



OFFICE OF THE
City Auditor

Wicihitowin Circle of Shared Responsibility Society Review

June 3, 2013

The Office of the City Auditor conducted
this project in accordance with the
*International Standards for the
Professional Practice of Internal Auditing*

Wicahitowin Circle of Shared Responsibility Society Review

Table of Contents

1. Introduction	1
2. Background	1
2.1. Wicahitowin Circle of Shared Responsibility.....	1
2.1.1. Wicahitowin Society	2
2.1.2. Wicahitowin Secretariat	2
2.1.3. Wicahitowin Circle	3
2.2. Financial Information.....	6
3. Objectives, Scope, & Methodology	6
3.1. Scope and methodology	6
4. Observations	7
4.1. Governance Structure	7
4.1.1. Societies Act.....	7
4.1.2. Bylaws	8
4.1.3. Roles and Responsibilities.....	9
4.1.4. Strategic Planning	9
4.1.5. Board Policies.....	11
4.2. Operational Policies and Procedure.....	11
4.2.1. Adequacy of Policies and Procedures	12
4.2.2. Compliance with Policies and Procedures.....	12
4.3. Financial Reporting	14
4.3.1. Budgeting Process	14
4.3.2. City of Edmonton Funding	15
4.3.3. Financial Policies.....	17
5. Conclusion	19

This page intentionally left blank

Wicahitowin Circle of Shared Responsibility Society Review

1. Introduction

The City of Edmonton is currently the largest funder of the Wicahitowin Circle of Shared Responsibility Society. In March 2012, the City increased its funding to the Wicahitowin Society from \$75,000 to \$500,000 annually for a term of 5 years, expiring on December 31, 2016. The funds are to be used to assist with specific operating expenses. There are no specific program performance requirements included in the agreement.

In late 2012, the General Manager of the Community Services Department became aware of some potential issues with the Society and requested that the Office of the City Auditor (OCA) perform a review. The Society is not included in the City Auditor's mandate, so we required the Society's permission to conduct this review.

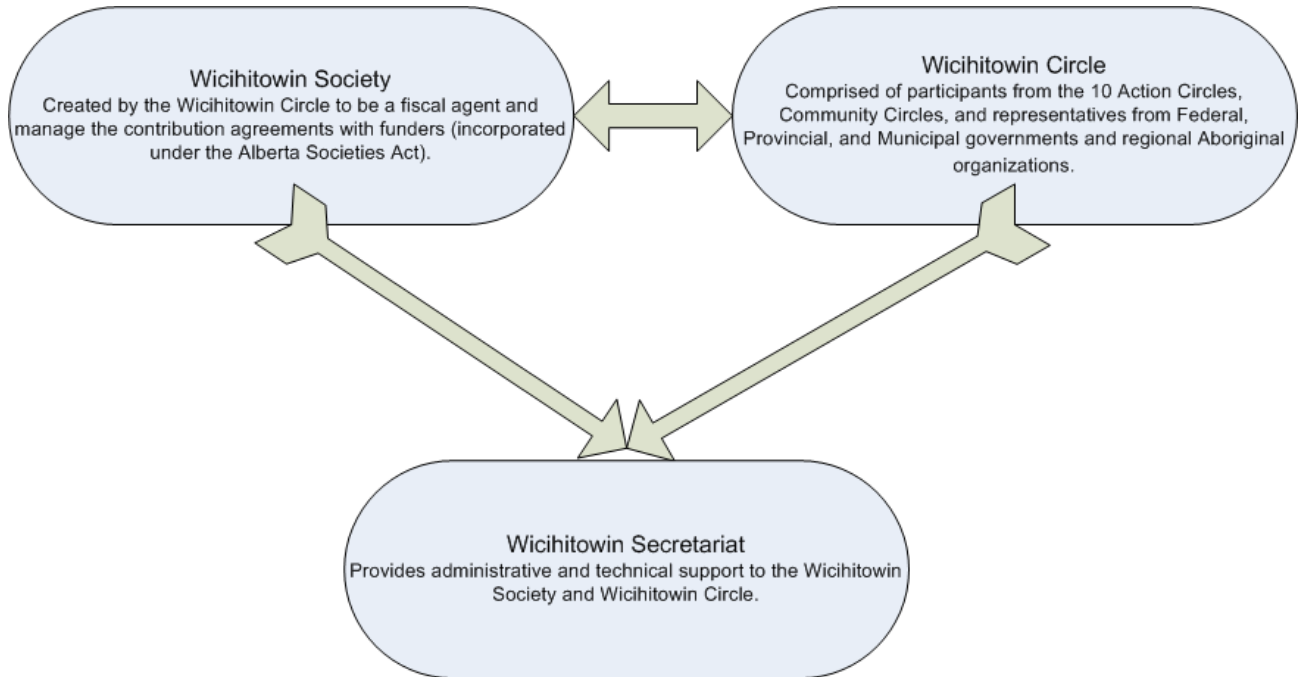
The Society was formed in 2009 and considers itself to be a young organization that is faced with unique challenges. To assist the Society, we performed a governance and financial policy review.

2. Background

2.1. Wicahitowin Circle of Shared Responsibility

The Wicahitowin Circle of Shared Responsibility Society (the Society) is comprised of three distinct entities: the Wicahitowin Society, the Wicahitowin Secretariat, and the Wicahitowin Circle. Diagram 1 on the following page shows the relationship between these entities.

Diagram 1 – Wicahitowin Circle of Shared Responsibility



2.1.1. Wicahitowin Society

In January of 2009, the Society, under the direction of the Wicahitowin Circle incorporated for the purpose of being the fiscal agent and to manage the contribution agreements with funders in support of the work of the Wicahitowin Circle.

