Minute No. 81
Report – Executive Policy Committee – December 9, 2009

Item No. 2 **Councillors' Representation Allowance Fund Policy Audit**
eFile FA-2

COUNCIL DECISION:

On December 16, 2009, Council referred the item to the Secretariat Committee.

Report – Executive Policy Committee – December 9, 2009

DECISION MAKING HISTORY:

Moved by His Worship Mayor Katz,
That the recommendation of the Executive Policy Committee be adopted.

Moved by His Worship Mayor Katz,
That all instances of the word “should” in the recommendations be changed to the word “shall” and that Recommendation 3 be deleted.

The Speaker ruled the motion out of order in that it was a substantive motion and as such needed to be in writing as per Rule 19 of the Procedure By-law 50/2007.

The Mayor withdrew his motion.

In amendment,

Moved by Councillor Clement,
Moved by Councillor Wyatt,
That Recommendation 2 be deleted and replaced with:

"2. That unusual (potentially non-compliant) expenditures be referred to City auditor for review and forwarded to Council Secretariat for final disposition."

Moved by Councillor Gerbasi,
That the item be referred to the Secretariat Committee.

His Worship Mayor Katz called for the yeas and nays, which were as follows:

Yea: Councillors Browaty, Clement, Gerbasi, Orlikow, Smith, Steeves, Swandel, Thomas and Lazarenko. 9

Nay: His Worship Mayor Katz, Councillor Fielding, Nordman, O'Shaughnessy, Pagtakhan, Vandal and Wyatt. 7

and the motion to refer was declared carried.

Report – Executive Policy Committee – December 9, 2009

DECISION MAKING HISTORY (continued):

EXECUTIVE POLICY COMMITTEE RECOMMENDATION (continued):

On December 9, 2009, the Executive Policy Committee concurred in the recommendation of the Winnipeg Public Service with the following amendments, namely:

- Amend Recommendation 2. by deleting both references to the "Chief Financial Officer" and replacing them with "City Auditor",

- Add the following recommendation 4:

    "4. That the Secretariat Committee be directed to implement the recommendations of the City Auditor."

and submitted the matter to Council.

AUDIT COMMITTEE RECOMMENDATION:

On November 26, 2009, the Audit Committee referred the City Auditor's Councillors' Representative Allowance Fund Policy Audit dated September 2009 to the Executive Policy Committee.

ADMINISTRATIVE REPORT

ISSUE: Councillors' Representation Allowance Fund Policy Audit

Critical Path: Audit Committee – Executive Policy Committee - Council

AUTHORIZATION

Author	Department Head	CFO	CAO
B. Mansky	B. Whiteside		

RECOMMENDATIONS

The Audit Report contains 3 recommendations to:

- Provide proactive disclosure of expenditures incurred under the *CRA Policy*
- Revise the process for the review of unusual expenditures
- Revise the role of the Audit Department so that the audit can be considered discretionary

The report is attached as an Adobe PDF.



CRA Report to Audit Committee.pdf

IMPLICATIONS OF THE RECOMMENDATIONS

The responsibility for implementation of the recommendations resides with the Secretariat Committee. When implemented the implications of the recommendations should be:

- to improve transparency of the CRA fund expenditures
- to provide review of unusual expenditures by an independent finance professional
- allow the Audit Department to focus resources on other priority or high-risk areas within the City

HISTORY

This audit is considered mandatory and is conducted on an annual basis.

We are presenting this report to Audit Committee because it deals with proposed changes to the Audit Department's role with respect to the *Councillors' Representation Allowance Fund Policy*.

FINANCIAL IMPACT

Financial Impact Statement Date:

Project Name: **First Year of Program**

Councillors' Representation Allowance Fund Policy Audit

	0	1	2	3	4
Capital					
Capital Expenditures Required	$ -	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	-	-	-	-	-
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal	$ -	$ -	$ -	$ -	$ -
Debt - External	-	-	-	-	-
Grants (Enter Description Here)	-	-	-	-	-
Reserves, Equity, Surplus	-	-	-	-	-
Other - Enter Description Here	-	-	-	-	-
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs	$ -	$ -	$ -	$ -	$ -
Less: Incremental Revenue/Recovery	-	-	-	-	-
Net Cost/(Benefit)	$ -	$ -	$ -	$ -	$ -
Less: Existing Budget Amounts	-	-	-	-	-
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: The financial impact cannot be quantified at this time. Financial benefits should be realized as the Audit recommendations are implemented.

original signed by
Department Controller

CONSULTATION

In preparing this Report there was consultation with:

The Chief Administrative Officer and management and staff of the City Clerks Department.

