Winnipeg
Audit Department
Service de vérification

Councillors' Ward Allowance Fund Policy Report to Governance Committee of Council

May 2019

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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 Public Service. As directed in the *Councillors' Ward Allowance (CWA) Fund Policy*, the City Auditor provides an annual audit of CWA fund and chairperson expenditures to Council through the Governance Committee of Council.

OVERVIEW OF THE COUNCILLORS' WARD ALLOWANCE FUND POLICY

- The *Councillors' Ward Allowance (CWA) Fund Policy* ("the Policy") provides direction on the guiding principles for the funds, guidance for spending, and detailed roles and responsibilities for fund stakeholders.
- The Councillors' Ward Allowance Fund provides monies for City Councillors to pay for furnishings, office equipment, materials and administrative services required to operate their offices. The fund is also used for business expenses incurred by Councillors to perform their duties, communicate with their constituents, and represent their wards.
- Chairmanship funds are received by elected officials in recognition of extra duties and expenses incurred by virtue of acting as a chairperson of a committee, or other additional Council roles. Chairperson expenditures are required to follow the provisions of the *Councillors' Ward Allowance (CWA) Fund Policy*.
- The adopted budgets for the Councillors' Ward Allowance Fund in 2018 were $1,322,860 ($82,924 per ward) and $72,800 (either $4,450 or $6,200) for other Council roles.

ROLES AND RESPONSIBILITIES

- The Policy establishes key controls over administration of the fund expenditures. The Policy also prescribes the roles and responsibilities of Councillors, the City Clerk's Department, the Corporate Finance Department, the Governance Committee of Council, and the Audit Department, in relation to the funds.
- The provisions of the Policy also apply to additional funds provided to chairpersons of committees of Council and for other Council roles.
- All organizational stakeholders are responsible for following all accounting, audit and income tax principles, and rules relating to the Policy.
- Councillors are authorized to spend funds allocated to their wards, and are responsible for ensuring that the funds spent comply with the provisions of the Policy.
- The City Clerk's Department is responsible for reviewing and processing CWA expenditures on an ongoing basis in accordance with the Policy; it is also responsible for providing advice to Councillors on handling difficult and unusual transactions. 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 Corporate Finance Department is responsible for processing payment for CWA expenditures at the direction of the City Clerk's Department, and for the monthly posting of CWA expenditures for each ward and chairperson account on the City's website.
- The Governance Committee of Council makes decisions on the appropriateness of expenditures brought to their attention. The Committee also reviews and recommends policy amendments to Council.
- The Audit Department is responsible for conducting 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 Audit Department is also responsible for assessing the control systems relating to the Policy, and providing recommendations on control mechanisms that can be improved.

SUMMARY

- Our opinions on the 2018 Councillors' Ward Allowance Fund and chairperson expenditure reports have been provided in the accompanying audit report submitted to the Governance Committee of Council. The purpose of this additional report is to communicate our observations on areas of the Policy, and the controls relating to the Policy, that we believe should be amended.
- 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

1.1 Improvements from the Previous Year

- The *Councillors' Ward Allowance Fund Policy Report to Governance Committee of Council, June 2018* included several recommendations on control mechanisms that could be improved.
- We noted the following recommendations were implemented through conversations with the City Clerk's Department, audit work performed, and enhancements to the Policy adopted by Council in March 2019:

Carry Over Monies not transferred to the General Revenue

- Council amended the Policy to include the recommendation made by the Governance Committee of Council that any unused carried over funds shall be returned to the General Revenue Fund after one year.

Councillor Assistant

- Council amended the Policy to include the recommendation made by the Governance Committee of Council that City staff may assist Councillors from time to time, however funding for this assistance is not an eligible expense under the CWA policy.

Cut-off Issue

- Council amended the Policy to include the recommendation made by the Governance Committee of Council that expenses that cover multiple years should be split to ensure that expenses are charged to the year in which the expense will be incurred.

