Winnipeg

Councillors' Representation Allowance Fund
Report to Governance Committee of Council

June 2013

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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* and is independent of the City's Public Service. Typically, the City Auditor reports to Council through the Audit Committee (Executive Policy Committee). For the purposes of the Councillors' Representation Allowance Fund audit, the City Auditor reports to City Council through the Governance Committee of Council.

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 2012 limit for the fund was $74,936 per ward (with a total allocation of $1,124,040).

The *Councillors' Representation Allowance Fund Policy* ("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.

ROLES AND RESPONSIBILITIES

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.

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*.

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 2012 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.

JURISDICTIONAL COMPARISONS

In **Appendix 1**, we have created a summary of the expense policies of the Federal, Provincial and 7 municipal governments. Comparing the City of Winnipeg Policy to other Municipalities across Canada and to different levels of Government provides the Governance Committee of Council with leading practices that can be incorporated to strengthen the Policy. These leading practices are discussed in further details in the Observations and Recommendations section of this report.

OBSERVATIONS AND RECOMMENDATIONS

Our audits provide reasonable assurance that the transactions incurred in the Councillors' Representation Allowance fund by ward during 2012 were correctly processed. Through the audit work we performed we identified potential areas of improvement for the consideration of the Governance Committee of Council to enhance policy guidance and improve internal controls.

Application of the 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 Councillors 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. From our review of the expenses it was noted that the application of the Policy could be improved in certain areas.

Supporting Documentation for Expenses

The new Policy has specific criteria and conditions for expenses. For example, expenses for meals associated with business meetings and hospitality require the Councillor to provide the business purpose, the reason the meeting cannot be accommodated during normal office hours, the receipt including taxes, full name of all participants, and date. All the required information for the various types of expenses are not always being provided or documented. From the expenses we did observe that were missing information, we were able to subsequently obtain any required information from the Councillors.

In the course of our audit work we observed that some Councillors had submitted, and were reimbursed for, redacted receipts for their expenses due to a misinterpretation of the Policy by the Councillors and City Clerk's staff. As a result, we were unable to examine the details of these receipts and had to perform alternate procedures over these specific transactions to gain assurance that they were compliant with the Policy. Going forward, City Clerk's confirmed they will no longer accept redacted receipts for any expenses to be reimbursed under the Policy.

Before an expense is reimbursed all required information should be obtained and documented to ensure the expense is compliant with the Policy. This requires that the area of the Policy the expense falls under be determined so that the applicable criteria and conditions can be applied. City Clerk's must review all submitted documentation for compliance with Policy requirements and provide Councillors with feedback on any expenditures that are not allowable under the Policy criteria or of any deficiencies with documentation to support a transaction. Potentially, checklist or templates could be developed to better inform users of the Policy requirements.

Recommendation 1

We recommend that City Clerk's ensure that all required supporting documentation is obtained before an expense is reimbursed.

Community Offices

The Policy mentions community offices in some sections such as under office equipment. However, there is no section of the Policy that explicitly allows for the costs such as rent and utilities associated with a community office. Currently, these community office expenses fall under the business meeting and hospitality section of the Policy as it includes facility rentals. The Policy should be amended to allow for additional community office expenses.

Recommendation 2

We recommend that the Governance Committee of Council amend the Policy to allow for community office expenses and include the specific criteria and conditions to be met.

Completeness of Expenditures Reported

The CRA provides funds for Councillors to pay for expenses in connection with representing their wards. There are, however, certain other boards and committees that Councillors may sit on that also allow expenses to be paid with funds provided to perform 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 outside of the scope of the Policy.

The *Councillors' Representation Allowance (CRA) Fund Policy*, or any other City Policy, does not specify which expenditures should be accounted for in the CRA fund and which expenditures are allowable in the expense 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 allocated to other funds by some Councillors. The same types of expenditures were included entirely in the CRA fund expenditures of Councillors that were not on other boards and committees. The reporting of expenditures is not consistent for all Councillors.

Recommendation 3

We recommend that the Governance Committee of Council amend the 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 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 administrative process.

Recommendation 4

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

Purchasing Card Submission Deadlines

The Policy states "Each Councillor must provide receipts and expense descriptions to the City Clerk's Department within two months of the statement for processing." It was noted that some Councillors had exceeded the deadline for submitting the receipts for their purchasing card transactions. In one instance February expenses were only completely submitted in December. The Policy further states that the "Deputy City Clerk must suspend purchasing card privileges if a Councillor fails to comply with any portion of the purchasing card or CRA policy." City Clerk's did not suspend purchasing card privileges of any Councillors in violation contrary to the Policy. As this is the first year of a new Policy, we agree that it is reasonable to be lenient, as Councillors adapt to and learn the new requirements. In the future years this requirement should be more strictly enforced.

