**Minutes – Executive Policy Committee – March 17, 2021**

**Report – Governance Committee of Council – February 19, 2021**

**Item No. 2 Amendment to Councillors' Ward Allowance (CWA) Fund Policy – Random Audit of Councillors' Expenses**

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

The Executive Policy Committee concurred in the recommendation of the Governance Committee of Council and submitted the following to Council:

1. That the Councillors' Ward Allowance (CWA) Fund Policy be amended as follows, and as outlined in red in the draft policy attached as Appendix A:

    A. Section Three: Roles and Responsibilities

        i. Add the following bullet under the heading "City Clerk's Department"

        - Undertake a random selection process in January or February of each year, randomly selecting five Councillors whose expenses are to be audited from the previous year. The random selection process must ensure that every Councillor is subject to an audit at least once during each term of office and that every Councillor has the possibility of being audited each year.

        ii. Add the following bullets under the heading "Corporate Finance Department"

        - Engage an external auditor to conduct an annual audit of five Councillor's CWA expenses.
        - Submit a report with the results of the audits to Council for its July meeting, through the Governance Committee of Council.

    B. Section Four: Processes

        i. Add the following new subheading after the fifth bullet in "Year End":

        **Annual Report**

        - The Corporate Finance Department will submit an annual report with the results of the audits of Councillor's CWA expenses to Council for its July meeting, through the Governance Committee of Council. The report will identify the remaining balances, amounts carried forward or returned to General Revenue, if any, as well as report on any special projects authorized by the Governance Committee.

**Report – Governance Committee of Council – February 19, 2021**

EXECUTIVE POLICY COMMITTEE RECOMMENDATION (continued):

2. 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 – February 19, 2021**

DECISION MAKING HISTORY:

Moved by Councillor Mayes,

That the recommendation of the Governance Committee of Council be concurred in and forwarded to Council.

| | | |
|---|---|---|
| Yea: | Allard, Browaty, Gilroy, Mayes, Rollins | 5 |
| Nay: | Bowman, Gillingham, | 2 |

Carried

COMMITTEE RECOMMENDATION:

On February 19, 2021, 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:** Amendment to Councillors' Ward Allowance (CWA) Fund Policy – Random Audit of Councillors' Expenses

**Critical Path:** Governance Committee of Council

## AUTHORIZATION

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

## EXECUTIVE SUMMARY

On July 23, 2020, the City Auditor advised via a report to Council that a Peer Review of the City of Winnipeg's Audit Department recommended that they no longer conduct the audits of the Councillors' Ward Allowance (CWA) expenses, as they were not independent of the entity being audited.

Council subsequently amended the CWA Policy to remove the requirement for the City Auditor to conduct the audits of CWA expenses 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.

This report is recommending that the CWA Policy be amended to allow for an external auditor to undertake an annual audit of five Councillor's CWA expenses. Councillors will be selected at random with all Councillors being subject to an audit at least once during their term of office and the possibility of being audited exists for all Councillors each year.

## RECOMMENDATIONS

1. That the Councillors' Ward Allowance (CWA) Fund Policy be amended as follows, and as outlined in red in draft policy attached as Appendix A:

    A. Section Three: Roles and Responsibilities

        i. Add the following bullet under the heading "City Clerk's Department"

            - Undertake a random selection process in January or February of each year, randomly selecting five Councillors whose expenses are to be audited from the previous year. The random selection process must ensure that every Councillor is subject to an audit at least once during each term of office and that every Councillor has the possibility of being audited each year.

ii. Add the following bullets under the heading “Corporate Finance Department”

- Engage an external auditor to conduct an annual audit of five Councillor’s CWA expenses.

- Submit a report with the results of the audits to Council for its July meeting, through the Governance Committee of Council.

B. Section Four: Processes

i. Add the following new subheading after the fifth bullet in “Year End”:

**Annual Report**

- The Corporate Finance Department will submit an annual report with the results of the audits of Councillor’s CWA expenses to Council for its July meeting, through the Governance Committee of Council. The report will identify the remaining balances, amounts carried forward or returned to General Revenue, if any, as well as report on any special projects authorized by the Governance Committee.

