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The City of Winnipeg  
Audit Department

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**Leaders in building public trust in civic government**

Community Centres  
A Review of  
Financial Management Practices  
March 2001





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# Executive summary

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## Introduction

In early 1999, the Standing Policy Committee on Protection and Community Services asked for a review of financial accountability at community centres due, in part, to several incidents of fraud. In April of 1999, the Financial Accountability Review Task Force developed a document entitled *Standardized Financial Reporting for Community Centres* that was adopted by the General Council of Winnipeg Community Centres (GCWCC) and distributed to all community centres.

In June of 1999, the City of Winnipeg Audit Department carried out a review of the control environment at City of Winnipeg community centres and issued a report entitled *City of Winnipeg Community Centres: A Review of the Control Environment*. In late 2000 as a follow-up to the recommendations in the above-noted reports, the Audit Department initiated a review of the level of compliance with the financial standards attained by selected community centres. KPMG LLP was retained to work jointly with the Department on the project.

## Overview

The City provides access to city-owned facilities and grant monies for community centres to operate within the responsibilities outlined in the *Universal Funding Formula for Community Centres*. These grants are used to pay for utilities and first-line facilities maintenance. Community centres are responsible for generating their own revenues for programs through registration fees, fund raising events, hall rentals and other activities.

Currently there are seventy-two community centres in Winnipeg with budgets ranging from approximately \$25,000 to \$1,000,000. Each community centre has an elected board of directors consisting of volunteers to govern its activities and provide the day-to-day management of the community centre. Board members are entrusted with public funds and facilities and are accountable to both the community that they serve and to the City of Winnipeg.

## Objectives of the review

- To determine the level of compliance of community centres with the *Minimum Standards of Financial Accountability* from *The Standardized Financial Reporting for Community Centres*.
- To review the adequacy of key financial controls at the community centres.
- To evaluate the adequacy of direction and oversight provided by the Community Services Department to ensure community centre compliance with financial accountability standards.

## Scope and approach

The scope of the review was to examine compliance with the financial accountability standards and key financial controls at five community centres. One community centre

was selected from each of five districts. In addition, a review of the Community Services Department processes was undertaken to assess the adequacy of direction and oversight provided.

## **Conclusions**

- The community centres reviewed were generally in compliance with the *Minimum Standards of Financial Accountability* with the exception of requirements related to establishment of board committees, budgeting, and the timeliness of the annual financial reporting.
- While financial controls were generally adequate at the community centres reviewed, recommendations have been made to address gaps identified.
- The Community Services Department provides adequate direction on financial management matters; however, monitoring mechanisms to ensure compliance require improvement.

## **Summary of key recommendations**

### ***Community Centres***

We have recommended that each community centre establish and submit an annual budget to Community Services Department to ensure compliance. Controls over expenditures could be improved at community centres by ensuring that all expenditures are authorized in accordance with the constitution and by-laws of the community centre and the practice of pre-signing blank cheques should be discontinued. Program registration records need to be created and maintained and financial controls over program revenues improved. Annual financial statements need to be submitted on a timely basis and boards should work with their external accountants to ensure this happens. The requirement for the creation of finance and internal audit committees should be revisited given the size and volunteer nature of the board. Finally, we believe that training for treasurers should be mandatory to ensure that their fiduciary responsibilities are clearly understood.

### ***Community Services Department***

We have recommended that the Community Services Department consider requiring criminal background checks for board members and reinstate training related to governance and financial and risk management. Guidelines and standards can be improved in the areas of conflict of interest, investment of cash, financial accountability and fraud/misappropriation of funds. Finally, we believe that the retention of the new Community Centres Coordinator provides an opportunity to establish processes for more effective review of financial reports and the development of a cyclical audit program, using this project as a model.

## **Acknowledgement**

We want to acknowledge and thank the many professional staff and volunteers from the community centres, GCWCC and the Community Services Department who cooperated so fully on this project. We believe that effective financial management and accountability for public funds will be enhanced through implementation of the recommendations arising from this review.

