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Ms. Catherine Kloepfer, FCPA, CGA, FCA, ICD.D
Chief Financial Officer
The City of Winnipeg
510 Main Street
Winnipeg MB R3B 1B9

September 19, 2022

Dear Ms. Kloepfer

In planning and performing our audit of the financial statements of The City of Winnipeg, ("the City") for the period ended December 31, 2021, we obtained an understanding of internal control over financial reporting (ICFR) relevant to the City's 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 financial statements, but not for the purpose of expressing an opinion on ICFR. Accordingly, we do not express an opinion on the effectiveness of the City's ICFR. 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 or other control deficiencies have been identified. As a result, any matters reported below are limited to those deficiencies in ICFR that we identified during the audit. 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.

Refer to the Appendices for the definitions of various control deficiencies.

Significant deficiencies

We did not identify any control deficiencies that we determined to be significant deficiencies in ICFR.

Other control deficiencies

We identified the following control deficiencies that we determined to be other control deficiencies in ICFR that have not been communicated to management by other parties and that, in our professional judgment, are of sufficient importance to merit management's attention.

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2020 Deficiencies		
Description of other control deficiency	***Recommendations***	***Management's Comments***
Review of write-down and useful lives of tangible capital assets Management does not have a formalized process to determine if a write-down is required on tangible capital assets. When conditions indicate there is a reduction in the future economic benefit of a tangible capital asset that is expected to be permanent, a write-down is required (PS 3150.31). In addition, Mangaement does not have a formalized process to review the amortization method and estimate of the remaining useful life on a regular basis as required (PS 3150.29) No formalized process to review if conditions for write-down exists and the appropriateness of useful lives, increases the risk of tangible capital asset and amortization being misstated.	We recommend that management review tangible capital assets annually to assess if any conditions exist that indicate a write-down (refer to PS 3150.34), including a change in the extent and manner in which the asset is use by the City. In addition, we recommend that management review the amortization method and estimate of useful life on an annual basis to determine if any significant events indicate that a revision to the amortization method or remaining useful life can be clearly demonstrated. Significant events are listed in PS 3150.30 and include the expected future usage, effects of technological obsolescence and expected wear and tear from use or the passage of time. A threshold can be established for this review of tangible capital assets and management could consider grouping assets for their assessment.	For 2021, year-end procedures will be updated to give better direction to department controllers to review tangible capital assets under their department's control and use to determine if: i) any conditions exist that would indicate a write-down of a tangible capital asset is required, including a change in the extent and manner in which the tangible capital asset is used; and ii) the amortization method and estimate of useful life of a tangible capital asset should be revised when the appropriateness of a change can be clearly demonstrated. This includes considering the effects on amortization as a result of the tangible capital asset being idle due to COVID-19. For pooled assets, a threshold will be established for this review and included in the updated year end procedures. Where appropriate, assets will be grouped for this assessment. As part of year-end procedures, Corporate Finance staff will review the results of this assessment, including identifying tangible capital assets of significance that may be impacted.
2021 Update Through our work performed during the 2021 audit, KPMG observed that our recommendations were implemented as noted in the above management comments. We no longer consider this a control deficiency.		

2020 Deficiencies		
Description of other control deficiency	***Recommendations***	***Management's Comments***
Treatment of foreign exchange gains/losses Management accumulates the foreign exchange gain/loss year-over-year on the City's USD bank account within their foreign currency clearing account and not through profit and loss. The above accounting treatment has resulted in a misstatement at December 31, 2020 understating cash by $475K and net foreign exchange gain over multiple years by the same amount.	We recommend that management recognize the gain/loss of the foreign currency annually in their surplus/deficit instead of accumulating in the foreign currency clearing account.	This has been discussed with Supervisor of Treasury as well as the Manager of Finance (Campus Finance). The Supervisor of Treasury will recognize the gain or loss for 2020 and prior years in 2021. As well any gain or loss will be recognized annually. The Manager of Finance (Campus Finance) will ensure this is completed as part of the review of Treasury's working papers.
2021 Update Through our work performed during the 2021 audit, KPMG observed that our recommendations were implemented as noted in the above management comments. We no longer consider this a control deficiency.		

2021 Deficiencies		
Description of other control deficiency	***Recommendations***	***Management's Comments***
Classification of investment and cash holdings The City's Corporate Finance department obtains an investment listing from the City's Treasury Department which accumulates all investment accounts. This listing is used for year-end presentation of investments in the financial statements. We observed that the balances of certain high interest savings accounts were included in this investment listing, resulting in these accounts being presented as investments verses cash on the financial statements. The above accounting treatment has resulted in a corrected misstatement during our 2021 audit, correcting the understatement of cash by $6.7M and overstatement of investments by the same amount.	We recommend that a review is completed by the Treasury division to identify any cash accounts included in the investment listing that should be reclassified to cash. The Financial Reporting division can then ensure proper presentation of both investments and cash in the financial statements.	Due to low prevailing low interest rates in investments, some high interest savings accounts were being utilized to earn a better rate of return. As the funds were being managed similar to investments they were recorded in investment general ledger accounts. A new template has been created and will be completed by Treasury to review all investments and ensure they are appropriately presented for financial reporting purposes. Once completed it will also be reviewed by the Financial Reporting. This will be in place for the 2022 fiscal year-end

2021 Deficiencies		
Description of other control deficiency	***Recommendations***	***Management's Comments***
Developer deposits During our 2021 audit, we found the account entitled "Accounts Payable - Developer's Land Improvement Costs" was comprised of a significant number of aged deposits (over 10 years old). This account relates to payments collected from a developer for a land improvement benefiting them but completed by another developer. The excessive number of old transactions in this listing would cause inefficiencies for reviewing the deposits to assess existence and likelihood that the amount will be paid out by the City.	We recommend that management develop a process over assessing these developer deposits to both limit the review time required over the listing and to properly assess and account for the likelihood that these deposits will ultimately not be paid out after a certain time span has passed. The process should include sorting the listing by age and amount to facility a more efficient review, the follow-up required by the City based on a threshold and aged grouping and the process for determining an allowance for the aged group to reflect the likelihood the deposit will not be paid.	Planning, Property and Development will develop and maintain a schedule that breaks down credits to the account by age and amount. A detailed review will be undertaken of developer agreements and construction drawings, focusing on the oldest and largest amounts to ascertain whether or not the funds should remain in the account, be transferred to a different account or be paid to a developer. The establishment of an allowance will be considered upon completion of this detailed review as well as an annual review process. This department work towards completing this initial review by June 2023.

Use of letter

This letter is for the use of management and those charged with governance in carrying out and discharging their responsibilities and should not be used for any other purpose or by anyone other than management and those charged with governance.

KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this letter has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Yours very truly,

KPMG LLP

Appendices

Terminology	Definition
Other Control Deficiencies	Another control deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to prevent, or detect and correct, misstatements in the financial statements is missing; or (b) an existing control is not properly designed so that, even if the control operates as designed, the control is unable to prevent, or detect and correct, misstatements in the financial statements. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.
Significant Deficiencies	A significant deficiency in internal control is a deficiency, or combination of deficiencies, in internal control that, in the auditor's professional judgment, is of sufficient importance to merit the attention of those charged with governance.