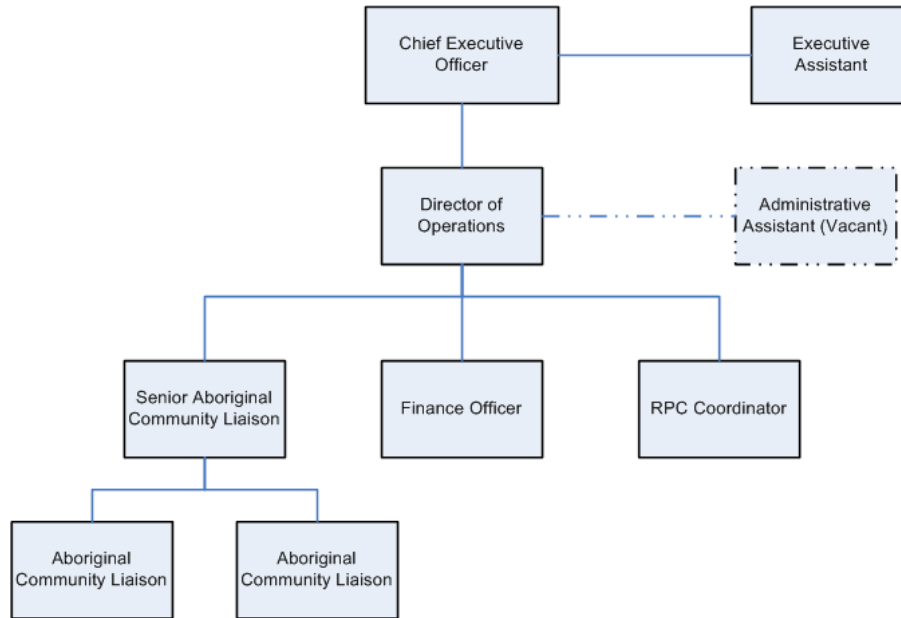
The Society is currently governed by a Board of Directors with seven members: President, Vice-President, Treasurer, Secretary, and three Directors.

2.1.2. Wicahitowin Secretariat

The Wicahitowin Secretariat (The Secretariat) provides administrative and technical support to both the Society and the Wicahitowin Circle. The day-to-day operations includes coordinating and providing logistical support to the Wicahitowin Circle meetings and gatherings.

The Secretariat currently has nine positions, eight of which are filled. The organization chart for the Secretariat is shown in Diagram 2 on the following page.

Diagram 2 – Wicahitowin Secretariat Organization



2.1.3. Wicahitowin Circle

The Wicahitowin Circle is a community-driven model of an urban governance process. The Wicahitowin Circle brings together individuals, governments, and agencies in the spirit of helping each other and making the best use of resources and information to find solutions to increase the quality of life for Aboriginal people in Edmonton.

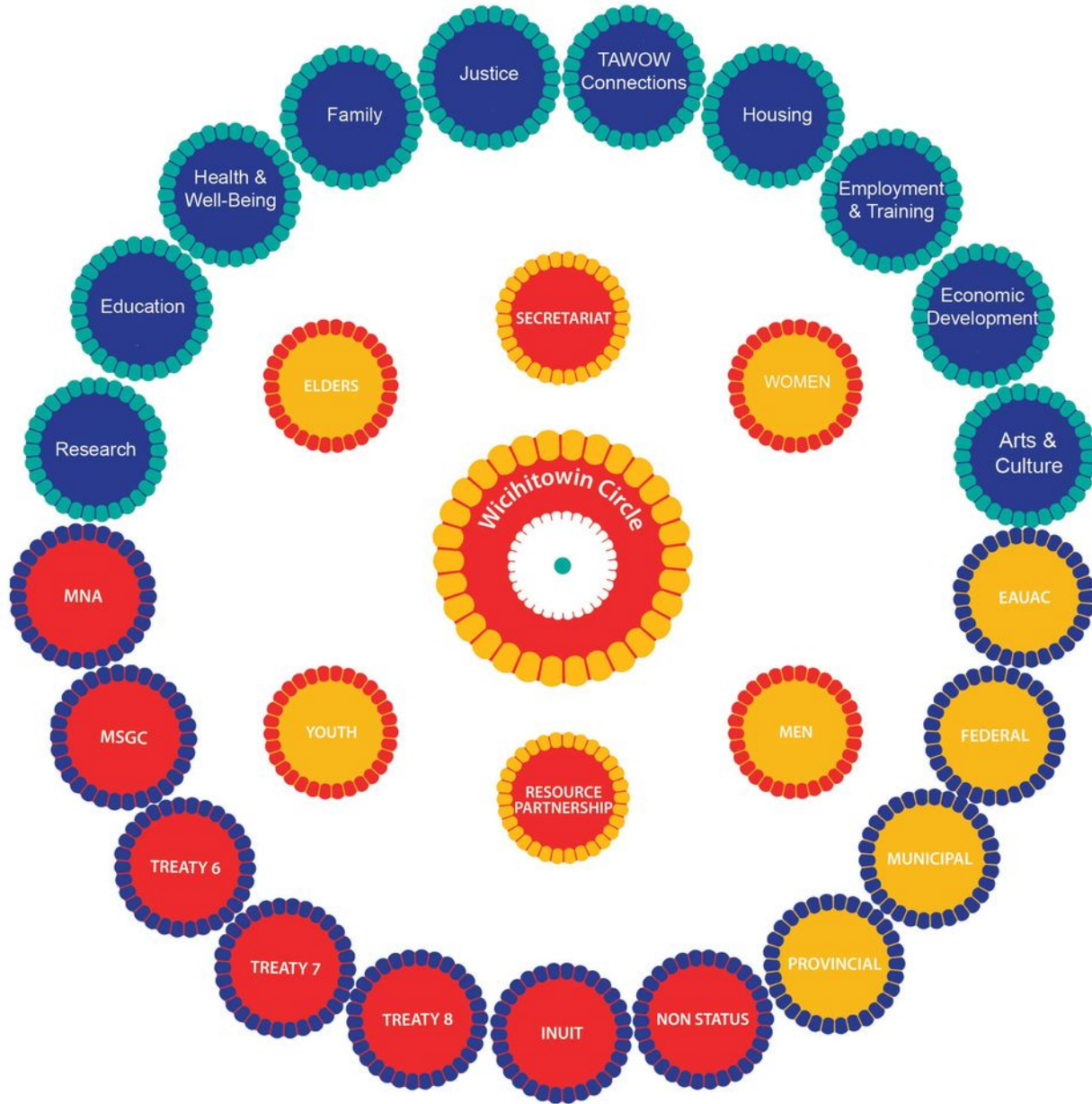
The Wicahitowin Circle is comprised of participants drawn from 10 Action Circles, 4 Community Circles, and representatives from stakeholders such as Governments and regional Aboriginal organizations. The Wicahitowin Circle meets on a quarterly basis to discuss and implement solutions to address the most pressing issues affecting urban Aboriginals. These issues are identified by the participants of the Circles as described below:

- **Action Circles** – The 10 Action Circles address priority areas identified by the urban Aboriginal Community including: Research, Education, Health & Well Being, Family, Justice, TAWOW Connections, Housing, Employment & Training, Economic Development, and Arts & Culture. Action Circles are made up of service providers, service leaders, and members of the urban Aboriginal community who have special interest and expertise in the area. The Action Circles are intended to further dialogue on the needs and priorities identified by the community and present them to the Wicahitowin Circle.
- **Community Circles** – The four Community Circles (Elders, Men, Women, and Youth) provide guidance and input to the Action Circles’ identified needs and priorities at the Wicahitowin Circle.

- **Resource Partners Circle** – Consists of governments, foundations, philanthropic organizations, and corporations committed to fulfilling the Wicahitowin Circle’s objectives.
- **Aboriginal Governments** - Includes Treaty 6, Treaty 7, Treaty 8, Métis Nations of Alberta, Métis Settlements General Council, Inuit, and Non-Status peoples.
- **The Federal, Provincial, and Municipal governments** – They provide the majority of the funding for the Society.
- **The Edmonton Aboriginal Urban Affairs Committee** – A volunteer committee appointed by the City of Edmonton’s City Council.
- **The Wicahitowin Secretariat** – See Section 2.1.2.

Diagram 3 on the following page shows the model of the Wicahitowin Circle:

Diagram 3 – The Wichitowin Circle Model



Participants within the Action and Community Circles meet on an intermittent basis. Some meet on a monthly basis while others have not had any meetings in the 2012/13 fiscal year due to a lack of participants. Although participation in the Action and Community Circles has been increasing, one Action Circle (Research) and two Community Circles (Women and Men) have not had any meetings. In the 2010/11 fiscal year there were 48 active participants in the various Circles. In the 2012/13 fiscal year there were 301 active participants.

2.2. Financial Information

The Society's revenue is comprised mainly of funding from the three levels of Government. Its expenses are primarily wages and benefits for Secretariat staff, contracting, and rent. The following is the breakdown of revenues and expenses from the April 1, 2012 to March 31, 2013 Society's budget.

Revenue - \$907,000:

- City of Edmonton (55%)
- Other (includes Federal, Provincial, and Fundraising) (45%)

Expenses - \$907,000:

- Wages and Benefits (56%)
- Contracting (16%)
- Rent (6%)
- Other (22%)

3. Objectives, Scope, & Methodology

Audit objectives

The objectives of this audit were to determine if:

1. The Wicahitowin Society has an effective governance structure.
2. The Wicahitowin Secretariat has sufficient documented policies and procedures to guide the day-to-day operations.
3. The Wicahitowin Secretariat has effective internal controls over financial reporting.

3.1. Scope and methodology

During the planning stage of the audit, we worked with the Community Services Department, the Wicahitowin Society Board and the Secretariat to develop an understanding of the Wicahitowin Circles and the related challenges and risks facing the Society. We used this information to determine the project scope and develop the audit objectives.

The scope of this audit included the Wicahitowin Society and the Secretariat. We reviewed the Society's registered bylaws as submitted to the Registrar in the Province of Alberta as well as the applicable policies and procedures currently in place. Additionally, for financial reporting, we reviewed the budgeting process and expenditures from the 2012/2013 fiscal year.

In order to achieve our objectives we performed the following work:

- Assessed the Society's compliance with its bylaws and administrative policies, as well as the Alberta Societies Act.
- Conducted interviews with the Society's Board members and staff of the Secretariat.
- Assessed the Society's compliance with the funding agreement between the City of Edmonton and the Society.

- Assessed the effectiveness of controls over the account coding and approval of expenditures.
- Researched best practices in the areas of bylaws for a Society, roles and responsibility of Board members, and Board and administrative policies and compared them to the Society's current practices.

4. Observations

4.1. Governance Structure

Governance is defined as, "The combination of processes and structures implemented by the board to inform, direct, manage, and monitor the activities of the organization toward the achievement of its objectives."¹ The mission statement of the Society is to support the Wicahitowin Circle through wise practices, strong fiscal governance and sustainability. Their vision is to be world-renowned in leadership, networking and collaboration for an Urban Aboriginal Renaissance movement.

We assessed the governance structure based on a variety of factors that the Board uses to govern the Society. These include:

- Adherence to the Societies Act and the associated bylaws;
- Clarity of the roles and responsibilities of the Board, the Secretariat, and the Circles;
- Strategic planning and performance measures in place to monitor the activities of the organization; and
- The Society's Board policies and Secretariat's operational policies.