## Part I - Introduction

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### Background

In early 1999, the Standing Policy Committee on Protection and Community Services asked for a review of financial accountability at all community centres. This was due in part to incidents of fraud at the City of Winnipeg's community centres. The City of Winnipeg Audit Department carried out a review of the control environment at the City of Winnipeg community centres and reported on this review in June 1999 in a report entitled *City of Winnipeg Community Centres: A Review of the Control Environment*. At approximately the same time, the Financial Accountability Review Task Force was in the process of developing standardized financial reporting requirements for community centres. These requirements were published in a document entitled *Standardized Financial Reporting for Community Centres* dated April 24, 1999. The results from both of these reviews led to improvements in the control environment at community centres. The standardized financial reporting guidelines were adopted by the General Council of Winnipeg Community Centres (GCWCC) and distributed to all community centres.

As a follow-up to the recommendations in the above-noted reports, the Audit Department initiated a review of the level of compliance with the financial standards attained by selected community centres. The accounting firm, KPMG LLP, was retained to work jointly with the Department in conducting the review.

### Overview

The City of Winnipeg is mandated to ensure the availability and accessibility of parks, open space, recreation facilities, recreation programs and leisure services to the public. Community centres assist in fulfilling this mandate by providing recreation programs and services to their membership through a co-operative partnership among community centre volunteers, the GCWCC and City administration.

The City provides access to city-owned facilities for community centres to operate within the responsibilities outlined in the *Universal Funding Formula for Community Centres*. The City also provides access to annual operating grants upon receipt of the individual community centre's financial accountability requirements. A community centre's operating funds are not released until the City receives these reports.

These grants are used to pay for utilities and facilities maintenance. Each community centre is responsible for all first-line maintenance requirements while the City provides second-line maintenance functions such as roofing or structural repairs. Program costs are not covered by the operating grant. Community centres are responsible for generating their own revenues for programs through registration fees, fund raising events, hall rentals and other activities.

Currently there are seventy-two community centres in the City of Winnipeg. These community centres range in scope from a budget of approximately \$25,000 to one of approximately \$1,000,000. Each community centre has an elected volunteer board of directors including an executive committee that governs its activities and manages its budget. Community centre board members are commissioned with the day-to-day management of their community centre and are provided funding for operations from the City. Board members are entrusted with public funds and facilities and are accountable to both the community that they serve and to the City of Winnipeg.

Five district Community Centre Boards (CCB) represent the community centres within their area. They act as a conduit for information representing the interests of the community centres to the GCWCC and convey advice and direction back to the individual community centre.

The GCWCC is a volunteer board comprised of members-at-large, CCB representatives and two ex-officio members (the Executive Director of the GCWCC and a City of Winnipeg representative). The GCWCC, in co-operation with the City of Winnipeg, is responsible for offering ongoing support to the community centres by providing assistance in the area of training, record keeping and control. The City provides the GCWCC with a facility for its support staff and an operating grant to cover expenses.

## **Objectives of the review**

The objectives of the review are the following:

- To determine the level of compliance of community centres with the *Minimum Standards of Financial Accountability* from *The Standardized Financial Reporting for Community Centres*.
- To review the adequacy of key financial controls at the community centres.
- To evaluate the adequacy of direction and oversight provided by the Community Services Department to ensure community centre compliance with financial accountability standards.

## **Scope and approach**

The scope of the review was to examine compliance with the financial accountability standards and key financial controls at five community centres. One community centre was selected from each of the five districts. In addition, a review of the Community Services Department processes was undertaken to assess the adequacy of direction and oversight provided.

In general, our approach included interviewing the President, Treasurer, General Manager (if applicable) and other board members and staff of each community centre, the Executive Director and staff of the GCWCC, and managers and staff of the Community Services Department. In addition, we examined community centre financial controls, records and documents on a test basis to determine compliance with financial accountability standards and to gain an understanding of the adequacy of the key financial controls at each of the five community centres. Finally, we reviewed relevant documentation and monitoring processes of the Community Services Department.

