



CITY OF VANCOUVER

ADMINISTRATIVE REPORT

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TO: Vancouver City Council
FROM: General Manager of Corporate Services
SUBJECT: Corporate Services - Accounting Services Reorganization

RECOMMENDATION

THAT Council approve the creation of a regular full time position of Manager of Financial Reporting, subject to classification by the General Manager of Human Resources, with funding to be provided from the existing Corporate Services Operating Budget at no incremental cost to the City.

CITY MANAGER'S COMMENTS

The City Manager approves this recommendation as this position will enable the City's Accounting Services Department to meet the increasing municipal financial reporting requirements outlined by the Public Sector Accounting Board (PSAB) and provide improved reporting services to internal departments.

COUNCIL POLICY

The establishment of full time positions requires Council approval.

PURPOSE

To obtain Council approval for the creation of a new Manager of Financial Reporting position in the Accounting Services department in Corporate Services.

BACKGROUND

The Accounting Services department is proposing a reorganization of the department to create a Financial Reporting branch. Financial reporting for local governments has undergone major changes over recent years. The Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA) continues to make significant recommendations that will affect the financial statements of local governments. To be in a position to adequately address the increasing requirements, the Accounting department would like to create a new Manager of Financial Reporting to lead a new branch focused on financial reporting.

DISCUSSION

The Accounting Services Department within Financial Services is responsible for:

- Annual financial reporting including yearend financial statements
- Accounting for all City funds and reporting entities
- Liaison with External Auditors for the annual yearend audit
- Statutory reporting required by legislation including Vancouver Charter, Ministry of Finance and Community Services, Statistics Canada, federal agencies
- Filing and reporting of taxes including Provincial Sales Tax, Goods and Services Tax and other taxes including Non-resident withholding taxes
- Financial policies and procedures
- Corporate payroll - coordination and central processing of biweekly payroll for all City employees encompassing 13 collective agreements
- Business processes and procedures for two major financial systems - Tempest and SAP
- Central accounts payable and supplier payments
- Central accounts receivables and billing
- Internal controls for all financial processes
- Support services to the City's Property division (Facilities Design and Management and Real Estate Services).

The current structure, established in 2000 after the implementation of SAP, is comprised of 43 staff and is managed by the Manager of Accounting Services (reporting to the Director of Financial Services).

The workload of the Accounting Services department has continuously increased over recent years as City departments grow and take on more projects which result in higher volume of transactions, analysis and reports. Coupled with significant new requirements for financial reporting, the department is reorganizing to provide adequate focus on two distinct functions: financial reporting and accounting operations.

Impact of PSAB

The objective of PSAB is to develop standards to increase the comparability of financial statements between municipalities and to improve accountability to the public.

In 2003, PSAB required the reporting of employment and post-employment costs as well as landfill closure and post closure costs. The implementation of these requirements was phased in over 2-3 years (2003 to 2005). Annual valuations and updating of these costs have added to the workload of the Accounting department every year.

The recent pronouncements in 2006 from PSAB will have the most significant impact on local government reporting to date. Tangible Capital Asset PS 3150 requires local governments to report all capital assets at amortized historical cost. This new standard is effective for 2009 with comparative figures for 2008. The implementation of this reporting standard will have corporate wide implications and will require leadership and coordination from Accounting Services.

PSAB has also issued a Segmented Reporting requirement that will be effective for 2008. This will also require additional accounting resources.

To address the increased requirements on financial reporting from not only PSAB, but also other legislative and regulatory bodies, Accounting Services is proposing to create a financial reporting branch. This branch would focus on all financial reporting and will be led by the new Manager of Financial Reporting position. This position will report to the Director of Financial Services.

Financial Reporting and Accounting Operations - Different Focus

The proposed structure recognizes the differences between financial reporting and accounting operations and allows for improved focus and service delivery of the two distinct functions.

The reorganization will allow the accounting operations branch (led by the Manager of Accounting Services) to focus on the transactional processing of the key financial processes including payroll, accounts payable and accounts receivable. The benefits of this reorganization will allow the accounting operations branch to have increased capacity to:

- handle continually increasing transaction volumes as City departments and major projects grow
- promote and implement best practices for financial processes across City departments
- address internal control reports and recommendations on a more timely basis.
- develop business guidelines and procedures as more system enhancements and modules are implemented (i.e. recent ones such as SAP Real Estate module)
- support and administer an increasingly complex payroll system
- strengthen the link to purchasing as part of the supply chain management initiative.

Due to the decentralized structure of the City, a high level of coordination and communication is necessary to ensure standardization of processes.

The financial reporting branch will focus on external and internal reporting of the City's funds and related entities. The branch will be responsible for the accounting and reporting of reserves, internal loans and transfers, debt issue, installments and repayments, major projects and capital assets and investments throughout the year culminating with the annual year end audit and preparation of the City's financial statements. The branch will also be responsible for statutory reporting and filing in compliance with legislation including the Vancouver Charter, Financial Information Act (Statement of Financial information) and

Statistics Canada reports. Key interactions are with external auditors, governmental agencies and internal department management staff. The nature and timing of the yearend audit, financial statements, statutory, regulatory and compliance filings are often in conflict with the ongoing nature of accounting operations deadlines (which are more frequent and routine). Creating a separate branch from accounting operations will resolve this conflict and allow both branches to provide adequate focus on key activities and deadlines.

There will be considerable work required to address the PSAB accounting and reporting requirements for the City's assets including land, buildings, infrastructure, computer systems, furniture and equipment which will be led by the Manager of Financial Reporting.

With the increased workload due to the growth of City and City departments, coupled with increased reporting requirements, a reorganization of the Accounting Services department will ensure timely compliance and improved service delivery. It is recommended that a new reporting branch be established and a new position created to provide adequate focus to comply with the PSAB requirements.

FINANCIAL IMPLICATIONS

The new Manager of Financial Reporting position will be funded from reallocations within the Corporate Services Operating Budget and will not result in additional costs to the City. The reallocations, mainly from temporary salaries and contract services budgets, will provide for a much better focused service delivery structure for financial reporting and accounting operations.

CONCLUSION

The financial reporting requirements continue to grow as PSAB and the public demand more accountability of all levels of government. This new position will provide the City of Vancouver with the required focus to address the reporting requirements in a timely and proactive manner.

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