

RESERVE FUNDS GOVERNANCE AND MANAGEMENT REVIEW

RECOMMENDATION

That the December 3, 2021, Office of the City Auditor report OCA00862, be received for information.

Report Purpose

Information only

Executive Summary

This report presents the results of the Reserve Funds Governance and Management Review.

REPORT

Reserve funds represent a source of funding of accumulated surplus amounts that the City has restricted for specific requirements or made for emergent financial needs. The City has 37 reserve funds that have a combined value of \$889 million as at December 31, 2020.

Overall the audit found that the essential components of an effective governing framework for the administration and proper use of reserve funds exists and Finance has developed a reserve fund governing document which provides guidance on the definition and types of reserve funds. However, this document does not cover some elements that good practice suggests including what are allowable and non-allowable uses of reserve funds.

Each reserve fund also has a fund-specific guiding document that Finance and the operational areas use. Some of these documents describe what are allowable and non-allowable uses of their reserve fund. Where there is a good description of an allowable use, the expenses we reviewed were properly funded from the reserve fund. However, when the descriptions are not clear we had to review additional documents and use judgement to determine if the expense aligned with the purpose of the fund. We found most expenses generally did and a few that did not.

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We made one recommendation for the Financial Services Branch to update its governing document to promote the consistent administration and use of reserve funds.

POLICY

Bylaw 16097, Audit Committee Bylaw, Section 14(d) states that, "Committee will review all reports from the City Auditor dealing with completed audit projects."

ATTACHMENT

1. Reserve Funds Governance and Management Review