## **Reporting process**

The results of the review of each community centre were provided to the Board of directors with a copy to the Community Services Department.

Part II of this report, *Community Centre Reviews*, concludes on our first two objectives and summarizes the key observations and recommendations arising from the individual reviews.

Part III of this report, *Community Services Department*, concludes on our third objective and provides an assessment of the direction and oversight provided by the Department.

## **Acknowledgement**

We would like to acknowledge the assistance and cooperation of community centre board members, community centre employees, the Executive Director of the General Council of Winnipeg Community Centres and the Community Services Department personnel who participated in this review process. All participants in this process cooperated fully and this led to a more complete understanding of the reporting and accountability processes.



## Part II - Community Centre reviews

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### Overview

Community centres provide recreation programs and services to their membership through a co-operative partnership among community centre volunteers, the GCWCC and City administration.

The City provides access to city-owned facilities for community centres to operate. The City also provides access to annual operating grants which are used to pay for utilities and facilities maintenance. Each community centre is responsible for all first-line maintenance requirements while the City provides second-line maintenance functions such as roofing or structural repairs. Program costs are not covered by the operating grant. Community centres are responsible for generating their own revenues for programs through registration fees, fund raising events, hall rentals and other activities.

Currently there are seventy-two community centres in the City of Winnipeg. The annual spending for these community centres ranges from approximately \$25,000 to \$1,000,000. Each community centre has an elected board of directors including an executive committee, to govern their activities and manage their budgets. Community centre board members are commissioned with the day-to-day management. Board members are entrusted with public funds and facilities and are accountable to both the community they serve and to the City of Winnipeg.

### Objectives

The objectives of the community centre reviews were

- To determine the level of compliance of community centres with the *Minimum Standards of Financial Accountability* from *The Standardized Financial Reporting for Community Centres*.
- To review the adequacy of the key financial controls at the community centres.

### Scope and approach

We selected five community centres for review, one representing each district. In general, our approach included interviewing board members and staff of the community centres, the Executive Directors and staff of the GCWCC, and managers and staff of the Community Services Department. In addition, we reviewed community centre financial controls, records and documents on a test basis to determine compliance with financial accountability standards and to gain an understanding of the adequacy of the key financial controls at these five community centres.

Subsequent to these interviews, records for each community centre were obtained for the most recently completed fiscal year. Audit procedures were conducted on these records and, where possible, additional work was performed on the current year's records at the community centre.

## **Conclusions**

### ***Financial accountability standards***

The five community centres reviewed were generally in compliance with the requirements and board members interviewed appeared to have a reasonable understanding of the financial accountability standards. However, instances of non-compliance were identified and these are discussed below.

### ***Key financial controls***

Generally, key financial controls were adequate at the community centres but there is room for improvement. We have made recommendations to address the significant key control weaknesses we observed.

## **Observations and recommendations**

An effective financial management system is comprised of four key elements:

- Budgeting
- Financial controls and record keeping
- Financial reporting
- Board governance

The *Standardized Financial Reporting for Community Centres* addresses the four main elements of an effective financial management system. The standards provide a course of action for community centres and set out their obligations, accountabilities and responsibilities. The lack of standards and controls increases the risk of confusion over performance expectations and, if things go wrong, make it more difficult to determine accountability and appropriate action.

An effective financial management system provides the board with timely information on the financial condition of the community centre and allows the board to plan and manage appropriately. A sound financial management system will also allow the Community centre's board to establish priorities for what they wish to accomplish.

Our observations and recommendations are reported by each key element.

## ***Budgeting***

Annual budgets are the result of financial planning and are critical to an effective financial management system. Budgets are used to estimate resource needs, communicate to others what the community centre wants to accomplish, control spending and to monitor and evaluate financial results.

