



DRUMHELLER

COUNCIL POLICY



COUNCIL POLICY # C-05-01

DELEGATION OF FINANCIAL AUTHORITY

POLICY STATEMENT:

A delegated system of financial authority is an essential element of effective financial management for the municipality. Financial authority will be delegated to support operational effectiveness wherever managers feel necessary and practical, but supported by appropriate, efficient and modern financial controls. The system of delegated financial authority will recognize different needs for authority for purchases of goods and purchases of services. At the same time, the municipality need not accept financial responsible if an employee enters into a financial transaction without the proper authority.

PROCEDURE:

Employees need to have authority commensurate with their responsibilities in the organization to efficiently carry out their responsibilities. The financial authority structure must be flexible to meet changing demands without having to rewrite policy with every organizational change.

Council authorizes the CAO to maintain the financial affairs of the municipality with defined limits. The CAO has the authority to delegate duties and powers under the Municipal Government Act, and may place limits and conditions on any delegation of CAO powers or duties. Similarly, Department Directors may further delegate their authority to other positions within a department. However authority delegated by Department Heads cannot be further delegated by any other position without express approval to do so by the Department Head.

Basic Principles Underlying Delegation of Financial Authority

- While the financial authority can be delegated, accountability cannot. The CAO remains accountable at all times to Council for the exercise of financial authorities. Department Directors remain accountable to the CAO for the effective and efficient use of the resources provided to Directors, including the resources over which Directors exercise delegated financial authority.
- The Corporate Services Department has overall responsibility for financial

management practices and standards organization wide. In this role, the Director of Corporate Services has authority to specify conditions for the delegation of financial authority below the Director level to ensure there is an effective control framework in place.

- Financial authority will be delegated to the necessary position commensurate with job requirements, good financial management and internal control practices. An internal control framework includes: segregation of duties (where appropriate); complete, current and accessible policies; clearly documented procedures; and properly trained staff.
- Financial authority is delegated to positions based upon job responsibilities. As a result, an individual who changes positions will not carry with them the authority of the previous position except where required by and authorized for the new position.
- Financial authority will be exercised within the approved budget of the departments. Delegation of financial authority does not allow staff to authorize transactions that would exceed the approved budget.

Approval

The CAO may delegate financial authority to the Department Directors.

Department Directors may further delegate financial authority within departments to meet changing position requirements, projects and staff, but this need must be tempered by the overall responsibility of the Director of Corporate Services for financial management and internal control. Changes in delegated authority below the Department Director level will require the approval of both the Department Director and the Director of Corporate Services. Delegation of financial authority must be accompanied by clear policies and procedures to guide and control the use of the delegated authority and staff must be properly trained.

Policy Details

The appropriate delegation of financial authority can improve internal control, empower employees and make operations more effective. Financial authority will be segregated into the following types:

Purchasing Authority – (Authorization to expend money within an approved budget in order to perform duties, including entering into purchase contracts that commit the Town in a financial way.)

Individual purchase orders, contracts with vendors and Standing Offer Agreements are examples of where purchasing authority would be exercised. Purchasing authority differs between goods and services as

follows:

- Purchasing authority for goods must be made in accordance with the Purchasing Policy, and is supported by a purchase order (PO) as documentation. The PO defines the terms of the contractual obligations that the municipality sets out for whatever the goods are. Upon receipt of the goods, the municipality has a legal liability to pay for the goods. Corporate Services is responsible for providing departments with standard form purchase orders that meet the municipality's standards for contracting.
- Purchasing authority for services, must be made in accordance with the Purchasing Policy including construction, and is supported by a contract that usually will differ in legal wording from a PO. The terms and conditions of contracts will vary, but must be developed with appropriate legal expertise to address the various requirements of service contracts.

Receiving Authority – (Authorization to receive goods or to attest to the provision of services received on behalf of the organization.)

This authorization carries with it the responsibility to ensure there is a purchase order authorizing the purchase of the goods, the goods are in good condition and the quantity and type corresponds to the purchase order.

Receiving Authority also includes certifying that progress claims against contracts for service are in accordance with the contract and the services have been supplied satisfactorily.

Payment Authority – (Authorization to release funds from the municipality in satisfaction of an obligation.)

Payment Authority is only delegated to the CAO and to the Director of Corporate Services, who may further delegate the authority to other positions with the approval of Council.

Forms of delegated payment authority - include cheque signatures; bank transfers; petty cash account disbursements; and credit card transactions

Delegation of authority will be evidenced by the approval of both the Department on the Delegation of Authority form attached as Schedule 1 to this policy. The delegation does not become effective until the form is co-signed by the Director of Corporate Services.

In making the delegation, Department Directors shall ensure that the limits on the delegated authority are only those necessary for the employee to carry out duties and responsibilities; that any transactions that have significant impact on the department or the municipality are reviewed and approved by the Department Director.

The Director of Corporate Services will maintain an up-to-date listing of all

financial authority to verify that the proper purchasing and receiving authorization has been given prior to releasing payment. If the proper authority has not approved the transaction, the transaction will be rejected and returned to the department.

A record will be kept of all returned transactions and if significant policy violations occur violations shall be reviewed by the Director of Corporate Services and the Department Director and may cause the reduction or removal of an employee's authority. Any violations by a Department Director shall be reported to the CAO.

Annual Audit - The Town's appointed external auditor shall review the functioning of this policy and confirm application is being followed.

Adopted by Council

Date: _____

Mayor of Drumheller

Chief Administrative Officer

Town of Drumheller

COUNCIL MEETING

MINUTES

October 9, 2001 5:30 PM Council Chambers, Town Hall
703 - 2nd Ave West, Drumheller, Alberta



8.1.3 Delegation of Financial Authority

CAO, R. Romanetz advised that the Municipal Government Act and CAO Bylaw provides for spending limits under which the CAO must adhere to. It also provides a framework for how the financial responsibilities are delegated throughout the organization. This policy outlines clear guidelines to ensure that the Town is properly protected in how it conducts business.

MO2001.207 Cunningham, Stables that Council approve the Delegation of Financial Authority Policy as presented. Cd.

Delegation of Financial Authority

Department _____

Date _____

Section _____

Position:

Name of Incumbent _____

Specimen Signature _____

Type of Financial Authority:

Amount

Purchasing of Goods _____

Purchasing of Services _____

Receiving _____

Payment _____

Purpose of delegation of Financial Authority:

Confirmation that:

I. Incumbent has received a copy of the Financial Authority Delegation Policy.

II. Incumbent has received training in the exercise of the authority requested

Recommended by:

Position

Department Director Approval

Director of Corporate Services

Delegation is Approved Rejected

Comments:

Signature _____