

The City of Winnipeg

Mayor's Office Expenditures

Audit Findings Report to the Audit Committee of Council

For the year ended December 31, 2017

KPMG LLP

Prepared as of May 18, 2018 for a meeting to be held on July 11, 2018

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Executive summary

Purpose of this report*

The purpose of this Audit Findings Report is to assist you, as a member of the Audit Committee of Council, in your review of the results of our compliance audit of the fund expenditures of the Mayor's Office of The City of Winnipeg (the City), within the provisions of the Mayor's Office Expenditure Policy (the Policy) as at and for the year ended December 31, 2017.

Finalizing the audit

As of May 18, 2018, we have completed the compliance audit, with the exception of certain remaining procedures, which include:

- updating our subsequent event procedures to the date of our audit report;
- completing our discussions with the Audit Committee of Council;
- obtaining evidence of the Audit Committee of Council's approval of the auditors' report on compliance.

We will update the Audit Committee of Council (as required by professional standards), on significant matters, *if any*, arising from the completion of the audit, including the completion of the above procedures. Our auditors' reports will be dated upon the completion of any remaining procedures.

Overview of the Mayor's Office Expenditure Policy

- The Mayor's Office Expenditure Policy provides rules, guidelines, responsibilities and procedures with regard to the expenditure of funds allocated to the Mayor's Office in the annual operating budget adopted by Council. This Policy will also include the expenditure of Chairperson Funds, which are allocated by virtue of the Mayor acting as the Chairperson of a committee.
- The adopted budgets for the Mayor's Office Fund in 2017 were as follow:
    - MO – Mayors Office: $1,190,509
    - MO – CorpDept – Civic Initiatives: $450,000
    - MO – CorpDept – Promotional: $113,994
    - MO – CorpDept – Protocol: $108,000

The total budget adopted: $ 1,862,503.

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Executive summary (continued)

Independence

We are independent and have extensive quality control and conflict checking processes in place. We provide complete transparency on all services and follow Audit Committee approved protocols.

Roles and responsibilities

- The Policy establishes key controls over administration of the expenditures of the Mayor's Office. The Policy also prescribes the roles and responsibilities of the Mayor's Office, the City Clerk's Department, the Corporate Finance Department, the Audit Committee of Council, and the Audit Department, in relation to the funds.
- The provisions of the Policy also apply to additional funds provided to the Mayor as chairperson of committees of Council.
- All organizational stakeholders are responsible for following all accounting, audit and income tax principles, and rules relating to the Policy.
- The Mayor's Office is responsible for ensuring that the funds spent comply with the provisions of the Policy.
- The Mayor's Office and the Corporate Finance Group is responsible for reviewing and processing expenditures on an ongoing basis in accordance with the Policy. In the event that the Mayor's Office requires policy interpretation or guidance on the appropriateness of an expenditure, the matter is referred to the CFO.
- The Corporate Finance Department is responsible for processing payment for expenditures of the Mayor's Office, and for the monthly posting of expenditures on the City's website.
- The CFO and Corporate Finance Department make decisions on the appropriateness of expenditures brought to their attention. The Audit Committee reviews policy amendments brought forward, and recommends policy amendments to Council.
- The Audit Department is responsible for conducting, or arranging for, an annual audit that provides an opinion on whether the fund expenditures comply, in all significant respects, with the provisions of the Policy. In accordance with generally accepted government audit standards for audit reports, the auditor is also responsible for assessing the control systems relating to the Policy, and providing recommendations on control mechanisms that can be improved.

Control and other observations

We did not identify any control deficiencies that we determined to be significant deficiencies in internal control over financial reporting (ICFR).

We have identified other observations, as listed in the Observation and Recommendation section that we determined to be other control observations that have not been communicated to management by other parties and that, in our professional judgment, are of sufficient importance to merit management's attention and action.

Refer to Appendix 1 for the definitions of the various control deficiencies.

Control observations and recommendations

Other control observations may be identified during the audit that do not rise to the level of significant deficiency.

Other control observations

Description and potential effect

1.0 OBSERVATIONS AND IMPROVEMENTS

1.1 MAYOR'S OFFICE STAFF EMPLOYMENT CONTRACT

- During our course of audit we could not obtain the signed contract / offer letter of a Mayor's Office staff member. We were informed by the Human Resource Department (HR) that they could not locate the contract / offer letter.
- Nonexistence of a signed employment contract / offer letter might negatively affect the control environment and increase operational risk.

RECOMMENDATION 1

The Human Resource department should ensure that all accepted offer letters are signed and a copy is kept with the HR department.

MANAGEMENT RESPONSE

The employee referenced as not having a signed contract or letter of offer available was a secondment from the Public Service, and the assumption was that a contract existed as part of the employee's pre-existing position. The Mayor's Office accepts the recommendation, will endeavor to ensure all contracts are reviewed in the future, and will work with Human Resources to ensure letters of offer are signed and that copies are appropriately filed.

IMPLEMENTATION DATE

Ongoing

Appendix

Appendix 1: Background and professional standards

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Internal control over financial reporting

As your auditors, we are required to obtain an understanding of internal control over financial reporting (ICFR) relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the compliance with the Policy, but not for the purpose of expressing an opinion on internal control. Accordingly, we do not express an opinion on the effectiveness of internal control.

Our understanding of ICFR was for the limited purpose described above and was not designed to identify all control deficiencies that might be significant deficiencies and therefore, there can be no assurance that all significant deficiencies and other control deficiencies have been identified. Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing, and extent of audit procedures performed, as well as other factors.

The control deficiencies communicated to you are limited to those control deficiencies that we identified during the audit.

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