4.1.1. Societies Act

The Society incorporated in January 2009 under the Alberta Societies Act. Incorporation under this Act is "for any benevolent, philanthropic, charitable, provident, scientific, artistic, literary, social, educational, agricultural, sporting or other useful purpose, but not for the purpose of carrying on a trade or business." Once incorporated, the Society must operate according to the provisions of the Societies Act.

We reviewed the Society's operations and found that they are not in compliance with the following obligations and responsibilities required by the Societies Act:

- Holding an annual general meeting and presenting the audited financial statements.
- Filing an annual return to the Corporate Registry.
- Keeping a registered list of past and present members.
- Ensuring bylaw changes are submitted to the Corporate Registry.
- Ensuring a change of registered office location is filed within 15 days.

The fine for a Society contravening the Societies Act cannot exceed \$100. However, a greater risk is that failure to meet the obligations may result in the Society being

¹ Institute of Internal Auditors, International Professional Practices Framework (IPPF), 2011 Edition, page 43.

removed from the Corporate Registry’s active records which would make them ineligible for government funding. **(Recommendation 1)**

4.1.2. Bylaws

Bylaws are the fundamental governing rules and regulations of the Society. Under the Societies Act, a Society is required to submit a set of bylaws to the Corporate Registry as part of the incorporation process. The Bylaws state how the Society is to be governed and how the powers of the Society are to be exercised. We compared the Society’s current practices to the requirements of their current bylaw to determine whether their practices comply with their bylaws. Table 1 below shows the results of our assessment.

Table 1 – Society’s Compliance to Bylaw

Current Bylaw Section Headings (2009)		Are the Society’s practices in compliance with their Bylaws?
A	Membership	X - No
B	President	✓ - Yes
C	Board of Directors	∞ - Partially
D	Secretary	X - No
E	Treasurer	X - No
F	Auditing	X - No
G	Meetings	X - No
H	Voting	✓ - Yes
I	Remuneration	✓ - Yes
J	Borrowing Powers	X - No
K	Bylaw Amendments	∞ - Partially

The majority of the Society’s practices do not comply or only partially comply with its current bylaws. Not following its bylaws could lead to serious legal trouble.

We found that the Society is using a generic set of bylaws similar to the template format provided by Service Alberta. This set of bylaws met the minimum requirements in terms of content to allow the Society to incorporate; however, they were not customized for the Society. There is a risk in continuing to use the bylaws from the standard template as the terms and conditions may not be reflective of the Society’s current or intended practices.

The Society’s Board members are aware of this issue and in June 2011 decided to review and revise their bylaws. Their intent is to not only meet but exceed best practices in terms of setting the Society’s new bylaws. To date, the Society has prepared a draft set of new bylaws.

To assist the Society, we researched best practices in Board bylaw content and compared it to the Society’s draft bylaws. We communicated the need for improvements to management of the Secretariat and the Society Board in a number of areas including

membership of the Society, general and special meetings, governance structure of the Board of Directors, management and financial matters, and dissolution of the Board.

When finalizing their new bylaws, the Board needs to ensure that the bylaws are clear and current and that their practices are in compliance with the bylaws. To reflect best practices, the bylaws need to give Society members a clear understanding of their rights and the rights of the Board and allow the members of the Society to hold the Board accountable. **(Recommendation 1)**

4.1.3. Roles and Responsibilities

Clearly defined roles and responsibilities are important because they allow individuals to understand their relationships within the organization. They also provide information on where the accountability lies in terms of the decision-making process. Clearly defining roles and responsibilities allows for effective governance.

The unique structure of the Wichitowin Circle of Shared Responsibility increases the need for clearly defined roles and responsibilities. We conducted interviews with staff from the Secretariat and the Society's Board members to determine whether the different groups' roles and responsibilities are clearly defined. We found that each of the groups have their roles defined at a high level; however, the responsibilities and accountabilities are not clearly defined.

We asked the staff and Board members to identify who is responsible for 29 distinct governance activities including: Who develops and modifies the bylaws? Who prepares the operating and capital budgets? Who recruits new Board members? Of the 29 activities we asked about, staff and board members provided the same answer for only 2 of the activities.

Without a clear understanding of which group is responsible for various activities, the Board's ability to provide appropriate accountability and oversight in the organization is restricted. **(Recommendation 1)**

To assist the Society, we researched the best practices on the roles and responsibilities of Boards. We found 10 roles and responsibilities that are integral to effective Board governance. Our comparison of the Society's Board practices found that they can make improvements in the areas of defining individual positions, decision-making practices, strategic planning, performance monitoring, compliance to laws and regulations, and financial stewardships. We discussed our observations with management of the Secretariat and the Society's Board.

4.1.4. Strategic Planning

Strategic planning provides an organization with general guidance and direction. It is essential to effective and responsible organizational stewardship.

We found some evidence that the Society's Board is performing strategic planning. For example, both the Society and the Circle have a mission and vision statement. As well,

they have defined the purpose and objectives of the organization. However, the Society is still missing some components of effective strategic plans. This includes:

- Performance metrics – The Society has not developed performance metrics to measure organizational performance.
- Risk assessments – The Board has not formally conducted a risk assessment.
- Succession planning – There is no formal succession planning process for Board members; there is some succession planning due to staggered Board member terms of office.

The Board needs to ensure that a comprehensive strategic plan is in place for the Society in order to ensure the Society achieves its objectives. **(Recommendation 1)**

Recommendation 1 – Governance Practices

The Office of the City Auditor recommends that the Wicahitowin Society improve its governance practices by:

- Complying with the Societies Act.
- Updating its bylaws and ensuring compliance.
- Clearly defining its roles and responsibilities.
- Completing its strategic plan, which includes documented performance measures, risk assessments, and succession planning.

