The City of Winnipeg

Mayor's Office Fund Expenditures

Audit Findings Report to the City of Winnipeg Audit Committee Council

For the year ended December 31, 2019

KPMG LLP

Prepared as of June 18, 2020

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KPMG



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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) for the year ended December 31, 2019.

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 amended budgets for the Mayor's Office Fund in 2019 were as follows:
    - MO – Mayors Office: $1,171,831.65
    - MO – CorpDept – Civic Initiatives: $440,000.00
    - MO – CorpDept – Promotional: $113,994.00
    - MO – CorpDept – Protocol: $108,000.00

  The total amended budget for the Mayor's Office Fund: $1,833,825.65.
- The adopted budget for the Mayor's role on the Executive Policy Committee was $6,200.

Independence

We are independent and have extensive quality control and conflict checking processes in place. We provide complete transparency on all services and follow City of Winnipeg Corporate Finance Department approved protocols.

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*This Audit Findings Report should not be used for any other purpose or by anyone other than management of The City of Winnipeg and the Mayor's Office. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this Audit Findings Report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Executive summary (continued)

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 and the Audit Committee of Council, 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.

Control and other observations

We have not identified any control deficiencies that we determined to be significant deficiencies in Internal Controls over Financial Reporting.

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

1.0 PREVIOUS YEAR IMPROVEMENTS FOLLOW-UP

1.1 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.

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.

2019 Update:

We have obtained a copy of the Mayor's Office Expenditure Policy updated on May 1, 2020 and we noted that the following has been added to Section 5:

"Mayor's Office staff can be employees of the City of Winnipeg or contract employees signed under a contract, including in the form of a Letter of Offer, approved by Corporate Support Services Department".

Our 2019 compliance audit found that contracts were in place for all the Mayor's Office staff. We have no additional recommendations relating to this control deficiency.

1.2 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

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.

2019 Update:

We have obtained a copy of the Mayor's Office Expenditure Policy updated on May 1, 2020 and we noted that the following has been added to Section 4:

"The Mayor's Office must bring unusual expenditures to the CFO for direction, and if the CFO approves the disposition of any unusual expenditure then that approval shall be made in writing."

We have no additional recommendations relating to this control deficiency.

Control observations and recommendations

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

Control observations – Current year

2.0 CURRENT YEAR OBSERVATIONS AND IMPROVEMENTS

No control observations were noted during our current year audit.

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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