The *Standardized Financial Reporting Requirements for Community Centres* recommends that each community centre prepare an annual budget. None of the five community centres we reviewed had established one. Therefore, the board's ability to determine and communicate financial needs, establish priorities, control spending, and to monitor and evaluate financial results is diminished.

We concur with the recommendation that each community centre prepare an annual budget. We have recommended that the standards be revised to require each board to submit an annual budget to the Community Services Department to encourage its development and use.

## ***Financial controls and record keeping***

Financial controls are established to ensure that expenditures are appropriately authorized and supported, revenues and fees are received and assets are safeguarded. The preparation, maintenance and control of financial records including ledgers, receipts, invoices, and cheques are critical to implementing effective financial controls.

The financial accountability standards require that expenditures be properly authorized and supported in accordance with the community centre's constitution. We found instances at two community centres where expenditures were not properly authorized or supported. As well, we found two community centres that were pre-signing blank cheques. Both community centres had experienced problems with the pre-signed cheques as they were used for expenditures that may not have been approved by the board.

We recommended that the board members ensure that all expenditures are authorized and supported in accordance with the community centre's constitutions and by-laws. The board should periodically review the community centre's by-laws and constitution to ensure that proper expenditure controls have been established.

We also recommended to the boards that they discontinue the practice of pre-signing cheques as it exposes the community centre to the risk that the pre-signed blank cheque may be used for unauthorized purposes.

The financial accountability standards do not require or specify that the program registration records should be maintained or that controls over program fees should be implemented. We found that complete program registration records were not being

maintained by three of the five community centres. Without a complete set of program registration records, the community centres are unable to track their program registrants and ensure that program fees have been received and deposited in the bank account. As well, more accurate record keeping of program fees will help the community centre assess the profitability of each program and help it identify opportunities for improvement.

We recommended to the boards that they maintain a formal listing of program registrants, issue receipts for all payments received, and that they perform a reconciliation of program fees receipts with the general ledger periodically.

### ***Financial reporting***

Financial reporting enables decision makers to have access to financial information they need to make informed decisions. Financial reporting also enables the analysis of an organization's financial health and overall financial performance. Financial reporting is fundamental to demonstrating accountability for the stewardship of public funds.

The *Standardized Financial Reporting Requirements for Community Centres* has several financial reporting requirements including

- A standard reporting format for monthly and annual financial statements.
- Monthly financial reports submitted to the board and the Community Services Department.
- Annual audited/reviewed financial statements submitted to the Community Services Department within 120 days of the Community Centre's year-end.

Although the standards prescribe a format for monthly financial reports, none of the monthly financial reports from the five community centres we reviewed showed the *opening balances* of financial statement items in the reporting package given to their boards. It has been recommended to the Community Services Department that to reduce confusion the standards be amended to clearly articulate what is required. We recommended that the monthly report include an entire balance sheet so that the financial position of the community centre can be ascertained. In addition, the previous month's balance sheet should be presented to provide comparative figures.

We also found that three of the five community centres were not complying with the requirement to submit their annually reviewed financial statements within 120 days of their year-end. Timely financial reporting to the Community Services Department is important, in order for board members to discharge their responsibilities and demonstrate their accountability for the community centre's financial results. As well, the Community Services Department will withhold grant funding until the annual financial statement has been received.

We recommended to these boards that they work with their external independent accountants to ensure that their annual statements are submitted on time so that operating grants from the City of Winnipeg will not be withheld.

### ***Board governance***

A community centre's board is accountable for the controls in its organization including ensuring that budgets are established, controls over financial transactions are effective and an effective financial reporting system is in place. The treasurer has the responsibility to ensure that the community centre's financial records are accurate and complete, the controls over financial transactions are respected and the financial reporting to the board and the City is complete, accurate and timely.

The financial accountability standards require a finance committee and an internal audit committee be established. None of the five community centres we reviewed created a separate finance committee or an internal audit committee. In general, it was found that the board and/or executive committee held the mandate to perform these functions. We recommended that the Community Services Department review the requirement for a finance committee and an audit committee given the size and volunteer nature of the community centre boards.

