with good auditing practice of the records, including the books, documents, accounts, vouchers, receipts, investment securities, debentures, and matured debentures paid, of the municipality or relating to any matter or thing under the jurisdiction or control of the Council or of any other administrative body handling municipal matters or funds:
- (b) The auditor has at all times the right of access to any and all of the records mentioned in clause (a), and to any others, of the municipality or other aforesaid administrative body:
- (c) The auditor is entitled to require from members of the Council or other administrative body, and from officials of the municipality or other administrative body, and from any other person, any information or explanation necessary for the performance of his duties:
- (d) The auditor shall make a report to the Council on the records examined by him and on the balance-sheet and statement of revenue and expenditure of the municipality and of any other administrative body handling municipal funds, and such report shall state
  - (i) whether or not he has obtained all the information and explanations he has required;
  - (ii) whether in his opinion the balance-sheet and the statement of revenue and expenditure referred to in the report are properly drawn up so as to exhibit truly and correctly the state of the affairs and the results of the operations of the municipality as at the thirty-first day of December and for the year then ended, according to the best of his information and explanations given to him and as shown by the books of the municipality;
  - (iii) whether the several forms of accounts in use or the accounting procedures and financial controls followed by the officials of the municipality and other administrative bodies are inadequate and in what respect they are inadequate:
- (e) The auditor shall further report to the best of his knowledge and ability
  - (i) in what respects he finds the books, documents, accounts, or vouchers incorrect, unvouched, or lacking proper authority under this or any other Act, or under any by-law or resolution adopted or passed thereunder;
  - (ii) in what respect any disbursement, expenditure, liability, or transaction is without apparent authority;
- (f) In addition to the examination and reports required by this section, the Inspector of Municipalities or the Council may at any time require such further examinations and reports from the auditor as may be deemed necessary, or the auditor may on his own initiative make any further examinations or reports as he may deem advisable, and in any such case the provisions of this section apply mutatis mutandis:
- (g) The auditor shall forward to the Inspector of Municipalities a copy of every report made by him to the Council.

4. Re: Auditors (Cont'd.)

ITEM 4

MANAGER'S REPORT NO. 29

COUNCIL MEETING April 16/72

As will be noted, the duties of the auditors are specific. The certificates they have signed over the years indicate that the several forms of accounts in use and the financial procedures and financial controls followed by the officials of the Municipality and other administrative bodies are adequate.

In the ordinary course of an audit, the external auditors have little opportunity to observe the physical operations of the Corporation. Their attention is almost exclusively confined to the flow of financial paper and verification of adequate internal control.

In this respect, Council will be interested to know that there is an administrative process in effect which reports lapses in efficiency when they are noted by internal audit staff. The Municipal Treasurer's duties, as set out in Section 184 of the Municipal Act, are:

- (a) He is responsible for keeping or supervising the keeping of all funds and securities of the municipality, of whatsoever nature or kind and howsoever administered;
- (b) He is responsible, directly or indirectly, for the receiving of all moneys paid to the municipality from whatever source;
- (c) He is responsible, directly or indirectly, for the disbursing of funds of the municipality in accordance with the procedures for so doing as laid down by by-law of the Council;
- (d) He is responsible for keeping, or supervising the keeping, of a complete and accurate account of all moneys received or receivable by him or by any other person on behalf of the municipality, and by him or them disbursed or expended;
- (e) He is responsible for keeping or supervising the keeping of a complete and accurate account of all assets and liabilities, and of all transactions affecting the financial position of the corporation;
- (f) He is responsible for the preparation of interim financial statements in accordance with any regulations of the municipality;
- (g) He is responsible for compiling and supplying any information relating to the financial affairs of the municipality as required by the Inspector of Municipalities;
- (h) He has the power to inspect the records of and to direct any official of the municipality, or of any administrative body handling municipal funds, in matters involving the responsibility of the Treasurer.

To enable him to more comprehensively carry out duty (h), the Treasurer in 1966 requested the Municipal Manager to permit the setting up of an internal audit division of the Treasurer's office. This was acceded to, and an audit clerk was employed and made responsible to the Assistant Municipal Accountant. From time to time the Treasurer and his Deputy set up audit programs. In turn, the audit clerk visits the offices that are involved. He also visits works crews in the field. Periodically, this process shows up instances where poor judgment has been displayed by someone. As a consequence, on 18 July 1972, the Municipal Manager issued the attached directive to all departments. Audit reports signed by the Municipal Treasurer go forward to department heads, with a copy to the Municipal Manager, and these point out any unusual circumstances observed. Department heads check out the circumstances and report directly to the Manager.

This system seems to be working well. However, it cannot take credit for increasing efficiency of the Corporation. Each and every department head is responsible for the efficiency of the staff under his control. There are better ways of doing things and, properly employed, management consultants can be of assistance in this respect. However, it does not seem reasonable to expect the Municipal auditors to carry out a dual function during the course of their audit. They have on staff men especially trained for efficiency studies and this staff is available whenever required, for a fee.

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Last year the auditors were engaged for a special project at a fee so we are making use of their services for specialized purposes wherever it is necessary.

The auditors also meet annually with the Treasurer to discuss our audit and the Treasurer advises that at that time a free discussion on the overall picture takes place. There is an exchange of many worthwhile points.

This is for the information of Council.