As noted above, if a Councillor fails to comply then their expense privileges are to be suspended. The Policy then states that "The Governance Committee of Council will review the suspension and make a decision on further action." As no Councillors were suspended this was not formally communicated to the Governance Committee of Council for their review. City Clerk's indicated that these issues were discussed informally. In order to be fully transparent and have proper oversight, any area of non-compliance should be formally documented and communicated to the Governance Committee of Council for their review. A formal quarterly communication could be used to communicate any compliance issue or confirm that there are no compliance issues to the Committee.

Recommendation 5

We recommend that the Governance Committee of Council require City Clerk's to provide periodic (quarterly) reporting on the status of all compliance issues related to administration of the Policy.

Disclosure Requirements

The disclosure requirements within the Policy are, "The Corporate Finance Department will post Councillors' expenses, including year-to date expenditure details, by transaction, on the City's website within 30 days of the end of each month." The current publication of Councillors' expenses for 2012 did not comply with the required disclosure in two ways. First, only the monthly expenditure details are being posted without the year to date totals. Year to date totals by account will provide better information to the public and are required to comply with the Policy.

Second, the December expenses were not posted to the website until March 21, 2013, past the 30 day deadline. All other months were within the deadline. December was delayed as the expenses cannot be posted until the City's year-end procedures are complete; often well past the 30 day deadline. As it is not possible to comply with this requirement for the month of December, an amendment should be made to the Policy.

Recommendation 6

We recommend that City Clerk's work with Corporate Finance to post year to date totals by account in the monthly disclosure of Councillors on the website.

Recommendation 7

We recommend that the Governance Committee of Council amend the Policy to reflect the delayed posting for the month of December.

Disclosure of Purchases that are Directly Reimbursed to Councillors

If a Councillor is reimbursed personally for an expense, it does not state the vendor in the online disclosure. For example, if a Councillor has an expense at a restaurant that they pay for on a personal credit card and then are reimbursed by the City; the online disclosure will state the Councillor as the vendor. The original vendor, the restaurant, is not disclosed. This limits the transparency of the reporting and is not consistent with how other expenses are reported. The original vendor should be disclosed to follow the disclosure and transparency requirements of the Policy. This can be done by simply including the original vendor in the description line of the transaction.

Recommendation 8

We recommend that City Clerk's work with Corporate Finance to disclose the original vendor online for transactions where Councillors are personally reimbursed.

Potential Updates to the Policy

We performed a limited comparison of the CRA Policy with policies in place in other jurisdictions to identify leading practices (See Appendix 1). Two specific practices were identified for consideration. The two practices are category limits and elimination of donations as an allowable expense. It is the responsibility of the Governance Committee of Council to consider what amendments to the policy should be implemented.

Category Limits

The jurisdictions included in our survey often limit certain categories of expenses. Limits are set at either a dollar value or a percentage of the allowance, the latter providing the benefit of not having to be adjusted with every increase of the allowance. The purpose of limits is to ensure that spending is reflective of the intended purpose of the policy while still offering flexibility within the set limit.

Donations and Sponsorships Disallowed

Most jurisdictions included in our survey do not allow donations and sponsorships. Donation expenses are not considered necessary to operate the office and communicate with their constituents.

Recommendation 9

In the upcoming review of the Councillors' Representation Allowance Fund Policy Requirements, we recommend that the Governance Committee of Council consider establishing category limits and disallowing donations.

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 12, 2013

Brian Whiteside, CA•CIA
City Auditor/Chief Performance Officer

Date

APPENDIX 1 – JURISDICTIONAL COMPARISONS

Jurisdiction	Context	Budget	Allowable Expenses	Donation and Sponsorships	Category Limits	Disclosure
House of Commons	308 MPs	$284,700 Member Budget base Limits on categories of expenses with Global Budget:	Member's Office Budget includes: - Employees Salaries and Service Contracts - Members' travel - Hospitality and Events including: meals for business, tickets for non-partisan events, food and beverages at meetings, token items, gifts under $100 - Advertising - Printing (stationery, business cards) - Offices including additional equipments and supplies for their Ottawa office, most Constituency Office expense such as leases, equipment, maintenance. Non-allowable expenses include: - personal expenditures e.g. meals, traffic tickets - hospitality for partisan events - membership and tournament fees - gifts exceeding $100, gift certificates, gifts for staff, for fundraising - donations or contributions of any kind - sponsorship of events, groups, causes - purchase or rental of formal wear - external printing services - purchase or lease of vehicles - rental or purchase of furniture for Ottawa office unless approved by Board - riding association meeting announcements - legal fees (except when related to constituency office leases)	Non-Allowable	- Advertising up to 10% - Hospitality and events up to 3%	Pro-active disclosure of annual expenditures for Members of the House of Commons (salaries, travel, hospitality and events, advertising, printing, offices, etc.) on the internet.

