Agenda – Executive Policy Committee – July 15, 2020

Report – Governance Committee of Council – June 17, 2020

Item No. 1 Amendment to the Councillors' Ward Allowance (CWA) Fund Policy

COMMITTEE RECOMMENDATION:

On June 17, 2020, The Governance Committee of Council concurred in the recommendation of the Winnipeg Public Service, as amended, and submitted the following to Council:

1. That all applicable sections of the Councillors' Ward Allowance Fund Policy, including 3.10(d), 3.11 and 4.3 be amended to remove reference to the requirement for the Audit Department to conduct an annual audit.

2. That the Winnipeg Public Service be requested to report back to the Governance Committee of Council within 60 days with options on auditing elected officials expenditures on a rotational basis with all being subject to an audit at least once during their term.

3. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

Report – Governance Committee of Council – June 17, 2020

DECISION MAKING HISTORY:

GOVERNANCE COMMITTEE OF COUNCIL RECOMMENDATION:

On June 17, 2020, the Governance Committee of Council concurred in the recommendation of the Winnipeg Public Service with the following amendment:

- Delete Recommendation 2 in its entirety and replace with the following:

  "2. That the Winnipeg Public Service be requested to report back to the Governance Committee of Council within 60 days with options on auditing elected officials expenditures on a rotational basis with all being subject to an audit at least once during their term."

and submitted the matter to the Executive Policy Committee and Council.

COUNCIL DECISION:

On February 27, 2020 Council concurred in the recommendation of the Executive Policy Committee and adopted the following:

1. That the matter be referred back to the Governance Committee of Council.

2. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On February 11, 2020, the Executive Policy Committee recommended to Council that the matter be referred back to the Governance Committee of Council.

GOVERNANCE COMMITTEE OF COUNCIL RECOMMENDATION:

On January 17, 2020, the Governance Committee of Council concurred in the recommendation of the Winnipeg Public Service and submitted the matter to the Executive Policy Committee and Council.

ADMINISTRATIVE REPORT

Title: Councillors' Ward Allowance Fund Policy Revision

Critical Path: Governance Committee - Executive Policy Committee - Council

AUTHORIZATION

Author	Department Head	CFO	CAO
B. Mansky	B. Mansky City Auditor		

EXECUTIVE SUMMARY

The Audit Department operates in compliance with *Government Auditing Standards* as it provides transparent accountability for the quality of our work to Council and to the public. Our October 2019, Association of Local Government Auditors Peer Review recommended that we no longer conduct the *Councillors' Ward Allowance Fund Policy* and the *Mayor's Office Expenditure Policy* audits. We are not independent from the audited entity. This means that there is a structural threat to independence when the audit department is within the reporting structure of an area under audit.

On December 3, 2019, Audit Committee approved the Audit Department's 2020 audit plan. The annual audit of the *Councillors' Ward Allowance Fund Policy and the Mayor's Office Expenditure Policy* is not contained in the audit plan.

The *Councillors' Ward Allowance Fund Policy* should be revised to remove the requirement for the Audit Department to conduct an annual audit. This would include revision of Section 3.10(d) – Year End, and deletion of Section 3.11 - Annual Report and Section 4.3 – Audit Department.

RECOMMENDATIONS

1. That all applicable sections of the *Councillors' Ward Allowance Fund* Policy, including 3.10(d), 3.11 and 4.3 be amended to remove reference to the requirement for the Audit Department to conduct an annual audit.

2. That the practice of requiring an annual audit be discontinued.

REASON FOR THE REPORT

Amendments to the *Councillors' Ward Allowance Fund Policy* are to be referred by the Governance Committee of Council to Council for enactment.

IMPLICATIONS OF THE RECOMMENDATIONS

The removal of the Audit Department from the responsibilities designated in the *Councillors' Ward Allowance Fund Policy* (CWA Policy) will have two implications. The first is that there will not be a party identified to conduct an annual audit of the CWA expenditures; additionally there will not be a mechanism to identify any remaining balance that should be returned to General Revenue and to disclose any special projects.

