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Expense Disclosure Toolkit

November 2014

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Context

Members of the Alberta Urban Municipalities Association (AUMA) have requested resources to assist municipalities in disclosing elected official's expenses. This toolkit is provided in response to this request, and can be used by members to guide the design and implementation of the policies and processes associated with enhanced disclosure of elected official's expenses.

The scope and nature of information available to citizens has increased substantially, in parallel with access to the internet. This access continues to drive a significant culture shift. People now expect to have access to, or receive, more information than ever before. There are three dimensions to these growing expectations:

- *Transparency*—people expect information to be provided voluntarily, not in response to a formal request, legal requirement or intervention from a third party. Information should also be easy to access, and finding it should not require specialized knowledge or skills, or a large commitment of time and effort.
- *Clarity*—people expect the information to be as clear as possible. Information should not be buried in a complex framework of technical jargon and related concepts that can only be understood by individuals with particular training and experience.
- *Accuracy*—people expect information to be accurate and complete. Information should not be presented with a potentially misleading *spin* or *bias*, nor should its usefulness be undermined by releasing it in a disjointed or fragmented fashion.

Expectations around transparency, clarity and accuracy are especially strong where there is a dimension of trust and accountability in the relationship between the information provider and the recipient. This is clearly the case between government and the citizens who trust it to act in their collective best interest.

Citizens expect to know increasingly more about their government's actions. They expect to hold it accountable for acting in accordance with both its overall responsibilities and the specific commitments it has made. They expect to have access to the information they need to enable this accountability. These expectations have been reinforced and generalized with the passage of public sector freedom of information legislation, adoption of *open government* policies that greatly enhance access to government information and decision making processes, and legislative requirements for greater corporate transparency.

Local government is very much a part of this citizen/government accountability framework. Because of its size, accessibility and proximity, and the essential and immediate nature of many of the services it provides, local government can anticipate expanded citizen expectations regarding access to information. An area of emerging citizen interest is elected officials expenses, generally understood to include the costs associated with the day-to-day activities carried out by elected officials doing the work they were elected to do. Citizens can reasonably expect management and release of expense related information to meet the benchmark tests of transparency, clarity and accuracy.

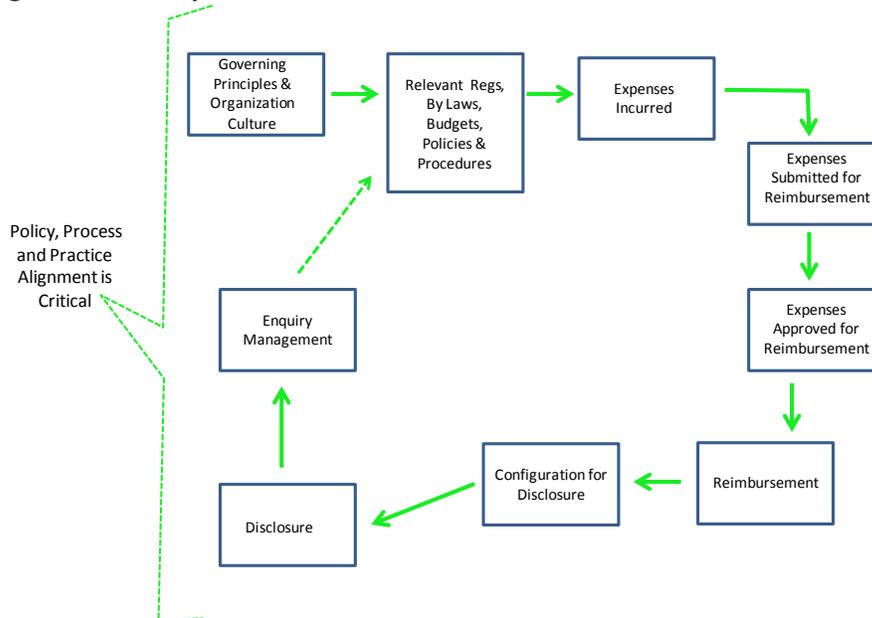
This toolkit was developed after a wide-ranging examination of current realities and practices in Alberta as well as other jurisdictions including a review of practices of comparable organizations, interviews with individuals with direct experience implementing expense disclosure policies and practices, and a survey of AUMA members to understand their current practices. A number of important aspects of current reality emerged:

