

To: Corporate and Finance Services Committee

From: Stephanie Sinnott, Commissioner,  
Corporate and Finance Services Department

Report Number: CF-24-29

Date of Report: April 3, 2024

Date of Meeting: April 8, 2024

Subject: Corporate Payment Report

Ward: All Wards

File: 03-05

---

## **1.0 Purpose**

For many years, the City has produced monthly reports listing the organization's payroll and vendor payments. The report historically was produced to discharge the responsibilities of the City Treasurer as set out in By-law 4204, dated May 6, 1963.

This process is not a recognized best practice, creates significant risk to the City and is administratively onerous to produce.

The purpose of this report is to recommend the discontinuance of preparing and publishing the monthly Corporate Payment Report.

## **2.0 Recommendation**

That the Corporate and Finance Services Committee recommend to City Council:

That pursuant to Report CF-24-29, Corporate Payment Report, dated April 3, 2024,

1. The practice of preparing and publishing the monthly Corporate Payment Report be discontinued; and,
2. That By-law 4204, as amended, be repealed.

## **3.0 Executive Summary**

Not applicable

## **4.0 Input From Other Sources**

City Solicitor

Region of Durham Municipalities: Pickering, Ajax, Whitby, Clarington, Scugog, Brock and Uxbridge

## **5.0 Analysis**

On May 6, 1963, City Council enacted By-law 4204, as amended, being a by-law to define the duties of the City Treasurer. This By-law is the basis under which the monthly Corporate Payment report is produced.

By-law 4204 is no longer relevant as the duties of the Treasurer are set out in section 286 of the Municipal Act, 2001, S.O. 2001, c. 25 ("Municipal Act, 2001"), and are further guided by the Public Sector Accounting Board regulations, internal controls and external audit.

The production of the monthly Corporate Payment report report is not a best practice for a variety of reasons including the financial, cyber security and legal risks posed to the City. Additionally, the preparation of the report is administratively onerous and is not a value added activity when compared to the most appropriate utilization of City resources.

### **5.1 Internal Controls**

The City has a well-designed system of internal controls and a solid financial framework as was reported by MNP in their 2019 report related to the review of the City's budget under the Provincial Audit and Accountability program.

The MNP report cited that the City undertakes a number of best practice approaches when it comes to financial control and continuous improvement including investing in Lean training and having a strong financial framework.

Internal controls for accounts payable are methods used to ensure that an organization's accounts payable procedures are followed. Some examples of internal controls for accounts payable are:

- Establishing a segregation of duties to prevent fraud and errors;
- Reviewing the approval process to verify the accuracy of invoices and ensure they are paid on time;
- Implementing strong payment solutions to avoid duplicate or unauthorized payments;
- New Supplier and changes in banking information validation and approvals;
- Using data entry controls to ensure invoices are correctly recorded in the system;
- Using payment entry controls to ensure payments are correctly, processed and reconciled.

Segregation of duties is an accounting internal control, which means that at least two individual deal with a financial process in order to prevent error this appropriation or fraud. In practice, the separation of duties means that ensuring the person dealing with physical assets, such as cash, inventory supplies, etc. is not the same person responsible for the recording and bookkeeping of the transactions relating to those assets. This is designed into the City's accounts payable functional structure.

Additionally the City uses a critical control known as three-way matching to reduce the risk of fraud and mistakes in the payment process. Matching the purchase order to an invoice and the packing slip is a three-way match.

Robust internal controls are in place which safeguard City finances including within the Accounts Payable process.

## **5.2 Risks**

### **5.2.1 Publication Risks**

There are a number of potential publication risks associated with the monthly payment report. The attachments to the report include the following information: payment numbers, issuance date, amount and the payee name. The payee column prints the names of individuals, employees, vendors and institutional information.

The Municipal Freedom of Information and Protection of Privacy Act, R.S.O. 1990, c. M. 56 ("MFIPPA") requires that local government institutions protect the privacy of an individual's personal information existing in government records.

By circulating payee information publically, the City would be potentially disclosing records that could prejudice the interests of a third party or could constitute an unjustified invasion of personal privacy.

### **5.2.2 Cyber Security Risks**

Local government institutions are go-to targets for cybercriminals for a simple reason: they have huge amounts of sensitive data saved on their systems. In addition, local governments publish a lot of information for public records, which makes it easier for cybercriminals to hack the systems that contain personal information.

Over the last few months, a number of municipalities have fallen victim to cyber-attacks (ransomware attacks) crippling the delivery of services to the residents.

A ransomware attack takes place when cybercriminals use malicious software to encrypt, steal, or delete data, then demand a ransom payment to restore it. This can lead to a disruption of business operations, service delivery, permanent data loss, intellectual property theft, privacy breaches, reputational damage and expensive recovery costs. There are significant financial implications associated with a cyber-attack.

It is imperative that the City remain vigilant about cyber security risk mitigation taking a prudent approach to the disclosure of information.

### **5.2.3 Legal and Financial Risks**

Legal risk attaches to the publication of details such as the names of individuals to whom the City makes payments, when such payments are made, and the amount of the payments.

The City's potential exposure to liability may arise due to claims for breach of contract (if a confidentiality requirement was contained in a contract), breach of privacy legislation (i.e. MFIPPA), and tort claims such as breach of confidence and intrusion on seclusion.

Financial risk attaches to the unauthorized disclosure of confidential settlement terms should a claim be proven against the City on any of the above basis.

There exists no legal obligation for the City to publicly produce details of its cheque runs, as is its current practice.

### **5.3 Financial Oversight**

Council has significant oversight related to the payments issued by the City through various financial approvals and a number of controls in place. Some examples of this include, but are not limited to:

- Purchase orders are issued in accordance with the Purchasing By-law 80-2020, as amended ("Purchasing By-law"; as approved by Council)
- Packing slips, if appropriate, are matched to purchase orders and invoices (three way matching)
- Invoices are authorized by the appropriate level of management in accordance with the signing authority policy (which is approved by Council)
- Expenditures are made in accordance with the annual budget (which is presented to and reviewed by Council)
- Potential expenditures which were not approved in the annual budget are reported to Council for approval
- Invoice batches are matched to control totals before they are released in the system for the payment generation
- Once payments are generated they are matched back to the invoices for validation
- Payment listings are sent to appropriate staff to ensure we are not issuing payment to parties who owe money to the City for Account Receivable invoices or Taxes or Fines before the payments are released to the bank
- Expenditures are reported to Council through the Financial Results reporting and the annual Financial Statements (which are approved by Council)
- For the annual audit performed by Deloitte, staff pull a data file of all payments for the Auditors to make their sample selection for audit testing, the annual audit results are reported to Council

- There are numerous other controls built into the Accounts Payable process design which is overseen by City staff comprised of Chartered Professional Accountants

The issuance of payments is merely the execution of the Council-approved financial transactions.

#### **5.4 Other Municipalities**

A survey of the Area Municipalities in the Region of Durham was conducted to ascertain whether the cheque rolls were reported to Council. The results were:

There was no reporting on the cheque rolls in:

Pickering  
Ajax  
Whitby  
Clarington  
Scugog  
Uxbridge

Cheque rolls are provided only to the Mayor in Brock, as information only.

#### **6.0 Financial Implications**

There are no financial implications resulting from the recommendations of this report.

#### **7.0 Relationship to the Oshawa Strategic Plan**

The recommendations of this report are consistent with the Economic Prosperity and Financial Stewardship goal of the Oshawa Strategic Plan to the extent that it is consistent with sound financial management.



Stephanie Sinnott, Commissioner,  
Corporate and Finance Services Department