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

## REASON FOR THE REPORT

On December 16, 2020, Council approved $99,000 for 2021 to 2023 for external audit services to audit the Councillors’ Ward Allowance expenditures of five Councillors each year on a rotating basis.

Council also directed the public service to return to the appropriate Committee of Council in 90 days to bring forward policy changes to enable a rotational audit for Councillors’ Ward Allowance expenditures, to include the aforementioned audit of five Councillors’ expenditures each year, and a requirement that each Councillor is subject to an audit at least once during their term.

## IMPLICATIONS OF THE RECOMMENDATIONS

The Councillors’ Ward Allowance (CWA) Fund Policy will be amended to require an annual audit of expenses of five Councillors selected randomly. The audit will be conducted by an external auditor.

## HISTORY/DISCUSSION

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) 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.

The Winnipeg Public Service reported back to the Governance Committee of Council which recommended to the Executive Policy Committee that the public service be directed to bring forward policy changes to enable a rotational audit for Councillor's expenditures; and that the 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.

On December 16, 2020, as part of the 2021 operating budget, Council approved $99,000 for 2021 to 2023 for external audit services to audit the Councillors' Ward Allowance expenditures of five Councillors each year on a rotating basis. Council further directed the Winnipeg Public Service to report back to the appropriate Committee of Council in 90 days with amendments to the Councillors' Ward Allowance Fund Policy to include the aforementioned audit of five Councillors' expenditures each year, and a requirement that each Councillor be subject to an audit at least once during their term.

Councillors' Office expenses are already heavily scrutinized. Each expense is first reviewed to ensure it meets the eligibility criteria specified in the CWA policy before being submitted to the Deputy City Clerk for approval. All expenses, regardless of amount, are also posted monthly on the City of Winnipeg website for public perusal. Having random audits of Councillor's expenses on a rotational basis maintains a heightened level of oversight similar to that of a full audit, while reducing the costs versus conducting a full audit each year.

The City Clerk's Department will undertake a random selection process at a Governance Committee planning session in January or February each year to select those whose expenses are to be audited from the previous year.

Commencing with the new 2022 to 2026 term, a weighted random selection process will be devised whereby Councillors that have previously been audited during their term will have a reduced probability of being selected / audited in subsequent years, but the possibility still exists. The process will ensure that all Councillors are audited at least once during the 4 year term and that a possibility of being audited exists for all Councillors each year.

Since every Councillor has already been audited twice during the current term, all names will be weighted equally for the 2020 and 2021 random selection process.

## FINANCIAL IMPACT

**Financial Impact Statement Date:** **February 9, 2021**

**Project Name:**
**Amendment to Councillors' Ward Allowance (CWA) Fund Policy – Random Audit of Councillors' Expenses**

**COMMENTS:**

There is no immediate financial implication associated with the recommendations in this report. However, funding of $99,000 for 2021 to 2023 external audit services to audit the Councillor's Ward Allocance expenditures of five Councillors each year on a rotating basis was approved by Council on December 17, 2020 which is budgeted in Council.

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

## CONSULTATION

Corporate Finance Department

## 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: February 10, 2021

**Appendix A**

# The Councillors' Ward Allowance (CWA) Fund Policy

## Section One: Purpose of Allowance

The Councillors' Ward Allowance (CWA) Fund Policy provides rules, guidelines, responsibilities and procedures with regard to the expenditure of funds from the CWA by Councillors as well as the expenditure of Chairperson funds by Councillors, which are received by virtue of acting as a Chairperson of a committee / member of Executive Policy Committee. All references to CWA funds in this policy also capture and apply to Chairperson funds.

amended June 25, 2014

## Section Two: Principles

This policy is intended to reflect the following fundamental principles:

**Autonomy of Council**

- City Council, as the decision-making body of the City, is separate and distinct from the City Administration.
- The Autonomy of Council is provided for in *The City of Winnipeg Charter.*

**Integrity of Council**

- The integrity of City Council as a whole and the offices of the Councillors must be protected.
- The interest of City Council as a whole takes precedence over the personal interest of individual Members of Council.

**Accountability**

- Councillors must ensure prudent utilization of the public monies utilized to perform duties while in office.
- Councillors are stewards of City resources and are ultimately accountable to the public and their constituents for the type and level of expenses they incur.
- Councillor's expenses must be reasonable and reflect what the public expects of an elected official.
- Councillor's business expenses and personal expenses must be kept separate.
- Councillors must ensure that personal expenses are not incurred using City purchasing cards or any other means. Any personal expenses accidently incurred must be repaid immediately after the Councillor becomes aware of such a charge.

(amended October 26, 2016, October 25, 2017)

**Transparency**

- The public has a right to know how public funds allocated to Councillors are spent. The public's right to Councillors' expense information must be balanced against the need to protect privacy and personal information, and allow time for proper accounting and reconciliation of expenses

**Flexibility and Limits**

- Councillors require flexibility to perform their roles, operate their offices and pursue their interests.
- Councillors engage their communities differently.
- Expenditures must not conflict with rules set out in Election legislation, and other legislation.
- All accounting, audit and Income Tax principles and rules must be followed.

## Section Three: Roles and Responsibilities

**Councillors**

- Authorize expenditures from their CWA.
- Meet all financial, legal and legislative requirements including Income tax obligations
- Stay within budget guidelines and expenditure categories outlined in this Policy.
- Keep safe and maintain all equipment and furniture provided by the City.
- Keep safe and maintain all equipment and furniture purchased with City funds.
- Ensure that all purchases are appropriate and that invoices are authorized after orders have been received or services rendered.
- Complying with purchasing, accounting and financial policies approved for Councillors.
- Must repay any personal charges immediately after the Councillor becomes aware of any such charge.
  (added October 25, 2017)
- Contact the Deputy City Clerk to seek advice on all aspects of this Policy.

**City Clerk's Department**

- Provide accounting and financial support to Councillors by directing payment of expenditures, preparing financial management reports and providing advice on handling difficult or unusual transactions.
- Provide purchasing support to Councillors with vendor lists, obtaining quotations, issuing purchasing documents and developing formal agreements.
- Provide staffing support to Councillors by preparing payroll documentation.
- Advise Councillors of the status of their budgets and expenditures.
- Advise Councillors if any item appears to breach the Councillors' Ward Allowance (CWA) Policy or is inappropriate.
- Refer unusual transactions in dispute to the Governance Committee of Council for review and disposition

- Make sure that supporting documentation is in place and that expenditures conform with the CWA and other policies
- The Deputy City Clerk must suspend processing of expenses and / or a City purchasing card if a Councillor fails to comply with any portion of this policy, including:
  1) Knowingly charging personal expenses to the City or a City Purchasing Card.
  2) Failure to repay an accidental personal expense within 15 days of becoming aware of such a charge.
  3) Failure to file purchasing card statements, including receipts, descriptions and other required documentation within 2 months of the date of the statement.
- The Governance Committee of Council will review the suspension and make a decision on further action.
- The Deputy City Clerk will track personal charges incurred by Councillors and will refer multiple instances of personal charges incurred within a calendar year to the Governance Committee.
- Monitor changes in City policies and procedures and review relevance of these changes for the CWA Policy and related procedures.
- Provide training and orientation for Councillors and their staff at the beginning of each term and when required or as requested during the term from time to time.
- Assist Corporate Finance to disclose the CWA expenditures on the City's website on a monthly basis, including vendors for all external transactions.
- Develop procedures and provide training to staff to appropriately deal with CWA expenses that qualify for charitable receipting.

  (amended October 26, 2016, October 25, 2017)
- Undertake a random selection process in January or February of each year, randomly selecting five Councillors whose expenses are to be audited from the previous year. The random selection process must ensure that every Councillor is subject to an audit at least once during each term of office and that every Councillor has the possibility of being audited each year.

**Governance Committee of Council**

- Review amendments to the CWA policy brought forward by the City Clerk.
- Recommend amendments to the CWA policy to Council.
- Review and provide disposition on unusual expenditures, in open session. The Governance Committee does not have the ability to provide disposition on a request by a Councillor to exceed the Community Group donation limit of $5,000, with such decision to be under the purview of Council.
- Review a suspension of account processing and direct subsequent action, including re-instatement of expense privileges or purchasing card, continued suspension of expenditure privileges and / or request repayment of expenses from the Councillor.

  (amended October 25, 2017)
- Review instances of multiple personal purchases incurred by a Councillor.

  (added October 25, 2017)

**Corporate Finance Department**

- Payment of expenditure on direction of the City Clerk's Department.
- Monthly posting of CWA expenditures by ward.
- Engage an external auditor to conduct an annual audit of five Councillor's CWA expenses.
- Submit a report with the results of the audits to Council for its July meeting, through the Governance Committee of Council.

## Section Four: Processes

**Expenditures**

- Expenditures from the CWA can be made by purchasing card, by purchase request or purchase reimbursement.

**Documentation**

- A Councillor must submit appropriate documentation when requesting a payment or reimbursement for expenditures.
- All authorized expenditures from the CWA shall be submitted on the expense form (attached as Appendix A), with appropriate receipts attached and authorization for payment by the Councillor. No payment shall be processed until appropriate documentation has been provided.
- Copies of appropriate receipts are to be maintained on file to support these business expenditures.

**Review Process**

- Councillors are responsible for authorizing all expenditures.
- Councillors must bring unusual expenditures to the Governance Committee of Council for direction.
- The Deputy City Clerk will review all expenses submitted by Councillors to determine that proper documentation is in place and the expenditure is in compliance with the CWA.
- The Deputy City Clerk must suspend processing of expenditures if a Councillor fails to comply with any portion of the CWA policy.
- The Governance Committee of Council must review each suspension of expenditures and direct subsequent action.

**Non-Compliant or Over-Expenditures** *(amended October 25, 2017)*

- Each Councillor is personally responsible for reimbursing any non-compliant or over-expenditure of their CWA.
- Reimbursement for any over-expenditure must be remitted to the City Clerk for return to General Revenue within 15 days of being notified of the non-compliance or over-expenditure by the Deputy City Clerk.

**Purchasing Cards** (amended June 25, 2014, October 26, 2016, October 25, 2017)

- Each Councillor must enter into an agreement for the use of a purchasing card annually.
- Each Councillor must comply fully with the terms of the agreement and the purchasing card program procedures (attached as Appendix B).
- Each Councillor must provide receipts and expense descriptions to the City Clerk's Department within two months of the statement for processing.
- The Deputy City Clerk must suspend purchasing card privileges if a Councillor fails to comply with any portion of the purchasing card or CWA policy including:
  1) Knowingly charging personal expenses to the City or a City Purchasing Card.
  2) Failure to repay an accidental personal expense within 15 days of becoming aware of such a charge.
  3) Failure to file purchasing card statements, including receipts, descriptions and other required documentation within 2 months of the date of the statement.
- Each Councillor must ensure that personal expenses are not incurred using City purchasing cards and that any such expenses accidently incurred are repaid immediately after the Councillor becomes aware of such a charge and in no case more than 15 days after being made aware of the charge by the Deputy City Clerk, after which time purchasing card privileges must be suspended.
  (amended October 25, 2017)

**Election Year**

In the year of a general municipal election:

- The incumbent Councillor shall only be authorized to expend funds for that portion of the year that the Councillor is in office.
- Councillors shall not use CWA funds to purchase any furnishings and/or office equipment after the day wherein Councillor Candidates are allowed to register for civic office.
- Councillors shall not use CWA funds to prepare and/or distribute any advertising, newsletters, etc. after the day wherein Councillor Candidates are allowed to register for civic office. However, the Councillor may communicate with his/her constituents on specific issues during this period. Pre-paid annual advertising expenses incurred prior to this period, not pertaining to the election, are allowed.
- Councillors shall not use city purchased equipment or office space or CWA funds to pay for any services performed in support of Councillors' campaign for re-election.
- Councillors shall not use CWA funds to undertake Community Events after the day wherein Councillor Candidates are allowed to register for civic office.