- There is a very wide range of practices, ranging from organizations that release only what is required to those who release a great deal of information at a very detailed level. There is no particular pattern across these practices. Organizations of widely varying sizes and types can be found across the spectrum of practice.
- For municipalities there are two directly relevant legal instruments:
 - The Freedom of Information and Protection of Privacy Act, and related regulations, establishes the overall framework for information access or protection in the public sector. Managing policy development and implementation, and information requests, pursuant to the Act can become a significant administrative burden.
 - In addition, Alberta Regulation 313\2000, the Supplementary Accounting Principles and Standards Regulation, requires that the annual financial statements of a municipality set out the 'salaries and benefits' of elected officials, the Chief Administrative Officer, and designated officers. The notes to the financial statements must link salaries and benefits to each elected official through the use of a unique identifier such as the elected official's name, and disclose the salary and benefits of the Chief Administrative Officer separately. The information for designated officers can be reported as a *total figure*. Because these requirements are linked to the financial management and reporting process, the disclosure path and timing are governed by the parameters of that system, not a system supporting expense disclosure (such as a monthly reporting cycle).
http://www.qp.alberta.ca/1266.cfm?page=2000_313.cfm&leg_type=Regs&isbn_cln=9780779772520
- A majority of municipalities who responded to AUMA's survey on this issue indicated that they conduct some sort of disclosure of elected officials' expenses. Still more expressed an intent to begin disclosing information or alter their current practices of disclosure. The actual level of disclosure among Alberta municipalities varied widely.

The expense disclosure framework

It is important to understand the overall process of expense management in order to identify those points where specific implementation considerations are most relevant. Figure one outlines the overall process.

Figure 1 – The Expense Process



- **Governing Principles and Organization Culture**—these set the overall tone and direction for information collection and management within the organization and often define the *default* position where there are choices to be made. For example, a policy of full transparency would suggest that in a given situation, if there are no legal or other critical restraints from doing so, information release would be the preferred approach. When implementing an expense disclosure process, consideration should be given to the following:
 - If the organization has made a commitment to transparency, by whatever instrument (policy statement, statements from elected officials or senior executives) it has set the tone for how it will manage disclosure. Policies and processes regarding expense disclosure need to be aligned with any overall statement regarding transparency.
 - The overall policy framework will also affect whether a *push* (information made available proactively) or *pull* (information is available but those seeking it need to initiate the search process to find it) approach is taken to expense disclosure. To be consistent an organization that has adopted a full transparency approach would need a push approach.

- The Government of Alberta Expense Policy—Public Disclosure of Travel and Expense Policy is an example of a *push* type policy.
<http://www.finance.alberta.ca/business/planning-accountability/accountability/GoA-Public-Disclosure-of-Travel-and-Expense-Policy.pdf>
- *Relevant Law, Policies, Practices and Budgets*—the realities established by these instruments set the framework for expense management. In this case, provincial regulations, local by-laws, internal policies and practices and the current budget of the organization are all relevant to expense management and disclosure. There may also be policies regarding disclosure of anticipated expenses linked to specific activities or events (as opposed to the anticipatory categorization of expenditures in the approved budget). When implementing an expense disclosure process, consideration should be given to the following:

- Clearly identify those activities and processes that must operate effectively if expense disclosure is to be efficient and effective. How are expenses handled now? Who does what and how do they do it?

The Town of Cochrane website posts council policies: see Remuneration Policy. This is an example of a comprehensive remuneration and expense policy, although there is no reference to expense disclosure at this time. Additionally it is not necessary to post municipal policies although this is an example of high transparency.