SUBMITTED BY

Department: Audit Department
Division
Prepared by: B. Mansky
Date: October 6, 2009
File No.

Winnipeg

Review of the Councillors' Representation Allowance Fund Policy

October 2009

Audit Department

Leaders in building public trust in civic government

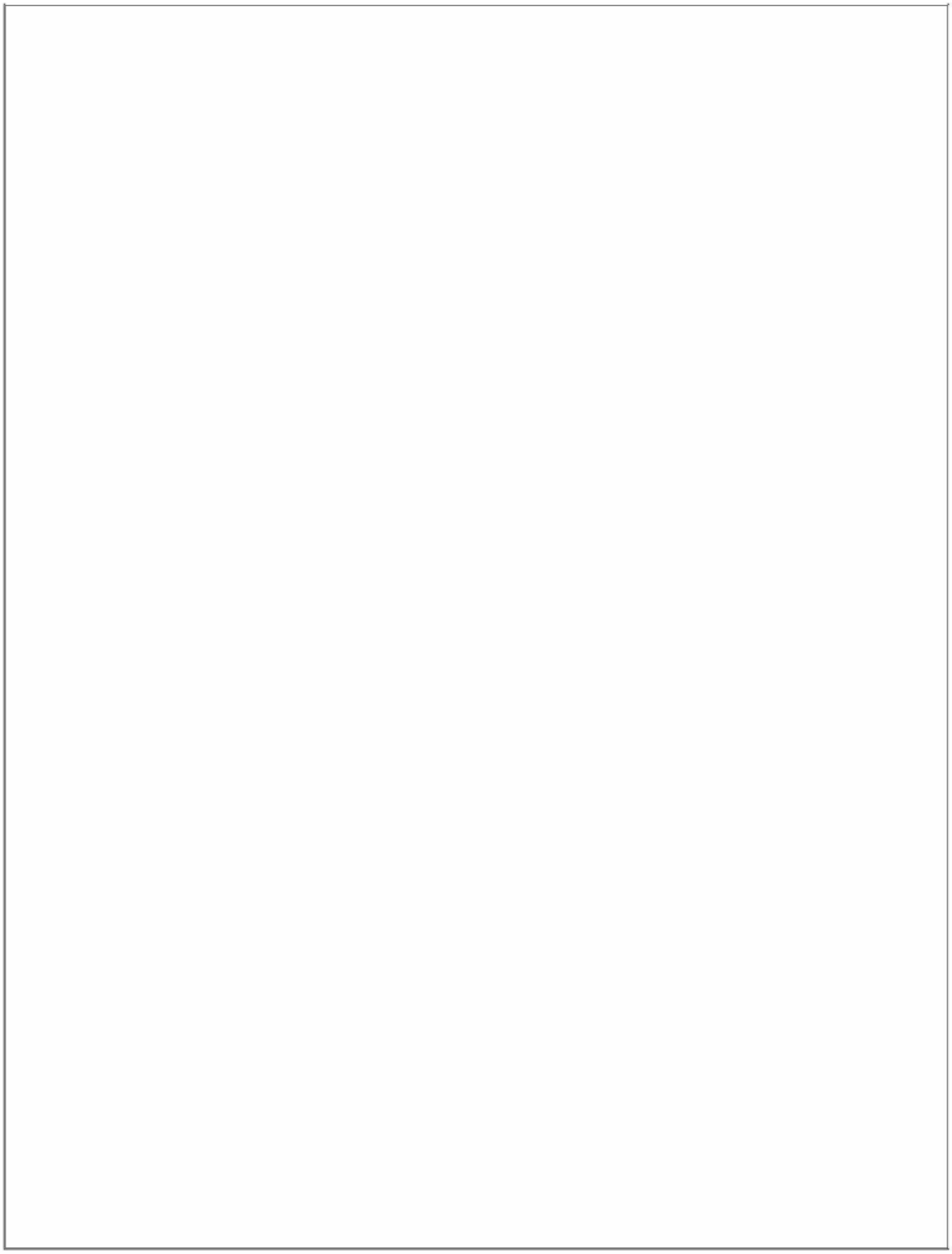


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Mandate of the City Auditor

The City Auditor is a statutory officer appointed by City Council under the *City of Winnipeg Charter Act*. The City Auditor reports to Council through the Audit Committee (Executive Policy Committee) and is independent of the City's Public Service. The City Auditor conducts examinations of the operations of the City and its affiliated bodies to assist Council in its governance role of ensuring the Public Service's accountability for the quality of stewardship over public funds and for the achievement of value for money City operations. Once an audit report has been communicated to Council, it becomes a public document.

