**Agenda – Executive Policy Committee – December 11, 2020**

## BUDGET REVIEW

**Item No. 3 Options for Auditing Elected Officials' Expenditures**

EXECUTIVE POLICY COMMITTEE DECISION:

On November 18, 2020, the Executive Policy Committee concurred in the recommendation of the Governance Committee of Council:

1. That the public service be directed to bring forward policy changes to enable a rotational audit for Councillor's expenditures;

2. That this matter be referred to the 2021 Budget Review Process to ensure funds are available to undertake a rotational audit of Councillor's expenditures from 2020 and future years;

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

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE DECISION:

On November 18, 2020, the Executive Policy Committee concurred in the recommendation of the Governance Committee of Council.

COMMITTEE RECOMMENDATION:

On October 21, 2020, the Governance Committee of Council passed the following motion:

WHEREAS the City Auditor can no longer undertake internal audits of Council expenditures;

AND WHEREAS while Council expenditures are among the most open and scrutinized of any expenses at the City of Winnipeg, with each individual transaction being made in accordance with a Council adopted policy, with each expense approved by two different areas of the public service and all expenditures being posted and available for public scrutiny;

AND WHEREAS despite the above safeguards, there is still value in having an audit undertaken to ensure that public confidence exists in how elected officials are utilizing taxpayer dollars;

THEREFORE BE IT RESOLVED:

1. That the public service be directed to bring forward policy changes to enable a rotational audit for Councillor's expenditures;

2. That this matter be referred to the 2021 Budget Review Process to ensure funds are available to undertake a rotational audit of Councillor's expenditures from 2020 and future years;

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

and submitted the matter to the Executive Policy Committee.

DECISION MAKING HISTORY (continued):

COUNCIL DECISION:

On July 23, 2020, Council requested the Winnipeg Public Service 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.

# ADMINISTRATIVE REPORT

**Title:** Options for Auditing Elected Officials' Expenditures

**Critical Path:** Governance Committee of Council

## AUTHORIZATION

| Author | Department Head | CFO | CAO |
|---|---|---|---|
| C. Gameiro | M. Lemoine | N/A | N/A |

## EXECUTIVE SUMMARY

Both the Councillors' Ward Allowance (CWA) Fund Policy and the Mayor's Office Expenditure Policy previously required the City Auditor to prepare an annual audit of expenses to be submitted to Council.

On July 23, 2020 the City Auditor advised Council that a Peer Review of the City of Winnipeg's Audit Department recommended that the City Auditor no longer conduct these audits due to a threat of the independence of the office. As a result, Council amended the CWA to remove the requirement for the City Auditor to conduct the audit of expenses and requested the Winnipeg Public Service to report back with options on how to proceed.

This report outlines the following three options:

1. Remove the requirement for audits of expenditures made under these policies
2. Continue annual audits, with audits to be conducted by an external auditor
3. Randomly select 5 elected officials' annually to undergo audits of expenditures

## RECOMMENDATIONS

1. That this report be received as information.

## REASON FOR THE REPORT

On July 23, 2020, Council requested the Winnipeg Public Service 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.

## IMPLICATIONS OF THE RECOMMENDATIONS

There are no implications to receiving this report as information.

## HISTORY/DISCUSSION

Since the initial policy for Councillors expenses was adopted by Council on April 28, 1993, there has been a requirement for the City Auditor to review the expenditures to ensure they follow the policy. While the initial policy simply stated that a report with a list of all expenditures was to *"be referred to the City Auditor for review and comment"*, later versions required the City Auditor to "*prepare an annual audit of Councillor's expenses and report through the Governance Committee to Council"*.

The Mayor's Office Expenditure Policy also requires the City Auditor to prepare an annual audit of expenses and report to Council through the Audit Committee.

In a report to Council, on July 23, 2020 the City Auditor advised that a Peer Review of the City of Winnipeg's Audit Department conducted by the Association of Local Government in October of 2019 recommended that the City Auditor no longer conduct the Councillors' Ward Allowance Fund Policy (CWA) and the Mayor's Office Expenditure Policy audits. The review concluded that having the City Auditor auditing City Council threatens the independence of the office, because as a Statutory Officer for the City of Winnipeg, the position of the City Auditor is appointed directly by Council. Accordingly, Council amended the CWA by deleting the requirement for the Audit Department to conduct the annual audits, and requested the Winnipeg Public Service to report back with options on auditing elected officials' expenditures on a rotational basis with all being subject to an audit at least once during their term.

Although it could be suggested that having elected officials' expenditures audited on an annual basis may provide an additional level of transparency and accountability, the expenses of elected officials are already some of the most heavily governed and scrutinized expenses incurred by the City of Winnipeg. Each expense made by elected officials must be in accordance with expenditures listed in the specific policy and each expense, regardless of amount, is posted monthly on the City of Winnipeg website for public perusal. There are not similar standards for other expenditures made at the City of Winnipeg within administrative departments. The business benefit and value of spending funds on the annual audits should also be considered when determining whether and how to continue the practice. On February 22, 2018, City Council authorized the City Auditor to engage external resources for the purpose of completing the 2018 annual audit of the Council Ward Allowance expenses and the Office of the Mayor's expenses and approved an over-expenditure of not more than $200,000 to complete such.

### AUDIT OPTIONS GOING FORWARD

#### 1. Remove the requirement for audits of expenditures

To date, the City of Winnipeg is the only major Canadian city which requires audits of elected official's expenditures. If the audits were no longer to continue, the high level of scrutiny, transparency and accountability would still remain. Every expense submitted by Councillors is reviewed by the Deputy City Clerk and Corporate Finance to ensure it is in compliance with the Policy. If approved, expenditures are then published publicly online on the City's web site and the open data portal.

As previously stated by the City Auditor, "*From a business value perspective, significant costs are incurred to perform the audit... 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."*

**2. Continue annual audits to be conducted by an external auditor**

On February 13, 2018 Council authorized the City Auditor to engage external resources for the purpose of completing the 2018 audits of the Mayors' and Councillors' expenses, and approved an over expenditure of up to $200,000 for this purpose. Both 2018 and 2019 audits of expenditures were conducted by external auditors.

Council could choose to continue with the annual audits of all elected officials' expenditures, but have them conducted by an external auditor on a permanent basis. This option would require approval of an annual budget to undertake these audits, likely in the range of $100,000 annually in the short term. That amount could increase in an election year, depending on the amount of turnover. There currently is no budget in any department for these audits to occur.

**3. Conduct annual audits of five elected officials' expenditures selected randomly**

An alternative to the all or nothing approach would be to conduct annual audits of five elected officials' expenditures selected randomly by the City Clerk, ensuring each elected official is subject to an audit at least once during their term.

This option would maintain the additional level of scrutiny of expenses while reducing costs. Although a budget would still need to be identified to conduct the audits, it is estimated that the cost of auditing five elected officials annually would be less substantially less than undertaking an audit of all 16 elected officials each year.

It is possible to undertake audits of only 4 elected officials each year; however, this would mean that elected officials who are selected in years 1, 2 or 3 would know that no further audits would occur. By having 5 elected officials audited each year, all elected officials would be subject to the possibility of an audit in each of the 4 years.

**FINANCIAL IMPACT**

## Financial Impact Statement Date: September 10, 2020

## Project Name:
## Options for Auditing Elected Officials' Expenditures

**COMMENTS:**

There are no financial implications associated with the recommendations in this report.

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

## CONSULTATION

## OURWINNIPEG POLICY ALIGNMENT

The recommendations contained in this report align with OurWinnipeg Direction 1: Provide efficient and focused civic administration and governance.

## WINNIPEG CLIMATE ACTION PLAN ALIGNMENT

N/A

## SUBMITTED BY

Department: City Clerk's Department
Prepared by: C. Gameiro, Deputy City Clerk
Date: September 10, 2020