Jurisdiction	Context	Budget	Allowable Expenses	Donation and Sponsorships	Category Limits	Disclosure
Legislative Assembly of Manitoba	57 MLAs	Constituency allowance $43,320-$48,528 Constituency assistants allowance $45,000 Constituency office rent allowance $15,000 Travel Allowance for Winnipeg MLAs $5,822	Access and service to constituents, Representation expense, to pay business meeting meal expenses, pay for capital expenses to set up an office, constituency assistants, to rent office space for constituency office and travel. Limitations: -maximum 15% of expenses for business meeting meals -sponsorship is not an authorized expense -Representation expense (a certificate, plaque, flag, fruit basket, wreath or flowers) cannot exceed $150 -No donations -non-profit or charitable community event cannot include a sporting event, a golf or other sporting tournament, a social, or a service club meeting	Non-Allowable	-maximum 15% of expenses for business meeting meals	Online disclosure of descriptions of individual expenses
City of Ottawa	23 Councillors	Councillor Budget - $241,508 (including staffing)	Allowable expenses include: - Special Events, Community Receptions and Hospitality - Donations, Sponsorships and Memberships - City Related Business Travel - Constituent Communications and Web Services includes web sites, printing, mailing, advertising - External Services includes office assistance and consulting services - Materials, Office Supplies and Related Services Includes office, computer supplies, facility rentals - Staff Costs -Currently no formal expense policy in place, formal policy is currently in development to be implemented on July 1, 2013.	Allowable	None in place but currently considering a 3.5% limit on donations to be in effect on July 1, 2013.	On-line monthly disclosure of their individual office expenses.

Jurisdiction	Context	Budget	Allowable Expenses	Donation and Sponsorships	Category Limits	Disclosure
City of Hamilton	15 full-time Councillors	Ward Budget is variable for each Councillor. Base budget + Population factor ($.50 for each constituent) + Inner City Factor ($5000 - $25,000 awarded to 4 wards) + Geographic Factor ($800 awarded to 2 wards) Average approx. $190,000 - $200,000 for both salary (Councillor and staff) and non-salary expenses.	List of allowable expenses set out in Policy for Eligible Expenses. For each category, e.g. Office Equipment & Operating Supplies, the policy lists the eligible expenses and which budget they will be charged to - the Budget for the Office of the Mayor, the Legislative Budget and/or the Ward Budget.	Non-allowable with the exception of donations to charitable organizations in lieu of a floral tribute for a funeral will be paid by the City.	Sponsorships/ donations are limited to $350 per named organization	Annual Remuneration and Expenses Report is produced in accordance with Municipal Act which provides specific details about travel expenses and list the total cost of other expenses incurred.
City of Edmonton	12 full-time Councillors	Councillors' Individual Budgets - $38,873 each (x 12 = $466,476) Councillors' Common Travel and Training Budget - $77,44 Common budget for Salaries for Councillors Assistants - $856,248	Allowable expenses fall into five categories: - Travel & training - Promotional items - Hosting and tickets - Ward communications - Research, Issues, & Office Support	Non-Allowable		Office expenses are disclosed annually in a report.
City of Calgary	12 Aldermen	Ward budget of $141,118 (2010) includes salary and non-salary expenditures.	Budget divided into four categories: - Communications, research and office - Business expenses - Travel - Courses and seminars	Non-Allowable	Limit of $14,000 for business expenses and $10,000 for travel.	Office expenses posted quarterly on internet.

Jurisdiction	Context	Budget	Allowable Expenses	Donation and Sponsorships	Category Limits	Disclosure
City of Vancouver	10 Councillors elected for entire City (no wards)	Local Expenses – maximum of 10% of Councillor remuneration less transportation allowance (2011 Councillor remuneration is $63,609) Transportation Allowance – 5% of maximum local expense allowance per month Additional shared budget for Travel & Conferences	Councillors do not employ office staff. Allowable spending in by-law include: parking, meals related to attendance at meetings, admission to cultural and community events, entertainment in a hosting capacity, communication, educational purposes, memberships	Non-Allowable	Transportation Allowance – 5% of maximum local expense	Report on expenses published annually. Includes only the total in each of the categories for each councillor: remuneration, local expenses, transportation allowance, travel & conferences
Halifax Regional Municipality	23 Councillors	No individual ward budget for Councillors and no individual Councillor staff	Global pooled budgets for all councillors: Out of town travel - $24,800 Local Travel - $40,000 Advertising - $84,000 Newsletters - $40,000 A laptop computer and blackberry/cell phone is provided to each of the Councillors	Non-Allowable		Out-of-town travel expenses and local travel expenses are published on-line

Jurisdiction	Context	Budget	Allowable Expenses	Donation and Sponsorships	Category Limits	Disclosure
City of Toronto	44 Councillors	Each Councillor has a constituency services and office budget of $30,450. Each Councillor is provided with a staff budget of $220,409.28	Allowable expenses include: -Advertising, -Business hospitality, meals and meeting expenses ($500 limit on meal allowance) -Community expenses for event tickets, gifts, and promotions. -Office supplies, rentals and equipment -Transportation and Travel Non-allowable expenses include: -Donations -Entertainment expenses -Event tickets for Councillor spouse -Decorations or Furniture for Home Office other than one desk and one chair.	Non-Allowable	$500 limit on meal allowance	Invoices posted online.