Winnipeg

Councillors' Representation Allowance Fund
Report to Governance Committee of Council

June 2012

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Audit Department

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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*. 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 in City operations. Once an audit report has been communicated to Council, it becomes a public document.

OVERVIEW OF THE *COUNCILLORS' REPRESENTATION ALLOWANCE FUND POLICY REQUIREMENTS*

The Councillors Representation Allowance ("CRA") provides funds for City Councillors to pay for furnishings, office equipment, materials and administrative services required to operate their offices; the funds are also used for business expenses incurred to perform their duties, communicate with their constituents, and to represent their wards. The annual limit for the fund is currently $73,948 per ward (with a total allocation of $1,109,220).

The *Councillors' Representation Allowance (CRA) Fund Policy Requirements* ("the *Policy*") provides direction on the guiding principles for the allowance fund, general requirements for compliance with the *Policy*, and detailed roles and responsibilities for the fund's stakeholders.

The *Policy* establishes key controls over the administration of CRA expenditures. The *Policy* prescribes roles and responsibilities of the Councillors, the City Clerk's Department, the Governance Committee of Council, and the Audit Department. Any expenditure incurred in the fund may be reviewed by the four separate parties, at any point in time, to ensure that the expenditure complied with the intent of the *Policy.* Over the past several years, revisions have been made to strengthen the *Policy's* control framework.

ROLES AND RESPONSIBILITIES

Councillors are responsible for the spending of CRA funds allocated to their wards and ensuring that the funds are spent in compliance with the *Councillors' Representation Allowance Fund Policy Requirements*.

The City Clerk's Department is responsible for reviewing and processing CRA expenditures on an ongoing basis in accordance with the *Policy*. In the event that the City Clerk's Department requires policy interpretation, or guidance on the appropriateness of an expenditure, the matter is referred to the Governance Committee of Council.

The Governance Committee of Council makes decisions on the appropriateness of expenditures. The Committee is also authorized to do all things necessary to implement and make amendments to the *Policy* from time to time, as required.

The Audit Department is responsible for conducting an annual audit providing an opinion on whether the expenditures reported by the City Clerk's Department, to the Governance Committee of Council, and to Council, comply, in all significant respects, with the provisions of the *Policy*, and its principles. The Audit Department is also responsible for identifying specific areas where control mechanisms can be improved.

Our audits are conducted in accordance with Canadian generally accepted auditing standards. Those standards require that audits be properly planned and performed to obtain reasonable assurance that CRA fund expenditures comply with the criteria established by the *Policy*. The audit work completed includes examining, on a test basis, evidence that supports the amount, purpose, approval, recording and reporting of CRA expenditures for compliance with the *Policy*.

Our opinions on the 2011 CRA ward expenditure reports have been provided in our Audit Report to the Governance Committee of Council. The purpose of this report is to communicate the areas in the *Policy*, and its processes, where we believe improvements should be made to control mechanisms. The conclusions in our report are based upon information made available to us at the time of our work. In the event that significant information is brought to our attention after the completion of our audit, we reserve the right to amend the conclusions reached.

OBSERVATIONS AND RECOMMENDATIONS

Our audits provide reasonable assurance that the transactions incurred in the Councillors' Representation Allowance fund during 2011 were correctly processed. An area of noted improvement was ensuring that donation receipts were made out in the name of The City of Winnipeg. Only one Councillor was observed to have donations in their name and the physical receipt was in possession of the City. We identified several areas we believe should be brought to the attention of the Governance Committee of Council for consideration due to the implementation of the amended Policy taking effect on January 1, 2012.