**Disclosure** **(amended June 25, 2014, October 26, 2016)**

The Corporate Finance Department will post Councillors' expenses, including year-to-date expenditure details, by transaction, on the City's website within 30 days of the end of each month, except for December and January each year, where postings will occur as quickly as possible, but no later than within 75 days of the end of these months, in order to accommodate the City's Financial Year-End processes Disclosure details should include identifying the vendor, the account, description of purchase, date and amount of expenditure. Disclosure of each vendor who provided the goods / services must occur, including when reimbursements to Councillors occur.

**Accounting Procedures**

Councillor's claim for expenses must follow basic accounting and audit principles:

- The City's accounting system will be utilized and all expenditures will be posted to the related account.
- Expenses must relate to the business of the City of Winnipeg
- Councillors or their staff must incur the expenses. Expenses incurred by third parties cannot be claimed.
- Councillors and their staff cannot claim expenses of a personal nature. Where an invoice contains expenses of a personal nature, Councillors or their staff must reimburse the City for those personal expenses when they submit the request for reimbursement or payment of the expense to the Deputy City Clerk.
- Councillors and their staff must provide proper documentation, including receipts showing a detailed tax breakdown, for all expense claims. Credit card receipts or statements alone are not sufficient and will not be accepted. In the case of any internet on-line purchases, a copy of the confirmation must be attached to the claim.
- Invoices must include a description of the goods purchased or services rendered, the cost, applicable taxes and GST Registration Number.
- Equipment purchased with City funds are considered City property and must be returned to the City at the end of a term or such earlier time as the Councillor leaves office.
- Councillors or their authorized staff must sign off all receipts or invoices.
- Expenses must be charged to the year in which they occurred. Expenses cannot be carried forward to different years.
- Expenses that cover multiple years should be split to ensure that expenses are charged to the year in which the expense will be incurred.
  (added March 21, 2019)
- Councillors who charge for goods against the current year must have received the goods and/or services from the vendor before December 31 of the year.
- At the end of the year, when expenses have been incurred but invoices are not yet received, Councillors must inform the Deputy City Clerk so that a proper liability can be set up. Invoices from previous years that have not been set up as liabilities will not be paid or reimbursed from the previous year's budget. Payment of these invoices may be made against any carry over funds established. Alternatively, the

charge may be referred to the Governance Committee for consideration as a charge to the current year's expenses.
(amended October 25, 2017)

**Purchasing Procedures**
All purchases are to comply with Materials Management Policy.

**Year End**

- Each Councillor shall have until January 15 of the following year to submit all receipts for the preceding year for payment. Any authorized expenditures submitted after January 15 for which a liability has not been established should be charged to the carry over funds established or referred to the Governance Committee for consideration as a charge to the current year's expenses.
  (amended October 25, 2017)
- Unexpended funds from Councillor Ward Allowances may be carried over to the following year, at the discretion of the Ward Councillor, up to a maximum of 10% of the total ward allocation. Carried over funds must be expensed prior to December 31 of the next budget year, with no further carry over allowed.
  (amended June 25, 2014, March 21, 2019)
- Carry over funds be established as a permitted use in the General Purpose Reserve Fund.
  (added October 28, 2015)
- There shall be no carry over of monies, other than the 10% carry over noted above, from year to year. Monies not expended in the calendar year shall be returned to the General Revenues Fund at the end of the calendar year, unless specifically authorized by the Governance Committee for special projects.
- Any expenses not charged to the current year's Councillors Ward Allowance should be charged to the carry over fund established by the Ward Councillor, wherever possible.
  (added October 28, 2015)

**Annual Report**

- The Corporate Finance Department will submit an annual report with the results of the audits of Councillor's CWA expenses to Council for its July meeting, through the Governance Committee of Council. The report will identify the remaining balances, amounts carried forward or returned to General Revenue, if any, as well as report on any special projects authorized by the Governance Committee.