Agenda – Executive Policy Committee – December 7, 2022

AUDIT COMMITTEE

Item No. 2 2021 Management Letter from External Auditors

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

That this report be received as information.

ADMINISTRATIVE REPORT

Title: 2021 Management Letter from External Auditors

Critical Path: Audit Committee

AUTHORIZATION

Author	Department Head	CFO	CAO
J. Peters	C. Kloepfer	C. Kloepfer	

EXECUTIVE SUMMARY

Auditors are uniquely positioned to comment on an organization's processes and procedures, including internal controls. In addition to their professional training and education, auditors garner significant insight and knowledge of the organization's internal control relevant to the audit. These are necessary to deliver their audit report on the financial statements.

It is also required for auditors to deliver a management letter with their findings and recommendations for improvement on internal controls over financial statements ("ICFR"). Attached to this report is KPMG's 2021 management letter, together with management's responses.

KPMG categorizes their findings as "significant deficiencies" and "other control deficiencies". The difference being that significant deficiencies merit the attention of those charged with governance. KPMG noted no significant deficiencies in ICFR.

The Public Service welcomes this feedback from its auditors. We work collaboratively to implement measures to address deficient ICFR.

RECOMMENDATIONS

That this report be received as information.

REASON FOR THE REPORT

The City Organization By-law (7100/97) includes:

> (19)(b)(ii) – Regarding the External Auditors, the Audit Committee will receive and review the External Auditors' reports and management letters, together with any management responses.

IMPLICATIONS OF THE RECOMMENDATIONS

The Public Service welcomes this feedback from its auditors. We work collaboratively to implement measures to address deficient internal controls relevant to the organization's preparation of the annual financial statements.

HISTORY/DISCUSSION

On September 30, 2020, Council approved the award of a contract to KPMG LLP for external audit services for fiscal years 2020-2024. The contract came pursuant to a request for proposal.

As part of conducting an audit of organization's financial statements, auditors will identify and assess risks of material misstatement, whether due to fraud or error, based on their understanding of the organization and its environment, including the organization's internal control structure. In making those risk assessments, auditors consider internal controls relevant to the organization's preparation of the annual financial statements in order to design an appropriate audit plan.

Auditors are uniquely positioned to comment on an organization's processes and procedures, including internal controls. In addition to their professional training and education, auditors garner significant insight and knowledge of the organization's internal control relevant to the audit. These are necessary to deliver their audit report on the financial statements.

It is also required for auditors to deliver a management letter with their findings and recommendations for improvement on ICFR. Attached to this report is KPMG's 2021 management letter, together with management's responses.

KPMG categorizes their findings as "significant deficiencies" and "other control deficiencies". The difference being that significant deficiencies merit the attention of those charged with governance. KPMG noted no significant deficiencies in ICFR.

Two other control deficiencies were noted by KPMG:

- Classification of investment and cash holdings
- Developer deposits

The Public Service agrees with the recommendations made by KPMG in this regard.

As well, the management letter notes the two ICFR recommendation from 2020 has been implemented and KPMG agrees this is no longer a control deficiency.

The Public Service welcomes this feedback from its auditors. We work collaboratively to implement measures to address deficient ICFR.

This report has been shared with the City Auditor as information.

FINANCIAL IMPACT

Financial Impact Statement **Date:** September 22, 2022

Project Name:
2021 Management Letter from External Auditors

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

Jason Duke - September 22, 2022
Jason Duke, CPA, CGA
A/ Manager of Finance (Campus)
Corporate Finance Department

CONSULTATION

This Report has been prepared in consultation with:

KPMG LLP

OURWINNIPEG POLICY ALIGNMENT

N/A

WINNIPEG CLIMATE ACTION PLAN ALIGNMENT

N/A

WINNIPEG POVERTY REDUCTION STRATEGY ALIGNMENT

Consideration was given as to whether this report connects to the Winnipeg Poverty Reduction Strategy (PRS) and its Goals and Objectives, and it was determined that the PRS is not applicable to this specific report.

SUBMITTED BY

Department: Corporate Finance
Division: Corporate Controller's
Prepared by: Melissa Wensel, CPA, CA
Date: October 5, 2022

Attachments: