Winnipeg

Audit Department

Councillors' Representation Allowance Fund Report to Governance Committee of Council

June 2014

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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 2013 limit for the fund was $115,924 per ward (with a total allocation of $1,738,860).

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 *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 2013 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 by ward during 2013 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.

Improvements in the Administration of the Policy

We found two expenses reported in 2013 that should be reported in 2014 according to the Policy. These transactions occurred at the end of 2013. One transaction was processed after the January 15, 2014 expense cut off stated in the Policy. On May 15, 2014 the Governance Committee of Council approved the reporting of the expense in 2013. The other expense was submitted before the year-end cut off but some of the services were not performed until after December 31, 2013. Adjustments to the 2013 expenses were made to reflect the appropriate period for the expenses to be reported. City Clerks needs to review expenses that occur near the year end cut off to ensure that the goods and services are received prior to December 31 and encourage Councillors to submit their receipts before the cut off to ensure that they can be processed.

We found several transactions were processed by City Clerks without the appropriate supporting receipts. We obtained additional support for some of these transactions and the City was reimbursed for the remaining expenses.

Recommendation 1

We recommend that City Clerk's ensure that expenses are supported by the appropriate receipts and documentation and are reported in the appropriate year.

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. We noted from multiple Councillors there were 17 instances where receipts were submitted more than one week late. In one instance June 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 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 2

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 2013 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 February 24, 2014, 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 to make the deadline 60 days for December.

Recommendation 3
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 4
We recommend that the Governance Committee of Council amend the Policy to reflect the delayed posting for the month of December.

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 5
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 *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 6
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. We noted 93 reimbursements to Councillors during the year, the use of purchasing cards could decrease this amount and reduce administrative costs.

Recommendation 7
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.

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. There was $20,540 of reimbursements to Councillors during the year. 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.

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, 2014

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Date