- <http://www.cochrane.ca/Archive.aspx?AMID=37>
- <http://www.cochrane.ca/ArchiveCenter/ViewFile/Item/78>
- Identify the aspects of current activities and processes that would have to change if expense disclosure were implemented. For example, do processes operate on a time frame that will support desired disclosure? If someone has to take on new responsibilities or do something new or different, what are the implications of the change?
- Identify those elements of the current policy framework that could influence disclosure. Does current human resource policy address individual privacy? If so what are the implications for disclosure? Are there different approaches for elected officials and staff? Will current information technology policy and practice enable or inhibit posting of information, or linkages to other data sources, on a website?
- Confirm the existence and regular application of a comprehensive expenses policy that provides clear direction regarding expenses eligible for reimbursement and related processes. Confirmation of this is a *critical* stage in the process of implementing disclosure. Increased transparency will expose

current policy and practice to external review and comparison with other organizations. Take steps to ensure those covered by the policy understand and accept it.

- Below are additional examples of expense policy documents which include disclosure wording:
 - Strathcona County: <http://www.strathcona.ca/files/files/at-lls-mph-gov-001-026electedofficialsbusinessexpensepolicy.pdf>
 - City of Calgary: <http://www.calgary.ca/councillors/ward-4/Documents/CC042-Ethical-Conduct-Policy-for-Members-of-council.pdf> - see page 6 for Disclosure statement
- *Expenses Incurred*—the initial *trigger* event is the point at which one or more persons carrying out their appropriate role as a member of the organization pays for something directly for which they are entitled to be reimbursed, in whole or in part, under current organization policy and practice. When implementing an expense disclosure process consideration should be given to the following.
 - Ensure individuals fully understand the kinds of validation documentation needed for each expense type for which they will seek reimbursement. What kind of documentation is needed for airfare? A room rental? Car rental? A meal alone? A meal with others?
 - Identify any circumstances where pre-approvals are required. Indicate where there are limits of some kind or situations where validation is not necessary. Identify situations where direct billing to the organization is more appropriate than incurring expense at the individual level.
 - Ensure individuals have a contact point: someone they can call when they face unfamiliar or confusing circumstances.
- *Expenses Submitted for Reimbursement*—internal organization processes are activated when the individual requests reimbursement for all or some of the expenses incurred. Depending on circumstances and policies, expenses submitted for reimbursement may or may not include all expenses incurred. When implementing an expense disclosure process consideration should be given to the following:
 - Ensure individuals understand the process, in particular the scope and form of information needed. How much explanatory information is needed and under what circumstances? Are there particular circumstances that require special treatment in some fashion?
 - Ensure individuals understand what aspects of their claim will be captured in the disclosure process, and how privacy policy will be applied. This is especially important where activities have involved both personal and official business.

- *Expenses Approved for Reimbursement*—this is the point at which internal decision-making and managerial discretion enter the process. Here the framework identified in the second stage of the process is applied to the specific reimbursement request. If the request aligns with the relevant elements of the framework (for example the request for meals reimbursement aligns with current policy) the process moves to the next stage. If not, variances need to be addressed, documented and resolved. Part of this process can involve the exercise of discretion by those empowered to do so. When implementing an expense disclosure process consideration should be given to the following:
 - Ensure clear accountability for expense approvals, the circumstances under which multiple approvals are needed, and from whom those approvals must be obtained.
 - Clearly identify the scope and nature of discretion. Who has the capacity to exercise discretion and under what circumstances? For example, if there are circumstances where reimbursement for purchase of alcohol, or business class air travel, or purchase of gifts for visitors is permitted, clearly indicate what they are, and who has the authority to approve such expenses.
 - Where there is an appeal process for disputes over expense approval clearly indicate how it operates and with whom the final decision rests.
- *Reimbursement*—at this point, using whatever transaction mechanisms have been implemented or agreed to, the organization reimburses the individual. The transaction is documented within the organization's financial management system. When implementing an expense disclosure process, consideration should be given to the following:
 - Ensure processes and record-keeping are wholly aligned with policy and practice across the organization.
 - Ensure all documentation associated with the claim and reimbursement process, whether subject to disclosure or not, is retained and accessible. If the organization has records management policies and processes documentation associated with expense reimbursement should align.
- *Configuration for Disclosure*—if the organization is operating within an agreed disclosure framework, the reimbursement transaction must be re-configured in accordance with that framework. For example, individual identifiers may be redacted or individual transactions may be consolidated into disclosure categories. At the end of this process, disclosure is approved by whomever the organization has empowered to do so. When implementing an expense disclosure process, consideration should be given to the following:
 - Accountability for approving material for disclosure must be clearly established, as well as the process for taking the material from the expense approval and