In general, treasurers at the community centers had a basic understanding of their roles and responsibilities. However, some elements of their responsibilities were not completely understood. For example none of the community centres had completed an annual budget or included an opening balance in its financial reports. In addition, three of the five community centres were not submitting their annually reviewed financial statements within 120 days of their year-end. It is important that the treasurers understand that, in addition to the bookkeeping aspect of their job, they also have a responsibility for complying with the financial accountability standards and establishing and evaluating financial controls. As well, the board is accountable for ensuring that the treasurer's responsibilities are being performed.

We recommended that mandatory training be provided to treasurers of community centres. This should include training in such areas as the role of the treasurer, the financial accountability standards on financial reporting, effective financial management systems, and on general financial controls.



## Part III - Community Services Department

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### Overview

The Community Services Department has responsibility for the overall coordination, grant administration and operation of the seventy-two community centres located in Winnipeg. The Community Services Department collaborates with the General Council of Winnipeg Community Centres and community centre volunteers in strategic planning, and the development of operating procedures and standards. The Community Services Department is responsible for the maintenance of the *Standardized Financial Reporting Guidelines for Community Centres* as well as the community centres' compliance with those guidelines. In addition, the Community Services Department works together with the GCWCC to facilitate the implementation of City Council-approved policies.

In the past few years, the Community Services Department has been working toward improving financial and general controls at community centres. They worked with the Financial Accountability Review Task Force in developing standardized financial reporting requirements for community centres and they have recently updated the *Orientation for Community Centres* manual.

### Objective

The objective of the Community Services Department review was

- To evaluate the adequacy of direction and oversight provided by the Community Services Department to ensure community centre compliance with the financial accountability standards.

### Scope and approach

Our approach was based primarily on interviewing Community Services Department management and staff and the Executive Director of the GCWCC to evaluate the monitoring processes currently in place within the Community Services Department to ensure compliance with the financial accountability standards. The results of the five community centre reviews (as summarized in Part II) were also evaluated in terms of the need for improvements to direction and oversight activities.

### Conclusion

The Community Services Department generally provides adequate direction on financial management and reporting to community centres through establishment of the *Minimum Standards of Financial Accountability*. However, monitoring mechanisms to ensure that community centres are complying with the established standards could be improved.

## **Observations and recommendations**

### ***Recruitment and training of board members***

#### **Criminal background check**

Most community centres are checking their volunteers against the Child Abuse Registry. These checks are conducted through the GCWCC and are free of charge. However, for a criminal record check, there is a charge and most community centres are not conducting them (even for board members or treasurers).

#### ***Recommendation***

We recommend that a criminal background check be considered for all board members and be mandatory in the case of the treasurer and president.

#### ***Community Services Department response***

*The Community Services Department will require criminal record checks for the president and treasurer of each community centre.*

#### **Training of board members**

The treasurers we interviewed generally understood their role and the requirements of the standards. However, some aspects of the requirements of their positions or of the financial accountability standards were not well understood. As evidence, we found the content and depth of the financial reporting package given to the City by each community centre varied greatly and no community centre was preparing a budget. It is important that treasurers understand that, in addition to the bookkeeping aspect of their job, they also have responsibility for ensuring compliance with financial standards and establishing and evaluating financial controls.

We understand that training sessions on governance, financial reporting, and risk awareness for board members have been discontinued due to lack of attendance in recent years.

#### ***Recommendations***

We recommend that the treasurers and bookkeepers receive mandatory financial training from the City or the GCWCC. This would improve the consistency of financial controls and financial reporting at each community centre. In addition to discussing the appropriate role of the treasurer, training might include sessions on budgeting, financial reporting, and financial controls.

We further recommend that governance and risk awareness training be mandatory for all community centre board members when they are elected or appointed to the board.