Additional Requirements under Amended Policy effective January 1, 2012

On September 28, 2011 an amended *Councillors' Representation Allowance Fund Policy* (the Policy) was adopted by Council to be effective on January 1, 2012. As the City Clerk's Department is responsible for reviewing and processing CRA expenditures on an ongoing basis in accordance with the Policy, it is important that they work with Council to make sure they are cognizant and compliant with the new requirements. The amended Policy includes greater guidance for Councillors and is more in line with practices observed in other jurisdictions including improved transparency through the monthly posting of transactions online. Some of the significant changes are noted below:

- **Cut off** – Under the previous Policy there was no guidance on what year an expense should be reported. It allowed expenses to be recognized in the year the payment was made. For example, advertising purchased for the following year could be expensed in the current year. Under the amended policy, "Expenses must be charged to the year in which they occurred."
- **Documentation** – The previous Policy permitted a credit card receipt as adequate support for expenditures. Under the amended Policy a detailed receipt that includes the tax information is now required.
- **Business meetings and hospitality** – The previous Policy only required the purpose or participants of a business meeting be documented. Under the amended policy, in addition to these requirements, Councillors must also identify and document the reason why the meeting cannot be accommodated during normal office hours.
- **Donations to community groups** –Under the amended Policy, all donations must now be accompanied by a request from the organization with details about the group and the purpose of the donation. The annual limit for donations is $5,000 per group. Payments should be made via City of Winnipeg cheques and not a personal payment. Recognition of commemorative events and occasions in the community now has a limit of $250 per event.
- **Office equipment** - Councillors must now identify the business requirement for equipment for City Hall, community or home office.
- **Transportation: Mileage** –Under the amended Policy, Councillors and their staff filing mileage and parking claims must report the date, start and end points, the number of kilometres traveled and the purpose of the trip according to established categories (e.g., business meeting, ward meeting, constituency meeting and special event). Reimbursement will not take place without complete documentation.

Community Offices

During the audit it was noted that expenses associated with maintaining a community office, such as rent, were recorded under the stationary/office supplies account as there is no other appropriate account to record them under. Additionally, in the amended Policy there is no guidance on expenditures related to a community office.

Recommendation 1

We recommend that guidance and an account be included in the Policy for community office expenses.

Completeness of Expenditures Reported

The CRA provides funds for Councillors to pay for normal expenses in connection with representing their wards. There are, however, certain other boards and committees that Councillors may sit on that also provide funds in connection with the duties associated with those boards and committees. The funds provided for these other boards are not reported in the CRA fund report because they are not costs of representing a particular ward.

The *Councillors' Representation Allowance (CRA) Fund Policy*, or any other City Policy, do not specify which expenditures should be included in the CRA fund report and which expenditures are allowable in the accounts of other boards and committees. As a result, we observed that certain general expenditures, such as monthly parking fees and the cost of office phone lines, were spread over several funds by some Councillors. The same types of expenditures were required to be entirely included in the CRA fund expenditures of Councillors that were not on other boards and committees. This is not equitable expenditure treatment for all Councillors.

Recommendation 2

We recommend that Governance Committee of Council amend the Councillors' Representation Allowance (CRA) Fund Policy to provide guidance regarding which expenses should be included in the CRA fund, or which expenditures can be allocated to other funds.

Use of City's Purchasing Card Program

The City of Winnipeg uses three major processes for payment of expenditures: direct vouchers, purchase orders, and purchasing cards. The most cost-effective process is through the use of the City's Purchasing Card Program. The purpose of the City of Winnipeg's Purchasing Card Program is to establish an alternative method of payment for small dollar transactions where a contract in the form of a purchase order is not necessary. Purchasing cards provide significant flexibility in terms of facilitating various categories of purchases and are also a highly visible and transparent method of payment.

Purchasing cards can be used to purchase various types of items from vendors but only require a monthly payment to the purchasing card provider. The use of the card reduces the number of payments made by the City and the administrative costs. Some Councillors use their own purchasing card when incurring expenditures under the *CRA Policy* that results in increased effort and costs for City staff to process those transactions. Eliminating the use of personal credit cards for purchases would allow the Public Service to streamline the credit card payment process.

Recommendation 3

We recommend that Governance Committee of Council require that only the City's purchasing cards can be used to make purchases with a credit card.

ACKNOWLEDGEMENT

The Audit Department wants to extend its appreciation to the management and staff from City Clerk's Department and the Councillors' Office who assisted us with the audit.

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June 6, 2012

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Date