Management Comments

Accepted

Responsible Party: Wicahitowin Board of Directors Society

Planned Implementation: December 31, 2013

Wicahitowin Board of Directors support the recommendations. Its Governance Committee has been doing on going work diligently to date to provide the needed best governance practices for the Society. The Board will complete and ensure compliance with outstanding obligations and responsibilities as required by the Societies Act, updated bylaws, clearly defining the Board members roles and responsibilities provide a comprehensive strategic plan, which will include documented performance measures, risk assessments, and succession planning. The CEO of Wicahitowin will participate and be the lead person to coordinate for the Board to accomplish their implementation plan which will be completed by December 31, 2013.

The compliance with the Societies Act of obligations and responsibilities as required:

- Will hold an annual general meeting and present the audited financial statements. An annual general meeting was held on December 17, 2012.
- The annual return to the Corporate Registry has been filed and updated.
- Keeping a registered list of past and present members. The Board registration has been updated on February 27, 2013.
- Ensuring bylaw changes are submitted to the Corporate Registry.

Recommendation 1 – Governance Practices**Management Comments:**

- Ensuring a change of registered office location is filed within 15 days. The change of office location has been updated on July 20, 2012.

Updated bylaws:

- New bylaws will be customized to reflect the Society's intended practices, which will incorporate best practices in terms of setting the Society's new bylaws.

Clearly defining the Board members roles and responsibilities:

- Researched documentation provided by the City of Edmonton will be utilized for best practices on the roles and responsibilities of Boards.

A comprehensive strategic plan will be provided, which will include documented performance measures, risk assessments, and succession planning:

- Will include these additional components to existing strategic plan.

4.1.5. Board Policies

Board policies are governance policies that formalize the roles and responsibilities of the Board and establish its functions and practices. Board policies are subject to change by the Board of Directors at any time. They provide the Board with the flexibility it needs to be effective and efficient.

The Society has recently created a Board Policies Manual. Our research on best practices in terms of policy development revealed that, at a minimum, Board policies on eight topics should exist. We compared the best practices to the Wicahitowin Society's current Board policies and determined that the Board has established and implemented some essential Board policies regarding governance style, code of conduct, conflict of interest, complaints handling, Board processes (including recruitment, orientation and training, management of Board operations) and Human Resources (included in the Secretariat's policies and procedures manual discussed under Section 4.2.1).

However, improvement can be made as the roles and responsibilities of the Board Members, and the appointment and performance evaluation of the Chief Executive Officer (CEO) are missing. In addition, Board policies related to key responsibility areas are also absent (planning policies, financial management and control policies, performance monitoring and accountability policies, risk management policies, communication policies). These observations were communicated with management and the Society's Board.

4.2. Operational Policies and Procedure

The Wicahitowin Secretariat is responsible for the day to day operations of the organization. The Secretariat is managed by the CEO who reports directly to the Society's Board. As depicted in Diagram 2 on page 3, Secretariat staff report to the CEO.

In order to determine the sufficiency of the Secretariat's operational policies and procedures, we reviewed them to ensure they adequately cover the Secretariat's operations. We also assessed whether staff were aware of and adhering to a sample of the policies and procedures.

4.2.1. Adequacy of Policies and Procedures

Policies are the written statements that instruct individuals on what to do, while procedures are the written statements to describe how policies will be implemented.

In our discussions with staff members, we found that the Secretariat has two separate sources of policies and procedures: the Orientation Manual and the Administrative Manual of Policies and Procedures (Administrative Manual). Verbal communication is also used to share certain policies and procedures.

Management indicated that the Administrative Manual is the main source of its policies and procedures. The Secretariat is currently undertaking a review of its Administrative Manual to ensure completeness. We found some key sections that are not included in the Administrative Manual. This includes a safety policy, an information systems related policy, and a financial policy. Management ultimately has the responsibility to determine the relevance of including these policies and ensuring that they are communicated to staff members.

Having multiple versions of a policy and procedure increases the risk of inconsistency in their application. In order to have effective policies and procedures, the Secretariat needs to ensure that there is a single source and that it is complete and communicated to staff members. **(Recommendation 2)**

4.2.2. Compliance with Policies and Procedures

An effective organization needs to ensure that its staff members are operating in accordance to their policies and procedures. In the case of the Secretariat, this means compliance to the Administrative Manual.

We judgementally selected five administrative policies and procedures and reviewed documentation or discussed with staff to determine compliance. Table 2 on the following page shows the results of our testing:

Table 2 – Compliance with Operational Policies and Procedures

Policy/Procedure	Are Secretariat staff complying with operational policies and procedures?
Signing of the Oath of Confidentiality	✓ - Yes
Awareness of training budget	✓ - Yes
Performance evaluations	X - No Performance evaluations are not completed consistently.
Staff recruitment	X - No Process does not include internal promotion or direct hiring.
Mileage reimbursement	X - No Flat monthly rate was used instead of a per kilometre traveled basis.

When staff members are not following procedures, there is a risk of an inconsistent application of the policies and procedures. Additionally, if management does not ensure that staff members are following the policies and procedures, the statutory requirements may not be complied with and there is a risk of employee misconduct.

(Recommendation 2)

Recommendation 2 – Operational Policies and Procedures

The OCA recommends that the Secretariat develop written operating policies and procedures and ensure that they are communicated to staff members. Monitoring of these policies and procedures should also be in place to ensure staff are in compliance.