payment processes and transforming it into information for disclosure. What information will be redacted? What detail will be retained internally but not disclosed? Ensure a consistent format and associated level of detail over time.

- Ensure clear accountability for maintaining the accuracy and clarity of context information and any explanatory materials provided.
- *Disclosure*—the information, configured in accordance with the organizations disclosure framework, is released. It then becomes available to whoever wishes to access it using the channel provided. When implementing an expense disclosure process consideration should be given to the following:
 - Ensure the information is in the approved form and content and that no modifications or refinements have slipped into the process.
 - Ensure disclosure includes an explanation of where and how to find the information. If on a web site, make the process clear and easy to execute. If it is available at the municipal office, or some other physical location, provide clear directions regarding availability. Office hours? Anytime? By appointment only?
- *Enquiry Management*—once disclosure occurs information can give rise to enquiries and observations of various kinds from those choosing to access the information. The organization should respond using agreed procedures. The nature of these enquiries and observations can, where appropriate, be used to refine the overall framework. When implementing an expense disclosure process consideration should be given to the following:
 - Ensure clear accountability for tracking and answering enquiries. Who will monitor the process and ensure questions are captured? Who will answer questions? In what time frame? Will both questions and answers be disclosed as part of the overall process?
 - Ensure opportunities to make the process better arising from enquiries are identified and implemented.

Disclosure template

The appendix to this document contains a recommended template for disclosing the expenses of elected officials. Several aspects are important to note:

- While the suggested approach is for the information to be released quarterly, municipalities can choose to publish the information less frequently based on their volume of disclosures and administrative capacity.
- The level of recommended detail is intended to meet the overall requirements of acceptable practice (transparency, clarity and accuracy) without requiring a large work load or generating user confusion.
- The template focuses exclusively on expenses: it does not include compensation data of any kind (salaries, stipends, per diems etc.).
- It is assumed that that the data that will be provided in the template will be generated in accordance with the practices outlined in this toolkit, with particular reference to consistent application of a clearly articulated expense policy.
- The current budget is identified as the context document since it represents approved anticipated expenditures that reflect current organization plans and commitments.
- Five categories of expenditure are identified:
 - *Communications*—internet, cell phone purchase or fees, and maintenance of a blog. This is the individual level portion of the telecommunications infrastructure that supports the work of Council.
 - *Professional Development*—conferences, workshops, professional memberships. Addresses expenses associated with elected officials maintaining the knowledge and skill sets and professional linkages they need to be effective.
 - *Travel*—airfare, mileage, parking, vehicle rentals, taxi, hotel, laundry, meals, incidentals. Expenses associated with moving about in the performance of elected officials' responsibilities.
 - *Hosting*—costs associated with meetings, working lunches, room rentals, and refreshments for meetings with citizens/stakeholders. These are expenses associated with an elected official's ongoing process of gathering information and feedback from citizens and stakeholders.
 - *Promotions*—includes donations, door prizes or auction items provided for community events, and charitable and non-profit fundraisers. Also includes personal gifts received (such as pictures or event tickets) but not gifts to the organization as a whole. Perceptions regarding donations and/or participation in fundraisers, especially with respect to organizations seeking to influence the evolution or implementation of public policy (such as a political party or issue

focused stakeholder organization) make it very important to have clear and consistent policy regarding acceptable participation. Perceptions regarding gifts, especially gifts to those empowered to make important policy or administrative decisions also make it important to have clear and consistent policy.