Audit Background

The Audit Department is responsible for conducting an audit to provide an opinion to the Secretariat Committee and Council on whether expenditures reported in the annual report by ward of *Councillors Representation Allowance* expenditures comply, in all significant respects, with the provisions of the *Councillors Representation Allowance Fund Policy* requirements and principles. We are presenting this report to Audit Committee because it deals with proposed changes to the Audit Department's role with respect to the *Councillors Representation Allowance Fund Policy*.

Overview of the Councillors Representation Allowance Fund Policy

The Councillors Representation Allowance provides funds to be used by Councillors to pay for furnishings, office equipment, materials and administrative services required for the functioning of their offices. The funds may also be expended for business expenses that are incurred to execute their duties, communicate with their constituents and represent their wards. The amount of the fund is currently $70,000 per ward (total allocation of $1,050,000).

The *Councillors Representation Allowance Fund Policy* provides direction on the guiding principles of the policy, general requirements for compliance and detailed roles and responsibilities.

Councillors are responsible for monitoring their own expenditures to ensure compliance with the requirements and principles of the *Councillors' Representation Allowance Fund Policy.* The City Clerk's Department is responsible for reviewing and processing *Councillors Representation Allowance* expenditures on an ongoing basis in accordance with the policy. In the event they require policy interpretation or guidance on the appropriateness of an expenditure, the matter is to be referred to the Secretariat Committee who determines if the expenditure is appropriate. The Secretariat Committee is also authorized to do all things necessary to implement the policy and from time to time make amendments to the policy as required.

The *Councillors' Representation Allowance Fund Policy Requirements* is the first level of control over the administration of CRA Fund expenditures. Over the past several years, revisions were made strengthening the policy's control framework. Further levels of control have been established through the detailed roles and responsibilities of the Councillors, the City Clerk's Department, the Secretariat Committee and the Audit Department. Each expenditure, at any point in time, may be reviewed by all four separate parties to ensure the expenditure complies with the intent of the *CRA Fund Policy.*

Risk Assessment

The most significant risk with respect to the CRA is that public monies may have been used to pay for expenditures that were inconsistent with the purpose of the fund. An important consideration with respect to the CRA is public perception. The issue of how this allowance is spent can be sensitive and is subject to public scrutiny. The allowance must not only be spent for the purpose intended, it must be perceived by the public as being spent appropriately. As a result, the provision of documentation to support these expenditures is critical to accountability, transparency and public trust.

Observations and Recommendations

Overall, our audit revealed that the majority of transactions processed through the Councillors' Representation Allowance Fund during 2008 were correctly processed. However, we also identified areas where we believe improvements can be made. The observations arising from this year's review are detailed below:

Evolving Transparency in Reporting

Governments at all levels are changing the way they conduct their business to be more accessible, clear and transparent so that its activities are open to examination by its citizens. The City of Winnipeg has implemented several key initiatives to improve the transparency of information for citizens. Winnipeg was one of the first municipalities in Canada to fully account for tangible capital assets. The City also posts contract awards online for vendors to see what type of products/services the City is purchasing and at what price. Several other e-government initiatives have been or are in the process of being implemented to increase the level of information available to the citizens of Winnipeg.

At the federal level, all travel and hospitality expenses for ministers, parliamentary secretaries and exempt staff are published quarterly. At the Province of Manitoba, detailed information on ministers' out of province travel expenses are disclosed quarterly. Summarized information on transportation and travel, accommodations and meals, hospitality and communications are also made public. At the municipal level, the City of Toronto publishes full details of all Councillors' expenses including scanned copies of each invoice. Other Ontario municipalities are also considering implementing this type of proactive disclosure.