Reimbursement of Tuition Fees

- Council amended the Policy to include the recommendations made by the Governance Committee of Council that training and tuition fees cannot be pre-paid using CWA funds; these fees must be incurred personally and then reimbursed upon course completion and to be reimbursed for training and tuition fees, Councillors and their staff must provide proof that they have completed the course or program, and submit an original fee receipt from the college/university or other appropriate training facility.

1.2 Current Year Recommendations

Councillor's Assistant Contracts

- For Councillor's Assistants under eligible expenses, the Policy states "All assistants shall be employed pursuant to the CWA policy and shall execute the employment contract prior to commencement of employment."
- We noted that Councillor Sharma had engaged two Councillor's assistants / students during the year ended December 31, 2018 without having formal contracts between the two parties (i.e. Councillor and the Councillor Assistant).
- The employment terms for the two assistants included services from June 2018 to November 2018 for a total salary of $10,065.
- The requirement to have signed contracts in accordance with the CWA Policy Section 5 "Allowable Expenses" was not met in this case. Signed contracts support a strong control environment with transparency and accountability and provide clarity on benefits paid to City staff.

- We were advised that contracts were not executed at the time of initial employment due to the fact the staff were to be engaged on an hourly basis and the Policy Appendix template is structured for a salaried contract.
- We communicated the matter to City Clerk's and subsequently, the 2018 contracts were signed by the Councillor, Assistant and witnessed by an independent party in April 2019. All other procedures were followed including biweekly submission of hours to the City Clerk's Department and payment through the City's payroll system.
- According to the Policy Section 5 "Allowable Expenses", this is not in accordance with the Policy, as it does not satisfy the conditions for an eligible expense. It is important to note that the nature of the expense is aligned with identified eligible expenses; in this instance the supporting administrative process was not performed prior to commencement of employment as required by the Policy.

RECOMMENDATION 1
We recommend that the City Clerk's Department work with the Councillors to ensure compliance with the Policy in relation to all contracts between a Councillor and councillor assistants are signed on a timely basis and prior to the commencement of work.

MANAGEMENT RESPONSE
The City Clerk's Department is in agreement that all aspects of the Councillor's Ward Allowance (CWA) Policy should be followed. The City Clerk's Department is in agreement that the CWA Policy requires that a contract be in place between Councillors and their staff. The City Clerk's Department acknowledges full responsibility for failure to ensure a contract was in place in this case. The City Clerk's Department is responsible for creation of the contract and for ensuring it is executed. The Councillor advised the City Clerk's Department that two new students were working with her office on a casual hourly basis. The current contract for Councillor's assistants is set up for full-time regular staff persons. The City Clerk's Department created new contract templates to match the needs of Councillors hiring hourly students, but failed to follow through and have these new templates executed in a timely matter. All other procedures were followed including submission of hours for the students to the City Clerk's Department for processing, processing of pay through the City's payroll system to ensure all CRA deductions were made and posting of payments on a monthly basis to the public Councillor's Expense website. When the Councillor was made aware of the lack of contract as part of the 2019 audit of 2018 expenses, they contacted the City Clerk. Contracts were created in April 2019 and fully executed by the students, the Councillor and the City Clerk's Department and to the commencement date of employment. Internal Procedures have now been improved to reinforce with payroll staff that a contract must be in place prior to payment of hours for all Council staff. As well, a second City Clerk's staff member must now also sign off on all new contracts to increase oversight / ensure compliance. A revised hourly specific contract will be included in the CWA Policy at the next annual review.

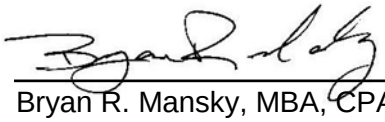
IMPLEMENTATION DATE	2019 / 05 / 31

INDEPENDENCE

The team members selected for this engagement did not have any conflicts of related to the audit's subject matter.

ACKNOWLEDGEMENT

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



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City Auditor

May 2019
Date