Questions and answers

1. Why should our municipality disclose expenses incurred by elected officials?

Citizens expect to know increasingly more about what their government is doing. They expect to hold it accountable for acting in accordance with both its overall responsibilities and the specific commitments it has made. They expect to have access to the information they need to enable this accountability. These expectations have been reinforced and generalized with the passage of public sector freedom of information legislation, and adoption, in some cases, of 'open government' policies that greatly enhance access to government information and decision-making processes. Enhancements of legislative requirements for greater corporate transparency have also increased expectations. An area of emerging citizen interest is elected officials expenses, generally understood to include the costs associated with the day-to-day activities carried out by elected officials doing the work they were elected to do.

2. Is there a Government of Alberta policy or regulation which mandates that expenses of elected officials should be disclosed?

No, there is no Government of Alberta policy or regulation that specifically mandates the disclosure of municipal elected officials' expenses.

The Government of Alberta has taken a very aggressive approach to disclosure of its own expenses providing significant amounts of detail for both elected officials and senior staff. It has 'encouraged' provincial Boards and Agencies and related organizations to adopt a similar approach, but has not extended this to include other levels of government.

Alberta Regulation 313\2000, the Supplementary Accounting Principles and Standards Regulation of the Municipal Government Act, requires that the annual financial statements of a municipality set out the *salaries and benefits* of elected officials, the Chief Administrative Officer, and designated officers. The notes to the statements must link salaries and benefits to each elected official through the use of a unique identifier such as the official's name, and disclose the salary and benefits of the Chief Administrative Officer separately.

3. What is the definition of an expense? Is this different from compensation and benefits?

In the Government of Alberta Expense Policy, *Expenses* means costs and allowances incurred by an individual in the course of government business, including those arising from travel, including transportation, accommodation, meals and related incidentals or hospitality and working sessions. The definition of *expenses* will be different in each municipality or county. Expenses can be defined in either a council policy or bylaw, or in an administrative policy document. When contemplating the disclosure of expenses, it is

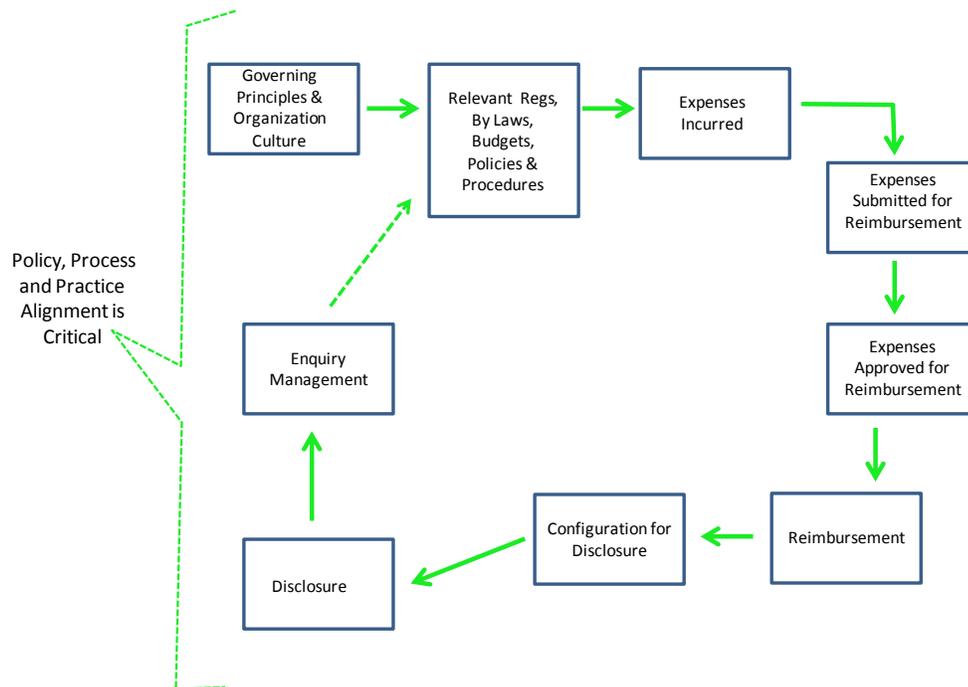
very important to ensure the bylaw or administrative policy on the reimbursement of expenses is clear and comprehensive.