The City Clerk's Department currently publishes an annual categorized summary of the expenditures for each City of Winnipeg Councillor. For a fee, further details of each Councillor's expenses are available through the *Freedom of Information and Protection of Privacy Act* (FIPPA) and have been disclosed in the past on several occasions. This year, two requests were made for the release of the 2008 Councillors' expenditures. The information was requested on behalf of the Winnipeg Free Press and the Canadian Taxpayers Federation who published the results in the local newspaper. Several articles have also appeared in the local newspapers suggesting that Winnipeggers be allowed to scrutinize city council expense records without having to resort to using provincial freedom-of-information legislation. The level of disclosure recommended is consistent with the information that is currently requested and provided in FIPPA requests. Disclosure on a regular basis would therefore remove this as a newsworthy topic.

It is important to note that the next section of this report recommends a change to the process for reviewing unusual expenditures, which includes a provision that the review occur prior to disclosure of the expenditures

incurred under the Councillors Representation Allowance Fund.

With the leadership Council has shown in improving transparency in other areas, combined with the internal cost to provide audit opinions for each Councillor, this is another area where Council can improve internal efficiencies and increase transparency, and in turn, enhance accountability.

Recommendation #1
We recommend to Secretariat Committee that Councillor's expenditures incurred under the Councillors Representation Allowance Fund Policy *be disclosed on the City's website on a quarterly basis. Disclosure should include identifying the vendor, date and amount of each expenditure. For samples of potential disclosure reports, see* Appendix A.

Referral of unusual expenditures

The most significant risk with respect to the Councillors Representation Allowance is that public monies may have been used to pay for expenditures that were inconsistent with the purpose of the fund. The allowance must not only be spent for the purpose intended, it must be perceived by the public as being spent appropriately. As a result, the provision of documentation to support expenditures needs to be consistent to ensure accountability, transparency and public trust.

The *Councillors' Representation Allowance Fund Policy Requirements* sets out the rules for the administration of Councillors Representation Allowance Fund expenditures. Over the past several years, revisions were made to strengthen and clarify the policy. The *Councillors Representation Allowance Fund Policy Requirements* set out detailed roles and responsibilities of the Councillors, the City Clerk's Department and the Secretariat Committee.

Currently, in the event a Councillor or City Clerks require policy interpretation or guidance, the matter is to be referred to the Secretariat Committee. Changing the responsibility to review unusual (potentially non-compliant) expenditures, from Secretariat Committee to the Chief Financial Officer, would provide Councillors with the benefit of a review by an independent, finance professional. City Clerks would retain the responsibility to identify unusual (potentially non-compliant) expenditures, but would instead report them to the Chief Financial Officer for review and disposition. Expenditures inconsistent with the policy could be rejected or reimbursed by the Councillor prior to being approved for payment. The Chief Financial Officer review would occur prior to disclosure of the expenditures on the City's website, substantially mitigating the risk of an expenditure that is inconsistent with the intent of the policy moving forward into the public realm.

Recommendation #2
We recommend that Secretariat Committee amend Section E of the Councillors Representation Allowance Fund Policy *to include the referral of unusual (potentially non-compliant) expenditures to the Chief Financial Officer for review and disposition. This responsibility currently resides with Secretariat Committee. The City Clerk and Chief Financial Officer should review and approve the disclosure of the expenditures on the City's website on a quarterly basis.*

Audit's Role

In the past ten years the Audit Department has issued a qualified opinion in only two instances. As mentioned previously, Secretariat Committee has the final authority to approve unusual expenditures. In the last four years, virtually all matters referred to the Secretariat Committee by the Audit Department for review were approved by Secretariat Committee. Significant audit resources have been devoted to the

Councillors Representation Allowance Fund Audit that has contributed to improvements made over the administration of the Fund.

If *Recommendation #1* is implemented, we believe that the increased transparency given to the expenditures made by Councillors should influence each Councillor's decision on the spending of *Councillors Representation Allowance Fund Policy* funds and reduce the risk of inappropriate spending of funds. With that, we believe that the value of the annual audit of each Councillor's fund expenditures would significantly decrease. Future audits should be considered discretionary as part of the City Auditor's audit planning process or upon request by the Secretariat Committee, Audit Committee or Council.

In addition, we determined that Audit Departments in the cities of Calgary, Edmonton, Ottawa and Hamilton do not conduct annual reviews of their Councillors' ward expenses.

Recommendation #3
We recommend to Secretariat Committee that the Councillors Representation Allowance Fund Policy *be amended to remove the requirements for the Audit Department to conduct an annual audit of each Councillor's fund. The audit should be conducted at the discretion of the City Auditor or at the request of Secretariat Committee, Audit Committee or Council.*

Acknowledgement

The Audit Department wants to extend its appreciation to the management and staff from City Clerk's Department who participated in the review.