#### ***Community Services Department response***

*The Community Services Department agrees with the recommendations and will consult with the GCWCC in the development and delivery of training sessions for treasurers and bookkeepers.*

## **Guidelines and standards**

### **Conflict of interest guidelines**

Currently, guidelines with respect to conflict of interest are not provided to the community centres. During our review, we encountered a situation where a board member provided computer equipment from his personal business without prior approval from the board. Safeguards are required to balance the inherent conflict of interest in this type of situation and ensure that purchases are appropriate and provide value for money.

### **Recommendation**

We recommend that the City develop conflict of interest guidelines and provide these guidelines to community centre boards and that board members be required to adhere to such guidelines.

### **Community Services Department response**

*The Department agrees with the recommendation and will consult with the Corporate Services Department and GCWCC in the development of conflict of interest guidelines for community centre volunteers.*

### **Investment of cash**

We found that certain community centres have excess funds to invest at various times during the year. Currently, neither the Community Services Department nor the GCWCC has issued any guidelines to assist the community centres in determining how to invest these funds from a risk management or cash flow perspective. The rationale for not issuing such guidance is that the boards are independent and responsible for managing their own affairs. The GCWCC believes that such guidelines would interfere with that independence. However, the City of Winnipeg historically has been paying for losses incurred by community centres due to fraud and misappropriation and, therefore, it may be appropriate for such guidance to be issued by Community Services Department as the granting body and insurer.

### **Recommendation**

We recommend that guidelines for investment of excess funds be provided to community centres. These guidelines should outline a risk/reward balance and include consideration of liquidity needs. In addition, these guidelines should discuss security over such balances and the ability to access the funds as required. This type of measure would help protect the community centre's funds and ensure that the community centre maximizes the interest earned on cash balances.

### **Community Services Department response**

*The Department agrees with the recommendation and will develop guidelines for the investment of excess funds to be incorporated into the orientation manual for community centre volunteers.*

### **Financial accountability standards**

Generally, the Financial Accountability Standards provide a sound basis for financial management of community centres. We noted, however, three areas where we believe that the current financial accountability standards could be refined to provide more appropriate direction to community centres:

- The financial accountability standards require that a finance committee and an internal audit committee be established. None of the five community centres reviewed had complied with either of these standards.
- The financial accountability standards require that proper recording and reporting to the board be done on a monthly basis. One of the requirements for the report is to include *opening balances*. This terminology is confusing to treasurers and other board members interviewed. They are unclear whether this refers to the inclusion of the prior month's balance sheet, the inclusion of the prior month's general ledger balances, or the inclusion of the prior month's bank account balance.
- Community centres are required to prepare annual budgets. None of the five community centres complied with this requirement.

An executive at one of the community centres raised the issue that adhering to requirements (such as monthly reporting) to comply with the financial reporting standards is becoming an onerous task for a volunteer, and suggested that dedicated grant funds allocated to this task would promote compliance.

### ***Recommendations***

We recommend that the standards be amended to eliminate the requirement for the establishment of a finance committee and an internal audit committee. The board, as a whole, generally performs these roles. As well, the creation of these committees may not be practical given the size and volunteer nature of the community centres.

To reduce confusion relating to the requirement to include opening balances in the monthly reports, we recommend that the guideline be amended to read as follows: *"The previous month end balance sheet should be presented as part of the monthly reporting package."*

We recommend that each community centre be required to submit the annual budget for the community centre to the Community Services Department. We believe that the requirement to submit the annual budget will encourage all community centres to prepare and use budgets as a financial management tool.

Consideration should be given to increasing grant funding for community centres to be allocated to accounting services related to financial reporting requirements.