The Supplementary Accounting Principles and Standards Regulation (Reg 313/2000) states that salary includes base pay, bonuses, overtime, lump sum payments, honoraria and any other direct cash remuneration. It also states that contributions made by the municipality on behalf of elected officials or officers includes payments in respect of pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, professional memberships and tuition and the municipality's share of the costs of taxable benefits received by the elected officials or officers, such as special leave with pay, financial planning services, retirement planning services, concessionary loans, travel allowances, car allowances and club memberships are considered benefits.

4. If our municipality decides it should start disclosing expenses incurred by our elected officials, what parts of our expense process need to be reviewed?

Figure 1 below highlights the entire expense process and identifies the aspects of current activities and processes that should be reviewed and amended if expense disclosure were implemented. This process is described in detail in the expense disclosure toolkit.

Figure 1.



5. If our municipality decides it should start disclosing expenses incurred by our elected officials, do we need to create a bylaw or policy to guide the implementation of the disclosure?

The first step is to confirm the existence and consistent application of a current and comprehensive expenses policy that provides clear direction regarding expenses eligible for reimbursement and related processes for reimbursement. Confirmation of this is a *critical* stage in the process of implementing disclosure. Increased transparency will expose current policy and practice to external review and comparison with other organizations. Take steps to ensure those covered by the policy understand and accept it. You may then need to amend your current policy to include a statement referencing disclosure or you may choose to create a separate disclosure policy. There is no need to create a bylaw.

6. If our municipality decides it should start disclosing expenses incurred by our elected officials, what specific information should we disclose and how much detail needs to be disclosed?

The information disclosed will depend on site-specific expense policy. General categories of expenses are suggested on the recommended template. When implementing an expense disclosure process consideration should be given to the following:

- Accountability for approving material for disclosure must be clearly established, as well as the process for taking the material from the expense process and transforming it into information for disclosure. What information will be redacted? What detail will be retained internally but not disclosed? Ensure a consistent format and associated level of detail over time.
- Ensure clear accountability for maintaining the accuracy and clarity of context information and any explanatory materials provided.

7. If our municipality decides it should start disclosing expenses incurred by our elected officials, how frequently do we need to disclose this information?

The recommended frequency is quarterly. Quarterly disclosure allows for trends to develop and should not impose a significant administrative burden once policies and processes are established. The frequency of disclosure will depend on site-specific expense and disclosure policies.

8. If our municipality decides it should start disclosing expenses incurred by our elected officials, where should we post this information?

When considering where to post disclosure information, consideration should be given to the following:

- Ensure disclosure includes an explanation of where and how to find the information.
- If disclosure will occur on a website, make sure the process is clear and easy to execute. Your website design may or may not allow for the addition of a page or link to post expenses. Several municipalities/counties have websites that have pages such as *Local Government* or *City Government* that then have links such as *Council Business Expenses*

<http://www.strathcona.ca/local-government/mayor-councillors/>

<http://www.reddeer.ca/City+Government/City+Services+and+Departments/Legislative+and+Administrative+Services/City+Council/Meetings+Schedule.htm>

- If the information is to be made available at the municipal office, or some other physical location, provide clear directions regarding availability including office hours, and availability (anytime? by appointment only? other required arrangements?)