HISTORY/DISCUSSION

In October 2019, the Audit Department successfully passed our second peer review that evaluated our compliance with *Government Auditing Standards*. Continued compliance with *Government Auditing Standards* is critical for the Audit Department as it provides transparent accountability for the quality of our work to Council and to the public. That credibility is paramount in our line of work and should not be compromised.

The peer review provided an accompanying report with recommendations to further strengthen our quality control system. Of particular importance is the recommendation on the elimination of the requirement to conduct the *Councillors' Ward Allowance Fund Policy* and the *Mayor's Office Expenditure Policy* audits.

In 2018, a revision to *Government Auditing Standards* was approved which included stronger language surrounding the concept of independence. The 2018 revision of *Government Auditing Standards* is effective for these types of audits beginning on or after July 1, 2019. The professional standards require that auditors and audit organizations be independent from an audited entity during the period of professional engagement. The Audit Department is within the reporting structure of the area under audit which means there is a structural threat to our independence. The outcome is that we should no longer conduct these audits.

There is no *City of Winnipeg Charter* requirement to conduct these audits. The current requirement for the *Councillors' Ward Allowance Fund Policy* audit is specified in a Council approved policy of the same name. The requirement for the *Mayor's Office Expenditure Policy* audit is specified in a document of the same name. In 2018, the Mayor chose to adopt the policy and include the provision for an audit and as such there is no corresponding Council policy that requires amendment.

Additionally, Winnipeg is the only major Canadian municipality to require an annual audit of elected official's expenditures and I am not aware of any provincial or federal auditor performing a similar annual audit. The level of transparency is already high in Winnipeg. Information about the *Councillors' Ward Allowance Fund Policy* expenditures (rules and incurred expenditures) is readily accessible on line. Further, the Deputy City Clerk is required to review all expenses submitted by Councillors to determine that proper documentation is in place and the expenditure is in compliance with the CWA.

With the Audit Department being removed from conducting these two audits, there are two viable options for consideration. The first would be to contract an external party to conduct the audit. The City's external auditor is a logical candidate as they have a good understanding of City processes and systems. This service delivery methodology was used in 2018 to conduct and communicate the results from the 2017 CWA Policy audit. Adding this audit to the external

auditor contract could result in a material increase to the annual costs. Based on past experience the increase could be in the $50-$100,000 range, with the potential for a further increase in an election year, if there is significant turnover of elected officials. Options, such as completing the audits on a rotational basis (conduct full audit of all elected officials once per term or conduct audits of a sub-set of elected officials each year) could be explored with the external auditor to partially reduce the cost.

A second option would be to discontinue the annual audits completely. This would save the City financially as well as in employee time and costs. Under this option there is no financial outlay for additional contract costs and saves internal resources incurred via the time required to respond to auditor queries. Currently, a considerable amount of time is required of City Clerks employees, Corporate Finance employees and Councillors' assistants to respond to queries and provide supporting documentation for the audit.

From a business value perspective, significant costs are incurred to perform the audit by the auditor and by the Public Service and Councillors' assistants to support the audit process. The business benefits in recent years have been limited to recommendations which resulted in incremental improvements to enhance policy language, clarity and supporting processes.

The above analysis strongly supports the discontinuance of the annual audit process as an appropriate business decision.

FINANCIAL IMPACT

Financial Impact Statement **Date:** December 16, 2019

Project Name:

Councillors' Ward Allowance Policy Revision

Comments:
There are no financial implications associated with the report recommendations.

(Original signed by T.Yanchishyn)
Tanis Yanchishyn
Manager of Finance (Campus)
Corporate Finance Department

CONSULTATION

This Report has been prepared in consultation with: N/A

OURWINNIPEG POLICY ALIGNMENT

01-3 Prosperity - Direction 1 - Provide Efficient and Focused Civic Administration and Governance

This report supports the demonstration of accountability through reporting and to continuously pursue innovative, streamlined service delivery and decision-making processes.

WINNIPEG CLIMATE ACTION PLAN ALIGNMENT

The City of Winnipeg Audit Department provides assurance on the efficiency, effectiveness and economy of City programs and activities, thus enabling an organizational operating environment that promotes support of the vision and targets of the Winnipeg Climate Action Plan."

SUBMITTED BY

Department: Audit Department
Prepared by: Bryan Mansky, City Auditor
Date: December 13, 2019