Management Comments

Accepted

Responsible Party: Acting CEO of Wicahitowin Secretariat

Planned Implementation: June 31, 2013

Wicahitowin Secretariat management supports this recommendation. The completion of the operating policies and procedures will be led by Acting CEO of Wicahitowin Secretariat and will be completed by June 31st, 2013.

These policies have been developed inclusively involving the Wicahitowin Secretariat staff. This will assist in understanding and compliance which will be overseen by the Director of Operations.

A subsequent annual review of these operational policies and procedures will be undertaken.

4.3. Financial Reporting

The Secretariat is responsible for day-to-day operations of the organization including managing the financial duties of the Society. The Finance Officer is responsible for the financial record keeping including compilation of the financial statements, budgeting, and general accounting duties such as processing accounts receivables and accounts payables. The Chief Executive Officer (CEO) is responsible for reviewing the financial information and reporting to both the Society's Board and the Wicahitowin Circle.

In order to assess the effectiveness of internal controls over financial reporting, we reviewed the budget preparation process and its alignment with the funding agreement with the City of Edmonton. We also intended to review the financial policies to determine whether staff members were in compliance to the policies. However, the Secretariat did not have an approved financial policy in place at the time of our review.

4.3.1. Budgeting Process

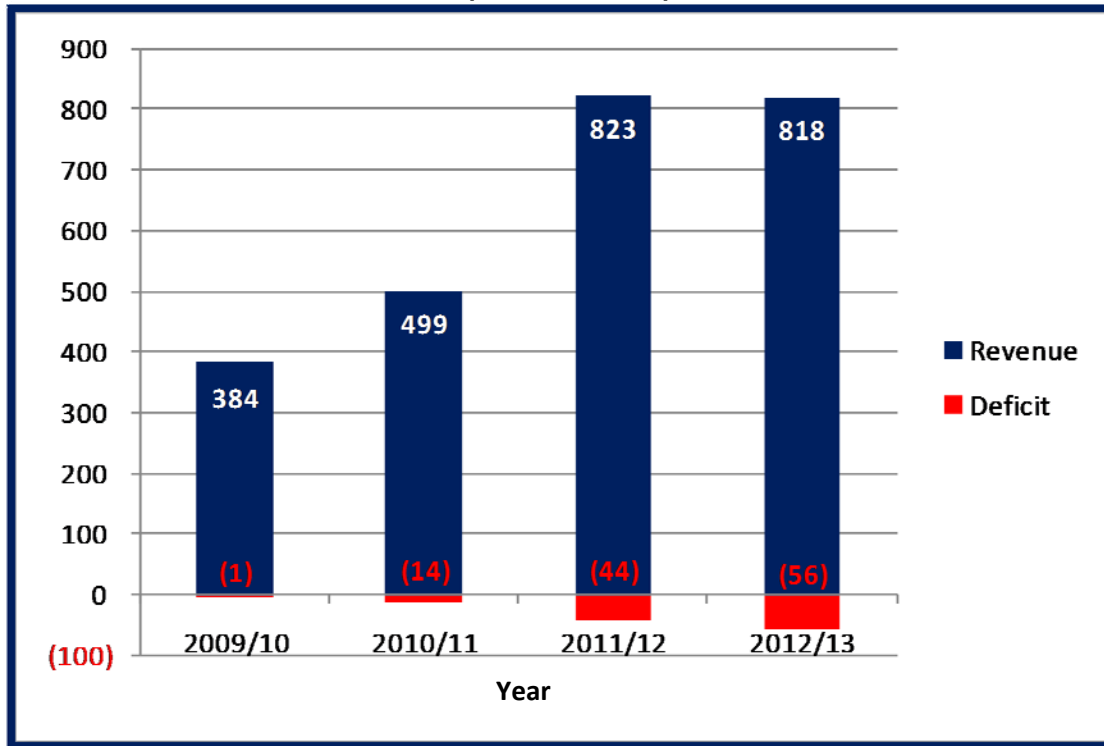
In order to plan its financial operations, the Secretariat prepares a budget based on anticipated revenues and expenses. The budget is prepared on a break-even basis. This means that anticipated revenue is equal to the anticipated expenditures. For the 2012/13 fiscal year, the revenues and expense were both budgeted at \$907,000.

We found that the Secretariat has a process to prepare their budget. However, they do not update the budget on a timely basis to reflect actual events. For example, the Secretariat became aware of a reduction of \$43,000 in revenues from the Federal Government, but it did not reflect this in the forecast until approximately 3 months later.

In the current fiscal year, the actual revenue is \$818,000, yet the amount spent was \$874,000 resulting in a deficit of \$56,000. The Society has incurred a deficit in each of the last four years. Chart 1 on the following page shows the actual revenues and the associated deficits for the 2009/10 to 2012/13 fiscal years.²

² 2009/10 to 2011/12 are based on audited financial statements, 2012/13 is unaudited.

**Chart 1 – Revenues and Deficits from 2009/10 to 2012/13 Fiscal Years
(\$ thousands)**



As shown in Chart 1, the deficit has been increasing each year. The 2012/13 deficit is approximately \$56,000. Revenues have also increased since 2010 (from \$384,000 in 2009/2010 to \$818,000 in 2012/2013).

By repeatedly spending more money than it is receiving, the viability of the Society is at risk. As well, the Society will encounter cash flow issues if the funds are not effectively monitored and managed. As part of the budgeting process, management of the Secretariat should review for discretionary spending and ensure that they are operating at least on a break-even point each year. They should also develop a plan to eliminate the Society's debts in order to be sustainable in future years. **(Recommendation 3)**

4.3.2. City of Edmonton Funding

From 2009 to 2011, the City of Edmonton provided the Society with \$75,000 in funding annually. In March 2012, the City increased its funding to the Society to \$500,000 annually for a term of 5 years, expiring on December 31, 2016. The total for this agreement is \$2.425 million because the City had already provided \$75,000 earlier in 2012.