9. If we post expense information and receive questions, who should respond?

The recommended approach is for the Chief Administrative Officer or a designated staff member to respond. The individual responding should have a current and complete understanding of the content of expense policy, and the processes associated with expense identification and payment. When implementing an expense disclosure process and designing the disclosure policy, consideration should be given to the following:

- Ensure clear accountability for tracking and answering enquiries. Designate who will monitor the process and ensure questions are captured. Designate who will answer questions and within what time frame. Decide if both questions and answers will be disclosed as part of the overall process.
- Ensure opportunities to make the process better arising from enquiries are identified and implemented.

10. What types of questions can we anticipate from our constituents?

- How do I access more detailed information about Councilor/Mayor X's expenses?
- Why is Councilor/Mayor X over budget?
- Councilor/Mayor X has spent \$\$\$ on travel, what was the purpose?
- Councilor/Mayor X has spent \$\$\$ on meetings, who were the meetings with?
- Not all the funds for a specific category of expense have been spent at the end of the year; what happens to those funds?

11. What types of questions can we anticipate from journalists or reporters?

Questions from journalists/reporters will likely be issue specific. If there is a high profile expenditure involved, designate an individual in advance who will be responding to all questions from the media as this may or may not be the same individual responding to questions from citizens.

Explanatory material for the public

Following is a recommended approach for introducing expense disclosure to your citizens:

As part of our overall commitment to transparency the incurred expenses of Council members are disclosed every three months using a straightforward easy to access framework. Our approach is aligned with accepted best practice among Alberta municipalities of similar size and capacity.

Expenses for the Mayor and each Councilor are linked to our annual budget so you can compare actual expenses to our approved budget. The information we provide is derived from our internal expense reimbursement process and related policies.

We respect the privacy of our Mayor and Councilors by only releasing information regarding expenses arising directly from their activities as members of Council.

This information is now available (explain where this information will be located – online or in municipal offices or as part of council meeting minutes).

For questions or for more information on the expenditures, contact (provide contact information as designated in your expenses policy)

Appendix

Disclosure Template

Council Expenditure Summary - January 1, 2014 to March 31, 2014

Elected Officials	Communications	Professional Development	Travel	Hosting	Promotions	Total-- Actual	2014 Operating Budget
Mayor						\$0	
Councillor 1						\$0	
Councillor 2						\$0	
Councillor 3						\$0	
Councillor 4						\$0	
Councillor 5						\$0	
Councillor 6						\$0	
Councillor 7						\$0	
Councillor 8						\$0	
Councillor 9						\$0	
Councillor 10						\$0	
Councillor 11						\$0	
Category Expenditure	\$0	\$0	\$0	\$0	\$0	\$0	
2014 Category Budget							
Corporate Expenditures*							

DEFINITIONS:	Internet, cell phone purchase or fees, blogs.	Professional Development conferences, workshops, professional memberships, attendance fees for conferences and events, special event ticket fees	Airfare, mileage, parking, vehicle rentals, taxi, accommodation, laundry, meals, incidentals	Hosting/working lunches, room rentals, refreshments for meetings with citizens/stakeholders.	Door prizes or auction items for community events, charitable and non-profit fundraisers. Gifts received.		
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NOTE: Amounts rounded up to the nearest dollar.

THIS REPORT DOES NOT INCLUDE COUNCIL SALARY OR BENEFITS . THESE ARE REPORTED IN THE ANNUAL FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH ALBERTA REGULATION 313/2000 - MUNICIPAL GOVERNMENT ACT

PER DIEMS ARE DESIGNATED AS COMMENSATION BY SOME MUNICIPALITIES AS PER THEIR POLICIES OR BYLAWS; A COLUMN FOR PER DIEMS MAY BE ADDED ABOVE DEPENDING ON THE POLICY OF THE INDIVIDUAL MUNICIPALITY/COUNTY.

* Definition of Corporate Expenditures - these are expenses paid from a general corporate budget to cover costs associated with councillor activity but not attributed to individual councillors such as travel to a conference where costs are allocated to a budget category for that specific purpose.