Members of the Audit Team
Bryan Mansky, MBA, CMA, CIA Audit Manager
Larissa Wladyka, CMA Auditor
Donna Woytowich Administrative Coordinator



Brian Whiteside CA·CIA
Acting City Auditor

October 2009
Date

Appendix A

Sample of potential disclosure reports

Screen View 1

COUNCILLOR EXPENSE REPORTING

As per the CRA Fund Policy Requirements, the Councillors' Representation Allowance provides funds to be used by City of Winnipeg Councillors to pay for

· furnishings, office equipment, materials and administrative services that are required for the functioning of their offices, and
· business expenses that are incurred in order to execute their duties, communicate with their constituents, and represent and support their wards.

The amount of the Councillors' Representation Allowance for 20xx is $70,000 and is authorized by City Council.

Councillors' Representation Allowance (CRA) Fund - Policy Requirements (link to policy)

Select Year to view details: 2010
2009
2008

Screen View 2

COUNCILLOR EXPENSE REPORTING

Select Details link at right of Ward/Councillor.

	WARD	COUNCILLOR	Expenditures as at Mar 31, 20XX	
1	Fort Rouge - East Fort Garry	Gerbasi	$14,500.00	Details
2	River Heights - Fort Garry	Orlikow	$12,324.00	Details
3	Daniel McIntyre	Smith	$11,584.00	Details
4	St. James - Brooklands	Fielding	$13,546.00	Details
5	Charleswood - Tuxedo	Clement	$18,765.00	Details
6	St. Charles	Nordman	$8,912.00	Details
7	Point Douglas	Pagtakhan	$12,546.00	Details
8	Old Kildonan	O'Shaughnessy	$12,123.00	Details
9	Mynarski	Lazarenko	$16,154.00	Details
10	North Kildonan	Browaty	$4,845.00	Details
11	Elmwood - East Kildonan	Thomas	$15,645.00	Details
12	Transcona	Wyatt	$8,451.00	Details
13	St. Boniface	Vandal	$3,246.00	Details
14	St. Vital	Steeves	$4,484.00	Details
15	St. Norbert	Swandel	$6,541.00	Details

Screen View 3

COUNCILLOR EXPENSE REPORTING

Selection: Year 20XX
City of Winnipeg Ward XXXXXX Councillor XXXXXXXX

Select Details link at right of month.

Month	Amount	
January	$5,000.00	Details
February	$4,800.00	Details
March	$4,700.00	Details

Screen View 4

20XX Current Budget - $70,000 | **City of Winnipeg Ward XXXXXXXX** | **JANUARY**
Councillor Expenses | **Councillor XXXXXXXXX** | **20XX**
Monthly Transactions

			Category												
Date	Vendor	Description	Casual Services	Auto Allowance	Print/Bind Photocopy	Telephone	Advertising	Postage	Travel City Business	Business Meetings	Stationery/Office Supplies	Periodicals & Subscriptions	Office Equipment	Misc.	Ward Activities	Cllr. Assistant Services
1-Jan	MTS Communications	Commication charges				97.37										
1-Jan	MTS Mobility	Mobility charges				70.25										
4-Jan	Assistant Services	PPR														1,205.22
7-Jan	Manulife Benefits	Assistant - January														205.22
9-Jan	Internal Printing Services	Photocopies			143.25											
13-Jan	Petty Cash Reimbursement	Office supplies									153.10					
16-Jan	Catholic Women's League	Donation - Special Event													200.00	
17-Jan	Shaw Cable	Cable Service			56.45											
19-Jan	OutWords Inc.	Advertising					98.50									
20-Jan	Trident Press	Advertising					1,500.00									
21-Jan	Internet Courier	Courier charges						175.00								
24-Jan	Petty Cash Reimbursement	Business meeting								45.56						
24-Jan	Corporate Express	Office supplies									489.63					
20-Jan	Kiosk Sales	Donation - Special Event													85.45	
25-Jan	Golden Terrace	Lunch Meeting								45.00						
27-Jan	Councillor	Car allowance		430.00												
Monthly Totals			0.00	430.00	199.70	167.62	1,598.50	175.00	0.00	90.56	642.73	0.00	0.00	0.00	285.45	1,410.44
															Monthly Expenditure	5,000.00