The original agreement for \$75,000 annually stated that the Society should use the funds to assist with annual operating costs including, but not limited to, administrative costs, human resources, training and development, hosting of community meetings/events, and cultural ceremonies or activities. The Society also had to provide the City with a complete financial accounting including supporting documentation

evidencing the use of the funds. There were no other deliverables or performance metrics required from the Society.

The current agreement specifies that the Society is to use the funds to assist with nine specific operating expense categories and associated dollar amounts in the areas of wages, advertising, contractors, information technology, etc. The agreement also specifies that the Society needs to provide audited financial statements within 120 days of the end of each fiscal year, an annual budget, an annual report on its activities, and progress on its strategic objectives. As the Society's year end is March 31, 2013, these reporting requirements were not yet due at the time of this review.

We compared the Secretariat's budgeted and actual expenditures to the City of Edmonton's current year's funding of \$425,000 and the original funding agreement of \$75,000 to determine if they are in compliance. Table 3 below shows our comparison for the current fiscal year of 2012/13³.

Table 3 – Comparison of Funding Agreements to Budget and Actual Expenditures for 2012/13

Category	Funding Agreement	Original Budget	2012/2013 Actuals	Variance (Agreement less Actuals)
Current Funding				
Wages and Benefits	\$206,000	\$358,600	\$327,000	\$(121,000)
Information Technology	50,000	20,000	6,500	43,500
Contractors	40,000	40,000	50,100	(10,100)
Advertising	35,000	0	0	35,000
Strategic Planning	35,000	15,000	2,700	32,300
Gatherings and Meetings	20,000	25,000	10,900	9,100
Professional Fees	20,000	8,000	4,300	15,700
Travel	15,000	14,400	14,200	800
Training	4,000	4,000	1,700	2,300
Subtotal	\$425,000	\$485,000	\$417,400	\$7,600
Original Funding				
Administration	\$75,000	\$0	\$12,700	\$62,300
Rent	0	0	55,500	(55,500)
Communications/Marketing	0	5,000	6,600	(6,600)
Office Supplies	0	0	6,500	(6,500)
Community Capacity Building	0	10,000	0	0
Honorariums	0	0	1,300	(1,300)
Subtotal	\$75,000	\$15,000	\$82,600	\$(7,600)
Grand Total	\$500,000	\$500,000	\$500,000	\$0

There are nine categories in the current funding agreement and the Society has over-spent on two categories and under-spent on seven categories. The most significant over expenditure was in the wages and benefits category. The Society has also over-

³ Unaudited, as at April 30, 2013.

spent on the original funding agreement. Per the current funding agreement, the Society will only use the funding to assist with the operating expenses as detailed in the agreement. The Society is able to obtain written permission prior to using City of Edmonton funds differently, should the need arise. As of the fiscal year ending March 31, 2013 the Society had not obtained written consent from the City for use of funds for other purposes.

Based on our review, the Society could be asked to return \$215,700 to the City for funds that it did not spend in accordance with the current and original funding agreements. This amount is comprised of the following:

- Wages and Benefit (\$198,000) - the agreement allowed for \$206,000 to be spent on three new positions (Director of Operations, Aboriginal Community Liaison, and Business Strategist) within the Secretariat. However, we determined that the actual cost was \$129,000 for two of the new positions. A contractor was obtained to fulfill the duties of the Business Strategist position from April to September 2012. Since the Secretariat spent \$327,000 on wages and benefits attributed to all staff members, this difference was not spent in accordance with the agreement.
- Contractors (\$10,100) – the agreement allowed for \$40,000 to be spent on contracting. Since the Secretariat spent \$50,100, this difference was not spent in accordance with the agreement.
- Other expenses (\$7,600) – As \$75,000 is attributable to the original agreement in which the Society can spend on operation costs, the over-expenditure of \$7,600 was not in accordance with either of the agreements.

Furthermore, the budget does not match to the funding agreement. Therefore, this results in competing priorities for management. Managing to the budget would result in being non-compliant with the funding agreement and vice versa. The Society should ensure that its budget is aligned with the funding agreements to ensure that the funding is spent in accordance to its intended purpose. **(Recommendation 3)**

4.3.3. Financial Policies

At the time of the audit, the Secretariat did not have formal financial policies in place. Financial policies would define how the Secretariat is to manage the organization with regards to financial matters. This would include items such as signing authority, travel reimbursements, year-end procedures, etc.

Based on discussion with Secretariat staff members, including the Finance Officer, they have a good understanding of financial controls. However, they should have documented financial policies to ensure clarity and consistent practice amongst all staff members.

In order to determine if the Secretariat staff are practicing good controls over the recording of expenses we tested a sample of 10 expense items for proper expense codes, proper approvals, and adequate supporting documentation. We found that three of the 10 samples were not properly approved (two instances where the person being

reimbursed for the expense signed for themselves and one instance where a cheque requisition was processed but there was no approval signature). Since there was no policy on authorization of expenses, these expenses were processed.

There is a risk that inappropriate expenses may be processed when signing authority is not clearly defined. Having policies to address financial matters is critical to the financial management of the Secretariat. **(Recommendation 3)**

Recommendation 3 – Financial Management

The OCA recommends that the Wicahitowin Secretariat review its management of financial matters to ensure that the organization complies with its funding agreements and remains a going concern. In particular:

- Review its discretionary expenditures to ensure sufficient funding is in place.
- Ensure that budgets align with the funding agreements.
- Develop a financial policy, communicate it to all staff, and ensure staff members are complying with them.

