Winnipeg
Audit Department
Service de vérification

# Mayor's Office Expenditure Policy Report to the Audit 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 *Mayor's Office Expenditure Policy*, the City Auditor provides an annual audit of Mayor's Office fund and chairperson expenditures to Council through the Audit Committee of Council.

## OVERVIEW OF THE MAYOR'S OFFICE EXPENDITURE POLICY

- The Mayor's Office Fund provides monies for the Mayor's Office to pay for furnishings, office equipment, materials and administrative services required to operate the office. The fund is also used for business expenses incurred by the Mayor's Office to perform duties, communicate with their constituents, and represent their office.
- 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 Mayor's Office Expenditure Policy.
- The adopted budgets for the Mayor's Office Fund in 2018 was $1,805,287 (Mayor's Office $1,143,293, Corporate Department for Civic Initiatives $440,000, Corporate Department Promotional $113,994, and Corporate Department Protocol $108,000) and $6,200 for other Council roles.
- The *Mayor's Office Expenditure Policy* ("the Policy") provides direction on the guiding principles for the funds, guidance for spending, and detailed roles and responsibilities for fund stakeholders.

## ROLES AND RESPONSIBILITIES

- The Policy establishes key controls over administration of the fund expenditures. The Policy also prescribes the roles and responsibilities of the Mayor's Office, the City Clerk's Department, Audit Department, the Audit Committee of Council, and the Corporate Finance 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.
- The Mayor's Office is authorized to spend funds allocated to their office, and is responsible for ensuring that the funds spent comply with the provisions of the Policy.
- The City Clerk's Department is responsible for monitoring changes in City policies and procedures and reviewing the relevance of the changes for the Mayor's Office Expenditure Policy and related procedures.
- The Corporate Finance Department is responsible for processing payment for Mayor's Office expenditures at the direction of the CFO, and for the monthly posting of Mayor's Office expenditures and chairperson account on the City's website.
- The CFO makes decisions on the appropriateness of unusual expenditures brought to his attention. The Audit Committee of Council 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 Mayor's Office Fund and chairperson expenditure report have been provided in the accompanying audit report submitted to the Audit 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

- No improvements noted from the prior year.

## 1.2 Mayor's Office Staff Contracts

- During the audit, we requested the Mayor's Office staff contracts from the Mayor's Office and from the City of Winnipeg Human Resources and the Legal Services Department.
- We found that the following employment contracts were not signed for the Mayor's Office staff:
    - There were no employee contracts for three staff members during January 1, 2018 to November 5, 2018 (pre-election period).
    - There were no employee contracts for eight staff members during November 6, 2018 to December 31, 2018 (post-election).
- The total amount of salaries paid for the periods noted above to the Mayor's Office staff was significant.
- Ensuring staff contracts are signed prior to the commencement of work allows for a strong control environment with transparency and accountability and provides clarity on benefits paid to the Mayor's Office staff.
- According to the Policy, Section Five – Allowable Expenses, "Mayor's Office may engage staff on a full-time or part-time basis" and "Mayor's Office staff can be employees of the City of Winnipeg or contract employees signed under a contract approved by Corporate Support Services Department."
- We did receive signed Letter of Offers for all of the Mayor's Office staff related to the 2018 calendar year.
- We were advised by the Director of Legal Services / City Solicitor that Letters of Offer are sufficient as they represent binding contractual obligations between the City and the employee.

| RECOMMENDATION 1 |
| --- |
| *We recommend that the Mayor's Office propose a policy amendment to the Audit Committee of Council to include the option for the signed Letters of Offer as evidence of a contractual arrangement.*<br><br>*We also recommend that copies of these contracts should be kept by the staff member, by the Mayor's Office and with Corporate Human Resource Department.* |

| MANAGEMENT RESPONSE | |
| --- | --- |
| Management accepts this recommendation. | |
| **IMPLEMENTATION DATE** | Summer 2019 |

## 1.3 Roles and Responsibilities – Corporate Finance Department

- During the audit, we identified a transaction that was processed through the Mayor's Office budget relating to pension contributions. Under Roles and Responsibilities – Corporate Finance Department, the Policy requires the CFO to review and provide disposition on unusual expenditures. The Policy provides no further guidance on the form of CFO approval or on criteria to identify a transaction as unusual.
- *The Pension Benefits Act* obligates the City to remit pension contributions.
- Due to an administrative error, some Mayor's Office staff was incorrectly setup in PeopleSoft resulting in the employee pension contribution amounts for three staff not being properly deducted from their bi-weekly pay.
- When the issue was identified, the Mayor's Office staff met with representatives from Corporate Finance, Corporate Human Resources and Legal Services to discuss the issue. Several potential options to resolve the issue were discussed. The Mayor's Office staff ultimately decided upon the course of action to address the issue.
- We did not obtain any evidence that suggested any party, including the various Public Service representatives, identified this issue and potential resulting expenditure as unusual during the discussions.
- Corporate Finance staff advised the Chief Financial Officer of the issue and proposed solution as the discussions were progressing. Since this transaction was not identified as unusual, it did not trigger any requirement for the CFO to provide any approval.
- The analysis and discussion surrounding the issue was appropriate but caused us to review the relevant Policy language. In the future, if the Mayor's Office were to want to proceed with a transaction that could be identified as unusual, it would be appropriate to ensure that the CFO approval was in writing to provide suitable evidence for the year-end audit.

| **RECOMMENDATION 2** |
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| *We recommend that the Mayor's Office propose a policy amendment to the Audit Committee of Council to include the requirement for the CFO to review and provide, formally in writing, disposition on unusual expenditures.* |

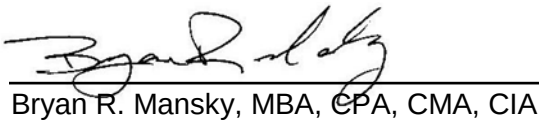
| **MANAGEMENT RESPONSE** | |
|---|---|
| Management accepts this recommendation. | |
| **IMPLEMENTATION DATE** | Summer 2019 |

## 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 Mayor's Office, Corporate Finance Office, Corporate Human Resources, and Legal Services Department who assisted us with the audit.



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City Auditor

May 2019
Date