***Community Services Department response***

*The Department concurs in the recommendation to eliminate the establishment of Finance and Internal Audit Committees as a recommendation in the Financial Accountability Standards.*

*The Department also agrees that the requirements for monthly financial reports be clarified to ensure that the opening and closing balances are presented.*

*The Department supports the recommendation that community centres develop and submit an annual budget to the Department.*

*The Department will implement and evaluate the effectiveness of the financial reporting training sessions for community centre treasurers prior to considering any increases in operating grants for accounting services.*

**Fraud and/or misappropriation of funds**

Presently, the community centres, through their orientation or procedures manuals, are not provided with procedural information on dealing with suspected fraud or misappropriation. The action taken is generally to inform one of the following: their City Councilor, the City Auditor, their recreation technician, the Executive Director of the GCWCC, the Community Services Department or the police.

Furthermore, there are no guidelines in place within the Community Services Department to deal with fraud related issues. There are approximately two to three cases of suspected fraud discovered at community centres annually and these are dealt with on an ad-hoc basis.

***Recommendation***

We recommend that formal guidelines be established by the Community Services Department to deal with fraud related issues at community centres. Guidelines for community centres should be incorporated into the *Orientation for Community Centres Manual*.

***Community Services Department response***

*The Department agrees with the recommendation and will consult with the Corporate Finance Department and Winnipeg Police Service in the development of formal guidelines to deal with fraud related issues.*

***Monitoring processes and practices***

**Financial reporting**

Prior to the development of the *Minimum Standards of Financial Accountability* in 1999, monthly reports were not reviewed on a regular basis and annual audited/reviewed statements were not sent to the Community Services Department. Since the introduction of the standards, and when grant funding became conditional on compliance with the standards in January of 2000, the monitoring of community

centre financial management has improved. Community centres now file their annual and monthly financial reports at the GCWCC meeting or forward them directly to their district recreation technician. The recreation technicians review the monthly reports and annual financial statements on an ad-hoc basis.

Prior to January 2000, annual financial statements, which are either audited or reviewed by independent accountants, submitted to the recreation technicians were not forwarded to the Community Services Department for further review and filing. Currently, the recreation technician tracks the annual financial statement submission to ensure compliance with the reporting deadline by the community centres. As well, all monthly reports and annual financial statements are now forwarded to the Community Services Department for filing. However, the Community Services Department does not have a formal process in place for the review of the financial reports.

### ***Recommendation***

The Community Services Department has recently hired a new Community Centres Coordinator who will be responsible for reviewing all financial statements received from the community centres. We agree with this direction and suggest that the Coordinator focus on

- Any unusual reporting matters identified in either the notes to the financial statements or the report from the independent accountant/auditor
- Working capital concerns
- Financial viability concerns
- Any other unusual items

We recommend that recreation technicians receive training to assist in the review of monthly financial reports so that any unusual items can be detected as early as possible and brought forward to the Department for investigation and appropriate action.

### ***Community Services Department response***

*The Department agrees with the recommendations. The Department is currently realigning existing staff resources to accomplish this objective.*

### **Compliance audits**

The hiring of a Community Centres Coordinator should improve the monitoring of many of the financial accountability standards, particularly relating to reporting; however, the Community Centres Coordinator will be unable to determine compliance with many of the other standards through desk reviews.

The Community Services Department does not undertake audits of community centres to ensure compliance with the financial accountability standards. Conducting this type of external review sends a strong signal to the community centres regarding the oversight role of the Community Services Department in ensuring effective financial

management of public funds by community centres. We believe that the results of our review clearly demonstrate that compliance audits can serve to identify board member and staff training needs, provide a mechanism for continual evaluation of financial guidelines and standards and, ultimately, improve community centre financial management practices.

***Recommendation***

We recommend that the Community Services Department initiate a program of cyclical compliance audits to determine compliance with all of the standards on an on-going basis. The Department should follow up any non-compliance issues with the individual community centres to help them to develop processes that will enable them to comply with the standards. Furthermore, instruction manuals and training programs should be refined to incorporate issues that arise through the review process.

***Community Services Department response***

*The Department supports the recommendation subject to financial resources being provided to cover the incremental costs of cyclical compliance audits.*