Management Comments

Accepted

Responsible Party: Acting CEO of Wicahitowin Secretariat

Planned Implementation:

Budgetary Items– March 31, 2014

Financial Policy – June 31, 2013

Wicahitowin Secretariat management supports these recommendations. Wicahitowin Secretariat under the leadership of the new executive team has implemented a new budgetary approach to alleviate the concerns within the first two recommendations. These new procedures will be overseen by the Acting CEO and the Financial Officer for the Wicahitowin Secretariat. Quarterly budgetary reporting has been implemented at the beginning of the new fiscal year and submitted to all three levels of funders to see where monies are spent and adherence to the funding agreement. This process will continue over this fiscal year and beyond and placed within policy.

Wicahitowin Secretariat will conclude an inclusive financial policy review and implementation. This process is being overseen by the Acting CEO and will be concluded by June 31st, 2013. As this is an inclusive process involving the Wicahitowin Secretariat staff, communication will be mitigated and lead to easier implementation. Adherence of these policies and procedures will be ongoing and lead by the Financial Officer of the Wicahitowin Secretariat.

A subsequent annual review of these operational policies and procedures will be undertaken.

5. Conclusion

We had three objectives for this audit. The first was to determine if the Wicahitowin Society has an effective governance structure. The other two objectives focused on the Wicahitowin Secretariat. They were to determine whether the Secretariat had sufficiently documented policies and procedures to guide its day-to-day operations and whether there are effective controls over financial reporting. We made three recommendations, one for each objective.

The Society does not have an effective governance structure. It is not meeting the administrative requirements of the Societies Act, it uses a generic set of bylaws that it is not complying with, it does not have clearly defined roles and responsibilities, and it does not have a complete strategic plan. Our first recommendation to the Board was to improve its governance practices in these areas.

The Secretariat, which is responsible for providing administrative and technical support to the Wicahitowin Society and the Circles, does not have official operating policies and procedures. They are currently in the process of drafting an Administrative Manual, which will contain the policy and procedures. We recommended that the Secretariat complete the policies and procedures and communicate them to staff members.

The Secretariat also needs to improve its controls over the Society's financial operations. A deficit has been incurred in each of the past four years, thus the financial viability of the Society is at risk. The largest funder of the Society is currently the City of Edmonton. The Society has not been spending this funding in accordance with the funding agreement it has with the City. Lastly, the Secretariat does not have financial policies, increasing the financial control risk. We recommended that the Secretariat improve its management of financial matters and ensure compliance with its funding agreements.

During the latter part of our audit, the City of Edmonton enacted its rights within the funding agreement and requested financial information from the Society. This includes previous year's audited financial statements, management letters, current unaudited financial statements and budget, and the Board meeting minutes for the last eight months. The City is currently working with the Society's Board and the Secretariat's management to assess how the organization has incurred a deficit over the past two years and review the use of the funding.

We thank the management and staff of the Wicahitowin Society Board, the Secretariat and the Community Services Department for their cooperation and assistance during this audit.

Administrative Update on the Wicahitowin Circle of Shared Responsibility Review

Recommendation:

That the June 11, 2013, Community Services report CR_277, be received for information.

Report Summary

This report provides information on proposed actions by Community Services to lend support to the Wicahitowin Society, in response to the Auditor's report.

Report

Background

- By a motion of City Council during the 2013 budget discussions, financial support to the Wicahitowin Society in the amount of \$500,000/year was provided to sustain its operations.
- A five year funding agreement was entered into with the Society, totaling \$2.5 million. 2012 was the first year of the agreement.
- An advance of \$50,000 of their 2013 funds was provided in November 2012, as the organization advised Administration that they were experiencing minor cash flow issues due to the timing of the receipt of funds from other orders of government.
- At this time Administration was also made aware of various internal governance issues arising within the Society and subsequently engaged

the Office of the City Auditor to conduct a governance review.

- The remaining \$450,000 was released in January 2013 as per the conditions outlined in the funding agreement

Current Status

- During the City Auditor review, there was a change in senior leadership of the Secretariat. The new management of the Secretariat brought forward various concerns to Administration and the Society.
- Community Services enacted clauses within the funding agreement to request in-depth financial documentation and board minutes.
- Administration's findings align with the Office of the City Auditor report. In addition, Administration noted that deficits will have an impact on the organization's cash flows and ultimately there will be difficulties fulfilling financial commitments if current spending levels are maintained.
- Based on the review of financial documentation, Administration recommends:
 1. Year end audit for 2012/2013 be prepared as soon as possible by the external auditor.
 2. Amendment to the funding agreement be made requiring more financial oversight (eg. yearly budget approvals).
 3. Implement requirement to provide interim quarterly financial reporting to monitor progress.

Proposed Next Steps (still to be confirmed with Wicahitowin Board at time of report submission)

- Administration will assign a staff person to the Secretariat and Society to support and provide advice in areas of, but not limited to: board development, public engagement and program development. Dedicating a staff person has worked well in previous instances eg. African Centre.
- This position will act as a capacity builder within the organization and a monitor of the progress made on the audit recommendations.
- Administration will work closely with other orders of government (co-funders) with the goal of creating shared reporting and performance measures in order to assist the organization in meeting its mandate to the urban aboriginal community.
- A report by year end will be made to Community Services Committee to provide an update on progress.

Corporate Outcomes

Improve Edmonton's Livability

- Edmonton is a Vibrant, connected, engaged and welcoming city.
- Edmonton is a caring, inclusive and affordable community.
- Edmonton is a sustainable city.

Budget/Financial Implications

Administration proposes to utilize existing operating budgets and staff positions to support the courses of action in this report.

Others Reviewing this Report

- D. H. Edey, General Manager, Corporate Services
- L. Rosen, Chief Financial Officer and Treasurer